



ANNUAL REPORT

2017

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# OUR RENTAL HOMES COME WITH GOOD CUSTOMER SERVICE

*SATO provides its customers with rental homes and customer services. Our service promise is a home the way you want it, and our operations are guided by our Customer First service model.*

*"The service manager is an important link between residents and SATO. The service manager of my building is doing an excellent job."  
–SATO Pulssi panelist*

We own, build, buy and renovate urban homes to ensure safe, carefree and pleasant living for our customers. We are continuously improving our customer service, making the daily lives of our customers easier and developing new housing concepts. Our strategic development programmes are guiding us towards our goals.

*Our service promise to our customers is a home the way you want it.*

As a major lessor, we bear responsibility for urban development and the environmental effects of housing. We invest in rental apartments that meet our customers' needs, and we grow profitably.

SATO invests primarily in the Helsinki metropolitan area, Tampere and Turku, where the demand for homes and the expected value development are highest. We also operate in Jyväskylä, Oulu and St Petersburg.

**47,440** *residents in SATO RentHomes*

**25,793** *SATO RentHomes*

**68** *SATO StudioHomes*

# STRONGER CUSTOMER FOCUS

*SATO renewed its strategy in 2016. We introduced an even stronger customer focus in our operations, aiming at the well-being of customers. Our occupancy rate improved considerably and our external turnover rate decreased in the review period.*

In spring 2017, we introduced our [Customer First service model](#), and its positive effects began to show before the end of the year.

## OUR OCCUPANCY RATE INCREASED, DRIVEN BY CUSTOMER FOCUS

- Our customer focus was reflected in our occupancy and external tenant turnover rates.
- The economic occupancy rate strengthened through each quarter, from 96.1 per cent in the first quarter to 97.5 per cent in the last. The full-year occupancy rate in Finland was 96.8 (95.6) per cent.
- External tenant turnover decreased to 28.9 (32.7) per cent.

## IMPROVED OCCUPANCY RATE SHOWS POSITIVELY IN NET SALES AND NET RENTAL INCOME

- Net revenue grew by 6.6 per cent to EUR 280,1 (262,7) million.
- Net rental income improved by 12.7 per cent to EUR 188,4 (167,1) million.

## OUR EQUITY RATIO CONTINUED TO IMPROVE

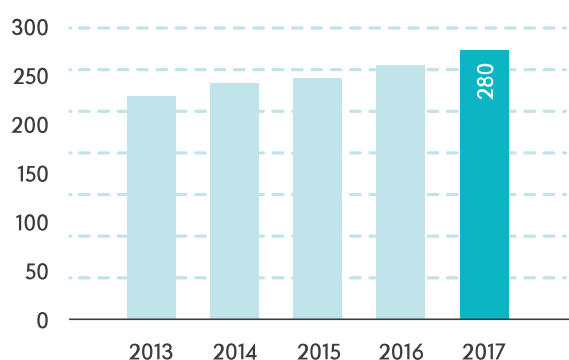
- Capital invested in business operations was EUR 3,342.9 (3,195.6) million.
- When evaluating business profitability, a key indicator is return on investment, which was 7.1 (9.1) per cent.
- The average interest rate decreased to 2.2 (2.5) per cent.
- Equity ratio exceeded our target of 35 and was 38.2 (35.2) per cent.
- Solvency ratio was 52.1 (54.3) per cent. 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.

## PROPORTION OF FINANCING FREE OF REAL SECURITIES IS INCREASING STRONGLY

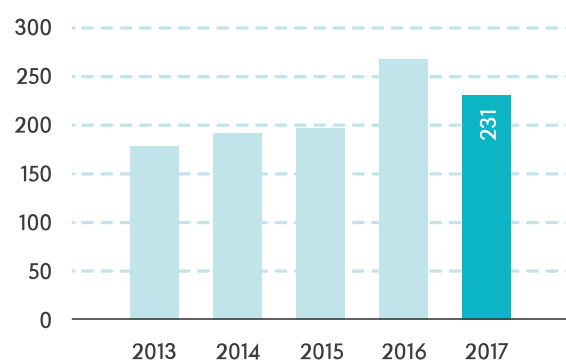
As early as the third quarter of the review period, we achieved one of our goals for the strategy period 2017–2020: at least 60 per cent of our assets should be free of real securities.

The proportion of financing free of real securities increased in the review period to 66.3 per cent. Part of this is due to new types of financial instruments, such as unsecured bonds, but a new type of cooperation with multiple banks also played a significant role. During the review period, our financing structure continued to change through agreements signed with Swedbank, OP Corporate Bank, Aktia and EIB on loans free of real securities. At the same time, our company's solvency ratio decreased. This, together with the changes in the financing structure, will give us more opportunities to make use of diverse financial markets.

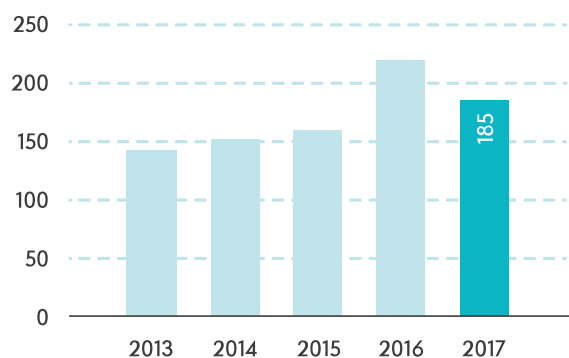
**Net Sales, MEUR**



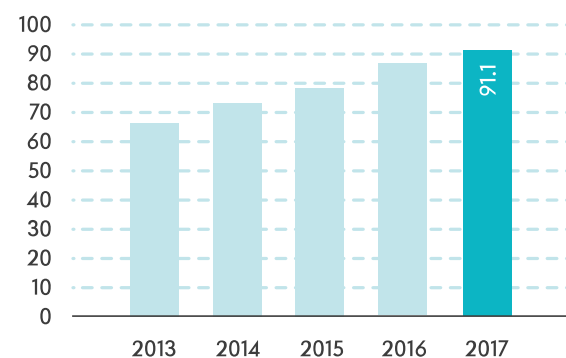
**Operating profit, MEUR**



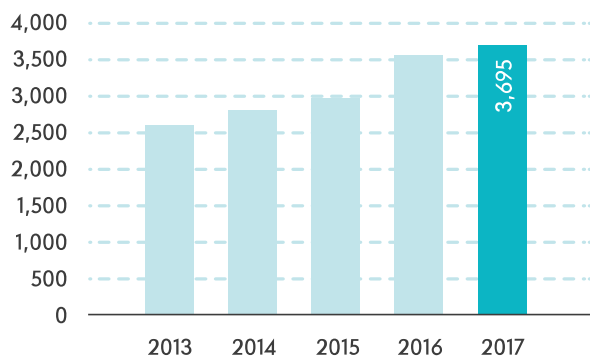
**Profit before taxes, MEUR**



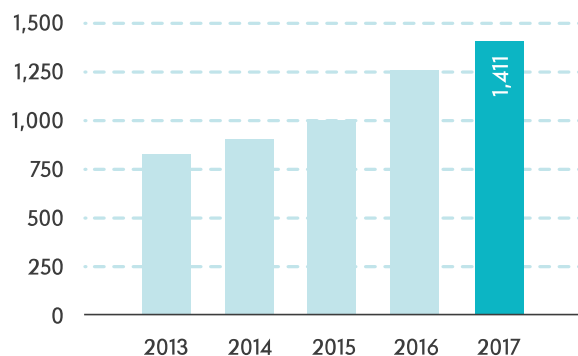
**Cash earnings (CE), MEUR**



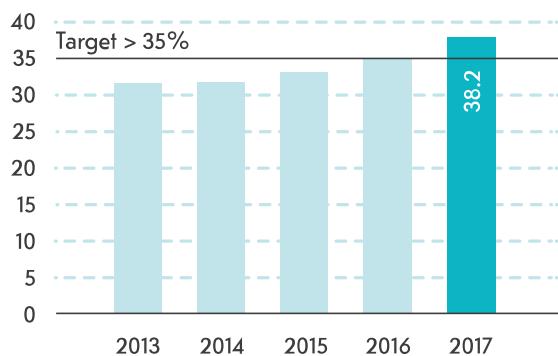
### Balance sheet, MEUR



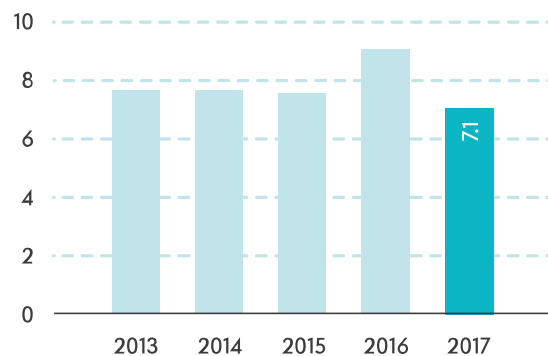
### Shareholders' equity, MEUR



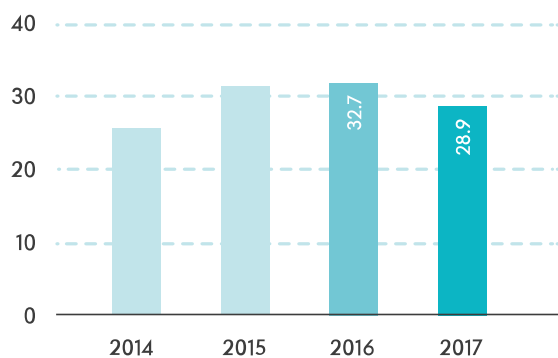
### Equity ratio, %



### Return on invested capital, %



### External tenant turnover, %





# CEO'S REVIEW

*2017 was an excellent year for SATO in many ways. We implemented our strategic customer-driven programmes successfully and this was reflected in improved customer feedback and in increased occupancy rate, net sales and net rental income. We responded to urbanisation challenges, in particular, by launching complementary construction projects, of which our StudioHome project in Vantaa created considerable public interest. In total, we invested EUR 156 million in Finnish housing. Our decreased solvency ratio and the higher proportion of unencumbered assets strengthened our investment capabilities and supported our goal of reaching a stronger credit rating. It was also rewarding to see that the job satisfaction of our increasing personnel improved throughout, even during a very busy year.*

## HOUSING MARKET CHANGING ACTIVELY

The pace of housing construction remained at a record-high level in Finland. **A functional housing market is the most effective way to curb increasing housing costs both in owner-occupied and rental housing.** The results of active housing production are reflected in the market, for example, through increased competition and slower increases in rents. In a functional market the consumer is offered housing solutions that vary in size, quality and price and every apartment completed will as a result release one inexpensive apartment to the market.

We need to be able to maintain this pace in housing production, as increasing the number of apartments in growth centres is a core requirement for affordable living and successful urban development.

Housing policy plays a more important role in the ongoing social change than it has in a long time. Most new companies, ideas and jobs are created in cities with a high enough population density. From the point of view of Finnish society and Finland's international success, it is vital to succeed in urbanisation. We also need to find functional solutions for people to move out of locations with fewer jobs. It is important to understand that in these rapid changes, where digitalisation can revolutionise both the labour market and transport solutions, housing policy can no longer be implemented by testing older methodologies and ideologies. We need to find solutions for modern needs by working extensively together, starting with a clean slate. In this, we need to listen to consumers. After all, solutions must be based on their wishes and opportunities. The housing market does not serve consumers by using regulations prescribed from above.

Consumers demand a predictable long-term housing policy. This is why changing the conditions of subsidised production retroactively is damaging and should be discontinued. This is how we commented on the Government proposal for developing the interest subsidy system for housing construction in November.

## NEW HOUSING IN COLLABORATION WITH CITIES

During the reporting year, our investments were directed at the most rapidly growing urban areas. Number of our apartments increased by roughly 450 apartments. We completed 856 new apartments. This includes apartments built in new areas and complementary construction aimed to densify the existing urban structure.

We consider partnership planning and complementary construction to be effective and functional ways to control increases in housing costs. During the reporting year, the [Wise Mobility Block](#) project in Oulunkylä, Helsinki, was a good example of both of these. Its planning solution was sought through an architectural competition, held together with the City of Helsinki.

As a result of our extensive plan development in Martinlaakso, together with the City of Vantaa, we started the construction of 288 apartments in Raiviosuonmäki and completed 110 apartments on Kukinkuja and 68 StudioHomes on Raikukuja.

In Espoo, plans of development projects made good progress in 2017 regarding Finn timer, Soukka and Niittykallio in Saunalahti. In Turku and Tampere, we are negotiating with the cities over complementary planning projects to be launched during spring 2018.

We pushed the planning of complementary construction, which effectively makes use of the existing infrastructure, forward for roughly 1,100 new apartments.

In the Helsinki High-rise architectural competition, held to develop central Pasila, the proposal of SATO, Skanska and ALA Architects made it to the second round in the autumn of the reporting year. The aim of the competition is to find a designer and developer for a high-rise area in central Pasila.

