REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2017

2017

CONTENTS

REPORT OF THE BOARD OF DIRECTORS 1 JANUARY–31 DECEMBER 2017

Operating environment

During the reporting year, the Finnish economy grew faster than forecasted earlier, driven by the global economy. In 2018, growth is projected to be slightly over three per cent. This growth is based on improving export, increased private consumption and investments. The Finnish competitiveness pact is expected to improve cost competitiveness, but its impact on economic development will take effect with some delay. The public economy is estimated to remain in the deficit.

Regardless of strong economic growth, the labour market has recovered slowly, albeit steadily, as more and more Finnish people have been able to find a job. The improved employment situation, combined with low interest rates and the strong confidence of consumers in their own finances and the Finnish economy, has helped to increase private consumption.

Interest rates have started to go up in the USA where economic growth has increased. Rates are expected to remain low in the eurozone and in Finland as a result of the exceptionally light financial policy of the European Central Bank (ECB). Low interest rates have a positive impact on SATO's results, as they reduce financing costs. However, economic growth and inflation expectations will cause the ECB to apply a stricter financial policy in coming years, and long-term interest rates are expected to start increasing first.

The success of urbanisation is essential for the competitiveness and growth of Finland. The pace of construction was high, also in 2017, continuing at a growth rate of four per cent. Housing construction also proceeded at a record-breaking pace. According to the October 2017 review of the Confederation of Finnish Construction Industries, the construction of approximately 43,000 apartments was started in the year under review. Furthermore, the Confederation of Finnish Construction Industries estimates that the construction of some 40,000 apartments will start in 2018. The pace of construction must remain high in order to balance the supply and demand of apartments in growth centres.

Last year was another active year in the real estate investment market, as interest rates remained low and a plentiful supply of money was in circulation. Residential portfolio transactions declined to a more moderate level from the peak year of 2016. According to KTI Property Information Ltd, trading in rental apartment portfolios was worth close to EUR 1 billion in the review year, and new investors emerged again in the housing investment market. The positive development of apartment prices in SATO's operating areas has increased the fair value of our housing assets.

The growth in the number of small households, urbanisation, the aging population and immigration has strongly increased demand for rental apartments in growth centres, particularly in the Helsinki metropolitan area. In particular, demand for small apartments is showing a steady increase.

According to Statistics Finland, there were 1,131,000 one-person households in 2016 (669,000 in 1991) and 2,012,000 households of one or two persons (1,280,000 in 1991). A quarter of the entire population, and nearly half of the population of the largest cities, live in rental apartments. Of all households living in rental apartments, 86 per cent consist of one or two persons. For example, approximately 80 per cent of all households in Helsinki and in Tampere consist of one or two persons. Approximately 45 per cent of the population of Helsinki live in rental apartments.

The population in the 14 biggest cities will increase by 486,700 people between 2015–2040 according to the conservative scenario of VTT Technical Research Centre of Finland for a population estimate in 2015–2040 and by 642,500 people according to an urbanisation forecast.

The increase of the number of rental apartments has alleviated the pressure to increase rents. However, rents have correspondingly increased as a result of the development of energy and property taxes and water tariffs.

While the apartment range has increased, competition over customers has intensified. We will increase SATO's competitive edge by improving our customer service, building new services that produce value for our customers and developing new housing concepts for urban needs.

The number of rental apartments has slowly increased, and they numbered approximately 850,000 of the 2.6 million permanently occupied apartments. Approximately half of these were owned by private persons. The housing assets of SATO represent roughly three per cent of all rental apartments in Finland and approximately six per cent of all rental apartments in major cities.

The long-term economic uncertainty and low interest rates have made real estate investments increasingly attractive, and during the reporting year the volume of property transactions was at a record high for the second year in succession. In Finland, housing investments, in particular, have increased in popularity, and several new operators specialising in housing investments have entered the market over the past few years. Finnish pension insurance companies have also returned to the market, making direct investments in rental apartments when the use of borrowed capital for rental housing investments was permitted by temporary legislation. The number of foreign investors has also increased.

Strategy

Globalisation, digitalisation and sustainable development are speeding the pace of urbanisation. Megatrends and urban environments also have an impact on people's values and activities. This is why we believe that housing will also need to change. According to our vision, thriving urban environments will be home to people enjoying a high level of wellbeing. Our mission is to revolutionise housing, by providing our customers more than just walls.

Because people's needs are changing, we will create diversified housing concepts for different needs. We will also develop services that provide our customers with benefits and experiences every day and that increase social living and, therefore, comfort. We will grow in the Helsinki metropolitan area, Tampere and Turku, all areas where demand for apartments is the highest and value increase is expected to be stable over the longer term.

The role of financing in creating preconditions for growth will increase even further. SATO has set the strengthening of its investment grade rating (currently Moody's Baa3) as a strategic goal. Our return on equity target for the strategic period is 12 per cent. In addition, our strategic goal is a constantly improving Net Promoter Score (NPS) among our tenants.

According to SATO's dividend policy, annual dividends paid will, depending on the market situation, investment level, the development of the equity and the solvency ratios, be a maximum of 40 per cent of the cash flow from operations.

In December 2017, the Board of Directors approved the long-term goal of solvency ratio not to exceed 50 per cent. The previous goal was less than 70 per cent.

Net sales, profit and financial position

SATO is engaged in investment activities where profit comes from rental income, sales profits and changes in the fair value of apartments. At the end of the year, capital invested in business operations stood at EUR 3,342.9 (3,195.6) million. When evaluating business profitability, the key indicator is return on investment, which was 7.1 (9.1) per cent.

At the beginning of 2017, SATO changed its reporting practices so that net sales consist only of rental income. During the reporting year, the Group's net sales increased by 6.6 per cent from the reference year of 2016 and totalled EUR 280.1 (262.7) million. Rental income improved as a result of the increased number of apartments, the improved occupancy rate and our focus on apartments in growth centres. Net rental income stood at EUR 188.4 (167.1) million. The development of the apartment portfolio, the improved economic occupancy rate, the moderate development of maintenance fees and the development of rental activities and customer service contributed to the increase in net rental income.

Operating profit, including the change in fair value of EUR 70.6 (124.3) million, decreased by 13.7 per cent to EUR 230.7 (267.2) million. The difference was due to the smaller change in fair value of rental apartments, in comparison with the previous year. Operating profit without the change in fair value improved to EUR 160.1 (143.0) million.

Profit before taxes decreased by 15.7 per cent to EUR 184.9 (219.4) million. The difference was due to the smaller change in fair value of rental apartments, in comparison with the previous year.

Earnings per share were EUR 2.58 (3.22). Cash flow from operations (free cash flow after taxes excluding changes in fair value) amounted to EUR 91.1 (86.2) million. The improved economic occupancy rate and low interest rates helped to improve the cash flow. In 2017, net financing costs totalled EUR 45.8 (47.8) million, comprising 16.3 per cent of the Group's net sales.

The change in the fair value of apartments included in the profit was EUR 70.6 (124.3) million. The smaller change was mainly due to the weakened exchange rate of the Russian rouble and a reduction in the expiry of restrictions applicable to certain sites, in comparison with the previous year.

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

On 31 December 2017, the consolidated balance sheet total stood at EUR 3,694.6 (3,562.2) million. Equity was EUR 1,411.2 (1,252.6) million. Equity per share was EUR 24.92 (22.12).

The Group's equity ratio was 38.2 (35.2) per cent, which exceeds the target level of 35 per cent.

In 2017, return on equity was 11.0 (15.6) per cent.

Financing

The Group and the parent company have enjoyed a solid financial position throughout the financial period. At the end of the year, the Group had EUR 14.2 (18.3) million in cash and cash equivalents.

Interest-bearing liabilities at the end of the financial period totalled EUR 1,931.7 (1,943.0), of which loans subject to market terms accounted for EUR 1,552.1 (1,446.2) million. The loan itemisation is in note 26 of the consolidated financial statements.

EUR 273.5 million in new long-term financing was withdrawn during the review period. The solvency ratio was 52.1 (54.3) per cent at the end of the reporting year. In December 2017, the Board of Directors approved the new long-term target for the solvency ratio. The solvency ratio is not to exceed 50 per cent, while the previous target was to remain below 70 per cent.

SATO's objective is to shift towards an unsecured financing structure and also to ensure as extensive and flexible financing base as possible and to improve the availability of financing to support the growth of the company. During the review period, SATO increased the proportion of unsecured loans to 53.4 per cent of all loans. At the end of the year, the proportion of unencumbered assets was 66.3 per cent. During the review period, SATO reached agreements on significant and exceptionally long unsecured bank loans. In May, SATO and OP Corporate Bank signed an agreement on bilateral loan of EUR 100 million. In August, SATO and Swedbank AB (publ) signed an agreement on bilateral loan of EUR 100 million. Both of these are seven-year loans, and the cash proceeds will be used for the Group's general financing purposes and to refinance secured loans. These loans are guaranteed by Sato-Asunnot Oy.

To stabilise its financing costs and to improve the availability of financing and length in maturities, SATO has set an improved investment grade rating (currently Moody's Baa3) as its strategic goal. At the end of the reporting year, the average loan interest rate was 2.2 (2.5) per cent. In accordance with the Group's financing policy, the aim is to ensure that at least 60 per cent of all loans are fixed-rate loans. At the end of reporting year, the proportion was 78.2 (82.2) per cent.

In 2017, net financing costs totalled EUR 45.8 (47.8) million. The average maturity of loans with market terms was 4.9 (4.8) years.

During the financial period, the calculated impact of changes in the market value of interest hedges on equity was EUR 12.5 (-3.4) million.

Group structure

SATO Corporation is the parent company of SATO Group. At the end of the reporting year, the parent company had a total of 36 (21) subsidiaries engaged in business operations.

Housing assets and fair value

On 31 December 2017, SATO owned a total of 25,793 (25,344) apartments. The number of apartments increased by 449 during the year. A total of 167 (2,679) apartments were purchased and 856 (701) new apartments were completed, totalling 1,023 (3,380) apartments. The total number of divested rental apartments and shared ownership homes redeemed by the owner occupants was 486.

At the end of the reporting year, the fair value of apartments was EUR 3,564.8 (3,383.2) million and the change in fair value, including the rental apartments acquired and divested during the year, was EUR 181.6 (630.3) million. In addition to investments and divestments, the change in value was affected by the development of market prices and rental income, as well as the expiry of restrictions applicable to certain sites.

Of the value of apartments, the commuting area of the Helsinki metropolitan area accounted for approximately 80 per cent, Tampere and Turku made up approximately 14 per cent, and Oulu and Jyväskylä approximately 4 per cent. Apartments in St. Petersburg represent approximately 3 per cent of the total value.

Development of housing assets

We will develop our housing assets by building new houses and apartments, and by repairing houses and apartments we own. In addition, we aquire existing houses and apartments, and divest those that are secondary in terms of our strategy.

Our investment activities serve to increase and modernise our apartment range. According to SATO's strategy, our aim is to increase the range of rental apartments in the Helsinki metropolitan area, Tampere and Turku and, therefore, support the urban development that is vital for Finland.

During the reporting year, investments in apartments totalled EUR 156.0 (572.6) million. New apartments accounted for EUR 100.8 (153.5), being roughly 64.6 per cent of all investments. At the end of the financial year, binding purchase agreements in Finland totalled EUR 54.9 (121.2) million.

During the reporting year, a total of 1,023 (3,306) rental apartments were acquired in Finland, of which 856 (627) in new buildings. A total of 1,109 (1,232) apartments were under construction in Finland at the end of the year.

The most significant investment involved the package of 150 apartments in Espoo, Vantaa and Turku acquired from Veritas Pension Insurance Company. These apartments are located in central areas in these cities.

In total, 294 (1,267) rental apartments with a total value of EUR 46.2 (67.7) million were divested in Finland.

In Finland, EUR 44.3 (45.2) million was spent on improving the quality of apartments, i.e. the repair of apartments and the modernisation of properties.

Property development

We create ground for continuous investments by city planning development projects. Having our own plot reserves gives us a competitive edge and helps us to respond to future apartment demand in the best possible way.

The carrying amount of plots owned by SATO was EUR 54.0 (62.0) million at the end of the reporting year. No new plots were acquired in 2017. The carrying amount of the plot reserves divested during the year or used for producing apartments was EUR 9.0 (22.4) million.

We initiated complementary city planning projects, totalling nearly 70,000 m^2 for roughly 1,100 new apartments. One of the most interesting complementary city planning projects was launched in Oulunkylä, Helsinki. A design competition was held for the development of the area with the aim of making the area more densified and lively by means of demolition and rebuilding. Other city plan development projects were in progress, for example, in Patola and Myllypuro in Helsinki, Hakunila and Myyrmäki in Vantaa, and Niittykumpu, Finnoo and Soukka in Espoo. In Turku and Tampere, we are negotiating with the cities over complementary city planning projects to be launched during 2018.

A design from SATO, Skanska and ALA Architects was selected for the second round of the Helsinki High-Rise architectural competition in autumn 2017. The aim of the competition, which emphasises quality, is to find a designer and developer for a high-rise area in central Pasila. For SATO, the competition is an opportunity to create a vibrant urban environment for one of the most significant unbuilt areas in Helsinki.

Of the ongoing city plan development projects, approximately 200,000 m^2 of permitted building rights are planned for complementary construction on the company's own plots or plots under preliminary acquisition agreements, for approximately 3,400 apartments. City plans were completed for complementary construction on the company's own plots, totalling approximately 13,000 m^2 of permitted building rights. Complementary construction serves to produce various benefits for people already living in the area, future residents, service providers and society. The permanence of services improves, and municipalities do not need to invest in public utility services, and furthermore the image of the area is enhanced.

During the financial year, a total of 856 (627) rental apartments and 57 (38) apartments for sale were completed for the Group in Finland. At the end of the year, 1 (27) completed apartment remained unsold at a total purchase value of EUR 0.7 (16.1) million. There were 0 (0) apartments for sale under construction.

Customers and housing business operations

At the end of the reporting year, SATO had 47,440 customers living in 25,793 SATO homes. The housing needs of our customers are becoming more diverse and their expectations of housing-related services are increasing. We develop our operations and apartment range to respond to the expectations of our customers and, therefore, improve the customer experience. We measure the customer experience using the NPS, and our objective is to continuously increase this value.

During the reporting year, we invested in customer service during the home-seeking phase, by launching an online FindHome service. In addition, we continued to improve the efficiency of our rental service processes in order to more quickly find a suitable apartment for customers needing a new home.

We developed our housing services during the strategic Customer First programme. We created a new customer service model during the development programme to ensure an unbroken service chain for our customers in accordance with the one contact principle. At the same time, we insourced real estate management, and established SATO's own service manager organisation to cover designated buildings and service the needs of their customers. As a part of the bidding process held for maintenance work at the end of the year, we also ensured that our key partners serve our customers by following the Customer First principles.

The significant development of customer service was reflected in SATO's economic occupancy rate which was 96.8 (95.6) per cent on average in Finland during the review year. The occupancy rate improved during every quarter, rising from 96.1 per cent in the first quarter to 97.5 per cent in the last quarter. The external tenant turnover rate was 28.9 (32.7) per cent on average. Internal tenant turnover remained at previous year´s level of 7.9 per cent. The occupancy rate increased and the external tenant turnover rate decreased as a result of Customer First programme, in particular through the improved customer service and smoother services for customers in need to change an apartmen

The average rent of SATO's apartments in Finland was EUR 16.69 (16.47) per m^2 per month at the end of the year. The rate of net rental income from apartments was 5.6 (5.7) per cent, being at the same level as in 2016 and being in line with our guidance.

Business operations in St. Petersburg

The housing market in St. Petersburg equals the Finnish housing market in size. SATO has operated in St. Petersburg since 2007. The share of investments in Russia is limited to a maximum of 10 per cent of the Group's housing assets.

SATO's buildings are located close to the centre of St. Petersburg and constructed in the 21st century. At the end of the reporting year, the fair value of housing assets in St. Petersburg totalled EUR 118.9 (128.6) million, being 3.3 per cent of all housing assets held by SATO. The change in value was EUR -9.7 (19.8) million, resulting from changes in the exchange rate. SATO does not have binding purchase agreements in St. Petersburg. There were a total of 534 (534) completed apartments and zero apartments under construction in St. Petersburg at the end of the year. For the time being, SATO will refrain from making new investment decisions in Russia.

During the reporting year, the average occupancy rate of our apartments in St. Petersburg increased to 89.6 (82.2) per cent. The increase in the occupancy rate was attributable to the more efficient rental process and the positive development of the infrastructure around SATO's apartments.