## NEW HOUSING SOLUTIONS ARISE FROM THE NEEDS OF CONSUMERS

The changing values and living preferences of people, combined with their needs for more affordable housing, drove us to develop diverse housing solutions. StudioHome, a pilot building for social living completed during the reporting year, is a good example of new kinds of solutions. It is a building in which a home expands from small two bedroom apartments into shared living rooms. 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 of 19–69 years and seven different nationalities, ranging from students to pensioners and from workers to managers. In 2018, we will obtain valuable experiences in social living, allowing for the implementing of it in our other buildings as well.

During 2017, we also designed the IdealHome concept aimed at standardised production. In cooperation with partners, we seek to identify production solutions that enable us to offer more affordable homes, especially in areas suitable for complementary construction.

We are constantly developing new kinds of housing solutions and are intently listening to consumers. [The housing sector is changing as a result of digitalisation, globalisation and sustainable development, and we want to be on the frontline of this development.](#)

## BRINGING A NEW TYPE OF SERVICE CULTURE TO LIFE

During the reporting year, we did what we promised in our strategy and succeeded in building a new type of service culture for our customers. This is connected to the implementation of our mission. We are revolutionising the housing sector – we are offering more than just walls.

Our [Customer First](#) programme brought our daily customer service close to our customers. 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.

Our building-specific service managers know our customers and their home buildings, and are available in their buildings every month and offer a more personal service. The service managers continue to fulfil their of previously outsourced building management tasks but their job descriptions are more extensive and service-driven. When selecting maintenance companies,

we make sure that they also follow our Customer First programme and our instructions.

In 2017, we also launched [FindHome](#), a service for finding a new home and the first phase of our development programme for digital services. Now, finding a new ideal home is an easier experience for our customers.

Our success in these strategic programmes resulted in a constantly improving economic occupancy rate, an increase in net sales and a decrease in external tenant turnover.

## WORKING HARD TO STRENGTHEN OUR FINANCIAL POSITION

Funding is important to us, both in terms of cost efficiency and opportunities for growth. We took giant leaps forward in changing our financing structure and lowering our solvency ratio as a result of our hard work during the reporting year. Our aim is to shift towards a financing structure mainly free of real securities. At the end of the year, 66.3 per cent of our assets were unencumbered. Our solvency ratio decreased to 52.1 per cent.

To improve the availability of funding and ensure the competitiveness of financing costs, we set a stronger investment grade rating (currently Moody's Baa3) as our strategic goal at the beginning of the reporting year.

## INSPIRED AND MORE SATISFIED EMPLOYEES

Our customer-driven strategy has challenged and inspired our increasing personnel – we now have some 40 more employees than a year ago. The motivation to lead the more customer-driven organisational culture forward was made visible in the form of increased employee satisfaction. I am happy about the thoroughness of the coaching for new SATO employees regarding their tasks and our operating culture, and in particular about how new ideas were adopted and implemented.

Responsibility was again part of everything we do. We have on regular basis revised and changed the guidelines and principles followed in our operations, such as the new [Code of Conduct](#) introduced on 1 January 2017.

## KEEPING OUR STRATEGY GOING, ALSO IN 2018

In 2018, we will carry our Customer First programme forward, particularly with our partnership network. We will create new business models and develop our existing ones. We will focus on creating diverse housing solutions for our customers, listening to them and learning from them. What is more, we will invest in our digital service development and launch the MySATO service. It will make our customers' lives easier, and we have already received good ideas for it from our active customers. We will continue to strengthen our financing structure and develop interaction and cooperation with cities and our other partners in order to build more functional urban environments in Finland.

During the reporting year, we made good progress in terms of our key strategic programmes and goals. I would like to thank our customers, financiers, shareholders and partners, and everyone here at SATO, for our great success. Let us keep up the good work in 2018.

# REVIEW OF THE OPERATING ENVIRONMENT AND HOUSING MARKET

*The increase in the number of small households, urbanisation, the aging population and immigration have increased demand for rental apartments in growth centres, particularly that for small apartments in urban areas. Finland's economic growth picked up in 2017, and the volume of residential construction was at a record high level. Complementary construction near existing services and good public transport connections makes it possible to build more affordable homes.*

The past year will remain in history as a record-breaking year for new residential construction projects. With the ongoing urbanisation and continued popularity of urban living, apartments are being built particularly in SATO's main areas of operation: the Helsinki metropolitan area, Tampere and Turku. The broader range of rental apartments has alleviated the pressure to increase rents. However, the pressure to increase rents has increased as a result of the development of energy and property taxes and water tariffs.

## GENERAL ECONOMIC DEVELOPMENT IS PICKING UP

Driven by the global economy, the Finnish economy is continuing to grow rapidly, and its near-term growth outlook has been adjusted upwards to around three per cent. Growth has expanded into all sectors of the economy, and the volume of goods and service exports has increased markedly.

The eurozone economy is also on a good growth path, and the growth rate for 2017 is outperforming earlier forecasts. The IMF is forecasting a growth rate of around two per cent for the eurozone for 2017. The forecast is supported by loose monetary conditions and the relatively stable growth of the global economy. Trust in the economy is strong across the eurozone, including Finland. As a result of a long downturn and slow recovery, Finland's GDP is significantly lagging behind that of other countries, where economic growth picked up much earlier, so Finland has some catching up to do.

Trust in the global economy is strong, with the most significant near-term risks being political by nature. A great deal of uncertainty is related to Brexit and the financial policy of the new US administration, and geopolitical conflicts are also creating uncertainty for the global economy.

## THE RUSSIAN ECONOMY IS EXPECTED TO GROW MODERATELY

Russian GDP resumed growth in 2017, supported by the increase in the price of oil, and its moderate growth is expected to continue in the near future. The inflation rate decreased to a record low level (4.0 %), and is expected to remain low in 2018. Economic growth and slower inflation have strengthened household trust, and private domestic demand began



to recover after having decreased for two years. Investment demand remained low and continues to be limited by high financial costs and the uncertain economic outlook. Russia's national economy still involves a number of risks related to geopolitics and the prices of raw materials.

## EMPLOYMENT IMPROVES SLOWLY

Despite the strong economic growth, the labour market has recovered slowly, albeit steadily, as more and more Finns have been able to find employment. According to Statistics Finland's Labour Force Survey, employment has been increasing for two years, but the number of employed people has only increased by 35,000 since the low point reached in mid-2015.

## STRONG CONSUMER TRUST

Consumer trust in their own finances and in the Finnish economy has remained at a record high, and consumers are optimistic about the development of employment. This is reflected in the increase in private consumption. Private consumption is expected to increase more rapidly than income levels, by more than two per cent, which is why household indebtedness will continue to increase as well.

## INFLATION REMAINS LOW

The inflation rate has remained moderate, despite the economic growth. The inflation rate picked up in early 2017, but has since stabilised. The historically loose financial policy from the central banks continues to keep short-term reference rates at an exceptionally low level. Economic growth and inflation expectations will probably cause the European Central Bank to tighten its financial policy, in line with the United States, after the economic upturn. Longer-term rates are expected to increase first.

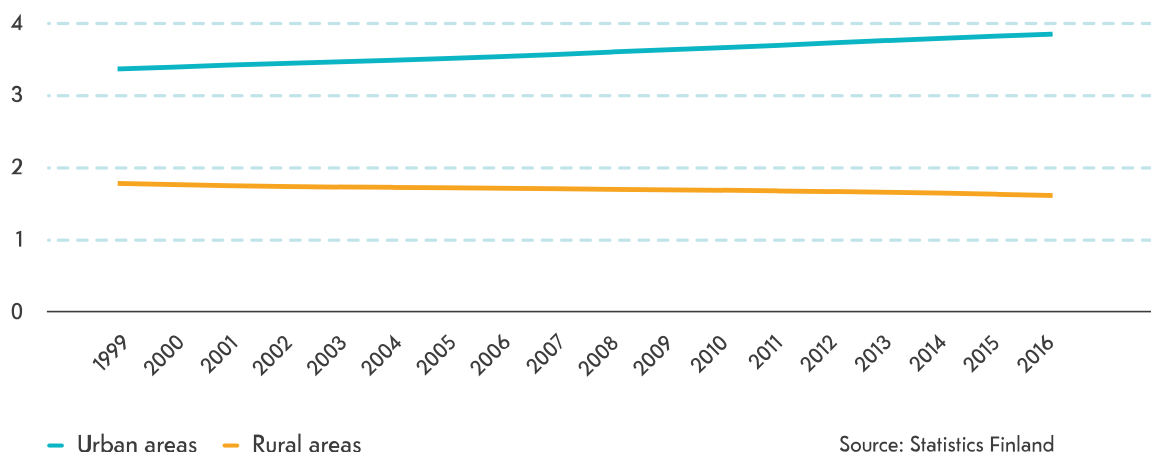
## POPULATION CENTRALISES IN CITIES

A well-functioning rental apartment market promotes labour mobility and makes it easier for students to start their studies. More than 900,000 removals are carried out in Finland annually, most of which take place within a municipality. The largest cities also attract people moving from other parts of Finland, most of whom are young people. Of the entire urban population in the country, nearly half are living in urban areas in the six largest municipalities, and more than half of Finns are living within a radius of 200 km from Helsinki.

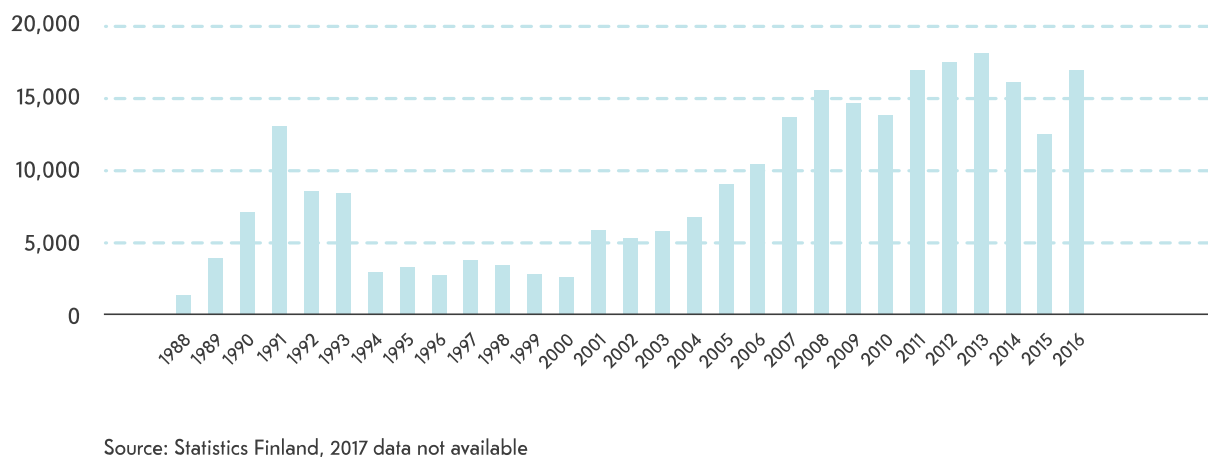
The steady growth of the Finnish population and the increasing pace of urbanisation pose challenges to residential production and continue to polarise apartment prices. According to the conservative scenario of VTT Technical Research Centre of Finland, the population in the 14 biggest cities will increase by 486,700 people between 2015–2040 and by 642,500 people according to an urbanisation forecast.

According to preliminary information from Statistics Finland, the Finnish population grew by around 6,500 people in 2017, which is a smaller increase than in 2016. The main reason for this population growth was immigration, as the number of people moving in was approximately 8,200 higher than the number of people moving out. According to an estimate by the Housing Finance and Development Centre of Finland (ARA), around 90 per cent of immigrants are living in urban-like municipalities, and around half of asylum seekers will move to the Helsinki metropolitan area within a few years. There were 1,513 more births than deaths in Finland. The population of Finland is around 5.5 million.

### Urbanisation 1999–2016, million people



### Net immigration 1988–2016, number



## CITY CENTRES ARE INCREASINGLY ATTRACTIVE

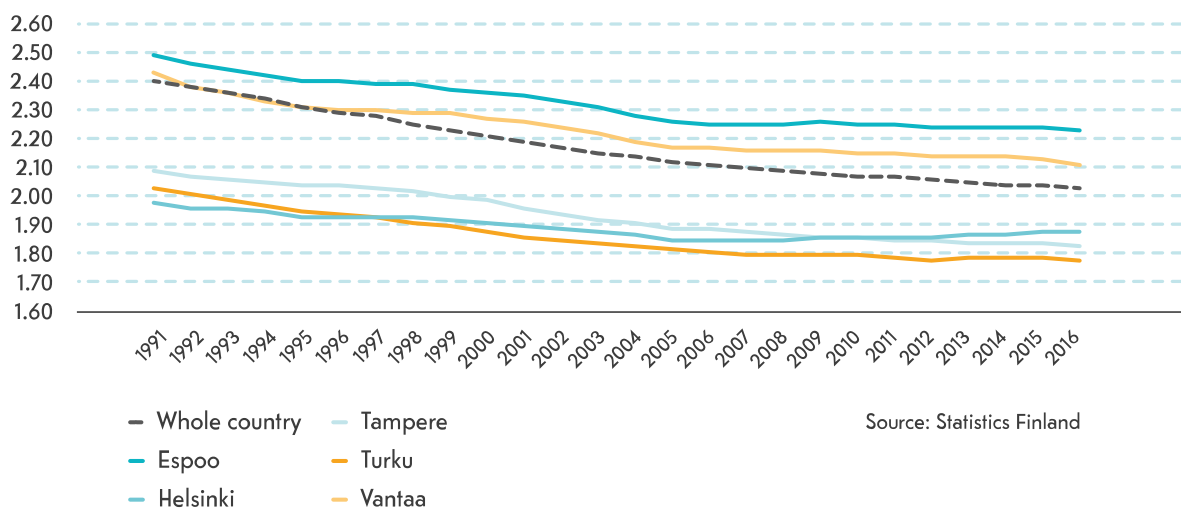
The trend of urban living is reflected in the demand for apartments. During the economic downturn, the decentralisation development of urban regions and the strong growth of their surrounding municipalities were replaced by growth within urban centres and complementary construction. The popularity of urban living has created a shortage of small apartments and caused the demand for family apartments to increase. **Finns want to live closer to city centres, near services and good transport connections.** Many have several apartments in different locations, which increases their living space.