The estimated inflation rate in Russia was approximately 4.0 (5.8) per cent. SATO's rouble-denominated rents changed by 1.2 (-0.7) per cent. As a result of the decreased value of the rouble, euro-denominated rents decreased, being EUR 14.86 (15.33) per m^2 per month at the end of the year.

Corporate responsibility

We consider responsibility to be a precondition for business operations, and we have continuously updated and revised the guidelines and principles applied to our activities.

Corporate Governance Statement is being published separately from the annual report of the Board of Directors. SATO's Code of Conduct, Corporate Governance Statement and Sustainability policy are available at sato.fi.

To further develop our operations, SATO participates in national and international sustainability comparisons. In 2017, we took part in the development of an environmental responsibility reporting recommendation for Finnish real estate investors in cooperation with KTI Property Information and the Finnish Association of Building Owners and Construction Clients (RAKLI). The recommendation was piloted with ten pioneering companies. We also took part in KTI's annual study on sustainable real estate business operations and sustainability barometer.

In the review period, we participated in the international Global Real Estate Sustainability Benchmark comparison for the third time and achieved three stars, or the Green Star level. SATO received special recognition for the comprehensiveness of our energy monitoring, and the setting and monitoring of objectives.

On 1 January 2017, SATO introduced a new Code of Conduct, including revised guidance on reasonable hospitability, and decided to adopt a Whistleblowing policy to stakeholders and personnel for reporting any misuse.

Environmental impact

By curbing energy consumption, we can have a significant impact on the prevention of environmental impact caused by housing. In 2016, SATO signed the energy efficiency agreement in the real estate industry for 2017–2025. SATO has also been party to preceding energy saving agreements of rental apartment associations, starting from the very first agreement signed in 2002. In addition, SATO is a committed climate partner of the City of Helsinki.

Through our environmental programme, we are committed to the objectives of the new energy efficiency agreement for the real estate sector to reduce the total consumption of electricity and heat by 10.5 per cent between 2014 and 2025.

During the reporting year, the rated (i.e. adjusted by weather) consumption of heating energy increased by 0.7 per cent and that of electricity by 1.3 per cent from the 2016 level. The rated consumption of water increased by 0.5 per cent.

Legislation concerning the energy efficiency of residential buildings sets a near zero energy requirement for new buildings, corresponding to energy efficiency figure 128. Through its financing agreement with the European Investment Bank, SATO is committed to building markedly more energy-efficient buildings, with our energy efficiency figure target being 116 for new buildings. There are already nearly 20 sites completed or under construction on the basis of this at a total investment value of more than EUR 200 million.

During the reporting year, rated emissions from SATO's apartments fell by 2.0 per cent to 32.6 (33.3) carbon dioxide equivalent kilograms per square metre. Emissions are calculated according to the absolute consumption of district heating. The goal is to achieve a 20 per cent reduction in greenhouse gas emissions by 2020 when compared to the 2013 level.

The Group's environmental programme is available at sato.fi/ymparisto-ohjelma.

Development activities

Development activities were focused on strategy development, the development of customer service, digital services and IT systems and the planning of new concepts. A total of EUR 1.9 (0.9) million was spent on development, comprising 0.7 per cent of net sales.

During the reporting year, we worked on three strategic development programmes to strengthen our customer satisfaction and permanence. In the Customer First development programme, we changed our entire customer service model to ensure that our customers are served with the one contact principle. We re-integrated building management into our service range and established a service manager organisation, within which service managers have thorough knowledge of their buildings and customers.

The FindHome service, the first phase of the digital MySATO development programme, ensured that finding a new home is an easy experience for customers. The programme continued in the autumn through the development of digital housing services.

Our third programme, diverse housing solutions, was implemented during the reporting year through various complementary planning projects, like StudioHome pilot project, for example, where the aim is to promote social living and to deliver more reasonable living costs. More than 700 customers applied for StudioHome apartments, of whom 70 moved in to the building at the beginning of December 2017. SATO's community manager moved in to one of the 68 StudioHome apartments to create opportunities for social living. The StudioHome building is home to people between 19–69 of age and seven different nationalities, ranging from students to pensioners and from workers to managers.

In total, our strategic development programmes created the need for around 40 new SATO employees in different positions, all with one aim: to serve our customers.

Events after the review period

After the review period SATO has sold all the shares in SATO HotelHome Ltd to Majoituspalvelu Forenom Oy. The parties closed the transaction on 1 February 2018. Following the transaction, SATO will focus on developing its rental housing offering as well as diversify its housing solutions and new housing services for consumers in growing cities.

Risk management

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

The change in the value of SATO's apartments is presented in the income statement. Consequently, the development of apartment price levels – as well as currency fluctuations regarding the assets in St. Petersburg – may cause fluctuations in profit.

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

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

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

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

In accordance with the Group's financing policy, the aim is to ensure that at least 60 per cent of all loans are fixed-rate loans. The Group has set an equity ratio target of at least 35 per cent.

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

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

Pending legal actions

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

Shares

On 31 December 2017, the share capital of SATO Corporation was EUR 4,442,192.00 and there were 56,783,067 shares. The company has one series of shares. The shares are included in the book-entry securities system maintained by Euroclear Finland Oy.

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

On 31 December 2017, the Board members or the CEO of SATO Corporation did not hold any shares in the company.

Personnel

At the end of 2017, the Group had 212 (175) employees. There were 201 (160) permanent employees and 11 (15) employees with a fixed-term employment contract. During the year, the Group had an average of 206 (170) employees. Employee satisfaction increased during the reporting year, and the PeoplePower rating increased from A+ to AA.

The Shareholders' Nomination Committee

The Shareholders' Nomination Committee consists of representatives of SATO's four largest shareholders registered in the book-entry system October 1. If a shareholder chooses not to exercise their 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 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 AGM held on 8 March 2017 confirmed that the Board of Directors consists of seven members.

In 2017, members of SATO's Board of Directors were chairman Erik Selin, deputy chairman Jukka Hienonen and ordinary members Marcus Hansson, Esa Lager, Tarja Pääkkönen and Timo Stenius. Johannus (Hans) Spikker was elected as a new member.

The Board of Directors convened eight times in 2017. The Board's work is supported by two committees appointed from among the Board members: the Nomination and Remuneration Committee and the Audit Committee.

Saku Sipola (M.Sc. Eng.) has acted as the CEO. The CEO has no deputy.

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

Members of the management team

On 31 December 2017, members of the management team were Saku Sipola, Antti Aarnio (EVP, investments), Monica Aro (EVP, development), 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 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 solid growth path, and general confidence is estimated to be higher than on average. Interest rates are expected to remain low in 2018, which will have a positive impact on SATO's financing costs.

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

SATO's net rental income rate is expected to remain at the 2017 level. Rent increases are expected to be moderate.

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

The Russian economy is expected to develop slowly.

Proposal of the Board of Directors for the distribution of profit

On 31 December 2017, the parent company's distributable equity was EUR 302,355,911.14, of which profit for the period was EUR 62,526,766.65. The company had 56,623,067 outstanding shares entitling to dividends for year 2017.

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

The Board of Directors proposes to the Annual General Meeting that EUR 0.50 per share be paid in dividends for the 2017 financial period (EUR 0.00 per share for 2016), and that EUR 34,215,233.15 be transferred to earnings.

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

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

Helsinki, 7 February 2018

Erik Selin

Jukka Hienonen

Esa Lager

Markus Hansson

Tarja Pääkkönen

Timo Stenius

Johannus Spikker

Saku Sipola
CEO

AUDITOR'S NOTE

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

Helsinki, 7 February 2018

KPMG OY AB
Lasse Holopainen, KHT

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Net sales		280.1	262.7
Property maintenance expenses		-91.8	-95.7
Net operating income		**188.4**	**167.1**
Fair value change of investment properties, realised	4 13	-0.5	0.7
Fair value change of investment properties, unrealised	4 13	70.6	124.3
Sales, marketing and administrative expenses	6 7 8 9	-35.2	-30.0
Other operating income	5	10.8	7.7
Other operating expenses	5 8	-3.4	-2.6
Operating profit		**230.7**	**267.2**
Financial income	10	0.7	0.6
Financial expenses	10	-46.5	-48.4
		-45.8	**-47.8**
Profit before tax		**184.9**	**219.4**
Income tax expenses	11	-38.6	-44.8
Profit for the period		**146.3**	**174.7**
Profit for the period attributable to			
Equity holder of the parent		146.3	174.8
Non-controlling interests		-0.1	-0.2
		146.3	**174.7**
Earnings per share attributable to equity holders of the parent	12		
Basic, EUR		2.58	3.22
Diluted, EUR		2.58	3.22
Average number of shares, million		56.6	54.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR		1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Other comprehensive income			
Remeasurement of defined benefit liability, net of tax		0.0	-0.1
Related tax		0.0	0.0
Items that will never be reclassified to income statement	24	**0.0**	**-0.1**
Cash flow hedges		15.6	-3.5
Translation differences		-0.1	0.1
Related tax		-3.1	0.7
Items that may be reclassified subsequently to income statement		**12.4**	**-2.7**
Other comprehensive income, net of tax		**12.4**	**-2.8**
Total comprehensive income		**158.7**	**171.9**
Comprehensive income attributable to			
Equity holders of the parent		158.7	172.1
Non-controlling interest		-0.1	-0.2
		158.7	**171.9**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Investment property	13	3,564.8	3,383.2
Tangible assets	14	69.9	105.1
Intangible assets	9 15	1.8	1.6
Investments in associated companies	16	0.0	0.0
Available-for-sale financial assets	17 18	1.7	1.7
Non-current receivables	19 27	11.3	13.4
Deferred tax assets	20	12.8	16.1
Total		**3,662.2**	**3,521.1**
Current assets			
Account and other receivables	21	15.8	18.0
Current tax assets		2.4	4.9
Cash and cash equivalents	17 22	14.2	18.3
Total		**32.5**	**41.2**
TOTAL ASSETS		**3,694.6**	**3,562.2**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		4.4	4.4
Fair value and other reserves		-25.4	-37.9
Reserve fund		43.7	43.7
Reserve for invested non-restricted equity		114.8	114.8
Retained earnings		1,273.7	1,127.6
Total	23	**1,411.3**	**1,252.6**
Non-controlling interests		**-0.1**	**0.0**
TOTAL SHAREHOLDERS' EQUITY		**1,411.2**	**1,252.6**

LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		20	240.0	225.9
Provisions		28	2.7	3.0
Derivatives	17	27	39.4	54.4
Long-term non-interest-bearing liabilities	24	25	0.0	0.8
Long-term interest-bearing liabilities	17	26	1,621.8	1,794.4
Total			**1,903.9**	**2,078.5**
Current liabilities				
Accounts payable and other liabilities		29	59.4	69.9
Provisions		28	3.4	1.9
Current tax liabilities			6.8	10.8
Short-term interest-bearing liabilities	17	26	309.9	148.5
Total			**379.6**	**231.1**
TOTAL LIABILITIES			**2,283.4**	**2,309.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**3,694.6**	**3,562.2**

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Cash flow from operating activities			
Profit for the period		**146.3**	**174.7**
Adjustments:			
Non-cash items included in the profit	32	-66.2	-122.5
Profit and loss on sales of investment properties and fixed assets		0.3	-1.0
Other adjustments		0.3	0.0
Interest expenses and other financial expenses	10	46.5	48.4
Interest income	10	-0.6	-0.6
Dividend income		-0.1	0.0
Income taxes	11	38.6	44.8
Cash flow before change in net working capital		**165.1**	**143.7**
Change in net working capital:			
Changes in accounts receivable and other receivables		2.0	-1.4
Changes in accounts payable and other liabilities		-13.6	12.1
Interest paid		-46.2	-43.0
Interest received		0.6	0.5
Taxes paid		-25.8	-13.8
Net cash flow from operating activities		**82.1**	**98.1**
Cash flow from investing activities			
Acquisitions of investment properties		-156.5	-327.0
Net investment in tangible and intangible assets		32.8	6.1
Repayments of loans receivable		2.1	0.9
Payments of granted loans		0.0	-1.9
Disposals of investment property		43.3	52.1
Net cash flow from investing activities		**-78.3**	**-269.8**
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of current loans		31.1	6.1
Withdrawals of non-current loans		273.5	381.6
Repayments of non-current loans		-312.3	-332.9
Payments received from the issue of shares		0.0	98.7
Repayment of capital and dividends paid	23	0.0	-25.4
Net cash flow from financing activities		**-7.8**	**128.1**

Change in cash and cash equivalents	**-3.9**	**-43.6**
Cash and cash equivalents at the beginning of period	18.3	60.7
Effect of exchange rate fluctuations on cash held	-0.2	0.4
Cash M&A	0.0	0.9
Cash and cash equivalents at the end of period	14.2	18.3

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

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

	Attributable to owners of the parent							
MEUR	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Shareholders' equity 1 Jan 2017	**4.4**	**-37.9**	**43.7**	**114.8**	**1,127.6**	**1,252.6**	**0.0**	**1,252.6**
Comprehensive income:								
Remeasurements of defined benefit liability	-	-	-	-	-	0.0	-	0.0
Cash flow hedges, net of tax	-	12.5	-	-	-	12.5	-	12.5
Translation differences	-	-	-	-	-0.1	-0.1	-	-0.1
Profit for the period	-	-	-	-	146.3	146.3	-0.1	146.2
Total comprehensive income	**0.0**	**12.5**	**0.0**	**0.0**	**146.2**	**158.7**	**-0.1**	**158.6**
Transactions with shareholders:								
Dividend	-	-	-	-	-	0.0	-	0.0
Transaction with shareholders, total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other adjustments	0.0	-	-	-	0.0	0.0	-	0.0
Total of equity movements	**0.0**	**12.5**	**0.0**	**0.0**	**146.2**	**158.7**	**-0.1**	**158.6**
Shareholders' equity 31 Dec 2017	**4.4**	**-25.4**	**43.7**	**114.8**	**1,273.7**	**1,411.3**	**-0.1**	**1,411.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT, IFRS

1. Accounting principles

General company information

SATO Corporation is a Finnish public limited company domiciled in Helsinki, Finland, and its 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 financial statements on 7 February 2018. A copy of the company's consolidated financial statements may be obtained from the abovementioned address.

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

SATO's housing investments include both privately financed and state-subsidised housing assets. In respect of the latter SATO's business is affected by special features of non-profit activities, which are the result of restrictions set on the company's business for state-subsidised housing construction. The non-profit restrictions affect owner organisations through, *inter alia*, restrictions on distribution of the profit, divestment and risk-taking as well as through the prohibition 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.

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

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 2016. The notes to the financial statements are also in compliance with the Finnish accounting principles and corporate legislation.

The information in the financial statements is stated in millions of euros. Figures presented in these financial statements have been rounded from exact figures and therefore the sum of figures presented individually can deviate from the presented sum figure.

The preparation of IFRS financial statements requires judgement by the management in applying the accounting principles and making certain estimates and assumptions that are subject to uncertainty. In Note 2, information is given on key areas where management judgements or uncertainty factors in estimates and assumptions may cause the most significant effects on the figures presented.

Changes in presentation of financial statement items

SATO has amended the reporting of income and expenses starting from the first quarter of 2017. The new reporting practice is considered to better reflect SATO's current strategy and the recent development of its business. Under its current strategy, SATO focuses on the rental business.

Sale of new apartments and land stock is no longer a part of the Group's core business and its share of the Group's income has decreased significantly. Therefore, income from the sale of new homes and land stock that were previously presented in the net sales have been reclassified to profit (loss) from investment property sold and included in the other operating income.

Similarly, the profit (loss) from the sale of land stock and other income previously included in net sales have been reclassified to other operating income. Accordingly, the Group's unbuilt land stock reserve and properties under construction that are not classified as investment property are included in tangible assets in the Group's statement of financial position.

In the statement of cash flows, changes in the Group's unbuilt land stock reserve and properties under construction not classified as investment property are presented in the cash flow from investing activities, and are included in the net investment in intangible and tangible assets, starting from the first quarter of 2017.

The changes mentioned above have been applied to the comparison period.

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

In SATO'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 the income statement. Unrealised gains and losses related to cash flow hedges are reported in other comprehensive income.

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

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

Investment property

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

At initial recognition, investment properties are booked at acquisition value, which includes transaction costs. Subsequently, investment properties are valued at fair value. Gains and losses from changes in fair value are booked through profit and loss in the period when they are incurred. Fair value of an investment property represents the price that would be received for the property in an orderly transaction, taking place in the local (principal) market at the reporting date, considering the condition and location of the property.