*According to Statistics Finland, there were around 1,131,000 single-person households (669,000 in 1991) and around 2,012,000 single-person or two-person households (1,280,000 in 1991) in 2016.*

The share of one-person and two-person households out of all households is around 75 per cent in the entire country and around 80 per cent in Helsinki. The number of one-person households is highest among young people and the elderly. At the same time, the number of children in Helsinki is higher than it has been since the mid-1970s.

The demand for apartments is higher than their supply in Helsinki, particularly in the city centre and its surrounding areas. If apartments can be built in areas with the highest demand, price pressures will decrease in a wider area. According to the city plan approved for Helsinki in 2016, the city is preparing for more than 200,000 new residents by 2050. One-third of the need for new apartments is planned to be covered through complementary construction. In addition, residential areas will need to be made tighter, particularly at rail traffic hubs.

### Average size of households in 1991–2016

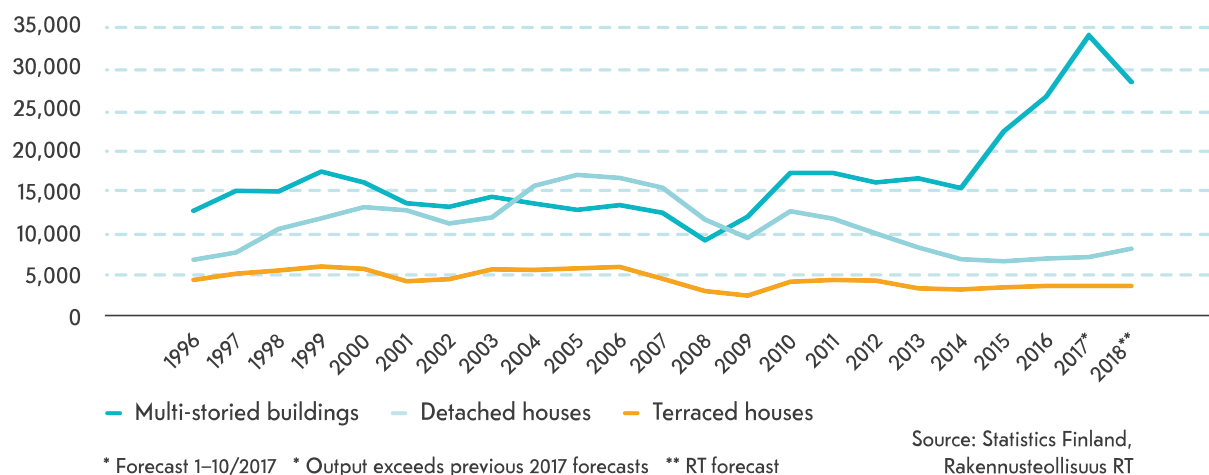


Communal housing solutions are being developed, and shared facilities, such as saunas, are being built in apartment buildings again. Flexibility to changing needs is increasingly considered to be important in terms of apartments.

## HIGH RATES OF INVESTMENT IN CONSTRUCTION AND PRODUCTION

The review period will remain in history as a record year for residential construction. The number of new residential construction projects was higher than it had been for more than 20 years. According to an estimate by the Confederation of Finnish Construction Industries (RT), construction volume increased by around four per cent in 2017, with the number of new construction projects being 43,000. New apartments are being built particularly in the largest centres in SATO's main areas of operation. The increase is expected to stabilise but still remain at a high level in 2018. The availability of skilled employees is the most significant bottleneck for increasing the volume of new and renovation constructions. The rate of renovation construction decreased slightly from the previous year.

## Housing starts 1996–2018, number



## MODERATE DEVELOPMENT IN THE HOUSING INVESTMENT MARKET

According to a study by KTI Property Information, the favourable development of the real estate market focuses on the largest cities in terms of investment, construction and the rental market.

The number of rental apartments has slowly increased, and they numbered approximately 850,000 of the 2.6 million permanently occupied apartments. About half of these were owned by private persons. A quarter of the entire population, and nearly half of the population of the largest cities, live in rental apartments. In Helsinki approximately 45 per cent of the population live in rental apartments.

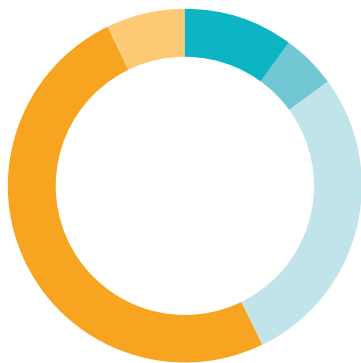
After the impressive number of transactions in 2016, the housing investment market developed more moderately in 2017. Regional differences in the development of apartment prices continue to grow.

According to preliminary information from Statistics Finland, the prices of apartments in old apartment buildings and terraced houses increased by slightly more than one per cent in the Helsinki metropolitan area in 2017, while decreasing slightly in other parts of the country, in comparison with 2016.

Finland remains interesting to international investors, as its economic situation is improving and its expected net return level (3.8 %) is higher than that of many other countries. International investors are mainly interested in opportunities in the Helsinki metropolitan area. The volume of major apartment portfolio transactions in 2017 will be markedly lower than the record level achieved in the previous year. However, increased household demand is likely to compensate for any decrease in international investments in Finland.



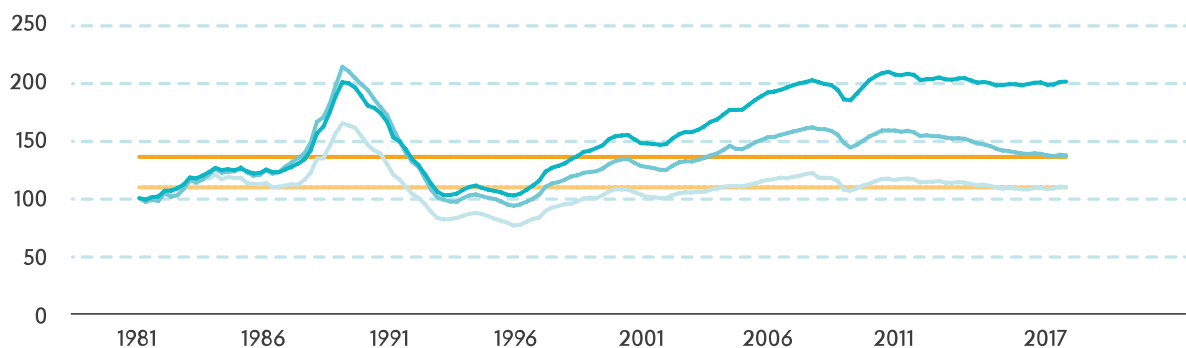
## Parties that own rental homes, %



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

Total volume approximately 900,000 rental homes.  
Source: SATO's estimate

## Relative prices of homes 1981–2017, index 1981/1 = 100



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

Source: Statistics Finland and calculations from the Bank of Finland

## RENT DEVELOPMENT

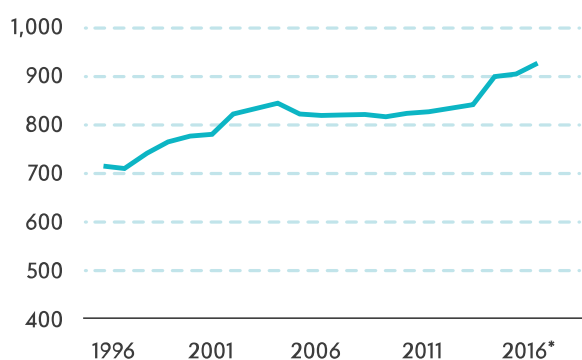
Demand continues to be higher than supply in most growth centres, and changes in housing support, among other factors, have increased the need for small rental apartments in particular.

In some areas, an increased supply of rental apartments has reduced pressures to raise rent levels, but rents have increased as a result of higher costs arising from property management and maintenance. Higher property taxes, energy prices and water tariffs related to SATO's apartments have increased such costs by nearly 40 per cent over the past five years.

According to Statistics Finland, the annual increase in rents of privately financed apartments was around 2.3 per cent in the Helsinki metropolitan area and 2.4 per cent in other parts of Finland. Rents of ARA apartments went up by 2.6 per cent throughout the country.

In line with its strategy, SATO continues to focus on apartments in growing urban regions. Rent levels are expected to continue to develop moderately. The change in the average rent of our apartments per square metre was slightly less than one per cent in 2017.

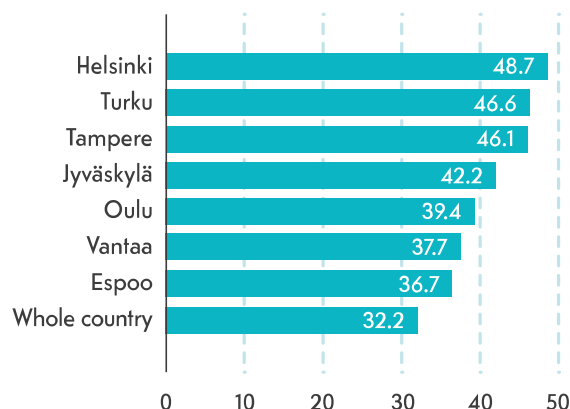
**The rented housing stock in Finland 1996–2016, thousand units**



\* Changes in Statistics Finland's statistics policy since 2014, which aims to consider vacant rental homes in all rental properties

Source: Statistics Finland

**Share of rental homes of all permanently occupied homes in 2016, %**







Source: Statistics Finland

# LIFE IN URBAN HOMES – TODAY AND IN THE FUTURE

*Globalisation, digitalisation and sustainable development are megatrends that are accelerating urbanisation. Urbanisation challenges us to develop a more diverse range of more affordable housing solutions. SATO aims to develop urban homes and housing solutions that meet the needs of current and future residents.*

Successful urbanisation is a cornerstone of favourable economic development and the creation of new jobs in Finland. Innovation, companies and jobs mainly arise from urban environments where people and ideas meet.

## MEGATRENDS 2017

TRENDS	IMPACT	OPERATIONS IN 2017
 <b>GLOBALISATION</b>	Increasingly international customers, competition and financing	<ul style="list-style-type: none"> <li>• Service in many languages</li> <li>• Cooperation with international investors</li> </ul>
 <b>DIGITALISATION</b>	Electronic transactions through various channels	<ul style="list-style-type: none"> <li>• Development programme for digital services: FindHome and MySATO</li> </ul>
 <b>SUSTAINABILITY</b>	Increased importance of energy efficiency and sustainable operating methods	<ul style="list-style-type: none"> <li>• Investments in energy efficiency: EUR 1.5 million</li> <li>• Award-winning sustainability reporting</li> <li>• Renewed Code of Conduct</li> </ul>
 <b>URBANISATION</b>	With the size of households decreasing, the need for apartments is growing	<ul style="list-style-type: none"> <li>• Growth investments in the Helsinki metropolitan area, Tampere and Turku</li> <li>• Complementary construction and new housing concepts</li> <li>• StudioHome</li> </ul>

# ON A SHARED JOURNEY

*Globalisation, digitalisation and sustainable development are accelerating urbanisation. They are changing people's values and behaviour and offering SATO an opportunity to change its operations. We work to support and create thriving cities, with happy people enjoying a high level of well-being in multifaceted neighbourhoods.*

We renewed our strategy in 2016 to focus on the customer. We work to truly listen to customers and understand their wishes, and be part of their daily lives.

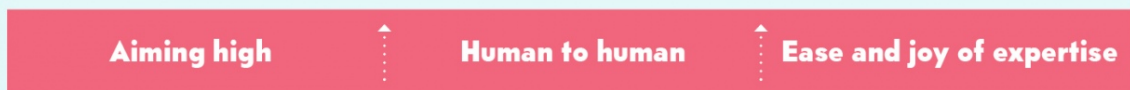


## SATO'S STRATEGY

### MEGATRENDS



### VALUES



During the review period, SATO and its partners took three major strategic steps:

### Customer First

Through our Customer First programme, we brought daily customer service closer to our customers. We updated the traditional concept of building management and integrated most of our previously outsourced building management services into our operations. Since spring 2017, each SATO building has had a designated service manager who knows the residents of their building and takes care of their well-being.

At the same time, we introduced the one-contact principle in customer service: the same customer service professional is responsible for the entire case, from the first enquiry all the way to resolution.

We hired around 40 new professionals for this and other customer service work. We also organised a competitive bidding process for our partners and provided the selected partners with training in line with our Customer First service model.

During 2017, we also trained everyone working for SATO to communicate with our customers in accordance with our tone of voice - lively and warm.

[Read more about our Customer First programme and service model.](#)

## MySATO

Our online services make our current and future residents' daily lives easier.

In summer 2017, we introduced our revamped FindHome website for people dreaming about a new home and looking for a rental apartment. The renewal of the FindHome service has increased the number of housing applications, which has had a positive effect on occupancy rates.

To further improve the customer experience, we have started MySATO, a strategic development programme. We are fine-tuning the digital MySATO service in cooperation with residents, and the service will go live in 2018. The purpose of MySATO is to make our residents' day-to-day lives easier, in addition to offering experiences and opportunities for communal activities.

[Read more about the MySATO service.](#)

## Multifaceted housing solutions

We are continuously creating new housing concepts for residents in an increasingly urban-centric Finland.

Such concepts include the SATO StudioHome building in Martinlaakso in Vantaa, with 68 compact and reasonably priced apartments. The building was completed in 2017. Each apartment (15.5 m<sup>2</sup>) has a loft (6.3 m<sup>2</sup>), with shared facilities adding to the living space: the ground floor has a comfortable living room and kitchen for the residents, and there is a sauna and a roof terrace on the top floor. A community manager is responsible for creating favourable conditions for shared activities.

The StudioHome project drew wide attention, and more than 700 people applied for an apartment. The residents represent seven nationalities, with their age groups ranging from students to pensioners.

[Read more about SATO StudioHome.](#)

## GROWTH THROUGH A DIVERSE RANGE OF FINANCING

Multifaceted financing supports our strategic goals and profitable housing investments. To ensure the availability of financing and a broad financing base, we are aiming for an even stronger public credit rating. Our current rating by Moody's is Baa3 (investment grade).

During the review period, we increased the proportion of financing free of real securities, as well as the amount of unencumbered assets.

At the end of 2017, 66,3 per cent of our total assets were unencumbered. Our target for the unencumbered assets ratio is 60 per cent or more.

During the review period, we continued to diversify our financing structure and increase the proportion of unsecured financing. At the end of 2017, the proportion of unsecured financing out of the entire debt portfolio was 53,4 per cent.

## UPDATED FINANCIAL TARGETS

Towards the end of the review period, SATO's Board of Directors updated the Group's long-term financial targets.

- The Group continues to strengthen its balance sheet.
- The Group's new target is to have a solvency ratio of less than 50 per cent, with the previous target remaining below 70 per cent. The Group's other financial targets remain unchanged. Our target for the equity ratio is to be over 35 per cent, for the interest coverage ratio to be over 1.8x, and for the unencumbered assets to be 60 per cent or more.

# WHAT OUR STAKEHOLDERS EXPECT

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

SATO's stakeholders include parties affected by our operations, as well as parties whose operations affect us directly or indirectly. Interaction with stakeholders helps us identify material topics to business operations and corporate responsibility. It also helps us define our goals and achieve them. Our strategic targets support our stakeholders' goals and well-being.

SATO's sustainability and stakeholder work is guided by [sustainability materiality assessment](#). With regard to sustainability themes, we develop our operations in line with our strategy and stakeholders' expectations.

Identification of interest groups, development of stakeholder work and assessment of operations are included in our strategy work, management and action plans. Our main stakeholders were identified based on internal analysis. The analysis took into account the effects of cooperation on strategy implementation and on achieving the goals, as well as on the ability to create added value for both parties and other stakeholders.

## WE CREATE VALUE FOR ALL OUR STAKEHOLDERS

When our customers' life situations change, they find a new home from our range of apartments and can live in a SATO home throughout their lives. Competent employees committed to common goals play a particularly important role in our ability to reach our goals. Meaningful work combined with an open and inspiring corporate culture and well-being at work, are directly reflected in the customer experience, and vice versa.

We work to be a competitive and sustainably managed investment for our shareholders and investors. We expect our partners to operate responsibly, and we engage in continuous dialogue to enhance the efficiency of our operations and improve customers' perceived quality. We work to have a positive impact on the development of society, business and industry through urbanisation.

We contribute to the development of the housing and real estate sectors through our participation in organisations

and the FIBS network for corporate social responsibility. SATO is represented on the board of directors, the executive group of housing and many committees of the Finnish Association of Building Owners and Construction Clients (RAKLI). In addition SATO is also represented on the board of directors of the Finnish Housing Reform Association. As a member of the Helsinki Region Chamber of Commerce and being represented in its various bodies, SATO is identifying the housing needs of business and industry in the Helsinki metropolitan area and is involved in creating more favourable conditions for the construction of new rental apartments.

The following table illustrates our interaction with our key stakeholder groups:

Key themes for stakeholders	Impact on SATO's operations	Stakeholder engagement and channels for interaction	Level of impact
Customers			
A home to fit your life	Location strategy, maintenance of the properties and apartments, continuous market benchmarking, continuous rent monitoring, concept and service development	Customer surveys and feedback, social media, sato.fi, resident meetings, resident forum	***
Delightful service and the involvement of customers in operational development	Development of digital services, diverse service channels, cooperation with residents, training for employees	Customer surveys and feedback, sato.fi, newsletter, social media, resident meetings, resident forum, customer panel	***
Transparent practices	Increased meetings, publications, development of customer communication, centralisation of contacts in the customer service department	Meetings, such as building-specific meet-ups, maintenance visits, monthly newsletter, social media, sato.fi, resident meetings, resident forum	***
Financiers			
Sustainable investment object	Maintained profitability, growth, sustainable operating methods, equity ratio, liquidity, interest margin, credit rating	Investor, financier and credit rating meetings, financial reports, bulletins, GRI reporting, GRESB	*
Transparent practices	Good and transparent governance and communications	Meetings, sato.fi, financial reports, Nasdaq Helsinki publication system	*
Shareholders			
Responsible investment, growth and profitability	Maintaining profitability, value increase, sustainable operating methods	Strategy work, shareholder meetings, annual general meeting, board meetings, financial reports, bulletins, GRI reporting, GRESB	*
Transparent practices	Good and transparent governance and communications	Meetings, sato.fi, financial reports	*

Good management	Development of the management system, supervisory work and corporate culture	Board work, strategy work, supervisory work and training, performance appraisals, personnel surveys, cooperation teams between the employees and employer *
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#### Personnel

Well-being at work, meaningful work	Extensive healthcare services for all SATO employees in Finland, early intervention model, support for exercise and recreational activities, occupational safety, clear job descriptions and goals	Personnel events, performance appraisals, interaction with supervisors, cooperation teams between the employees and employer, occupational safety, exercise and recreational activities, operations of the OHS committee and OHS representatives *
Inspiring corporate culture, good management and supervisory work	Training for supervisors, training in self-management and interaction skills	Performance appraisals, personnel surveys, measurement of management behaviour, remuneration for employees *
Evolving competence	Training opportunities, coaching, job rotation	Performance appraisals, personnel surveys, SATO's working and development groups, engagement of employees in strategic work and operational planning, training events *

#### Partners and service providers

Sustainable supply chain	Centralised purchases, long-term partnership and service agreements, purchasing guidelines and criteria, quality control, prevention of the grey economy	Competitive bidding, negotiations, agreements and guidelines, steering and working groups for cooperation with partners, participation in general development projects in the real estate industry, supply chain audits *
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#### Society

Development of rental housing	Provision of solutions in response to current needs, provision and development of high-quality apartments and associated services, planning development, active interaction with stakeholders, participation in industrial associations	Cooperation with authorities, partners and residents, engagement of the personnel in innovation activities and process development, participation in general projects in the real estate industry **
Environmental responsibility and energy efficiency	Energy efficiency and emission targets and reduction measures, commitments with the state and the City of Helsinki	Cooperation with partners and residents, participation in general projects in the real estate industry **
Group level *	Group and property level **	Group, property and home level ***

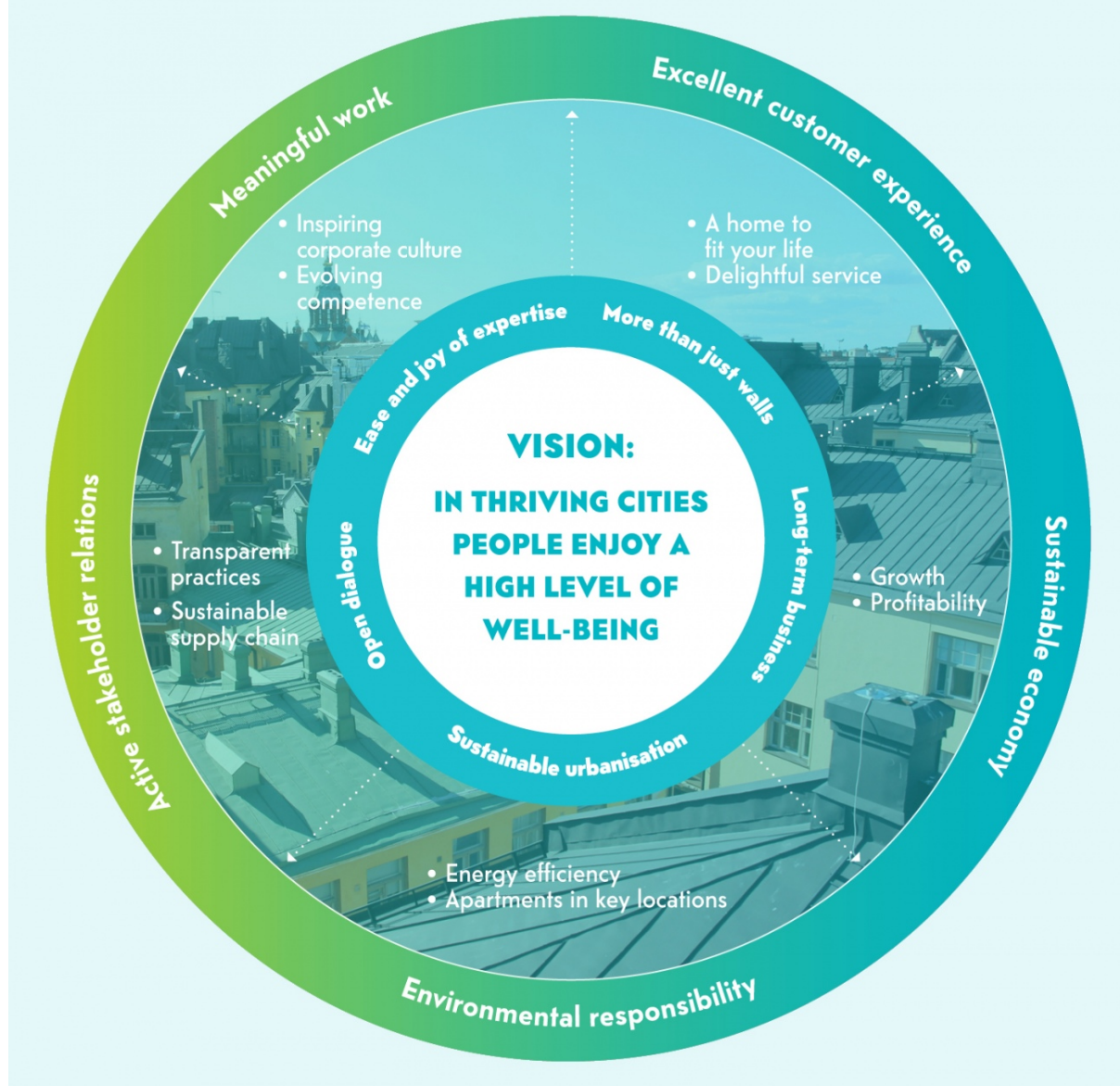
# IN THRIVING CITIES PEOPLE ENJOY A HIGH LEVEL OF WELL-BEING

*SATO operates responsibly, applying its Customer First approach. Rental apartments and new investments in growth centres enable sustainable urbanisation and growth in business and industry. We participate in real estate organisations and development projects that promote sustainability, and offer our expertise for the use of decision-makers in society.*

Our sustainability work is guided by SATO's strategy and sustainability policy, as well as themes that we have evaluated to be material based on discussions with our stakeholders. More information about these themes and their determination process is available at [sato.fi](https://sato.fi). We have selected our sustainability focus in line with our strategic targets.



## SATO'S SUSTAINABILITY FOCUS



## MORE THAN JUST WALLS

We want to have a positive impact on the development of society, business and industry through urbanisation.

SATO is a reliable and professional long-term lessor. When our customers' life situations change, they find a new home from our range of apartments and can live in a SATO home throughout their lives.

We listen to our customers and learn a great deal from them. We monitor customer satisfaction in different phases of living, organise resident events and maintain the SATO Pulssi resident panel. Our extensive network of partners also contributes to our residents' well-being.

[Read more about how we create value for our customer.](#)

## LONG-TERM BUSINESS

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

[Read more about our financial sustainability.](#)

## SUSTAINABLE URBANISATION

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

We continuously monitor energy and water use in our buildings to reduce consumption. We encourage our residents to recycle through guidance and sorting opportunities.