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

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

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

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

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

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

Tangible assets

Tangible assets are valued at the original acquisition cost less accumulated depreciation and impairments. No depreciation is recorded for land areas. 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 its acquisition cost can be determined reliably and it is likely that an expected economic benefit will accrue to the company from it.

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

Impairment

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

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

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

Financial instruments

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

Financial assets and liabilities at fair value through profit and loss

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

Loan and other receivables

Loan and other receivables are non-derivative assets, for which the payments are fixed or can be determined. On the balance sheet, they are included in the accounts receivable and other receivables, in either current or non-current assets, according to their terms. Loans and other receivables are valued at amortised acquisition cost less any impairment. The Group books an impairment loss against accounts receivable when there are reasonable indications on the date of closing the books that the receivable will not be collected in full.

Financial assets available for sale

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

An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell.

Cash and cash equivalents

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

Financial liabilities at amortised cost

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

Derivatives and hedge accounting

All derivatives are originally booked at fair value at the trade date, and are subsequently measured at fair value. The accounting treatment of profits and losses depends on the intended use of the derivatives. The Group documents the designation of hedging instruments to hedged items and makes its assessment as to whether the derivatives used for hedging are highly effective in negating the changes in the cash flows of the hedged items. The effectiveness is reviewed both when starting the hedging and after the event. The fair value of derivatives is calculated by discounting the contractual cash flows. The fair value of interest-rate options is calculated by using the market prices at the balance sheet date and option valuation models.

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

Provisions

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

Principles of income recognition

Principles of income recognition for sales of new homes

Income from sales of new homes is recognised in compliance with the IAS 18 *Revenue* standard and the related IFRIC 15 *Agreements for the Construction of Real Estate* interpretation at the moment when the risks and benefits of the property have been transferred to the buyer. In respect of the homes sold during 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 client commissioning, is recognised when the service has been performed.

Lease agreements (SATO as lessor)

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

Lease agreements (SATO as lessee)

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

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

Borrowing costs

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

Public grants

Public grants, for example for lifts, are booked as decreases in the book value of tangible assets. Received grants therefore reduce the depreciation applied to the asset during its economic life. For SATO, the main form of public support is state-supported interest-subsidised loans and Housing Fund of Finland loans, in which state-backed projects receive a low-interest loan with the support of the state. The real interest on these loans is lower than the interest expenses would be on market-based loans. The interest advantage obtained through public support is therefore netted into interest expenses in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and is not shown as a separate item in the interest income.

Pension arrangements

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

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

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

Income taxes

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

Net operating income

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

Operating profit

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

New and amended standards applied in financial year ended

SATO has applied from 1 January 2017 the following new and amended standards that have come into effect.

- Amendments to IAS 7 *Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in SATO's consolidated financial statements.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on SATO's consolidated financial statements.

- Amendments to IFRS 12*, *Annual Improvements* to IFRSs (2014–2016 cycle) (effective for financial years beginning on or after 1 January 2017). 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 have no impact on SATO's consolidated financial statements.

* = not yet endorsed for use by the European Union as of 31 December 2017

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

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

- IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impact of IFRS 9 on SATO's consolidated financial statements has been assessed by the management. The implementation of the new standard is not expected to have material impact on the classification or measurement of financial instruments in the consolidated financial statements, except for recording credit losses on short-term receivables, which, according to the new standard, shall be done at an earlier stage as compared to the current practice. The change will have a negative one-off impact on the short-term receivables and equity of the Group in 2018. If the Group had applied the new standard at 31 December 2017, the mentioned impact would have been approx. EUR 2 million. The new standard is not expected to affect hedge accounting at SATO.

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

- IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 -standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, which relate to either short-term contracts in which the lease term is 12 months or less, or to low value items, i.e., assets of value USD 5,000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting.

  SATO has assessed the key impacts of the implementation of IFRS 16 on its consolidated financial statements. According to the assessment, the new standard will have an impact on SATO's consolidated financial statements as it concerns the Group as a lessor. The Group is a lessor in a significant number of lease agreements for land plots and offices, which will be recognised on the balance sheet according to the new standard. Additional information of the Group's lease commitments is presented in note 32 to the consolidated financial statements. SATO will apply the new standard from 1 January 2019, in accordance with the transition rule for modified retrospective application as set out in IFRS 16.C5(b).

- 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 IFRS 4 standard. The standard has no impact on SATO's consolidated financial statements.

- Amendments to IFRS 2 - *Clarification and Measurement of Share-based Payment Transactions** (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments have no impact on SATO's consolidated financial statements.

- Amendments to IFRS 4 - *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for financial years beginning on or after 1 January 2018). The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The amendments have no impact on SATO's consolidated financial statements.

- IFRIC 22 - *Foreign Currency Transactions and Advance Consideration** (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates standard is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation has no impact on SATO's consolidated financial statements.

- Amendments to IAS 40 - *Transfers of Investment Property** (effective for financial years beginning on or after 1 January 2018). When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to property under construction or development as well as to completed property. The amendments have no impact on SATO's consolidated financial statements.

- *Annual Improvements to IFRSs* (2014–2016 cycle)* (effective for financial years beginning on or after 1 January 2018). 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 IFRS 1 and IAS 28. The amendments have no impact on SATO's consolidated financial statements.

- IFRIC 23 *Uncertainty over Income Tax Treatments** (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. 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 impact on SATO's consolidated financial statements.

- Amendments to IFRS 9: *Prepayment Features with Negative Compensation** (effective for financial years beginning on or after 1 January 2019). The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments have no impact on SATO's consolidated financial statements.

- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures** (effective for financial years beginning on or after 1 January 2019). The amendments clarify that a company applies IFRS 9 Financial Instruments 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)* (effective for financial years beginning on or after 1 January 2019). 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 IFRS 3, IFRS 11, IAS 12 and IAS 23. The amendments have no impact on SATO's consolidated financial statements.

* = not yet endorsed for use by the European Union as of 31 December 2017.

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, the 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 substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants. Property in tangible assets comprises other than investment property. Principally, this includes land plots that the Group holds and develops for a future use, and may later be reclassified to investment property.

Key estimates and assumptions

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

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

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

- The amount of provisions 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.

- The fair value of investment property is determined using widely recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. Due to the fact that market prices for properties are not observable on a quoted market, the fair value measurement for investment property is performed using indirect valuation techniques that require the use of several assumptions by the Group management. The significant methods and assumptions used by the Group in estimating the fair value of investment property are presented in note 13 to the consolidated financial statements.

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 2017	1 Jan–31 Dec 2016
Assets by geographical regions		
Finland	3,567.8	3,425.4
Russia	126.8	136.8
Total	**3,694.6**	**3,562.2**

4. Result on disposal of investment properties

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Profit and loss on sales of investment properties		
Profit on sales	1.9	3.7
Loss on sales	-2.4	-3.0
Total	**-0.5**	**0.7**

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Sold investment properties		
Proceeds from disposal of investment properties	45.7	67.3
Carrying value of investment properties sold	-46.2	-66.5
Total	**-0.5**	**0.7**

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

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

5. Other operating income and expenses

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Other operating income			
Sales income, new production		30.0	40.2
New production expenses		-28.7	-34.3
Sales income, land stock		14.9	14.6
Carrying value of land stock sold		-7.0	-13.9
Other income		1.6	1.2
Total		**10.8**	**7.7**

From the first quarter of 2017, SATO reports the income from sales of new homes and sales of land stock, net of attributable expenses, in other operating income. Similarly, other income from the sale of services amounting to EUR 0.4 (0.5) million, which was previously included in the Group's net sales, is presented in other operating income from the first quarter of 2017.

MEUR		1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Other operating expenses			
Impairment charges	8	2.0	0.0
Other expenses		1.4	2.6
Total		**3.4**	**2.6**

6. Personnel expenses

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Personnel expenses			
Salaries and wages		13.3	10.9
Defined contribution pension plans		2.4	1.9
Defined benefit pension plans	24	0.0	0.0
Other personnel expenses		0.4	0.3
Total		**16.1**	**13.2**

Management employee benefits are presented in note 34. Related Party Transactions. Average number of personnel during the period has been 206 (170).

7. Auditor's fee

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Auditor's fees		
Audit	0.1	0.1
Tax consultancy	0.0	0.0
Other services	0.0	0.2
Total	**0.2**	**0.3**

SATO's Auditor is KPMG Oy Ab, Authorised Public Accountants.

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

8. Depreciation, amortisation and impairment charges

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Depreciation, amortisation and impairment charges by asset class:			
Tangible assets	14	2.3	0.4
Intangible assets	15	0.8	0.8
Total		**3.1**	**1.1**

Depreciation and impairment charges for tangible assets in 2017 include an impairment of EUR 2.0 million of land plots.

9. Research and development

Research and development expenses during 2017 were EUR 1.3 (0.7) million and capitalised development costs were EUR 0.6 (0.2) million.

10. Financial income and expenses

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Financial income		
Interest income on loans receivable and cash and cash equivalents	0.5	0.5
Dividend income on available-for-sale investments	0.1	0.0
Foreign exchange gain	0.1	0.1
Total	**0.7**	**0.6**

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Financial expenses		
Interest expense on financial liabilities measured at amortised cost	-29.0	-31.5
Interest expense on effective cash flow hedges	-12.9	-12.5
Interest expense on non-hedge accounted derivatives	0.0	0.0
Change in fair value, non-hedge accounted derivatives	0.0	0.0
Other financial expenses	-4.6	-4.4
Total	**-46.5**	**-48.4**
Financial income and expenses, net	**-45.8**	**-47.8**

11. Income taxes

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Income taxes recognised in income statement		
Current tax from accounting period	23.0	20.7
Current tax from previous period	1.4	0.7
Deferred taxes	14.2	23.4
Total	**38.6**	**44.8**

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 2017	1 Jan–31 Dec 2016
Profit before taxes	184.9	219.4
Income tax calculated with domestic corporate tax rate of the parent	37.0	43.9
Non-deductible expenses and tax-exempt income	0.5	0.0
Taxes from prior periods	1.4	0.7
Other items	-0.2	0.1
Total adjustments	**1.6**	**0.9**
Income tax expense in income statement	**38.6**	**44.8**
Effective tax rate, per cent	20.9	20.4

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 2017 was 56,783,067. At the end of the reporting period, SATO held 160,000 of its own shares.

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Profit attributable to equity holders of the parent	146.3	174.8
Weighted average of shares	56.6	54.3
Earnings per share (EUR)		
Basic	2.58	3.22
Diluted	2.58	3.22

13. Investment properties

MEUR	note	31 Dec 2017	31 Dec 2016
Fair value of investment properties at start of period		3,383.2	2,752.9
Acquisitions, new constructions		29.1	557.7
Other investments to properties		125.0	10.5
Disposals of investment properties	4	-46.2	-66.5
Capitalised borrowing costs	35	1.9	1.1
Reclassification from trading properties		1.2	3.2
Gains and losses from changes in fair value*		70.6	124.3
Fair value of investment properties end of period		**3,564.8**	**3,383.2**

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

Significant investments during the period:

In September, SATO acquired 150 apartments located in Espoo, Turku and Vantaa from Veritas Pension Insurance company.

Significant disposals during the period:

In total, 294 (1,267) rental apartments were divested in Finland, with a combined value of EUR 46.2 (66.5) million. The most significant divestments were the sale of 95 rental apartments to Nordea Life Assurance Finland Ltd in February and the sale of 96 rental apartments to JHS-Kiinteistöt Ltd. The divested apartments are mainly located outside SATO's primary operating area.

Valuation methods

SATO's investment properties mainly comprise of rental apartments that are located in the largest growth centres. Approximately 80 per cent of the housing property is located in the Helsinki region. The quality of investment properties is maintained by renovation and repair activities based on the properties' lifecycle and repair plans. Increase in the fair value of SATO's investment property was mainly due to market price levels, reclassifications from measurement group to another when legal restrictions have ended and changes in parameters used in valuation.

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

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

At inception, investment properties are recognised at acquisition value, which includes transaction costs. Thereafter, investment properties 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 represesents the price that would be received for the property in an orderly transaction, taking place in the local (principal) market, considering the condition and location of the property.

SATO measures investment properties at fair value which are based on:

– Sales comparison
– Income value
– Acquisition cost

Sales comparison method

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

Income value

The properties which can only be sold as entire properties and to a restricted group of buyers are valuated using the income value method. The income value is based on the area-specific yield and assumption of the long-term rental use of the buildings. Long-term renovation costs and interest subsidies are taken into account in the income value method. In 2017, the yields used in estimation of the income value varied mainly in the range of 5 to 8 per cent.

Acquisition cost

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

MEUR	31.12.2017	31.12.2016
Investment property by valuation classes		
Sales comparison method	2,932.8	2,687.6
Income value	478.9	540.6
Acquisition method	153.1	155.1
Total	**3,564.8**	**3,383.2**

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Sensitivity analysis of investment properties

MEUR	-10% Change	-10% Change %	-5% Change	-5% Change %	5% Change	5% Change %	10% Change	10% Change %
Properties measured at market values								
Change in market prices	-240.0	-8.2%	-120.0	-4.1%	120.0	4.1%	240.0	8.2%
Properties measured at yield value								
Yield requirement	50.9	10.3%	24.1	4.9%	-21.8	-4.4%	-41.7	-8.4%
Lease income	-64.4	-13.0%	-32.2	-6.5%	32.2	6.5%	64.4	13.0%
Maintenance costs	18.5	3.8%	9.3	1.9%	-9.3	-1.9%	-18.5	-3.8%
Utilisation rate	-64.4	-13.0%	-32.1	-6.5%	-	-	-	-

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 data.

14. Tangible assets

2017

MEUR	note	Land	Machinery and equipment	Other tangible assets	2017 total
Acquisition cost, 1 January		103.0	4.6	1.4	109.0
Additions		39.2	0.5	0.1	39.7
Disposals		-69.2	-0.4	-	-69.6
Transfers between items		-3.2	0.0	-0.1	-3.4
Acquisition cost, 31 December		**69.7**	**4.7**	**1.3**	**75.7**
Accumulated depreciation, 1 January		-	3.6	0.3	3.9
Disposals		-	-0.4	-	-0.4
Depreciation and impairments for the period	8	2.0	0.3	-	2.3
Transfers between items		-	-	0.0	0.0
Accumulated depreciation, 31 December		**2.0**	**3.6**	**0.3**	**5.8**
Carrying value, 1 January		**103.0**	**1.0**	**1.1**	**105.1**
Carrying value, 31 December		**67.7**	**1.1**	**1.1**	**69.9**

2016

MEUR		Land	Machinery and equipment	Other tangible assets	2016 total
Acquisition cost, 1 January		111.1	4.8	1.4	117.3
Additions		87.6	0.4	0.0	88.0
Disposals		-104.1	-0.5	-	-104.7
Transfers between items		8.3	0.0	-	8.3
Acquisition cost, 31 December		**103.0**	**4.6**	**1.4**	**109.0**
Accumulated depreciation, 1 January		-	3.6	0.3	3.9
Disposals		-	-0.4	-	-0.4
Depreciation for the period	8	-	0.4	-	0.4
Transfers between items		-	-	0.0	0.0
Accumulated depreciation, 31 December		**0.0**	**3.6**	**0.3**	**3.9**
Carrying value, 1 January		**111.1**	**1.1**	**1.1**	**113.4**
Carrying value, 31 December		**103.0**	**1.0**	**1.1**	**105.1**

15. Intangible assets

2017

MEUR	note	Intangible rights	Other intangible assets	2017 total
Acquisition cost, 1 January		0.3	6.0	6.3
Additions		-	0.9	0.9
Disposals		-	-	0.0
Transfers between items		-	0.1	0.1
Acquisition cost, 31 December		**0.3**	**6.9**	**7.2**
Accumulated amortisation, 1 January		0.3	4.4	4.7
Disposals		-	-	0.0
Amortisation for the period	8	-	0.8	0.8
Transfers between items		-	-	0.0
Accumulated amortisation, 31 December		**0.3**	**5.1**	**5.4**
Carrying value, 1 January		0.0	1.6	1.6
Carrying value, 31 December		0.0	1.8	1.8

2016

MEUR		Intangible rights	Other intangible assets	2016 total
Acquisition cost, 1 January		0.3	5.4	5.7
Additions		-	0.5	0.5
Disposals		-	-	0.0
Transfers between items		-	0.1	0.1
Acquisition cost, 31 December		**0.3**	**6.0**	**6.3**
Accumulated amortisation, 1 January		0.3	3.6	3.9
Disposals		-	-	0.0
Amortisation for the period	8	-	0.8	0.8
Transfers between items		-	0.0	0.0
Accumulated amortisation, 31 December		**0.3**	**4.4**	**4.7**
Carrying value, 1 January		0.0	1.8	1.8
Carrying value, 31 December		0.0	1.6	1.6

16. Interests in other entities

Group composition

SATO has 36 (21) subsidiaries that are individually material to the Group. Subsidiaries are entities over which SATO has control and they are consolidated to the Group. There are no material non-controlling interests in any of the Group's subsidiaries.