[Read more about sustainable urbanisation.](#)

## OPEN DIALOGUE

SATO wants to provide competitive and sustainable investment opportunities. We communicate and report our operations transparently in accordance with international accounting standards and the Finnish Corporate Governance Code, and prepare our sustainability reports in accordance with the GRI framework.

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

[Read more about our partnerships.](#)

We are involved in the development of rental housing and real estate development in industry organizations and we engage in open dialogue with industry stakeholders to promote sustainable urban development in the metropolitan area and to improve demand for housing.



[Read more about the expectations of our stakeholders.](#)

## EASE AND JOY OF EXPERTISE

Competent employees committed to common goals play a particularly important role in our ability to reach our goals. Defined by our employees, SATOs values lay the foundation for our operating methods.

Meaningful work, combined with an open and inspiring corporate culture and well-being at work, are directly reflected in the customer experience, and vice versa. We monitor employee satisfaction through a personnel satisfaction survey and performance appraisals.

[Read more about our personnel.](#)

## SUSTAINABILITY GOALS AND ACTIONS

In the review period, we focused on improving energy efficiency and to reducing water consumption. The impact of these investments shows in reduced consumption in the long-term. We will continue to improve our energy monitoring and investments also in 2018 based on our sustainability goals. In addition to our environmental targets, we are committed to the goals of the climate partnership with the City of Helsinki and the energy efficiency agreement in the real estate sector.

In 2018, we will also focus on developing residential and digital services, and on offering more preventive occupational healthcare, enhancing the sorting of waste by residents, monitoring the quality of our supply chain and increasing transparency by developing communications and reporting. We will compile the goals and key measures of our sustainability operations in SATOs sustainability programme.

A summary of our sustainability goals and measures, and their connection to the UN Sustainable Development Goals, is presented on the [Achievement of goals 2017](#) page.

To further develop its 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. As in the previous years, we received positive feedback on our comprehensive energy monitoring system and on our setting and monitoring of goals. In 2018, we will focus on stakeholder interaction and in particular, on the integration of our environmental responsibility goals into our strategy. We aim to make a comeback to the four-star level in the next Global Real Estate Sustainability Benchmark comparison.

## DETERMINATION OF THE SUSTAINABILITY REPORT

The aim of this sustainability report is to openly provide our stakeholders with information about our operations, to create value for them in the short, medium and long terms.

The content of the 2017 sustainability report was determined from the materiality analysis results and the requirements of the GRI Standards. The 11 material topics identified based on the materiality analysis are included in this report. The effects of the material topics on stakeholders are defined under [Customers](#), [Personnel](#), [Partners](#), [Environment](#) and [Financial sustainability](#). The material topics and their boundaries can be found in the GRI section under [Material topics and boundaries](#).

# VITALITY FOR CITIES AND PEOPLE

## SOCIETY

SATO wants to have a positive impact on the development of society, business and industry through urbanisation.

Our growing, diverse range of apartments makes it easier for people to relocate for work, and complementary construction brings vitality to old residential areas. We develop housing for the changing needs of society. We employ people directly and indirectly. Taxes and public utility fees generate direct financial value for society.

## PEOPLE

SATO creates well-being for its customers by offering a diverse range of rental apartments, as well as related services and benefits. For our employees, we offer meaningful work, occupational well-being services and a competitive salary. We create value for our shareholders through dividends and changes in the value of apartments. We provide our dynamic network of partners with assignments, and we pay for all work completed.

## ENVIRONMENT

We reduce greenhouse gas emissions from our operations by improving energy efficiency in our apartments, encouraging our residents to recycle and investing in sites with good public transportation connections.

More information about value creation for stakeholders is provided under [Business operations](#) and [SATO's value creation](#).

## SATOS VALUE CREATION MODEL

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

### RESOURCES

#### FINANCIAL CAPITAL

- Equity and debt capital
- Investments in homes, plots and energy efficiency
- Innovative financing solutions

#### PRODUCTION CAPITAL

- Owned apartments
- Land areas and plots

#### NATURAL RESOURCES

- Building materials
- District heating 99% of consumption
- Wind power 100%
- Water

#### PERSONNEL

- Highly committed and competent employees
- Investments in competence development and well-being at work

#### INTELLECTUAL PROPERTY

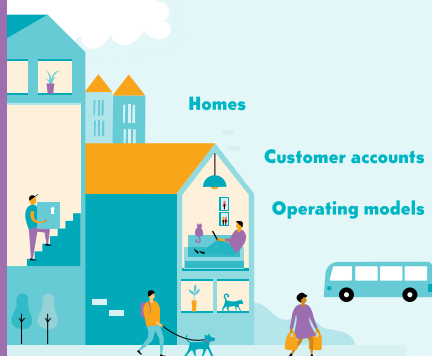
- SATO brand
- Product and service concepts
- Corporate culture and good management
- Ability to change

#### EXTERNAL RELATIONSHIPS

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

### BUSINESS

WE WILL REVOLUTIONISE HOUSING  
– IT IS MORE THAN JUST WALLS



#### THIS IS HOW WE CREATE VALUE

- Urbanisation through a wider and more diverse range of apartments
- Improved energy efficiency
- Maintenance in line with the lifecycle model
- Multifaceted partnership network
- Active interaction with stakeholders and transparent communications
- Encouragement for innovation
- Services that make daily life easier and produce savings
- Customer-driven service culture
- Development of new housing concepts

### OUTPUT

#### APARTMENTS AND RESIDENTIAL AREAS

- A diverse range of homes
- Renovated apartments and properties
- New residential areas and the development of old residential areas through complementary construction

#### SERVICES

- Multichannel customer service
- Apartment maintenance service
- New concepts and services
- Customer benefits and events

#### EMISSIONS

- Carbon dioxide emissions
- Household waste

#### CUSTOMERS

- New customers
- Satisfied residents
- Net Promoter Score
- Good occupancy rate

### IMPACT

#### SOCIAL

- Diverse housing
- Reviving old residential areas and creating a broader range of homes through complementary construction
- People enjoying a high level of well-being in cozy homes
- Good working environment, inspiring corporate culture
- Direct and indirect employment
- Development of the housing sector

#### THE ENVIRONMENT

- Evolving living environments and sustainable urbanisation
- Improved efficiency in energy and water consumption
- Lower carbon dioxide emissions
- Lower waste volumes

#### FINANCIAL

- Salaries and benefits to employees
- Payments to service providers
- Payments to financiers
- Tax revenues for the state and municipalities
- Dividends and increased value for shareholders
- Increased labour mobility and growth potential
- Combating the grey economy

# A SATO HOME IS MORE THAN JUST WALLS

*Safe and functional rental apartments make residents' daily lives easier. SATO wants to meet its residents' needs and make their lives run more smoothly by providing more than just walls: services, a sense of community, customer events, valuable benefits and opportunities to make a difference.*

We want to provide our around 48,000 residents with more than just rental apartments: we want to be part of their lives, bringing joy and providing help and value for their money. This is why we study trends and our customers' needs.

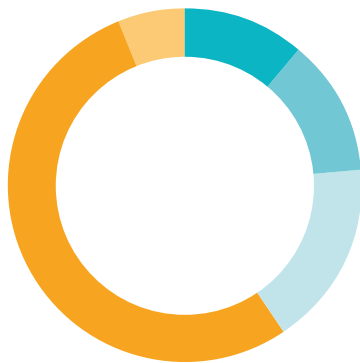
*“New surfaces and modern features: fixed LED lights, an Internet connection in each room, modern taps.”*  
–SATO Pulssi panelist

In recent years, the proportion of living costs out of total income has increased and demand for smaller apartments has grown. People want homes that meet their specific needs, with a good quality-to-price ratio. For this reason, we want to provide our customers with a diverse range of high-quality rental apartments. Our rental operations and constant communication with our customers help us understand their needs and enable us to ensure that our apartment stock meets current needs.

In 2017, we took major steps towards building a stronger sense of community in our operations. We hired a Housing Adviser to solve resident's issues and established the [SATO Pulssi resident panel](#).

Introduced in the spring, our [Customer First](#) service model was the most significant change implemented during the year. Our new customer-driven approach to customer service and building management has already created value for our residents, which is most evident in the decrease in our turnover rate. In 2018, we intend to make our Customer First service model familiar across the service chain – to all of our partners involved in customer service.

Age distribution of SATO's customers, 31 Dec 2017



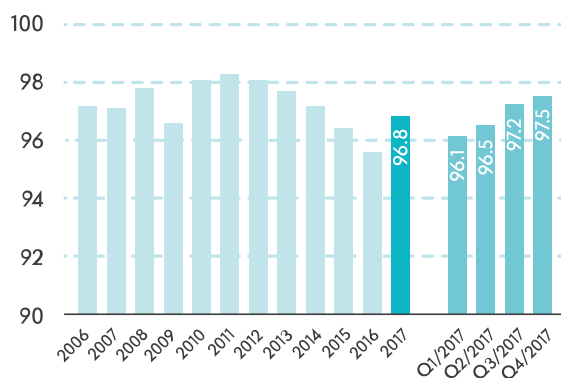
- Babies and small children 11.2%
- Schoolchildren 12.5%
- Young adults 17.0%
- Employees 53.1%
- Pensioners 6.1%

SATO's resident structure 2017

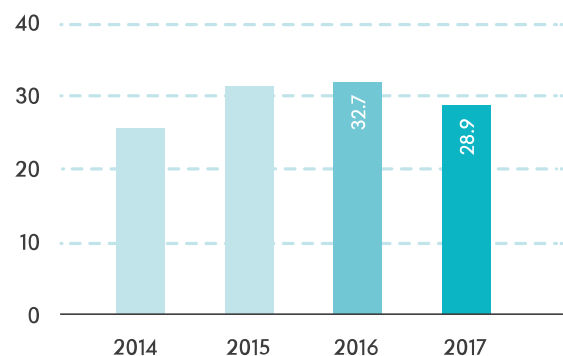


- One adult 18%
  - Two adults 23%
  - Three or more adults 12%
  - Family with children 46%
- Total approx. 48,000 residents  
Source: Population Register Centre 2/2017

Financial occupancy rate of rental housing, %



External tenant turnover, %



## A RELIABLE LESSOR

SATO wants to be worth its residents' trust. Our main operational principles include reliability and responsibility. We take care of our customers' information security and invest in the continuous development of our services and housing solutions.

Our Code of Conduct defines the actions of SATO and its employees. We follow good rental practices and respect the privacy of our customers. We are particularly careful when processing personal information and payment data covered by privacy laws and regulations. Only designated employees are allowed to process customers' personal data, and only for predetermined purposes.

We updated our internal guidelines on data privacy in autumn 2017, in line with the requirements of the EU General Data Protection Regulation. During the reporting year, SATO received no complaints regarding the processing of customer data, and there was no misuse of customer information.

[Read more about our sustainable operating principles.](#)

## WE SHAPE THE FUTURE OF HOUSING TOGETHER WITH OUR CUSTOMERS

We interact with our customers via various channels and forums. We encourage our customers to participate in discussions, and we also communicate openly about difficult issues.

We hold building-specific, regional and national customer meetings. In addition, we select a Customer of the Year – an active resident who brings joy to the neighbourhood. In 2017, the Customer of the Year was a long-standing resident who actively participates in resident activities in Helsinki.

SATO has increased dialogue with its customers. In spring 2017, we introduced the mobile SATO Pulssi resident panel to create and test development ideas. We also regularly collect feedback through customer satisfaction surveys, and use their results to improve our operations. Our new feedback procedure enables us to address customer feedback more rapidly than before.

*“The panel is a quick and easy way to make a difference.”  
–SATO Pulssi panelist*

Three times a year, SATO meets its customers at its Residents' Forum to discuss ideas related to housing, neighbourly living and SATOs services.

Our customers are also present in our advertising. In 2017, we continued to share our residents' stories by means of television and online advertising.

## CUSTOMER FIRST – A SINGLE POINT OF CONTACT PRINCIPLE

During the review period, SATO renewed its customer service by introducing the [Customer First](#) service model. Our goal is for our customers to always be provided with the information they need in a timely manner, by the same customer service professional, from the first enquiry all the way to resolution.

We hope that our customers enjoy dealing with us even more than before. We have introduced a service system that enables interaction with customers and partners through various service channels.

The Customer First service model has strengthened and expanded our customer service team's expertise, created stronger team spirit and promoted even better customer service.

*SATO's customer service department processes around 18,000 customer queries a month, with the first contact resolution rate being 70 %.*

In new and newly renovated buildings, we make our residents' daily lives easier by establishing a pop-up customer service point in the stairwell, with our customer service professionals answering questions and solving problems.

## WE ENCOURAGE COOPERATION AND SPENDING TIME TOGETHER

A sense of community makes it easier for residents to adapt to their new living environment. It also prevents loneliness and increases a feeling of safety in the building and the entire neighbourhood. We promote a strong sense of community by facilitating interaction between residents and encouraging them to participate and act for the common good.

In December 2017, SATO started a pilot project in communal living in its SATO StudioHome building in Vantaa. During the project, we will produce support materials for supervising resident activities, and we will also make use of the related best practices and operating models in other SATO homes.

During the review period, we introduced shared values for all SATO homes to encourage residents to take good care of others and public premises and ensure timely rent payments. Residents commit to the shared SATO values when moving in to a SATO home, and we promise to support good relationships between neighbours, maintain public premises in our buildings and provide advice on rent payments.

*“A good neighbour respects others, and is considerate and wonderful in every other way too.”*  
–SATO Pulssi panelist

### Shared SATO values

- **Being a good neighbour:** I respect my neighbours' domestic peace and privacy. I follow the building rules and regulations and other jointly agreed rules of conduct.
- **Keeping the environment pleasant:** I keep the corridors free and clear of any items or materials and never leave anything behind in any other common areas either. I take special care of keeping the waste container room tidy.
- **Paying rent responsibly:** I always pay the rent on time and this way also avoid extra costs.

## HELP WITH EVERYDAY PROBLEMS

Increasingly dense and compact urban structures create more diverse and multicultural neighbourhoods. SATO is present in its residents' daily lives – even when things are not running smoothly. In the review period, we hired a Housing Adviser to help residents with temporary difficulties.

The Housing Adviser helps residents overcome challenges in cleaning, rent payments or relationships with neighbours, for example. This enables SATO to address and study such challenges more rapidly and to prevent these situations from recurring more effectively.

We want to find new ways to support housing. In spring 2017, we provided the residents of around 20 buildings with help with practical matters, from cleaning to electricity contracts. This experiment encouraged us to integrate housing advisory services permanently in our operations. In 2018, we will continue to expand these services, to provide our residents with the support they need, as comprehensively as possible.

## CUSTOMER'S PATH



### FINDING A HOME

- FindHome service at sato.fi
- Information about SATO
- Information about homes
- Information about customer benefits



### RENTING A HOME

- Fulfilling housing needs
- Additional information about the home and its surroundings, contact persons and housing
- Open houses
- Rental documents
- Assistance with moving at new sites
- Digital services
- Renovations/DIY kits



### LIVING

- Customer service and housing advisory services
- Customer events, communal activities
- Participation opportunities (feedback, resident meetings and forums, customer panel)
- Meetings for residents and the service manager's site inspections
- Digital services
- Customer benefits
- Renovations/DIY kits
- Property and apartment care and maintenance
- Fault management



### MOVING OUT

- Home swap service
- Information and instructions
- Feedback survey
- Digital services



# CREATING A CUSTOMER-DRIVEN CULTURE

*For SATO employees, 2017 was a year of change and success. The Customer First service model brought new inspiration and new colleagues. Employee satisfaction improved through supervisory work, and we were selected as one of Finland's most inspiring workplaces.*

Customers have always been close to our hearts at SATO, and the Customer First service model has further reinforced this aspect. Our employees increasingly meet customers face to face or communicate with them directly, and we encourage all of our employees to reflect on how their expertise and work at SATO affects the customer experience.

## DOZENS OF NEW EMPLOYEES

In spring 2017, we introduced a new service model for housing and maintenance and hired infrastructure managers and service directors, as well as 19 new service managers when we integrated [building management services](#) into our operations. We made significant investments in customer service development and recruited new employees to work in customer service and rental support services. The personnel grew by approx. 21 per cent.

*Each customer service situation is important. A customer service professional may see dozens of customers a day, but the situation is unique for the customer.*

In the review period, we hired a total of 70 permanent employees and applied new operating models to their induction.

## LEARNING STRATEGY THROUGH CHANGE COACHING

The Customer First service model and SATO's new strategy inspired us to provide our staff with change coaching in spring 2017. The coaching helped us further develop our renewal, self-management and feedback skills.

We held two training events for all employees, as well as morning coffee meetings to discuss SATO's business operations, development projects and topical issues.

*At the SATO summer event in June, our employees shared good work practices and got to know their new colleagues.*

We will continue to focus on reinforcing a customer-driven corporate culture and on continuous operational development in 2018. Other key themes include an increased multicultural understanding.

## **WELL-BEING THROUGH SUCCESSFUL CHANGE COMMUNICATION AND SYSTEMATIC TRAINING FOR SUPERVISORS**

Our employees are happy with their jobs. According to the results of our employee survey in the autumn, our systematic training for supervisors is bearing fruit, as our scores improved for supervisory work, and in particular for feedback. Our employees were also happy with our strategy communications and change management, and with SATO's image as an employer.

In terms of development needs, our employees would like to be able to make decisions more independently. We also have room for improvement with working conditions and the flow of information.

The survey was implemented by Corporate Spirit Oy, which selected SATO as one of Finland's most inspiring workplaces during the reported year. This recognition reflects a high level of commitment among our employees.

## **CREATING WELL-BEING TOGETHER AND WITH PARTNERS**

The personnel and employer representatives at SATO meet regularly to discuss matters related to occupational health and safety (OHS). During the review period, the OHS committee convened four times. The Tarmo group, consisting of representatives selected by the management and personnel, convened four times. The Tarmo group focuses extensively on themes raised by the personnel with regard to well-being at work.

*Seven per cent of the personnel working in Finland took part in the activities of the OHS committee and the Tarmo group.*

All SATO employees in Finland have collectively negotiated labor agreements.

We changed occupational healthcare partners in December 2016. We requested feedback from our employees, who were mainly very happy with the occupational healthcare services provided by SATO.

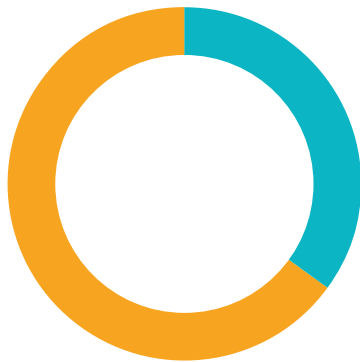
In late 2017, we started a voluntary weight management group that aims for comprehensive well-being.

## **ENCOURAGEMENT FOR LEARNING**

SATO provides its employees with opportunities to develop in their work, hone their expertise and learn new things. On average, our employees attended around 6.2 training days (men 6.7 and women 5.8) in 2017. Around 3.7 working days per employee on average were spent in training provided by a third party. The average number of training days for supervisors was 9.4 days per person and for employees 5.4 days per person.

Our employees are actively using SATOs Verso portal for new initiatives. During the review period, we collected 143 new ideas from our employees to improve the profitability of our business operations, without compromising on our customer-driven approach.

#### Gender distribution, 31 Dec 2017



- Men 35%
- Women 65%

## INFORMATION ABOUT PERSONNEL

### Total personnel at end of 2017 (2016) (GRI 102-8)

Total personnel	permanent	fixed-term	men	women	men (%)	women (%)
total 212 (175)	201 (160)	11 (15)	75 (54)	137 (121)	35%	65%
of which the number of personnel in Russia is 10 (8)	9 (3)	1 (5)	2 (2)	8 (6)	20%	80%

During the year, the Group had an average of 206 (170) employees.

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

New employment contracts	total 86					
permanent employment contracts	70					
men	28					
women	42					
Age distribution	25 or under	26–35	36–45	46–55	56–63	over 63
total	5	22	23	11	9	0

men	0	8	9	7	4	0
women	5	14	14	4	5	0
<b>New fixed-term employment contracts</b>	<b>total 16</b>					
men	5					
women	11					
<b>Age distribution</b>	<b>25 or under</b>	<b>26–35</b>	<b>36–45</b>	<b>46–55</b>	<b>56–63</b>	<b>over 63</b>
men	3	1	0	1	0	0
women	5	5	1	0	0	0
<b>Summer trainees</b>	<b>total 6</b>					
<b>Age distribution</b>	<b>25 or under</b>	<b>26–35</b>	<b>36–45</b>	<b>46–55</b>	<b>56–63</b>	<b>over 63</b>
men	2	0	0	0	0	0
women	4	0	0	0	0	0
<b>Terminated employment contracts</b>	<b>total 48</b>					
permanent employment contracts	total 32					
men	8					
women	24					
<b>Age distribution of terminated permanent employment contracts</b>	<b>25 or under</b>	<b>26–35</b>	<b>36–45</b>	<b>46–55</b>	<b>56–63</b>	<b>over 63</b>
men	0	2	3	1	2	0
women	1	3	7	9	2	2
Employment contracts terminated by the employer	23.8%					
Total personnel turnover % (summer trainees excluded)	19.8%					

# SUSTAINABLE PARTNERSHIPS

*SATO works to offer its residents more than just walls. In providing a diverse range of services, high-quality urban living and smoothly running maintenance, we appreciate partners with clear goals and a willingness to develop together with us.*

Our partners are important to us. They help us serve our customers even better. With our partner for 2017, Ahlsell, a distributor of installation products, we have developed our contractors' and maintenance companies' materials procurement processes. Our cooperation has streamlined our operations and improved customers' perceived quality.

## WE PROVIDE THOUSANDS OF JOBS

The assessment of our employment impact covers all investments, maintenance services and other purchased services. The assessment takes both our direct and indirect employment impact into account. For example, the indirect effects of construction and renovations on the construction industry and building services were evaluated in addition to the direct impact of construction sites. See [Key sustainability concepts](#) for more information about the assessment of our employment impact.

*SATO's employment impact is approximately 2.800 person-years.*

Direct and indirect employment impact, person-years	
Investments in construction and renovations	1,687
Maintenance and upkeep services	748
Other purchased services	156
Personnel	206
Total	2,797

## SUSTAINABLE PROCUREMENT AND SUPPLY CHAINS

We value the same qualities in our partners and suppliers as in our own operations. We select suppliers that are willing and able to create value and good experiences for our customers. We require our suppliers to operate sustainably in terms of work environments, occupational safety and environmental responsibility.

To combat the grey economy, we only work with companies registered in the Reliable Partner service at [tilaajavastuu.fi](http://tilaajavastuu.fi).

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

*SATO has audited more than 100 suppliers.*

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

## THE CUSTOMER FIRST SERVICE MODEL FOR PROPERTY MAINTENANCE

During the review period, our new **Customer First** service model for housing and maintenance had an effect on our building management partnerships in particular. We decentralised nearly all building management duties related to our homes and integrated them into our new service organisation. With regard to the remaining homes, around 20 per cent, we organised a competitive bidding process for building management services. Our cooperation with our current building management partner will continue for a period of three years.

In property maintenance and cleaning, a new two-year contract period began in late 2017. We divided our property maintenance operations between several service providers, with the goal of taking customer service to a new level. To achieve our goals, our service managers actively supervise the maintenance companies responsible for their buildings in a practical manner. At the beginning of the contract period, we familiarised our maintenance companies' employees with the Customer First service model.

In cooperation with our partners, we have updated our jointly developed contract performance indicators in line with our new strategy. The motivating indicators included in our building management and property maintenance agreements are used to monitor the level of customer service and satisfaction and the achievement of energy efficiency goals, among other aspects.

## QUALITY HOMES AND SAFE CONSTRUCTION SITES

SATOs customers expect high quality, sustainability and ease of living from their homes.

In the review period, SATO introduced Kide, its own line of bathroom furniture and products, which are designed to be not only nice-looking, but also highly durable and functional. Sustainability is also evident in their production: each sheet of material and any leftover pieces are used to the fullest extent.

*Kide products are made from low-emission (M1) furniture material by a Finnish family business.*

During the review period, we improved occupational safety and moisture management on our construction and renovation sites by starting accident frequency rate measurements and assigning an occupational safety and moisture management coordinator for each site. In 2017, a total of nine accidents were recorded on 20 sites, with the rolling accident frequency rate being 24. A total of 420,000 hours of work were completed on the sites, which were managed by contractors. Our goal is to start measuring energy efficiency and the amount of waste on new construction sites in 2018.

We monitor the quality of apartment repairs carried out by our contractors using spot checks. We will prepare six-month summary reports on all spot checks, and their results will have an impact on the fees paid to contractors.

# LOOKING INTO THE FUTURE OF CITIES

*Sustainable urbanisation is an integral part of sustainability work at SATO, a company providing urban homes. Building new homes with good public transport connections, investing in the energy efficiency of rental apartments and creating more recycling opportunities for residents are ways to ensure a cleaner future for cities and their people.*

Building materials, the construction of apartments and energy consumption during living cause the most significant climate effects and the highest environmental load in our business operations. By reducing emissions from our operations, we are also reducing the cost of maintenance.

## COMPACT STRUCTURES AND LIVELY CITIES THROUGH COMPLEMENTARY CONSTRUCTION

Location is the most important criterion for our residents. Complementary planning supports not only the creation of denser urban structures in line with the objectives of master plans, but also SATO's goals to offer new apartments with good public transport connections and a wide range of services. As complementary construction makes use of existing urban structures, it is ecological and reduces the need for municipal investments in infrastructure, in addition to improving services in the neighbourhood through the growing number of residents.

At the end of the review period, SATO had complementary construction projects in progress to produce more than 3,000 new homes. In 2017, we accelerated urbanisation in our planned areas in Martinlaakso in cooperation with the City of Vantaa, and started the development of the [Wise Mobility Block](#) in the Oulunkylä district of Helsinki. In Oulunkylä, the planning began with an urban structure relying on public transport connections and pedestrian and bicycle traffic that is easily adaptable to changes in housing and mobility needs.