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

A list of all entities owned by the Group or the parent company is presented in note 37.

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 23: Shareholders' equity.

Structured entities

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

There is no significant risk associated to the Group's interests in unconsolidated structured entities. More information on the shared ownership apartments is presented in the accounting principles (note 1) and in note 33: Collateral, commitments and contingencies.

Immaterial associates and joint ventures

SATO did not have joint ventures or associates that are material to the Group in 2017 or 2016.

17. Financial assets and liabilities by category

31 Dec 2017

MEUR	note	Fair value, other comprehensive income	Available -for-sale	Assets and liabilities at amortised cost	2017 Carrying amount total	Fair value hierarchy Level 1	Level 2	Level 3
Non-current financial assets								
Other shares	18	-	1.7	-	1.7	-	1.7	-
Loans receivable	19	-	-	10.7	10.7	-	10.7	-
Derivative assets	19 27	0.6	-	-	0.6	-	0.6	-
Total		**0.6**	**1.7**	**10.7**	**13.0**			
Current financial assets								
Accounts receivable	21	-	-	10.8	10.8		10.8	
Cash and cash equivalents	22	-	-	14.2	14.2		14.2	
Total		**0.0**	**0.0**	**25.1**	**25.1**			
Non-current financial liabilities								
Corporate bonds	26	-	-	745.9	745.9	760.5	24.0	-
Other loans	26	-	-	776.0	776.0	-	779.3	-
Derivative liabilities	27	39.4	-	-	39.4	-	39.4	-
Total		**39.4**	**0.0**	**1,521.8**	**1,561.2**			
Current financial liabilities								
Corporate bonds	26	-	-	100.0	100.0	100.6	-	-
Other loans	26	-	-	209.9	209.9	-	209.9	-
Derivative liabilities	27	3.3	-	-	3.3	-	3.3	-
Accounts payable	29	-	-	4.5	4.5	-	4.5	-
Total		**3.3**	**0.0**	**314.4**	**317.7**			

31 Dec 2016

MEUR	note	Fair value, other comprehensive income	Available - for-sale	Assets and liabilities at amortised cost	2016 Carrying amount total	Fair value hierarchy Level 1	Level 2	Level 3
Non-current financial assets								
Other shares	18	-	1.7	-	1.7	-	1.7	-
Loans receivable	19	-	-	12.9	12.9	-	12.9	-
Derivative assets	19 27	0.5	-	-	0.5	-	0.5	-
Total		**0.5**	**1.7**	**12.9**	**15.1**			
Current financial assets								
Accounts receivable	21	-	-	15.1	15.1	-	15.1	-
Cash and cash equivalents	22	-	-	18.3	18.3	-	18.3	-
Total		**0.0**	**0.0**	**33.5**	**33.5**			

Non-current financial liabilities								
Corporate bonds	26	-	-	844.6	844.6	868.0	24.0	-
Other loans	26	-	-	949.8	949.8	-	952.6	-
Derivative liabilities	27	54.4	-	-	54.4	-	54.4	-
Total		**54.4**	**0.0**	**1,794.4**	**1,848.9**			

Current financial liabilities								
Corporate bonds	26	-	-	-	-	-	-	-
Other loans	26	-	-	148.5	148.5	-	148.5	-
Derivative liabilities	27	1.1	-	-	1.1	-	1.1	-
Accounts payable	29	-	-	8.5	8.5	-	8.5	-
Total		**1.1**	**0.0**	**157.0**	**158.1**			

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

18. Available-for-sale financial assets

MEUR	31 Dec 2017	31 Dec 2016
Available-for-sale financial assets		
Other holdings	1.7	1.7
Total	**1.7**	**1.7**

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

19. Non-current receivables

MEUR	note	31 Dec 2017	31 Dec 2016
Non-current receivables			
Derivatives	17 27	0.6	0.5
Loans receivable	17	10.7	12.9
Non-current receivables total		**11.3**	**13.4**

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

20. Changes in deferred tax assets and liabilities

MEUR	1 Jan 2017	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	Subsidiaries acquired / sold	31 Dec 2017
Deferred tax assets						
Valuation of financial instruments at fair value	9.5	-	-	-3.1	-	6.4
Periodisation and temporary differences	6.5	-0.2	-	-	-	6.4
Total	**16.1**	**-0.2**	**0.0**	**-3.1**	**0.0**	**12.8**
Deferred tax liabilities:						
Valuation of investment properties at fair value	162.1	16.0	-	-	-	178.2
Valuation of financial instruments at fair value	1.2	0.0	-	-	-	1.1
Reclassification of housing provisions and depreciation differences	60.6	-2.6	-	-	-	58.0
Periodisation and temporary differences	0.0	0.7	-	-	-	0.7
Allocated acquisition costs	2.0	-	-	-	-	2.0
Total	**225.9**	**14.1**	**0.0**	**0.0**	**0.0**	**240.0**

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

21. Accounts receivable and other receivables

MEUR	note	31 Dec 2017	31 Dec 2016
Accounts receivable and other receivables			
Accounts receivable	17	10.8	15.1
Prepaid expenses and accrued income		1.1	1.9
Other receivables		3.9	0.9
Total		**15.8**	**18.0**

MEUR	31 Dec 2017	31 Dec 2016
Specification of prepaid expenses and accrued income		
Prepaid expenses and accrued income related to rental services	0.7	0.4
Prepaid expenses and accrued income related to new constructions	0.0	0.1
Prepayments	0.1	0.4
Purchase price receivable	0.1	0.0
Interest receivables	0.1	0.1
Other	0.2	0.9
Total	**1.1**	**1.9**

22. Cash and cash equivalents

MEUR	note	31 Dec 2017	31 Dec 2016
Cash and bank balances	17	14.2	18.3
Total		**14.2**	**18.3**

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 11.1 (2.2) million.

23. Shareholders' equity

MEUR	31 Dec 2017	31 Dec 2016
The following dividend and repayment of capital were declared and paid by the company:		
Dividends, EUR 0.00 (0.50) per share	0,0	-25,4
Total	**0,0**	**-25,4**

No capital repayments were made by SATO in 2017 or 2016.

Description of items in shareholders' equity

Shares and share capital

The total number of SATO Corporation's shares as at 31 December 2017 was 56,783,067 and the number of own shares held was 160,000.

At the reporting date 31 December 2017, the Board of Directors did not have authorisations for arrangement of new share issues.

In 2016, based on an authorisation given by the Annual General Meeting on 3 March 2016, SATO's Board of Directors approved a directed share issue for the acquisition of all the shares in SVK Yhtymä Oy. Shareholders of SVK Yhtymä subscribed for a total of 728,763 shares in SATO at a subscription price of EUR 19.53 per share. The new shares were registered with the Finnish Trade Register in April 2016. Furthermore, based on an authorisation by the Annual General Meeting, the Board of Directors decided on a rights issue against payment, whereby a maximum of 5,084,184 new SATO Corporation shares were offered to shareholders at a subscription price of EUR 19.53 per share. A total of 5,052,462 shares were subscribed for in the rights issue, and they were registered with the Finnish Trade Register in June 2016.

Reserve fund

Reserve fund includes share premium fund.

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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 2017, the Board of Directors has proposed dividend distribution of EUR 0.50 per share (2016: dividend of EUR 0.00 per share).

Restrictions concerning SATO's shareholders' equity

SATO's retained earnings at the end of period, EUR 1,273.7 (1,127.6) million, included distribution-restricted capital totalling EUR 182.9 (206.6) 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 35 per cent. SATO's equity ratio measured at fair value was 38.2 (35.2) 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. SATO complied with the capital structure and profitability covenants during the reporting period.

24. Employee benefits

MEUR	31 Dec 2017	31 Dec 2016
Recognised items in statement of financial position		
Defined benefit obligation	0.0	0.0
Fair value of plan assets	0.0	0.0
Net benefit liability recognised in statement of financial position	**0.0**	**0.0**

Previously, SATO had an employee benefit plan for the management, which was an additional pension plan in an insurance company fund. The plan was a supplement to statutory pension. The last person included in the benefit plan retired in late 2016. SATO has no obligations or other liabilities from the plan after the insured persons have retired. In the statement of financial position items recognised earlier as a liability were an undertaking given to the insured, and plan assets included the cover paid by the insurance company. The benefit plan was funded by annual contributions based on actuarial calculations paid to the insurance company.

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

MEUR	2017	2016
Defined benefit obligation, 1 January	0.0	0.1
Current service cost	0.0	0.0
Plan amendments	0.0	0.0
Net interest	0.0	0.0
Actuarial gains (-) / losses (+) on obligation	0.0	1.6
Benefits paid	0.0	-1.8
Defined benefit plan obligations, 31 December	**0.0**	**0.0**

Change of fair value of plan assets

MEUR	2017	2016
Fair value of plan assets, 1 January	0.0	0.1
Interest income	0.0	0.0
Actuarial gains (+) and losses (-)	0.0	1.5
Benefits paid	0.0	-1.8
Employee contributions	0.0	0.1
Fair value of plan assets, 31 December	**0.0**	**0.0**

Change in net defined benefit liability

MEUR	2017	2016
Net benefit liability recognised in statement of financial position, 1 January	0.0	0.0
Expenses recognised in income statement	0.0	0.0
Remeasurement	0.0	0.1
Employee contributions	0.0	-0.1
Net defined benefit liability, 31 December	**0.0**	**0.0**

Expenses recognised in income statement and other comprehensive income (OCI)

MEUR	2017	2016
Expenses recognised in income statement and OCI		
Service cost	0.0	0.0
Net interest expenses	0.0	0.0
Actuarial gains and losses (OCI)	0.0	0.1
Total expenses recognised in income statement and OCI	**0.0**	**0.1**

The obligations for defined benefit plans of the Group have expired. No new payments to the plans have been made in 2017 or 2016.

Assumptions used in calculation

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

25. Long-term non-interest bearing liabilities

The long-term non-interest bearing liabilities, EUR 0.0 (0.8) million, are related entirely to the Group's construction activities.

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26. Financial liabilities

MEUR	31 Dec 2017	31 Dec 2016
Non-current		
Corporate bonds	745.9	844.6
Bank loans	528.3	474.1
Interest-subsidised loans	290.6	408.1
State-subsidised ARAVA loans	57.0	67.7
Total	**1,621.8**	**1,794.4**

MEUR	31 Dec 2017	31 Dec 2016
Current		
Corporate bonds	100.0	0.0
Commercial papers	140.9	109.9
Bank loans	37.0	17.6
Interest-subsidised loans	24.1	13.4
State-subsidised ARAVA loans	7.9	7.6
Total	**309.9**	**148.5**

During the reporting period, a total of EUR 273.5 (381.6) million of new long-term debt was drawn. At the reporting date, the average interest on the SATO debt portfolio was 2.2 (2.5) 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 5 (5) million were unused.

27. Derivatives

Fair values of derivative instruments

MEUR	Positive	Negative	31 Dec 2017 net	Positive	Negative	31 Dec 2016 net
Non-current						
Interest rate swaps, cash flow hedge	0.6	-25.2	-24.6	0.5	-35.9	-35.4
Cross-currency and interest rate swaps, cash flow hedge	-	-14.2	-14.2	-	-18.5	-18.5
Non-current derivatives, total	**0.6**	**-39.4**	**-38.8**	**0.5**	**-54.4**	**-53.9**
Current						
Interest rate swaps, cash flow hedge	-	-0.4	-0.4	-	-1.1	-1.1
Cross-currency and interest rate swaps, cash flow hedge	-	-2.9	-2.9	-	-	-
Current derivatives, total	**0.0**	**-3.3**	**-3.3**	**0.0**	**-1.1**	**-1.1**
Derivatives, total	**0.6**	**-42.7**	**-42.1**	**0.5**	**-55.5**	**-55.0**

MEUR	31 Dec 2017	31 Dec 2016
Nominal values of derivative instruments		
Interest rate swaps, cash flow hedge	716.6	661.3
Cross-currency and interest rate swaps, cash flow hedge	103.8	106.0
Total	**820.4**	**767.3**

Change in fair value of designated interest rate hedges, booked to hedge reserve in other comprehensive income, totalled EUR 12.5 (-3.4) million and that of foreign exchange hedges totalled EUR 0.0 (0.6) 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 205.0 (115.0) 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	Provision for litigation claims	Other provisions	Total
Total provision at the end of the period 31 December 2016	4.2	0.2	0.5	4.9
Increases	0.8	-	2.4	3.2
Provisions used	-1.0	0.0	-0.9	-1.9
Reversals	-0.1	-	-	-0.1
Total provision at the end of the period 31 December 2017	**4.0**	**0.2**	**2.0**	**6.1**

MEUR	31 Dec 2017	31 Dec 2016
Non-current provisions	2.7	3.0
Current provisions	3.4	1.9
Total	**6.1**	**4.9**

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 ten years from the reporting date.

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

29. Accounts payable and other liabilities

MEUR	note	31 Dec 2017	31 Dec 2016
Accounts payable and other liabilities			
Advances received		9.3	16.7
Accounts payable	17	4.5	8.5
Other liabilities		5.3	4.5
Accrued expenses and prepaid income		40.3	40.2
Total accounts payable and other liabilities		**59.4**	**69.9**

MEUR		31 Dec 2017	31 Dec 2016
Accrued expenses and prepaid income			
Personnel expenses		5.0	4.1
Interest expenses		15.3	15.1
Derivative instruments	27	3.3	1.1
Accrued expenses and prepaid income related to new constructions		7.7	14.5
Accrued expenses and prepaid income related to rental services		8.0	4.9
Other accrued expenses		0.4	0.3
Other		0.5	0.2
Total accrued expenses and prepaid income		**40.3**	**40.2**

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. On 31 December 2017, the fixed rate portion of the loan portfolio after hedging is 78.2 (82.2) per cent, the average maturity being 4.8 (5.0) 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 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. Majority of SATO's accounts receivable consists of rent receivables. SATO has over 25,000 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 0.7 (1.0) 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. On 31 December 2017, the commercial papers issued amounted to EUR 141.0 (110.0) million in nominal value. The credit facilities were unused (EUR 0 in use on 31 December 2016). In addition, on 31 December 2017 SATO had EUR 100 million other committed long-term unsecured loan undrawn. In liquidity management, it is taken into account that the assets of Group companies subject to non-profit restrictions due to interest subsidies or state-subsidised ARAVA loans, are kept separately and allocated to those non-profit operations.

Moody's has assigned SATO with Baa3 credit rating with stable outlook. With the investment grade credit rating, SATO aims to widen the investor base and to further limit depended 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 encumbered assets to total assets at least 40 per cent by the end of 2017 and at least 42.5 per cent by the end of 2018 and at any time thereafter and a solvency ratio maximum of 70 per cent and interest coverage ratio of at least 1.8. On report date, the ratio of unencumbered assets was 66.3 (53.1) per cent, the solvency ratio was 52.1 (54.3) per cent, and interest coverage ratio was 4.5 (4.4).