In 2017, most of our investments were in line with our target of building new SATO homes with good public transport connections. Most of our planning development projects are situated in excellent locations in terms of services and public transport, such as the West Metro and its extension, which is under construction, as well as the future Raide-Jokeri, an express tramline between Itäkeskus in Helsinki and Keilaniemi in Espoo.

We are investing in infrastructure through the acquisition of plots, plan development, investment in public utility services and soil remediation, to name just a few examples. In 2017, our investments in infrastructure totalled EUR 4.1 (22.1) million.

## PROMOTING MORE CLIMATE-FRIENDLY HOMES

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.

## Objectives of the environmental programme 2020

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

Legislation concerning the energy efficiency of residential buildings sets a 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. Nearly 20 projects have already been completed or are in progress in line with this commitment, and the total value of these investments is more than EUR 200 million.

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

In 2018, we will look into the implementation of environmental certificates for residential buildings, and we will start measuring energy efficiency during construction on all new sites. Water and energy consumption and the amount of waste are monitored and reported on construction sites.

*“In 2017, we renovated waste collection points in cooperation with residents, maintenance partners and waste management companies. We will continue this work in 2018.”*

*–SATO Pulssi panelist*

Residents play a significant role in achieving our environmental goals. We provide our residents with information and guidance on eco-friendly living and help them make a difference through waste management solutions, for example.

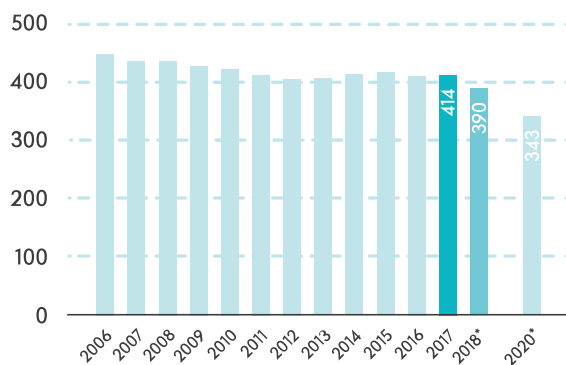
## PATIENTLY WORKING FOR ENERGY EFFICIENCY

In 2017, we invested in the energy efficiency of SATO homes and buildings. We installed apartment-specific temperature and humidity sensors that enable us to ensure optimal temperatures for homes and address any exceptional humidity values. In addition, we installed water-efficiency equipment in more than 6,000 rental apartments and repaired defective devices in the process.

Our investments and other energy efficiency measures will generate around EUR 500,000 in annual cost savings. In the review period, our weather-adjusted heat consumption increased by 0.7 per cent, our specific electricity consumption by 1.3 per cent and water consumption by 0.5 per cent in comparison with 2016. Our specific emissions decreased by 2.0 per cent from 2016.

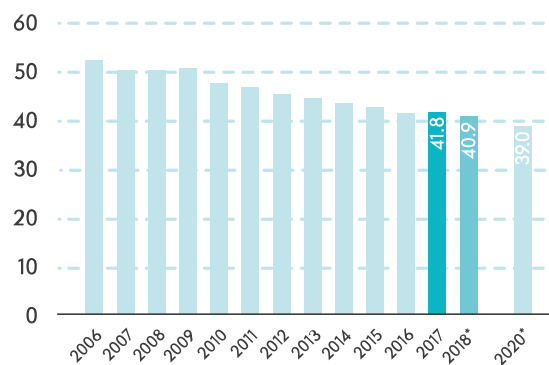


### Water consumption, l/m<sup>3</sup>/year



\* SATO's target

### Standardised heating consumption, kWh/m<sup>3</sup>/year

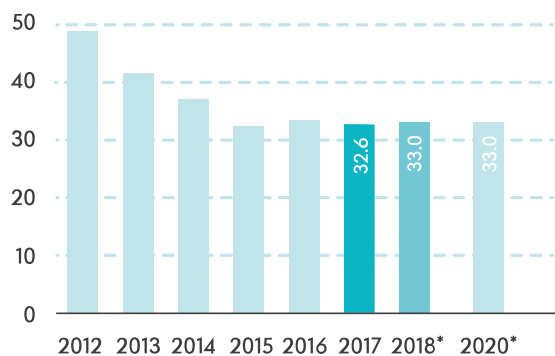


\* SATO's target

Figures are adjusted for weather

Our upgraded energy monitoring system enables us to detect any deviations and resolve problems more rapidly. Energy consumption is reported monthly to SATO's management team. We only use renewable wind power in all of our buildings.

### Greenhouse gas emission intensity of buildings, kg CO<sub>2</sub>-e/m<sup>2</sup>/year



\* SATO's target

The district heating emission factor has changed regressively since 2015

*We reached the target set for 2020 for reducing emissions already during 2017.*

In 2018, we will continue to invest in energy efficiency, and will seek to address any deviations more rapidly. Automatic alerts enable us and our partners to monitor changes in consumption more effectively.

## ENERGY

Energy consumption within the organisation (GRI 302-1)	(GRI	2015	2016	2017	Change 2016-2017	Change % 2016-2017
Total [MWh]		238,263	283,484	264,874	-18,610	-6.6%
Share of purchased energy						
Electricity [MWh]		23,689	24,531	23,624	-907	-3.7%
District heating [MWh]		214,056	258,299	240,427	-17,872	-6.9%
Share of own production						
Oil [MWh]		518	654	823	169	25.8%
Building energy intensity (CREI)		2015	2016	2017	Change 2016-2017	Change % 2016-2017
Consumption of heating energy, adjusted for weather [kWh/rm³/a]		42.9	41.5	41.8	0.3	0.7%
Consumption electricity [kWh/m³/a]		3.89	3.85	3.91	0.06	1.6%
Actions to reduce energy consumption and their impact						
Energy efficiency investments MEUR						1.5
Reduction of energy consumption MWh (GRI 302-4)						7,750
Reduction of greenhouse gas emissions tCO2-e (GRI 305-5)						1,364

## EMISSION

Greenhouse gas emissions (GRI 305-1, 305-2, 305-3)	2015	2016	2017	Change 2016–2017	Change % 2016–2017
Direct greenhouse gas emissions (scope 1)	135	170	214	44	25.9%
Energy indirect greenhouse gas emissions* (scope 2)					
Indirect greenhouse gas emissions (market-based)	37,674	45,461	42,315	-3,146	-6.9%
Indirect greenhouse gas emissions (location-based)	41,962	49,901	46,591	-3,310	-6.6%
Other indirect greenhouse gas emissions (scope 3)	1,834	948	924	-24	-2.5%
Total emissions of greenhouse gases [t CO <sub>2</sub> -e]	39,643	46,579	43,454	-3,125	-6.7%

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

GHG emission intensity of buildings (CRE3)	2015	2016	2017	Change 2016–2017	Change % 2016–2017
kg CO <sub>2</sub> -e/m <sup>2</sup>	32.2	33.3	32.6	-0.7	-2.0%
kg CO <sub>2</sub> -e/hlö	903.7	969.1	927.1	-42.0	-4.3%

## WATER

Total water withdrawal (GRI 303-1)	2015	2016	2017	Change 2016–2017	Change % 2016–2017
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Total [1 000 m <sup>3</sup> ]	2,329	2,622	2,507	-115	-44%
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All SATO properties use municipal water supply.

Building water intensity (CRE2)	2015	2016	2017	Change 2016–2017	Change % 2016–2017
dm <sup>3</sup> /rm <sup>3</sup> /a	418	412	414	2	0.5%

## WASTE

Total weight of waste from tenants (GRI 306-2 b)	2015	2016	2017	Change 2016– 2017	Change % 2016–2017
tonnes	21,578	2,985	23,389	-596	-2.5%
t CO <sub>2</sub> -e	1,834	948	924	-24	-2.5%

Distribution of waste from tenants by disposal method (GRI 306-2 b)	2017 %	2017 [t]
For recycling	41%	9,492
For energy	48%	11,208
To landfill sites	11%	2,689

## NEW ENERGY SOLUTIONS FOR NEW SATO HOMES

In May 2017, SATO completed a wooden apartment building in Honkasuo in Helsinki. Special attention has been paid to energy efficiency in this building. Some of its electricity is produced using solar panels, and its energy-efficient apartments have a forced-air central heating system, which creates a comfortable atmosphere. The heating and ventilation are monitored continuously in all apartments.

In Soukanniemi district in Espoo, we completed our second apartment building with geothermal heating. The building also makes use of solar energy.

At the end of the review period, we had projects under construction to monitor the effects of new solutions on energy consumption and emissions.

## HELP WITH RECYCLING AND SAVING ENERGY

We encourage our residents to always consider the environment in their daily lives. In the review period, we paid special attention to improving waste management and recycling. We also participated in the national Energy Saving Week campaign, organised an energy quiz and provided our residents with energy saving tips.

During the review period, we improved our waste collection points through added lighting and more frequent collection schedules, for example. We also helped our residents simplify their lives through recycling by doubling the number of recycling skips in the yards of our buildings. Nearly 150,000 kilos of electronics, bicycles, furniture, clothes and other items were collected in nearly 300 recycling skips and cages.

*The residents brought 114 car tyres and 16 items of refrigeration equipment to SATOs recycling skips.*

We want to increase the sorting of waste in our buildings to keep the yards clean and the neighbourhoods pleasant. During the review period, we carried out discussions with waste management operators to determine detailed recycling rates. At the moment, we are able to report reliably only separately collected waste by fraction. As we are not responsible for collection of household waste, reliable figures are not available for the time being.

In 2018, we continue to actively inform our residents about waste management and offer guidance in an increasingly multicultural environment.

## LESS FOOD WASTE BY SORTING BIOWASTE

The ease of waste management and the cleanliness of waste collection points affect resident satisfaction. We take sorting requirements into account, from the planning phase of our apartment buildings to service and maintenance. SATO is participating in the BIORENT project to enhance the efficiency of biowaste management and reduce food waste in rental apartment buildings. Managed by the Helsinki Region Environmental Services Authority (HSY), BIORENT is one of the Finnish Government's key projects. We want to make waste management easy for our residents, and are developing new types of solutions for kitchens and waste collection points. The project offers us an opportunity to try new solutions and learn from the results produced by partners.

## WE PROMOTE THE CIRCULAR ECONOMY AND TRANSPARENT SUPPLY CHAINS

SATO participates in promoting the circular economy and material efficiency in the construction industry. We ran an experiment on recycling demolition waste from renovation projects in cooperation with the Helsinki Metropolitan Area Reuse Centre. We donated used home appliances and movables from an apartment building we were renovating in Pihlajamäki in Helsinki to the reuse centre. According to the centre, the home appliances donated by SATO saved around 185 tonnes of solid natural resources.

*Nearly 100 home appliances found new owners.*

We seek to ensure that usable materials are reused and waste is sorted or processed sustainably. We will continue our good cooperation with the reuse centre on renovation and demolition projects.

# SUSTAINABILITY WITH A LONG-TERM PERSPECTIVE

*SATO makes long-term investments in homes: the life cycle of the built environment in Finland is up to 80–100 years. We take care of the financial sustainability of our operations, and take responsibility for our financial impact on our stakeholders and society.*

As a responsible, well-managed and profitable company, SATO is able to operate sustainably and transparently. For us, financial sustainability means good financial management and resource efficiency, as well as the generation of a steady financial benefit over the long term for stakeholders, including shareholders, employees, customers, municipalities, the state, and goods suppliers and service providers and their employees.

## CASH FLOW IN 2017, EUR MILLION

Customers	Financiers, investors	Other market participants
Net sales 280.1	Withdrawal of loans 304.6 Equity issued 0.0	Divestments of housing property 43.1 Other operating income 10.8



Suppliers	Public sector	Financiers, investors	Personnel
Purchases 103.0 Investments 156.0	Direct taxes 35.9 Indirect taxes 38.8 Land rents and land use fees 6.7	Interest and financial expenses 45.8 Repayments 312.3 Dividend 0.0	Salaries, benefits and pension expenses 16.1

## CAREFULLY THOUGHT-OUT GOALS AND INVESTMENTS

At the end of 2017, we updated our long-term financial targets. We want to strengthen the company's balance sheet and decrease its loan-to-value ratio from 70 % to 50 % or under. We also want to improve our investment grade credit rating and keep our annual return on equity at a minimum of 12 %.

*Financing plays a key role in creating growth for SATO. A strong balance sheet ensures the availability of a diverse range of funding on favourable terms.*

Financial growth is driven by investments. Investments create jobs, and the income obtained from this work

is used to buy products and services or to make new investments. We support growth opportunities in business and industry by offering rental apartments in the largest growth centres. In the review period, SATO invested around EUR 156 million in rental apartments.