Sensitivity analysis, interest rate risk	**2017**				**2016**			
	Profit and Loss		Equity		Profit and Loss		Equity	
MEUR	**+1 %**	**-0.1%**	**+1 %**	**-0.1%**	**+1 %**	**-0.1%**	**+1 %**	**-0.1%**
Floating rate loans	-8.2	0.6	-	-	-7.2	0.5	-	-
Cross-currency and interest rate swaps	0.7	-0.1	2.6	-0.3	0.8	-0.1	3.5	-0.4
Interest rate swaps	3.6	-0.4	29.8	-3.1	3.9	-0.4	27.1	-2.8
Total	**-3.8**	**0.1**	**32.4**	**-3.4**	**-2.4**	**0.1**	**30.6**	**-3.2**

Sensitivity analysis, currency risk	2017				2016			
	Profit and Loss		Equity		Profit and Loss		Equity	
MEUR	**10%**	**-10%**	**10%**	**-10%**	**10%**	**-10%**	**10%**	**-10%**
Foreign currency-denominated loans	-9.5	9.5	-	-	-10.0	10.0	-	-
Cross-currency and interest rate swaps	9.4	-9.4	-	-	9.9	-9.9	-	-
Total	**-0.1**	**0.1**	**0.0**	**0.0**	**-0.1**	**0.1**	**0.0**	**0.0**

Maturity analysis on financial instruments

31 Dec 2017

MEUR	**Within 1 year**	**2–5 years**	**6–10 years**	**11–15 years**	**After 15 years**	**2017 total**
Financial liabilities						
Market-based loans	-306.5	-1,085.8	-221.7	-30.8	-44.6	-1,689.2
Interest-subsidised loans	-27.1	-172.6	-48.4	-40.6	-59.7	-348.4
State-subsidised ARAVA loans	-9.0	-24.5	-19.9	-8.3	-5.8	-67.6
Accounts payable	-4.5	-	-	-	-	-4.5
Financial liabilities total	**-347.1**	**-1,282.9**	**-290.0**	**-79.7**	**-110.0**	**-2,109.7**
Financial instruments						
Interest rate derivatives	-10.7	-29.2	-7.9	-	-	-47.9
Financial instruments total	**-10.7**	**-29.2**	**-7.9**	**0.0**	**0.0**	**-47.9**
Total	**-357.9**	**-1,312.1**	**-297.9**	**-79.7**	**-110.0**	**-2,157.6**

31 Dec 2016

MEUR	**Within 1 year**	**2–5 years**	**6–10 years**	**11–15 years**	**After 15 years**	**2016 total**
Financial liabilities						
Market-based loans	-153.8	-1,103.4	-220.9	-47.7	-57.6	-1,583.5
Interest-subsidised loans	-19.9	-297.8	-43.4	-31.1	-69.2	-461.4
State-subsidised ARAVA loans	-8.8	-29.2	-22.3	-13.7	-7.5	-81.5
Accounts payable	-8.5	-	-	-	-	-8.5
Financial liabilities total	**-190.9**	**-1,430.5**	**-286.6**	**-92.6**	**-134.3**	**-2,134.8**
Financial instruments						
Interest rate derivatives	-12.0	-32.4	-6.6	-	-	-51.0
Financial instruments total	**-12.0**	**-32.4**	**-6.6**	**0.0**	**0.0**	**-51.0**
Total	**202.8**	**-1,462.9**	**-293.2**	**-92.6**	**-134.3**	**-2,185.8**

Above figures represent contractual, non-discounted cash flows, including interest payments.

31. Other lease agreements

Group as a lessee

MEUR	31 Dec 2017	31 Dec 2016
Minimum rents to be paid on the basis of other lease agreements:		
Within one year	5.5	5.7
Within two to five years	21.6	20.8
Over five years	99.8	105.0
Total	**126.9**	**131.5**

Other lease agreements of the Group mainly include land lease agreements and lease agreements for the Group's offices. The land lease agreements relate to plots leased by the Group from cities and municipalities, and their average remaining lease term is 20.4 years. All of the lease agreements for offices expire within five years, and their total minimum lease payments are EUR 10.1 (11.3) million.

SATO has sublet office premises in Panuntie, Helsinki. The future minimum rent payments from these agreements are EUR 0.6 (0.8) million. In the current period, rental income recognised in income statement amounted to EUR 0.5 (0.8) million.

32. Notes to the cash flow statement

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Non-cash items included in the profit			
Depreciation and amortisation	8	3.1	1.1
Gains and losses from changes in fair value of investment properties	13	-70.6	-124.3
Change in provisions	28	1.2	0.6
Total		**-66.2**	**-122.5**

MEUR	
Changes in interest-bearing debt during the period	
Interest-bearing debt, 1 Jan 2017	**1,943.0**
Cash changes in interest-bearing debt during the period, total	-7.8
Non-cash changes:	
Change in foreign exchange rates	-2.7
Interest accrued by the effective interest rate method	1.6
Transfers of debt to buyers upon disposals of investment property and other adjustments	-2.4
Interest-bearing debt, 31 Dec 2017	**1,931.7**

33. Collateral, commitments and contingencies

MEUR	31 Dec 2017	31 Dec 2016
Mortgages and pledges for secured borrowings		
Secured borrowings	894.5	1,183.1
Pledges and mortgages provided, fair value	1,245.4	1,669.1

Guarantees for others

Shared ownership apartment purchase commitments	11.4	14.9
Rs-guarantees	2.5	3.9

Mortgages provided to secure payment of rent and street maintenance

Property mortgages provided	7.4	5.8

Binding purchase agreements

For acquisitions of investment properties	54.9	121.2
Pledges for land use payments on zoned plots	3.4	4.2
Commitments to cleaning and removal charges	0.0	0.0
Letters of intent on land for which there is a zoning condition	45.1	34.0

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 35.0 (47.4) million.

34. Related party transactions

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

Shareholders that are considered as SATO's related party in 2017 are Balder Finska Otas AB (owner: Fastighets Ab Balder, 100 per cent), Stichting Depositary 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, CEO and the members of the Corporate Management Group and the entities controlled or jointly controlled by them are considered as SATO's related party. Also close members of their family are considered as related party. The Corporate Management Group comprises of SATO Corporation's President and CEO, Vice Presidents, Director of Marketing and Communications and Chief Financial Officer.

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

The following transactions were made with related parties:

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Transactions with related parties		
Rental agreements	0.0	0.0
Insurance payments	0.0	0.0
Total	**0.0**	**0.0**

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Management employee benefits		
Salaries and other short-term employee benefits	2.2	1.8
Other long-term employee benefits	0.1	0.9
Total	**2.3**	**2.7**

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Salaries and remuneration paid		
President and CEO	0.4	0.3
Deputy to President and CEO	0.0	0.4
Members of the Board of Directors	0.2	0.2
Total	**0.6**	**0.9**

Thousand EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Compensation paid to the members of the Board of Directors and the President & CEO		
Saku Sipola	386	304
Erik Selin	40	40
Jukka Hienonen	28	29
Esa Lager	24	29
Tarja Pääkkönen	24	27
Timo Stenius	24	26
Marcus Hansson	23	20
Hans Spikker	16	0
Andrea Attisani	0	16
Ilkka Tomperi	0	6
Total	**562**	**496**

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.

During the year under review, the Board of Directors took a decision to combine the previous long-term incentive scheme and annual bonus scheme into a new performance-related pay (PRP) system. The new PRP system is based on the Group's results and the achievement of other key targets. In addition to the members of the Corporate Management Group, the PRP system covers around 70 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.

35. Borrowing costs

		31 Dec 2017	31 Dec 2016
Capitalised expenses of borrowing costs during the period, MEUR	13	1.9	1.1
Financial expense index, %		2.6	1.0

36. Subsequent events

After the financial statement date, SATO has sold all the shares in SATO HotelHome Ltd to Majoituspalvelu Forenom Oy. The parties closed the transaction on 1 February 2018.

37. Subsidiaries owned by the Group and parent company

31 Dec 2017	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 15 Oy	100.0	100.0
SATOkoti 16 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
SVK Yhtymä Oy	100.0	100.0
Suomen Satokodit 16 Oy	100.0	100.0
Suomen Satokodit 17 Oy	100.0	100.0
Suomen Satokodit 19 Oy	100.0	100.0
Suomen Satokodit 21 Oy	100.0	100.0
Suomen Satokodit 24 Oy	100.0	100.0
Sato VK 16 Oy	100.0	100.0
Sato VK 17 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 22 Oy	100.0	100.0
Vatrotalot 2 Oy	100.0	100.0
Vatrotalot 3 Oy	100.0	100.0
Vatrotalot 4 Oy	100.0	100.0
Vatrotalot 5 Oy	100.0	100.0
Sato KT-Asunnot Oy	100.0	100.0
Unconsolidated subsidiaries 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
Espoon Hassel As Oy	4.4	4.4
Espoon Heinjoenpolku As Oy	100.0	100.0
Espoon Henttaan puistokatu 6 As Oy	100.0	100.0
Espoon Henttaan puistokatu 8 As Oy	100.0	100.0
Espoon Honkavaarantie 5 As Oy	13.2	13.2
Espoon Interior As Oy	11.4	11.4
Espoon Jousenkaari 5 As Oy	100.0	100.0
Espoon Kala-Maija 4 As Oy	100.0	100.0
Espoon Kaupinkalliontie 5 As Oy (Sato-Asunnot)	48.7	48.7
Espoon Kilvoituksentie 1 Asunto Oy	100.0	100.0
Espoon Kiskottajankuja 4 As Oy	100.0	100.0
Espoon Kivenhakkaajankuja 3 As Oy	2.3	2.3
Espoon Kuunkierros 2 As Oy	22.0	22.0
Espoon Kuunsirppi As Oy	100.0	100.0
Espoon Kyyhkysmäki 16 As Oy	100.0	100.0
Espoon Lansantie 3 As Oy	100.0	100.0
Espoon Linnustajantie 17 As Oy	100.0	100.0
Espoon Lounaismeri As Oy	100.0	100.0
Espoon Magneettikatu 8 As Oy	100.0	100.0
Espoon Matinniitynkuja 8 As Oy	100.0	100.0
Espoon Merituulentie 38 As Oy	100.0	100.0
Espoon Myötätuulenmäki As Oy	8.5	8.5
Espoon Niittymaantie 1 As Oy	100.0	100.0
Espoon Niittymaantie 3 As Oy	100.0	100.0
Espoon Niittysillankulma 2 C-D As Oy	100.0	100.0
Espoon Numersinkatu 11 As Oy	18.8	18.8
Espoon Omenapuu As Oy	16.0	16.0
Espoon Paratiisiomena As Oy	18.3	18.3

Espoon Perkkaankuja 3 As Oy	100.0	100.0
Espoon Porarinkatu 2 D-E As Oy	100.0	100.0
Espoon Porarinkatu 2 F As Oy	100.0	100.0
Espoon Puikkarinmäki As Oy	100.0	100.0
Espoon Puropuisto As Oy (VA)	58.4	55.8
Espoon Pyhäjärventie 1 As Oy	100.0	100.0
Espoon Rastaspuistonpolku As Oy	22.6	22.6
Espoon Rastaspuistontie 8 As Oy	7.3	7.3
Espoon Rummunlyöjänkatu 11 D - E As Oy	100.0	100.0
Espoon Ruorikuja 4 As Oy	3.8	3.8
Espoon Ruusulinna As Oy	100.0	100.0
Espoon Satokallio As Oy	11.6	11.6
Espoon Saunalyhty As Oy	6.8	6.8
Espoon Sepetlahdentie 6 As Oy	100.0	100.0
Espoon Soukanniementie 1 As Oy	100.0	100.0
Espoon Suvikäytävä As Oy	29.9	29.9
Espoon Taivalmäki 5 As Oy	100.0	100.0
Espoon Taivalpolku As Oy	3.6	3.6
Espoon Taivalrinne As Oy	100.0	100.0
Espoon Tähtimötie As Oy	100.0	100.0
Espoon Vanharaide As Oy	90.1	90.1
Espoon Vasaratörmä As Oy	5.2	5.2
Espoon Viherlaaksonranta 3-5 As Oy	100.0	100.0
Espoon Viherlaaksonranta 7 As Oy	100.0	100.0
Espoon Yläkartanonpiha As Oy	10.9	10.9
Espoon Zanseninkuja 6 As Oy	100.0	100.0
Etelä-Hämeen Talo Oy (Sato-as.)	81.3	81.3
Eura III As Oy	100.0	100.0
Fredrikinkatu 38 As Oy	2.7	2.7
Haagan Pappilantie 13 As Oy	2.6	2.6
Haagan Talontie 4 As Oy	3.1	3.1
Hakaniemenranta As Oy	2.5	2.5
Hannanpiha As Oy	19.1	19.1
Harjulehmus As Oy	19.4	19.4
Helkalax As Oy	1.3	1.3
Helsingin Akaasia As Oy	13.9	13.9
Helsingin Aleksis Kiven katu 52-54 As Oy	0.5	0.5
Helsingin Ansaritie 1 As Oy	100.0	100.0
Helsingin Ansaritie 2-4 As Oy	100.0	100.0
Helsingin Ansaritie 3 As Oy	100.0	100.0
Helsingin Apollonkatu 19 As Oy	38.2	38.2
Helsingin Arabian Kotiranta As Oy	4.2	4.2
Helsingin Arabiankatu 3 As Oy	13.4	13.4
Helsingin Aurinkotuulenkatu 6 As Oy	100.0	100.0
Helsingin Casa Canal As Oy	13.3	13.3

Helsingin Castreninkatu 3 As Oy	100.0	100.0
Helsingin Cirrus As Oy	1.7	1.7
Helsingin Corona As Oy	17.0	17.0
Helsingin Eiranrannan Estella As Oy	30.8	30.8
Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1
Helsingin Gerbera As Oy	12.7	12.7
Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0
Helsingin Happiness As Oy	22.2	22.2
Helsingin Hildankulma As Oy	80.1	80.1
Helsingin Hämeenpenger As Oy	100.0	100.0
Helsingin Isopurje As Oy	3.2	3.2
Helsingin Juhani Ahon tie 12-14 As Oy	100.0	100.0
Helsingin Junonkatu 4 As Oy	100.0	100.0
Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Helsingin Kalevankatu 53 As Oy	30.5	30.5
Helsingin Kalliolinna As Oy	0.8	0.8
Helsingin Kanavaranta As Oy	8.8	8.8
Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0
Helsingin Kangaspellontie 4 As Oy	10.0	10.0
Helsingin Kaustisenpolku 1 As Oy	100.0	100.0
Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Helsingin Kirjala As Oy	100.0	100.0
Helsingin Klaavuntie 8-10 As Oy	100.0	100.0
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Helsingin Koralli As Oy	4.1	4.1
Helsingin Koroistentie As Oy	9.4	9.4
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0
Helsingin Kultareuna 1 As Oy	39.0	39.0
Helsingin Kutomotie 10a KOy	75.5	75.5
Helsingin Kutomotie 12a As Oy	100.0	100.0
Helsingin Kutomotie 14 A As Oy	100.0	100.0
Helsingin Kutomotie 8a As Oy	100.0	100.0
Helsingin Kuusihovi As Oy	25.4	25.4
Helsingin Kyläkirkontie 13 As Oy	68.5	68.5
Helsingin Köysikuja 2 As Oy	9.5	9.5
Helsingin Lapponia As Oy	100.0	100.0
Helsingin Lauttasaarentie 19 KOy	58.3	58.3
Helsingin Leikopiha As Oy	9.6	9.6
Helsingin Leikosaarentie 31 As Oy	18.7	18.7
Helsingin Leikovuo As Oy	9.1	9.1
Helsingin Lontoonkatu 9 As Oy	100.0	100.0
Helsingin Lönnrotinkatu 32 As Oy	55.1	55.1

Helsingin Malagankatu 7 As Oy	100.0	100.0
Helsingin Mariankatu 19 As Oy	1.0	1.0
Helsingin Mechelininkatu 12-14 As Oy	100.0	100.0
Helsingin Merenkävijä As Oy	5.1	5.1
Helsingin Meripellonhovi KOy	98.3	98.3
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1
Helsingin Mylläri As Oy	2.3	2.3
Helsingin Nautilus As Oy	26.0	26.0
Helsingin Navigatortalo KOy	44.7	44.7
Helsingin Nils Westermarckin kuja 18 As Oy	100.0	100.0
Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5
Helsingin Näkinkuja 6 As Oy	100.0	100.0
Helsingin Pajamäentie 7 As Oy	100.0	100.0
Helsingin Pakilantie 17 As Oy	52.7	52.7
Helsingin Pakilantie 17 As Oy (uudisosa)	47.3	47.3
Helsingin Pasilantornit As Oy	54.2	54.2
Helsingin Perustie 16 As Oy	56.0	56.0
Helsingin Piispantie 3 As Oy	100.0	100.0
Helsingin Piispantie 5 As Oy	100.0	100.0
Helsingin Piispantie 7 As Oy	100.0	100.0
Helsingin Piispantie 8 As Oy	100.0	100.0
Helsingin Pirta As Oy	17.1	17.1
Helsingin Porthaninkatu 4 As Oy	0.7	0.7
Helsingin Puuskarinne 1 As Oy	98.2	98.2
Helsingin Päivöläntie 72 As Oy	11.5	11.5
Helsingin Pääskylänrinne As Oy	100.0	100.0
Helsingin Reginankuja 4 As Oy	11.8	11.8
Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0
Helsingin Riontähti As Oy	100.0	100.0
Helsingin Rosas As Oy	9.6	9.6
Helsingin Rumpupolun palvelutalo As Oy (ASSI)	1.5	1.5
Helsingin Ruusutarhantie 2-4 As Oy	30.7	30.7
Helsingin Ruusutarhantie 7 As Oy	19.7	19.7
Helsingin Satoaalto As Oy	8.6	8.6
Helsingin Satorinne As Oy	8.5	8.5
Helsingin Serica As Oy	3.8	3.8
Helsingin Siltavoudintie 20 As Oy	100.0	100.0
Helsingin Snellmaninkatu 23 As Oy (asunnot)	85.2	85.2
Helsingin Snellmaninkatu 23 As Oy (muut tilat)	14.9	14.9
Helsingin Solarus As Oy (ASSI)	5.9	5.9
Helsingin Solnantie 22 As Oy	71.0	71.0
Helsingin Solnantie 22 As Oy (LT)	27.0	27.0
Helsingin Stenbäckinkatu 5 KOy	60.0	60.0
Helsingin Ståhlbergintie 4 As Oy	93.5	93.5
Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0

Helsingin Tapaninkulo As Oy	4.7	4.7
Helsingin Tila As Oy (Sato-As.)	24.5	13.1
Helsingin Tilkankatu 15 As Oy	100.0	100.0
Helsingin Tilkankatu 2 As Oy	100.0	100.0
Helsingin Tilkankatu 6 As Oy	100.0	100.0
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6
Helsingin Tunturinlinna As Oy	9.5	9.5
Helsingin Töölön Oscar As Oy	25.3	25.3
Helsingin Vanha viertotie 16 As Oy	68.8	68.8
Helsingin Vanha viertotie 18 As Oy	42.8	42.8
Helsingin Vanha viertotie 6 As Oy	100.0	100.0
Helsingin Vanha Viertotie 8 As Oy	100.0	100.0
Helsingin Venemestarintie 4 As Oy	100.0	100.0
Helsingin Vervi As Oy	100.0	100.0
Helsingin Vetelintie 5 As Oy	100.0	100.0
Helsingin Villa Kuohu As Oy	25.6	25.6
Helsingin Viulutie 1 As Oy	100.0	100.0
Helsingin Vuosaaren Helmi As Oy	100.0	100.0
Helsingin Välskärinkatu 4 KOy	85.7	85.7
Hervannan Juhani As Oy	14.9	14.9
Hiihtomäentie 34 As Oy	3.7	3.7
Humalniementie 3-5 As Oy	1.1	1.1
Hämeenlinnan Aaponkuja 3 As Oy	33.4	33.4
Iidesranta 42 Tampere As Oy	9.9	6.6
Jukolanniitty As Oy	15.3	15.3
Jukolantanner As Oy	26.7	26.7
Jussinhovi As Oy	3.5	3.5
Jyväskylän Ailakinraitti As Oy	100.0	100.0
Jyväskylän Harjukartano As Oy	23.0	23.0
Jyväskylän Harjunportti As Oy	18.7	18.7
Jyväskylän Lyseonlinna As Oy (asunnot)	4.6	4.6
Jyväskylän Taitoniekansato As Oy	17.4	17.4
Jyväskylän Tanhurinne As Oy	24.1	24.1
Jyväskylän Torihovi As Oy (asunnot)	2.7	2.7
Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0
Järvenpään Alhonrinne As Oy	18.4	18.4
Järvenpään Kotokartano As Oy	100.0	100.0
Kaarenkunnas As Oy	100.0	100.0
Kaarinan Auranpihat As Oy	100.0	100.0
Kaidanpääty As Oy	100.0	100.0
Kajaneborg Bost. Ab	7.3	7.3
Kangasalan Kukkapuisto As Oy	6.3	6.3
Kasarmikatu 14 As Oy	12.2	12.2
Kasarminkatu 10 As Oy	26.7	26.7
Kastevuoren Palvelutalo As Oy	100.0	100.0

Kaukotie 10-12 As Oy	3.1	3.1
Kauniaisten Ersintie 9-11 As Oy	5.5	5.5
Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4
Kauniaisten Ratapolku 6 As Oy	100.0	100.0
Keravan Papintie 1 As Oy	100.0	100.0
Ketturinne As Oy	1.3	1.3
Kevätesikko As Oy	3.4	3.4
Kilonkallionkuja 5 As Oy	100.0	100.0
Kirkkonummen Sarvvikinrinne 4 As Oy	100.0	100.0
Kirkkosalmentie 3 As Oy	0.9	0.9
Kivisaarentie As Oy	2.7	2.7
Kolehmaisentori As Oy	11.6	11.6
Kotipiennar As Oy	2.8	2.8
Kristianinkatu 2 As Oy	1.7	1.7
Kuhakartano As Oy	1.3	1.3
Kukkolan Koivu As Oy	4.3	4.3
Kulmakatu 12 As Oy	2.1	2.1
Kulmavuorenpiha As Oy	100.0	100.0
Kulmavuorenrinne As Oy	1.0	1.0
Kuopion Keilankanta As Oy	48.7	48.7
Kupittaan Kotka, Turku As Oy	10.9	10.9
Kupittaan Kurki, Turku As Oy	6.1	6.1
Kupittaan Kyyhky, Turku As Oy	100.0	100.0
Kupittaan Satakieli As Oy	6.1	6.1
Kuuselanpuisto As Oy	23.0	23.0
Kuusihalme As Oy	2.3	2.3
Kuusitie 15 As Oy	1.5	1.5
Kuusitie 3 As Oy	1.8	1.8
Kuusitie 9 As Oy	2.3	2.3
Kvarnhyddan Bost. Ab	1.8	1.8
Laajalahdentie 26 As Oy	6.5	6.5
Lahden Jyrkkärinteenpuisto As Oy	41.2	41.2
Lahden Nuolikatu 9 As Oy	100.0	100.0
Lahden Roopenkuja As Oy	38.1	38.1
Lapinniemen Pallopurje As Oy	1.9	1.9
Lapintalo As Oy	1.0	1.0
Lauttasaarentie 11 As Oy	1.6	1.6
Lielahdentie 10 As Oy	9.1	9.1
Linjala 14 As Oy	4.2	4.2
Läntinen Brahenkatu 8 As Oy	0.8	0.8
Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6
Malmeken Ömsesidiga Fastighet	12.8	12.8
Mannerheimintie 100 As Oy	0.9	0.9
Mannerheimintie 108 As Oy	3.0	3.0
Mannerheimintie 148 As Oy	2.5	2.5

Mannerheimintie 170 KOy	15.8	15.8
Mannerheimintie 170 KOy	24.2	24.2
Mannerheimintie 77 As Oy	1.2	1.2
Mannerheimintie 83-85 As Oy	0.7	0.7
Mannerheimintie 93 As Oy	0.3	0.3
Mariankatu 21 As Oy	1.3	1.3
Matinkylän Poutapilvi As Oy	100.0	100.0
Matinraitti 14 As Oy	1.0	1.0
Mellunsusi As Oy	1.5	1.5
Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Messeniuksenkatu 8 As Oy	2.0	2.0
Messilä As Oy	70.0	70.0
Minna Canthin katu 22 As Oy	2.4	2.4
Muotialantie 31 As Oy	7.0	7.0
Mursu As Oy	0.5	0.5
Myllysalama As Oy	61.9	61.9
Myyrinhaukka As Oy	100.0	100.0
Naantalin Kastovuorenrinne As Oy	25.6	25.6
Nekalanpuisto KOy	2.9	2.9
Nervanderinkatu 9 As Oy	2.6	2.6
Neulapadontie 4 As Oy	1.2	1.2
Niittaajankadun Klaava As Oy	100.0	100.0
Nokian Miharintie 38-40 As Oy	42.1	42.1
Nordenskiöldinkatu 8 As Oy	2.5	2.5
Näkinkuja 2 As Oy	2.5	2.5
Näsinlaine As Oy	1.0	1.0
Näyttelijäntien Pistetalot As Oy	1.4	1.4
Oskelantie 5 As Oy	4.1	4.1
Oskelantie 8 As Oy	2.1	2.1
Otavantie 3 As Oy	0.6	0.6
Otavantie 4 As Oy	1.8	1.8
Oulun Aleksinranta As Oy	100.0	100.0
Oulun Arvolankartano As Oy	2.1	2.1
Oulun Arvolanpuisto As Oy	9.0	9.0
Oulun Kalevalantie As Oy	100.0	100.0
Oulun Laamannintie 1 As Oy	12.8	12.8
Oulun Laanila I As Oy	100.0	100.0
Oulun Laanila IV As Oy	100.0	100.0
Oulun Laaniranta As Oy	6.0	6.0
Oulun Marsalkka As Oy	5.7	5.7
Oulun Notaarintie 1 As Oy	24.4	24.4
Oulun Notaarintie 3 As Oy	5.0	5.0
Oulun Paalikatu 23 As Oy	100.0	100.0
Oulun Peltolantie 18 B As Oy	100.0	100.0
Oulun Rautatienkatu 74 As Oy	100.0	100.0

Oulun Rautatienkatu 78 Asunto Oy	100.0	100.0
Oulun Tullikartano As Oy	17.0	17.0
Oulun Tulliveräjä As Oy	40.7	40.7
Peltohuhta As Oy	1.2	1.2
Pengerkatu 27 As Oy	2.6	2.6
Pihlajatie N:o 23 As Oy	3.0	3.0
Pirilänportti As Oy	7.2	7.2
Pohjankartano As Oy	22.8	22.8
Pohjanpoika As Oy	8.0	8.0
Poutuntie 2 As Oy	3.7	3.7
Puistokaari 13 As Oy	1.9	1.9
Puolukkasato As Oy	5.9	5.9
Puolukkavarikko As Oy	33.9	33.9
Raikukuja II As Oy	100.0	100.0
Raikurinne 1 As Oy	1.3	1.3
Raision Tasontorni As Oy	39.3	39.3
Rantasentteri As Oy	1.5	1.5
Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5
Ristolantie 7 As Oy	2.5	2.5
Riviuhkola As Oy	16.1	16.1
Ryytikuja 5 As Oy	0.8	0.8
Saarenkeskus As Oy	0.4	0.4
Salpakolmio As Oy	31.3	31.3
Satakallio As Oy	0.2	0.2
Satokaunokki As Oy	7.5	7.5
Satosyppi As Oy	17.4	17.4
Satulaparkki KOy	53.3	53.3
Savilankatu 1 b As Oy	33.3	33.3
Solnantie 32 As Oy	0.9	0.9
Spargäddan Bost. Ab As Oy	1.3	1.3
Sulkapolku 6 As Oy	0.4	0.4
Säästökartano As Oy	0.3	0.3
Taapuri As Oy	2.5	2.5
Tallbergin puistotie 1 As Oy	2.0	2.0
Tammitie 21 As Oy	0.9	0.9
Tampereen Aitolahdentie 22 As Oy	100.0	100.0
Tampereen Alapeusonkatu 6 As Oy	100.0	100.0
Tampereen Atanväylä 4A As Oy	100.0	100.0
Tampereen Atanväylä 4B As Oy	100.0	100.0
Tampereen Charlotta As Oy (ASSI)	2.0	2.0
Tampereen Hannulanpolku 10 As Oy	100.0	100.0
Tampereen Hervannan Puistokallio As Oy	100.0	100.0
Tampereen Härmälänrannan Sisu As Oy	100.0	100.0
Tampereen Jankanpuisto As Oy	100.0	100.0
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3

Tampereen Kauppa-aukio As Oy	100.0	100.0
Tampereen Kokinpellonrinne 2 As Oy	86.9	86.9
Tampereen Kristiina As Oy	19.1	19.1
Tampereen Kuikankatu 2 As Oy	9.7	9.7
Tampereen Linnanherra As Oy	100.0	100.0
Tampereen Pappilan Herra As Oy	100.0	100.0
Tampereen Puistofasaani As Oy	100.0	100.0
Tampereen Rotkonraitti 6 As Oy	48.2	48.2
Tampereen Ruovedenkatu 11 As Oy	100.0	100.0
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6
Tampereen Strada As Oy	46.6	46.6
Tampereen Tarmonkatu 6 As Oy	100.0	100.0
Tampereen Tieteenkatu 14 As Oy	100.0	100.0
Tampereen Tuiskunkatu 7 As Oy	100.0	100.0
Tampereen Waltteri As Oy (ASSI)	23.9	23.9
Tapiolan Itäkartano, Espoo As Oy	53.6	53.6
Tapiolan Tuuliniitty, Espoo As Oy (ASSI)	6.8	6.8
Tarkkampujankatu 14 As Oy	44.1	44.1
Tasatuomo As Oy	1.3	1.3
Terhokuja 3 As Oy	100.0	100.0
Terhokuja 6 As Oy	11.3	11.3
Tikkamatti As Oy	9.8	9.8
Tohlopinkontu Koy (Sato-As.)	60.0	100.0
Turun Asemanlinna As Oy	20.9	20.9
Turun Eteläranta II As Oy	3.2	3.2
Turun Eteläranta III As Oy	2.9	2.9
Turun Eteläranta IV As Oy (ASSI)	3.0	3.0
Turun Fregatinranta As Oy	4.7	4.7
Turun Förinranta II As Oy	1.0	1.0
Turun Gränsbackankuja 3 As Oy	100.0	100.0
Turun Ipnoksenrinne As Oy (ASSI)	6.7	6.7
Turun Joutsenpuisto 7 As Oy	100.0	100.0
Turun Kaivokatu 10 As Oy	100.0	100.0
Turun Kivimaanrivi As Oy	13.1	13.1
Turun Kiviniemenpuisto As Oy	19.6	19.6
Turun Kupittaan Peippo, As Oy	34.6	34.6
Turun Linnankatu 37 a As Oy	1.7	1.7
Turun Marmoririnne 2 As Oy	100.0	100.0
Turun Metallikatu As Oy	100.0	100.0
Turun Mietoistenkuja As Oy	9.4	9.4
Turun Pernon Kartanonlaakso As Oy	42.3	42.3
Turun Pryssinkatu 13 As Oy	100.0	100.0
Turun Pulmussuonpuisto As Oy	15.1	15.1
Turun Puutarhakatu 50 As Oy	13.1	13.1
Turun Ratavahdinrinne As Oy	100.0	100.0

Turun Rauhankatu 8 As Oy	100.0	100.0
Turun Sato-Koto As Oy	100.0	100.0
Turun Sipimetsä As Oy	10.8	10.8
Turun Sukkulakoti As Oy	100.0	100.0
Turun Tallgreninkartano As Oy	37.1	37.1
Turun Uudenmaanlinna As Oy (SATOhousing)	100.0	100.0
Turun Veistämöntori As Oy	100.0	100.0
Turuntie 112 As Oy	1.4	1.4
Turuntie 63 As Oy	1.6	1.6
Tykkikuja 7 As Oy	100.0	100.0
Työväen Asunto-osakeyhtiö Rauha	10.2	10.2
Töölön Estradi, Helsinki As Oy	63.2	63.2
Töölön Gaala As Oy	50.3	50.3
Ulpukkaniemi As Oy	25.4	25.4
Ulvilantie 11 b As Oy	0.6	0.6
Urheilukatu 38 As Oy	56.0	56.0
Vaasankatu 15 As Oy	0.8	0.8
Vallikallionpolku KOy	100.0	100.0
Vallinkyyhky As Oy	6.0	6.0
Valtapolku As Oy	1.2	1.2
Vantaan Aapramintie 4 As Oy	100.0	100.0
Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0
Vantaan Heporinne 4 As Oy	100.0	100.0
Vantaan Horsmakuja 4a As Oy	100.0	100.0
Vantaan Kaarenlehmus As Oy	100.0	100.0
Vantaan Kilterinpuisto As Oy	76.7	76.7
Vantaan Kivivuorentie 8 A-B As Oy	100.0	100.0
Vantaan Kivivuorentie 8 C As Oy	100.0	100.0
Vantaan Krassipuisto As Oy	100.0	100.0
Vantaan Kukinkuja 2 As Oy	100.0	100.0
Vantaan Käräjäkuja 3 As Oy	19.8	19.8
Vantaan Leksankuja 3 As Oy	100.0	100.0
Vantaan Liesitorin palvelutalo As Oy (ASSI)	2.5	2.5
Vantaan Lummepiha As. Oy	100.0	100.0
Vantaan Maarinrinne As Oy	12.0	12.0
Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Vantaan Martinpääsky As Oy	100.0	100.0
Vantaan Minkkikuja As Oy	49.0	49.0
Vantaan Myyrinmutka As Oy	100.0	100.0
Vantaan Oritie 1 As Oy	100.0	100.0
Vantaan Orvokkikuja 1 As Oy	100.0	100.0
Vantaan Pakkalanportti As Oy	100.0	100.0
Vantaan Pakkalanrinne 3 As Oy	41.8	41.8
Vantaan Pakkalanrinne 5-7 As Oy	100.0	100.0

Vantaan Pakkalanruusu As Oy	3.1	3.1
Vantaan Peltolantie 14 As Oy	100.0	100.0
Vantaan Pronssikuja 1 As Oy	100.0	100.0
Vantaan Ravurinmäki As Oy	33.2	33.2
Vantaan Ruostekuja 3 As Oy	100.0	100.0
Vantaan Solkikuja 2 As Oy	100.0	100.0
Vantaan Sompakuja 2-4 As Oy	100.0	100.0
Vantaan Tammiston Tringa As Oy	8.3	8.3
Vantaan Tammistonkatu 29 As Oy	29.1	29.1
Vantaan Tuurakuja 4 As Oy	34.1	34.1
Vantaan Tykkikuja 11 As Oy	100.0	100.0
Vantaan 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	1.7	1.7
Ylöjärven Soppeenkataja As Oy	100.0	100.0
Sato-Rakennuttajat Oy		
Helsingin Tila As Oy (SATO-Rak.)	24.5	11.4
Helsinki, Kalasataman Huvilat As Oy	8.4	8.4
Oulun Peltokerttu As Oy	100.0	100.0
Puutorin Pysäköinti KOy	51.6	51.6
Uudenmaantulli KOy	24.3	24.3
SATOkoti Oy		
Ida Aalbergintie 1 KOy	100.0	100.0
Tohlopinkontu Koy (SATOkoti)	100.0	40.0
SATOkoti 15 Oy		
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0
Oulun Hoikantie 14-22 As Oy	100.0	100.0
SATOkoti 16 Oy		
Espoon Kyyhkysmäki 9 As Oy	100.0	100.0
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0

Helsingin Kiillekuja 4 As Oy	100.0	100.0
Helsingin Pajamäentie 6 As Oy	100.0	100.0
Tampereen Iidesranta 18 As Oy	100.0	100.0
Vantaan Solkikuja 5 As Oy	100.0	100.0
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
SVK Yhtymä Oy		
Suomen Vuokrakodit 1 Oy	100.0	100.0
Suomen Vuokrakodit 2 Oy	100.0	100.0
Suomen Vuokrakodit 3 Oy	100.0	100.0
Suomen Vuokrakodit 1 Oy		
Espoon Hopeavillakko As Oy	100.0	100.0
Espoon Siniheinä As Oy	100.0	100.0
Helsingin Mestari As Oy	100.0	100.0
Helsingin Sateenkaari As Oy	100.0	100.0
Kangasalan Unikkoniitty KOy	100.0	100.0
Lempäälän Moisionaukea 25 As Oy	100.0	100.0
Nokian Virran Ritari As Oy	100.0	100.0
Sammon Parkki K Oy	21.2	21.2
Tampereen Härmälänrannan Aurinkokallio KOy	100.0	100.0
Tampereen Sammon Kalervo As Oy	100.0	100.0
Vantaan Kesäniitty As Oy	100.0	100.0
Vantaan Kevätpuro As Oy	100.0	100.0
Vantaan Tempo Koy	100.0	100.0
Vantaan Teodora KOy	100.0	100.0
Ylöjärven Viljavainio As Oy	100.0	100.0
Suomen Vuokrakodit 2 Oy		
Espoon Likusterikatu 1 D As Oy	100.0	100.0
Helsingin Leirikuja 3 As Oy	100.0	100.0
Jyväskylän Äijälänrannan Ansaritie 4 As Oy	100.0	100.0
Kapellimestarinparkki KOy	9.1	9.1
Lahden Mesisurri As Oy	100.0	100.0
Tampereen Aitolahdentie 24 As Oy	100.0	100.0
Turun Westparkin Tuija 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 16 Oy		
Meiramikuja As Oy	4.7	4.7
Satosorsa As Oy	19.9	19.9
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 16 Oy		
Espoon Sokerilinnantie 1 As Oy	5.8	4.3
Helsingin Finniläntalo As Oy	80.2	80.2
Lahden Kauppakatu 36 As Oy	7.9	3.6
Lappeenrannan Kanavansato 2 As Oy	30.7	25.0
Raision Toripuisto As Oy	56.9	20.8
Tampereen Kyyhky As Oy	11.1	8.1
Sato VK 17 Oy		
Helsingin Myllypellonpolku 4 As Oy	6.9	6.9
Helsingin Otto Brandtin polku 4 As Oy	8.9	5.9
Helsingin Tulvaniitynpolku 5 As Oy	6.6	6.6
Kaarinan Katariinanrinne As Oy	18.0	12.6
Kaarinan Verkapatruuna As Oy	30.3	11.7
Oulun Aleksanteri As Oy	100.0	100.0
Turun Hehtokatu As Oy	51.2	19.1
Turun Seiskarinkulma As Oy	24.0	14.0
Turun Tervaporvari As Oy	100.0	100.0
Vantaan Orvokkitie 17 As Oy	14.3	14.3
Sato VK 18 Oy		
Espoon Ristiniementie 22 As Oy	78.4	5.4
Helsingin Mustankivenraitti 5 As Oy	94.6	94.6
Helsingin Paciuksenkaari 19 As Oy	1.6	1.6
Helsingin Pasuunatie 8 As Oy	74.8	9.1
Helsingin Taimistontie 9 As Oy	12.3	12.3
Helsingin Tulisuontie 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	91.4	12.1
Kaarinan Katariinankallio As Oy	79.5	23.5
Kaarinan Kultarinta As Oy	83.5	26.5
Tampereen Rantatie 13 E-G As Oy	88.2	41.6
Turun Merenneito As Oy	77.2	14.6
Turun Meripoika As Oy	83.7	26.0
Tuusulan Naavankierto 10 As Oy	87.8	5.3
Sato VK 20 Oy		
Espoon Säterinkatu 10 As Oy	76.0	6.1
Helsingin Lintulahdenpuisto As Oy	100.0	100.0
Helsingin Vanhanlinnantie 10 As Oy	80.8	10.2
Oulun Laamannintie As Oy	95.6	43.5
	0.0	0.0
Sato VK 21 Oy	0.0	0.0
Espoon Zanseninkuja 4 As Oy	82.0	17.4
Jyväskylän Vaneritori 4 As Oy	88.0	19.8
Kaarinan Mattelpiha As Oy	94.2	36.0
Turun Unikkoniitty As Oy	88.2	13.9
Vantaan Herttuantie 3 As Oy	88.1	31.2
Sato VK 22 Oy		
Espoon Numersinkatu 6 As Oy	81.4	9.2
Kaarinan Kiurunpuisto As Oy	91.2	29.6
Oulun Laamannintie 14 ja 17 As Oy	95.9	61.9
Tampereen Kyläleni As Oy	96.4	70.7
Turun Maarianportti As Oy	100.0	100.0
Sato-Osaomistus Oy		
Espoon Nostoväenkuja 1 As Oy (VA)	3.5	3.5
Espoon Numersinkatu 6 As Oy (OOA)	81.4	72.2
Espoon Puropuisto As Oy (VA)	58.4	2.5
Espoon Ristiniementie 22 As Oy (OOA)	78.4	73.0
Espoon Sokerilinnantie 1 As Oy (VA)	5.8	1.6
Espoon Säterinkatu 10 As Oy (OOA)	76.1	70.0
Espoon Zanseninkuja 4 As Oy (OOA)	82.0	64.6
Helsingin Otto Brandtin polku 4 As Oy (OOA)	8.9	3.0
Helsingin Pasuunatie 8 As Oy (OOA)	74.8	65.8
Helsingin Taavetinaukio 4 As Oy (VA) 1	3.9	3.9
Helsingin Vanhanlinnantie 10 As Oy (OOA)	80.8	70.6
Iidesranta 42 Tampere As Oy (VA)	9.9	3.4

Jyväskylän mlk:n Kirkkotie 3 As Oy (OOA)	91.4	79.3
Jyväskylän Vaneritori 4 As Oy (OOA)	88.0	68.2
Kaarinan Katariinankallio As Oy (OOA)	79.5	55.9
Kaarinan Katariinanrinne As Oy (VA)	18.0	5.3
Kaarinan Kiurunpuisto As Oy (OOA)	91.2	61.6
Kaarinan Kultarinta As Oy (OOA)	83.5	57.1
Kaarinan Mattelpiha As Oy (OOA)	94.2	58.2
Kaarinan Verkapatruuna As Oy (VA)	30.3	18.6
Lahden Kauppakatu 36 As Oy (VA)	7.9	4.3
Lappeenrannan Kanavansato 2 As Oy (VA)	30.7	5.7
Oulun Laamannintie 14 ja 17 As Oy (VA)	95.9	34.0
Oulun Laamannintie As Oy (OOA)	95.6	52.1
Raision Siirinsopukka As Oy (VA)	15.3	15.3
Raision Toripuisto As Oy (VA)	56.9	36.2
Tampereen Haapalinnan Antintalo As Oy (OOA)	66.7	16.0
Tampereen Kyläleni As Oy (OOA)	96.4	25.7
Tampereen Kyyhky As Oy (VA)	11.1	3.0
Tampereen Rantatie 13 E-G As Oy (OOA)	88.2	46.6
Turun Hehtokatu As Oy (VA)	51.2	32.1
Turun Merenneito As Oy (OOA)	77.2	62.6
Turun Meripoika As Oy (OOA)	83.7	57.7
Turun Seiskarinkulma As Oy (VA)	24.0	10.0
Turun Unikkoniitty As Oy (OOA)	88.2	74.3
Tuusulan Naavankierto 10 As Oy (OOA)	87.8	82.5
Vantaan Herttuantie 3 As Oy (OOA)	88.1	56.9
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 Kylänpäänkaari As Oy	45.0	45.0
Nurmijärven Kylänpäänniitty As Oy	35.2	35.2
Vatrotalot 4 Oy		
Helsingin Laivalahdenportti 5 As Oy	75.5	75.5
Helsingin Toini Muonan katu 8 As Oy	13.2	13.2
Laakavuorentie 4 As Oy	39.1	39.1
Meriramsi As Oy	25.6	25.6
Meri-Rastilan tie 5 As Oy	23.5	23.5
Meri-Rastilan tie 9 As Oy	9.1	9.1
Raudikkokuja 3 KOy	100.0	100.0
Vantaan Omaksi As Oy	2.8	2.8
Vantaan Ravurinpuisto As Oy	61.1	61.1

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PARENT COMPANY INCOME STATEMENT, FAS

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Net sales	1	7.5	7.3
Other operating income	2	5.2	6.0
Materials and services	3	-1.9	-2.7
Personnel expenses	4 5 6	-3.0	-3.0
Deprecation, amortisation and impairment charges	7	-1.1	-1.1
Other operating expenses	8	-13.0	-12.1
Operating profit		**-6.4**	**-5.5**
Financial income and expenses	9	-41.1	-39.0
Profit/loss before appropriations and taxes		**-47.5**	**-44.4**
Group contribution	10	125.6	110.2
Income taxes	11	-15.6	-13.2
Profit for the period		**62.5**	**52.6**

PARENT COMPANY BALANCE SHEET, FAS

MEUR	note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	12	2.1	1.9
Tangible assets	13	1.7	1.7
Holdings in Group companies	14	1,081.2	1,081.2
Holdings in associated companies	15	0.0	0.0
Other holdings and shares	16	1.0	1.0
Total		**1,086.0**	**1,085.8**
Current assets			
Inventories	17	1.8	4.7
Long-term receivables	18	395.4	8.1
Short-term receivables	19	176.5	297.6
Cash and cash equivalents		0.0	12.6
Total		**573.7**	**323.0**
TOTAL ASSETS		**1,659.7**	**1,408.7**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20 21		
Share capital		4.4	4.4
Reserve fund		43.7	43.7
Other funds		116.1	116.1
Retained earnings		123.9	71.2
Profit for the period		62.5	52.6
Total		**350.5**	**288.0**
Obligatory reserves	22	**0.0**	**0.0**
Liabilities			
Non-current	23	1,047.7	901.1
Current	24	261.5	219.6
Total		**1,309.2**	**1,120.7**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**1,659.7**	**1,408.7**

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PARENT COMPANY'S CASH FLOW STATEMENT, FAS

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the financial year	62.5	52.6
Adjustments:		
Depreciation	1.1	1.1
Financial income (-) and expenses (+)	41.1	39.0
Income tax	15.6	13.2
Proceeds (-) and losses (+) on sales of tangible assets	-0.2	-0.2
Group contribution	-125.6	-110.2
Other adjustments	-0.5	0.5
Cash flow before change in working capital	**-5.9**	**-4.1**
Change in working capital		
Decrease (+)/increase(-) in current non-interest bearing receivables	1.7	0.3
Decrease (+)/increase(-) in inventories	2.9	1.7
Decrease (-)/increase(+) in current loans	-0.2	-2.4
Cash flow before financial items and taxes	**-1.4**	**-4.5**
Interest paid	-48.1	-18.3
Interest received	3.3	1.7
Other financial expenses	-12.5	-11.4
Direct taxes paid	-19.7	-4.6
Cash flow from operating activities (A)	**-78.5**	**-37.1**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1.4	-0.9
Income from disposals of tangible assets	0.2	0.3
Other investments to subsidiaries	0.0	-250.3
Placements in other investments	-0.1	0.0
Proceeds from other investments	0.0	0.0
Loans granted	-395.0	0.0
Instalments on loan receivable	7.8	3.4
Cash flow from investing activities (B)	**-388.4**	**-247.5**

CASH FLOW FROM FINANCING ACTIVITIES		
Loans taken	281.4	428.1
Payments on loans	-3.9	-103.7
Changes in short-term cash pool liabilities and receivables	66.5	-163.7
Group contributions (contribution-based)	110.2	52.0
Dividends paid and other distribution of profit	0.0	-25.4
Payments received from the issue of shares	0.0	98.7
Cash flow from financing activities (C)	**454.3**	**286.0**
Cash and cash equivalents at the beginning of the year	**12.6**	**11.2**
Cash and cash equivalents at the end of the year	**0.0**	**12.6**

NOTES TO INCOME STATEMENT

1. Net Sales

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Rental income and compensation charges	2.2	2.5
Other income	5.3	4.8
Total	**7.5**	**7.3**

2. Other operating income

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Other operating income	0.1	0.0
Commission, sold property	0.0	0.0
Profit on sales of fixed assets	0.2	0.2
Management service charges	4.9	5.8
Total	**5.2**	**6.0**

3. Materials and services

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Materials and consumables		
Purchases	0.6	0.9
Change in inventories	1.3	1.8
Total	**1.9**	**2.7**

4. Personnel expenses

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Salaries and wages	2.5	2.5
Pension expenses	0.5	0.5
Other personnel expenses	0.1	0.0
Total	**3.0**	**3.0**

5. Management salaries and compensations

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Presidents and members of the Board of Directors	0.6	0.9

The President and CEO is entitled to retire at the age of 60.

6. Average number of personnel

	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Employees	18	16

7. Depreciation and amortisation

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Amortisation of intangible assets	0.6	0.6
Depreciation of tangible assets	0.5	0.5
Total	**1.1**	**1.1**

8. Other operating expenses

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Rents	0.5	1.7
Maintenance expenses	0.5	0.5
Other fixed expenses	11.9	9.7
Other operating expenses	0.0	0.0
Total	**13.0**	**12.1**

9. Financial income and expenses

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Interest income on long-term investments		
From Group companies	3.3	1.7
From others	0.0	0.0
Total	**3.3**	**1.7**

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Interest expenses and other financing expenses		
To Group companies	-8.1	-7.0
To others	-36.3	-33.6
Total	**-44.4**	**-40.6**
Financial income and expenses, total	**-41.1**	**-39.0**

10. Group contributions

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Group contributions received	125.6	110.2
Total	**125.6**	**110.2**

11. Income taxes

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Income taxes, business operations	15.6	13.2
Total	**15.6**	**13.2**

NOTES TO BALANCE SHEET

12. Intangible assets

MEUR	2017	2016
Other long-term expenditure		
Acquisition cost, 1 Jan	5.7	5.2
Increases	0.9	0.5
Acquisition cost, 31 Dec	6.6	5.7
Accumulated amortisation and impairment, 1 Jan	3.8	3.2
Amortisation, current year	0.6	0.6
Accumulated amortisation and impairment, 31 Dec	4.5	3.8
Book value, 31 Dec	**2.1**	**1.9**
Intangible assets, total	**2.1**	**1.9**

13. Tangible assets

MEUR	2017	2016
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**

Machinery and equipment

Acquisition cost, 1 Jan	3.5	3.7
Increases	0.5	0.4
Decreases	-0.4	-0.5
Acquisition cost, 31 Dec	3.5	3.5
Accumulated depreciation and impairment, 1 Jan	2.5	2.6
Accumulated depreciation of transfers	-0.4	-0.4
Depreciation, current year	0.3	0.4
Accumulated depreciation and impairment, 31 Dec	2.5	2.5
Book value, 31 Dec	**1.0**	**1.0**

Other tangible assets

Acquisition cost, 1 Jan	1.3	1.3
Increases	0.1	0.0
Acquisition cost, 31 Dec	1.4	1.3
Accumulated depreciation and impairment, 1 Jan	0.5	0.4
Depreciation, current year	0.1	0.1
Accumulated depreciation and impairment, 31 Dec	0.7	0.5
Book value, 31 Dec	**0.7**	**0.7**
Tangible assets, total	**1.7**	**1.7**

14. Holdings in Group companies

MEUR	**2017**	**2016**
Acquisition cost, 1 Jan	1,081.2	816.6
Increases	0.0	264.5
Acquisition cost, 31 Dec	1,081.2	1,081.2
Book value, 31 Dec	**1,081.2**	**1,081.2**

15. Holdings in associated companies

MEUR	**2017**	**2016**
Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Book value, 31 Dec	**0.0**	**0.0**

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16. Other stocks and shares

MEUR	2017	2016
Acquisition cost, 1 Jan	1.0	1.0
Acquisition cost, 31 Dec	1.0	1.0
Accumulated depreciation and impairment, 1 Jan	0.0	0.0
Accumulated depreciation and impairment, 31 Dec	0.0	0.0
Book value, 31 Dec	**1.0**	**1.0**
Investments, total	**1,082.2**	**1,082.1**

17. Inventories

MEUR	31 Dec 2017	31 Dec 2016
Completed housing units and commercial space	0.2	0.2
Land areas and land area companies	1.2	4.0
Other inventories	0.3	0.5
Book value	**1.8**	**4.7**

18. Non-current receivables

MEUR	31 Dec 2017	31 Dec 2016
Receivables from Group companies		
Notes receivable, Group	395.0	7.8
Total	**395.0**	**7.8**

MEUR	31 Dec 2017	31 Dec 2016
Receivables from others		
Notes receivable	0.4	0.4
Total	**0.4**	**0.4**
Non-current receivables, total	**395.4**	**8.1**

19. Current receivables

MEUR	31 Dec 2017	31 Dec 2016
Receivables from Group companies		
Accounts receivable	0.0	1.3
Other receivables	176.3	295.5
Prepaid expenses and accrued income	0.0	0.1
Total	**176.3**	**296.9**

Receivables from others		
Accounts receivable	0.1	0.3
Prepaid expenses and accrued income	0.1	0.3
Total	**0.3**	**0.7**
Current receivables, total	**176.5**	**297.6**
Receivables total	**571.9**	**305.7**

Specification of prepaid expenses and accrued income

Interest receivables	0.0	0.0
Other	0.1	0.4
Total	**0.1**	**0.4**

20. Shareholders' equity

MEUR	2017	2016
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	1.9
Increases	0.0	112.9
Decreases	0.0	0.0
Invested unrestricted equity fund, 31 Dec	114.8	114.8
Retained earnings, 1 Jan	123.9	96.6
Dividend payment	0.0	-25.4
Retained earnings, 31 Dec	123.9	71.2
Profit for the period	**62.5**	**52.6**
Shareholders' equity, total, 31 Dec	**350.5**	**288.0**

21. Calculation of distributable funds

MEUR	2017	2016
Other funds	1.1	1.1
Invested unrestrited equity fund	114.8	114.8
Retained earnings	123.9	71.2
Profit for the period	62.5	52.6
Distributable funds, 31 Dec	**302.4**	**239.8**

22. The parent company's share capital is divided into shares as follows:

	31 Dec 2017	31 Dec 2016
Total number of shares	56,783,067	56,783,067

SATO Corporation has only one series of shares.

The company holds 160,000 of its own shares.

23. Provisions

MEUR	31 Dec 2017	31 Dec 2016
Provision for refund claims	0.0	0.0
Total	**0.0**	**0.0**

24. Long-term liabilities

MEUR	31 Dec 2017	31 Dec 2016
Loans to Group companies		
Loans, Group	0.0	3.9
Total	**0.0**	**3.9**

MEUR	31 Dec 2017	31 Dec 2016
Loans from financial institutions		
Bonds	747.7	847.3
Loans from financial institutions	300.0	50.0
Total	**1,047.7**	**897.3**
Long-term liabilities, total	**1,047.7**	**901.1**
Loans maturing in more than five years	**178.2**	**77.9**

Derivatives

MEUR	31 Dec 2017	31 Dec 2016
Nominal values of derivative instruments		
Interest rate swaps, liabilities	474.6	538.4
Interest rate swaps, assets	120.0	0.0
Net	**594.6**	**538.4**

MEUR	31 Dec 2017	31 Dec 2016
Fair values of derivative instruments		
Interst rate swaps		
Positive	0.3	0.0
Negative	-20.8	-30.7
Net	**-20.6**	**-30.7**

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.

25. Current liabilities

MEUR	31 Dec 2017	31 Dec 2016
Loans to Group companies		
Accounts payable	0.4	0.4
Other liabilities	0.0	68.1
Accrued expenses and prepaid income	0.0	16.9
Total	**0.4**	**85.4**

MEUR	31 Dec 2017	31 Dec 2016
Loans to others		
Loans from financial institutions	240.9	109.9
Advances received	0.1	0.1
Accounts payable	0.8	0.9
Other liabilities	0.4	0.3
Accrued expenses and prepaid income	18.8	22.9
Total	**261.1**	**134.2**
Current liabilities, total	**261.5**	**219.6**
Liabilities, total	**1,309.2**	**1,120.7**

MEUR	31 Dec 2017	31 Dec 2016
Specification of accrued expenses and prepaid income		
Wages and salaries including employee benefits	2.1	2.0
Interest payable	13.8	30.0
Municipal engineering liabilities	0.0	0.5
Current tax liabilities	2.5	6.6

Others	0.4	0.8
Total	**18.8**	**39.8**

26. Collaterals, contingent liabilities and other commitments

MEUR	31 Dec 2017	31 Dec 2016
Congingent liabilities on behalf of Group companies		
Guarantees	175.5	314.8
Total	**175.5**	**314.8**

MEUR	31 Dec 2017	31 Dec 2016
Other commitments		
Lease agreements for premises in Panuntie, amounts due (incl.VAT)		
Within one year	1.7	1.7
Later than one year but within five years	5.2	7.1
Later than five years	0.0	1.8
Pledges and contingent liabilities, total	**6.9**	**10.6**

SATO has sublet its office premises in Panuntie, Helsinki. The future minimum rent payments from these agreements is EUR 0.6 (0.8) million. In the current period, rental income recognised in income statement amounted to EUR 0.5 (0.8) million.

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of SATO Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SATO Oyj (business identity code 0201470-5) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial 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.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional 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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of investment property
(Refer to notes 1 and 13 to the consolidated financial statements)

Why

— SATO applies fair value accounting (IAS 40). Investment properties measured at fair value (€ 3 564.8 million) comprise 96.5 percent of the consolidated total in the statement of financial position as at 31 December 2017. The resulting change in fair values has a significant impact on the consolidated equity and profit for the year.

— The fair value of an investment property is, depending on the impact of the restriction in use and transfer of title, based on sales comparison method, income method or the acquisition value. When applying the sales comparison method, market value is determined based on the 24 month average of the selling prices for comparable apartments. Income method value is determined by discounting the net rental income from the property with the yield specific for the property. SATO uses an external property valuer, who quarterly provides a report on the fair value calculation prepared by the company.

— Due to management judgments involved about the estimates used in determining fair values and the significant carrying amounts involved valuation of investment properties is considered a key audit matter for the Group. The determination of key parameters requires management judgements about yields and vacancy, among others.

How the matter was addressed in the audit

— We evaluated the assumptions requiring management judgements used in the fair value calculations. We also assessed the reasons for the material changes in the fair values. Furthermore, we tested the controls designed to ensure the correctness of the basic data used in fair value calculations.

— We tested a sample of the fair value calculations and compared the assumptions used to market and industry-specific information.

— We interviewed an external valuer (Authorised Property Valuer) used by SATO to evaluate the appropriateness of the valuation methods applied by SATO.

Net sales: recognition of rental income
(Refer to note 1 to the consolidated financial statements)

Why	How the matter was addressed in the audit
— Rental income comprises a significant part of the consolidated net sales and cash flows. Rental income from investment properties is recognised in equal instalments over the lease term. — Net sales consist of a significant number of invoicing transactions. The industry is marked by a large number of lease agreements effective until further notice.	— We assessed the internal controls over rental income and tested the effectiveness of the key controls over the accuracy of the invoicing process. — Our audit focused on testing the key controls to assess the completeness, accuracy and existence of consolidated net sales.

Acquisitions and disposals of investment property
(Refer to notes 1, 4 and 13 to the consolidated financial statements)

Why	How the matter was addressed in the audit
— SATO acquires and disposes of apartments and investment property portfolios annually. The acquisitions of investment properties in 2017 amounted to € 29.1 million and proceeds from disposal of investment properties € 45.7 million. — The sale and purchase agreements for property acquisitions and disposals may have complexity such as deferred consideration arrangements and include other rights and obligations. These circumstances may require management judgement when assessing the appropriate accounting treatment in relation to the relevant accounting standards applied.	— We assessed the internal controls of the Group and tested the controls over the approval and authorization processes to acquire and dispose of investment properties. — We considered the sale and purchase agreements for property acquisitions and disposals and other documentation on the transactions. We assessed the definition, classification and recognition of the transactions in relation to the relevant accounting standards and the accounting principles for the consolidated financial statements applied. — Furthermore, we assessed the appropriateness of the disclosures on the transactions presented in the consolidated financial statements.

Accounting for borrowings and derivative instruments (Refer to notes 17, 25, 26, 27 and 30 to the consolidated financial statements)

Why

— The interest-bearing liabilities amount to € 1 931.7 million which account for 52.3 percent of the consolidated total in the statement of financial position as at 31 December 2017.

— The Group has derivative instruments that are accounted for at fair value. The nominal value of the derivatives is € 820.4 million as at 31 December 2017. SATO uses both interest rate and currency derivatives to hedge its interest rate and currency risk exposures. The Group applies hedge accounting to a part of its derivative instruments.

How the matter was addressed in the audit

— We considered the Group's financing policy, the finance function and the developments in the loan portfolio and finance expenses during the year.

— We assessed the functionality of the key internal controls over the finance functions in relation to the financing policy approved by the parent company's Board of Directors.

— We considered the financing agreements of the Group and other related documentation. We also assessed the definition, classification and recognition of the transactions, in relation to the relevant accounting standards and the accounting principles for the consolidated financial statements applied.

— Furthermore, we assessed the appropriateness of the disclosures provided on the financing arrangements and financial instruments in the consolidated financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as 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

SATO Oyj has become a PIE entity in 2012 due to the issuing of a listed bond. KPMG Oy Ab has been auditor during all the years the company has been a PIE entity.

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 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.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet (and the distribution of other unrestricted equity) is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 7 February 2018

KPMG OY AB

LASSE HOLOPAINEN
Authorised Public Accountant, KHT

FIVE YEAR INDICATORS

Key financial indicators	2017	2016	2015	2014	2013**
Net sales, MEUR	280.1	262.7	249.4	243.2	229.5
Net rental income, MEUR	188.4	167.1	151.8	146.2	131.8
Net rental income (%)	5.6%	5.7%	6.0%	6.3%	6.2%
Operating profit, MEUR	230.7	267.2	196.5	191.3	178.3
Net financing expences, MEUR	-45.8	-47.8	-37.0	-39.1	-38.0
Profit before taxes, MEUR	184.9	219.4	159.4	152.2	140.8
Balance sheet total, MEUR	3,694.6	3,562.2	2,979.6	2,801.6	2,596.0
Shareholders' equity, MEUR	1,411.2	1,252.6	993.2	892.3	823.0
Liabilities, MEUR	2,283.4	2,309.6	1,986.5	1,909.3	1,773.0
Intrest bearing liabilities, MEUR	1,931.7	1,943.0	1,676.2	1,584.9	1,501.3
Return on invested capital, % (ROI)	7.1%	9.1%	7.6%	7.7%	7.7%
Return on equity, % (ROE)	11.0%	15.6%	13.5%	14.0%	15.5%
Equity ratio, %	38.2%	35.2%	33.3%	31.8%	31.7%
Investment property, MEUR	3,564.8	3,383.2	2,752.9	2,528.0	2,316.0
Investments, MEUR	156.0	572.6	250.5	174.0	191.0
as percentage of net sales	55.7%	218.0%	100.4%	71.5%	83.2%
Personnel, average***	206	170	172	165	156
Personnel at the end of period	212	175	170	169	156
Key indicators per share					
Earnings per share, EUR	2.58	3.22	2.49	2.37	2.34
Equity per share, EUR****	24.92	22.12	19.53	17.55	16.16
Number of shares, million*	56.6	56.6	50.8	50.8	50.8
Key figures according to EPRA recommendations and operational cash earnings					
EPRA Earnings, MEUR	82.9	69.5	64.5	65.1	62.7
EPRA Earnings per share, EUR	1.46	1.28	1.27	1.28	1.23
EPRA Net Asset Value, MEUR*****	1,680.6	1,517.5	1,227.8	1,120.3	1,006.9
EPRA Net Asset Value per share, EUR*****	29.68	26.80	24.15	22.04	19.80
Cash earnings, MEUR	91.1	86.2	78.1	72.9	66.1
Cash earnings per share, EUR	1.61	1.59	1.54	1.43	1.30

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

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

*** Including summer trainees

**** Equity excluding non-controlling interests

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

Formulas used in calculation

Net rental income, EUR		Rental income - Property, maintenance and reparation expenses - Ground rents	
Net rental income, %	=	Net rental income / (fair value of investment property - property under construction) average during the financial year	x 100
Return on investment, %	=	(Profit or loss before taxes + interest expense and other financing expenses) / Balance sheet total – non-interest-bearing debts (average during the financial year)	x 100
Return on equity, %	=	Profit or loss after taxes / Shareholders' equity (average during the financial year)	x 100
Equity ratio, %	=	Shareholders' equity / Balance sheet total – advances received	x 100
Earnings per share, EUR	=	Net profit for year due to owners of parent company / Adjusted number of shares (average during the financial year)	
Equity per share, EUR	=	Shareholders' equity / Adjusted number of shares (at the end of the reporting period)	
EPRA 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 taxes of above items - Non-controlling interests	
EPRA Net Asset Value		Net asset value -/+ 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 taxed +/- 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 Friday 23 March 2018 at 12.00 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 11.30.

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 8 February 2018. 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 13 February 2018. 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 6 April 2018 at the latest.

Instructions for participants of the General Meeting

Right to attend and registration
Each shareholder who is on 13 March 2018 registered in the shareholders register of the company maintained by Euroclear Finland Ltd has the right to attend the General Meeting. A shareholder whose shares have been entered into his/her personal Finnish book-entry account, is registered in the shareholders register of the company.

A shareholder who is entered into the shareholders register and who wish to attend the General Meeting shall register for the meeting no later than on Tuesday 20 March 2018 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 kati.laakso (at) 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 13 March 2018 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 20 March 2018 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.

Proposal on distribution of dividends

The Board of Directors proposes that for the financial year 2017 a dividend of EUR 0,50 is paid for each share. The record date for dividend distribution is proposed to be March 27, 2018 and the dividend is proposed to be paid on April 5, 2018.

Financial publications

Publication dates for interim reports and half year financial report:
Interim report January–March 8 May 2018
Half year financial report January–June 18 July 2018
Interim report January–September 6 November 2018

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 (at) sato.fi.

Distribution of shares on 2 January 2018

Shareholder	Holding %
Balder Finska Otas AB 53.7	53.7
Stichting Depositary APG Strategic Real Estate Pool	22.6
Elo Mutual Pension Insurance Company	12.7
The State Pension Fund	4.9
The Finnish Construction Trade Union	1.1
Others (112 shareholders)	5.0

On 2 January 2018, the Group had 117 shareholders entered in the book-entry register. The turnover of SATO Corporation's shares was 0.14 per cent during the reporting year.

Articles of Association and shares

SATO Corporation's Articles of Association as in force was registered on 15 March 2011. The Articles of Association does not include any provisions on redemption of shares.

On 31 December 2017, 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.