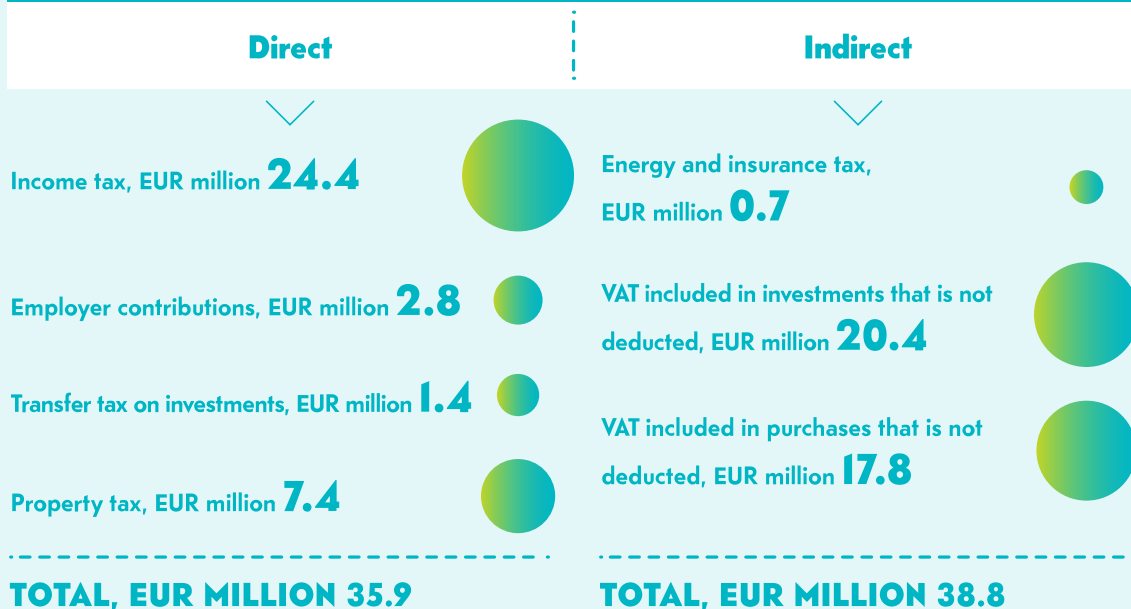
## COMBATING THE GREY ECONOMY

Our operations comply with the Finnish Corporate Governance Code and SATOs internal guidelines, principles and policies, which include guidelines for combating the grey economy.

To prevent the grey economy, we only work with companies registered in the Reliable Partner service at [tilaajavastuu.fi](http://tilaajavastuu.fi). In line with the Occupational Safety and Health Act, everyone working at SATOs construction sites must have a photo ID with a tax number.

## SATO'S TAX FOOTPRINT IN 2017

### TAXES TO BE PAID DURING THE PERIOD



### TAXES TO BE REPORTED DURING THE PERIOD



**TOTALLING**

**EUR MILLION 79.2**

## WE TAKE GOOD CARE OF OUR ASSETS

The development of the value of SATO homes is key to our business operations. We focus on areas and apartment sizes that will grow in demand over the long term. We repair our apartments in accordance with the life-cycle principle in order to maintain or increase their operational and financial value.

*Investment in apartment and building repairs: EUR 44.3 million.*



## INTERNATIONAL DIALOGUE WITH INVESTORS

SATO's investor meetings attracted both Finnish and international (mainly European) investors interested in our business. Particular interest was paid to the following matters.

### What is SATO's share of the Finnish rental market?

Out of a total of 2.6 million permanently occupied apartments, rental apartments amount to 850,000, about half of which are privately owned. SATO's market share of the rental apartments in Finland is about three per cent and in the largest cities about six per cent.

### Has SATO thought about increasing green finance?

SATO does its part in supporting sustainable urbanisation in Finland. In November 2016, we signed an agreement with the European Investment Bank (EIB) about a long-term funding arrangement to finance energy efficient investments. We are ready to collaborate in environmentally friendly projects in the future, too, while striving to enable diverse sources of funding for our projects.

## TRANSPARENT AND AWARD-WINNING COMMUNICATIONS

SATO provides its stakeholders with timely and transparent information about its operations. All bulletins concerning SATO's operations are released simultaneously via the publication system of Nasdaq Helsinki Ltd, to the media, and on the Irish Stock Exchange, and on [our website](#).

Once a year, we publish a combined annual report and sustainability report to provide comprehensive information about our business operations, value creation, sustainability and finances. In the review period, the Finnish Association of Communication Professionals (ProCom) selected SATO's annual report as the best report issued by an unlisted company.

# HOMES WITH CUSTOMER CARE

*SATO provides its customers with rental apartments that meet their needs and come with excellent customer service.*

We own, design, build, acquire and renovate buildings to ensure safe, carefree and pleasant living for our customers. For us, buildings are not just buildings; they are our customers' homes.

*“I’ve had the same address for 25 years. That’s what I call home.”  
–SATO Pulssi panelist*

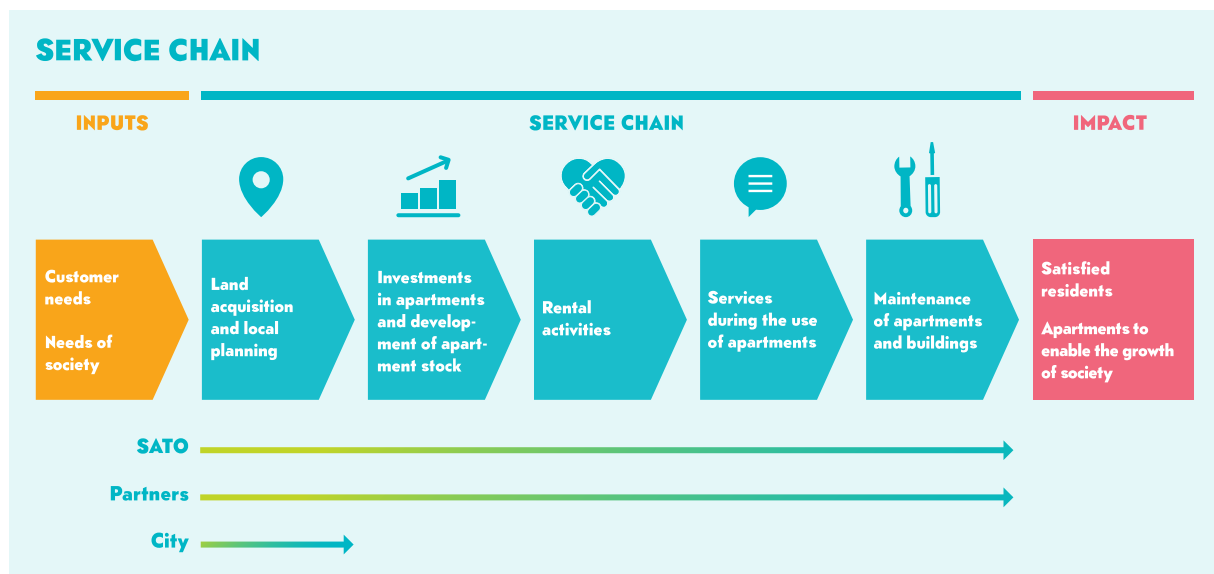
We are continuously improving our customer service, making the daily lives of our customers easier and developing new housing concepts. Our strategic development programmes guide us towards our goals.



# WE PROVIDE HOMES FOR CUSTOMERS AND RENTAL HOUSING FOR SOCIETY

*People need homes, and our growing society needs rental housing. SATO cooperates in many ways with the authorities and partners involved in its customer service chain. Through effective service chain management, we create high-quality homes and real value for customers.*

Our goal is to meet customers' and society's housing-related needs and take good care of our customers and their homes.



## WE LAY THE FOUNDATION FOR RESIDENTIAL CONSTRUCTION

People want homes that meet their specific needs. This is why we want to provide a diverse range of high-quality rental apartments. Through careful acquisition of land and forward-looking town plan development, we lay the foundation for the construction of apartments that meet the demand.

Our goal is to meet the growing need for rental apartments in cities. Complementary planning supports sustainable urban development, as services and infrastructure do not need to be created from scratch and there is demand for new housing options.

The cities are responsible for local plans, and SATO participates in the local plan development process in the capacity of an expert, and uses consultants as special experts when necessary.

## WE FURTHER DEVELOP OUR RANGE OF APARTMENTS

We acquire and build new rental apartments, renovate our existing homes to meet our customers' needs and improve energy efficiency.

New rental apartments in growth areas increase the mobility of labour and facilitate urbanisation. We work with architects and specialists when designing apartments, and we order construction work from contractors and supervisory activities from consultants. To ensure high quality, SATO controls the design work and inspects the completed homes or has them inspected.

We purchase existing apartments from other property owners.

*“What do I like best about my home? The brand-new surfaces, wonderful view and good connections.”*  
–SATO's customer

## WE HELP CUSTOMERS FIND A HOME

We want to understand our customers and find them homes that meet their individual needs. Customer service begins with marketing and our FindHome online service. Our customer service specialists ensure that the customer finds the perfect home and is able to move in smoothly. Our aim is to have satisfied customers and to serve them quickly.

The rental and marketing of apartments are mainly in-house functions. If SATO does not have an organisation in a specific region, one of its partners will offer rental services.

## WE TAKE GOOD CARE OF OUR CUSTOMERS

It is important to us that people enjoy living in our homes. Residents' well-being is ensured by the service manager of the building in cooperation with our customer service department and our partners, such as maintenance companies and other service providers.

We offer a broad range of inspiring customer benefits and develop services that make the residents' daily lives easier in cooperation with our extensive network of partners.

## WE TAKE GOOD CARE OF HOMES AND BUILDINGS

A pleasant, well-managed building and yard have a positive effect on residents' daily lives and level of satisfaction. Our property maintenance services ensure that our apartments maintain their condition and value.

SATO is responsible for the management of apartment maintenance and for ordering major repairs. We acquire maintenance and cleaning services from maintenance companies, and supervise the quality of the maintenance ourselves. We monitor the consumption of energy and water in our apartments, and we implement measures that improve energy efficiency, in cooperation with our service providers.

# SATO HOMES FOR URBAN LIVING

*In Finland, the most popular relocation destinations are the Helsinki metropolitan area, Tampere and Turku. We are increasing our offering in these locations in particular. We also serve our customers in St Petersburg. At the end of 2017, we had 25,259 SATO homes in Finland and 534 in St Petersburg.*

Urbanisation increases demand for services and creates new jobs. The mobility of labour and increasing immigration, as well as the well-being of individuals and society, call for a sufficient, multifaceted supply of homes for various needs.

## SATO'S AREAS OF OPERATION IN 2017

SATO's main business areas are the Helsinki Metropolitan Area, Turku and Tampere



From our selection of 25,793 apartments, city residents easily find a home that meets their requirements. We are also continuously developing new housing concepts for changing needs.

*“The home is very modern and in a good condition, and the surfaces are carefully designed. It’s not just a rental apartment – it’s my home. Its layout ensures the efficient use of space. And I have easy access to services and public transport.”*

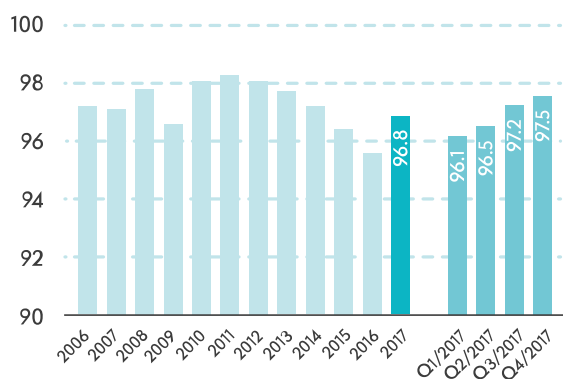
*–SATO Pulssi panelist*

## RENTAL APARTMENTS ARE CHOSEN BASED ON LOCATION

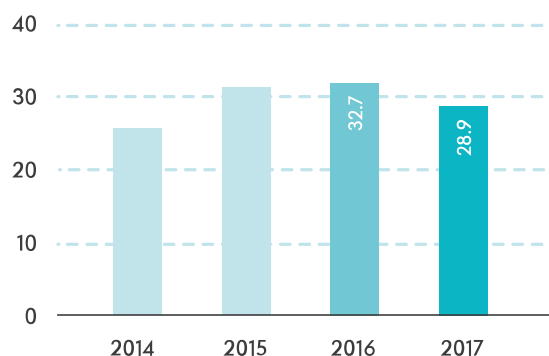
In spring 2017, we asked our SATO Pulssi resident panel about the most important factors affecting the selection of a rental home. Location was the key criterion. Other important considerations were price and the condition and layout of the apartment, as well as public transport connections.

Location also plays a key role in the development of the value of apartments. The sizes and locations of the apartments that we own, acquire and build meet the demand, now and in the future. Easy access to public transportation and services also helps us reduce the growth of our operations’ carbon footprint.

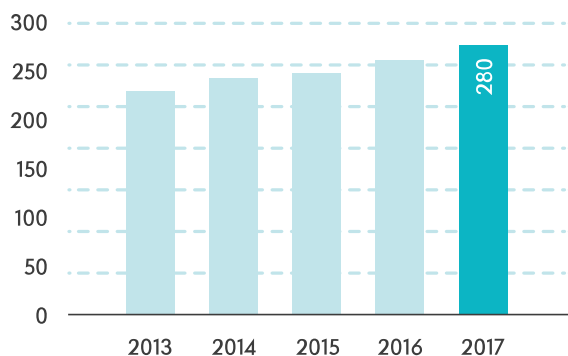
Financial occupancy rate of rental housing, %



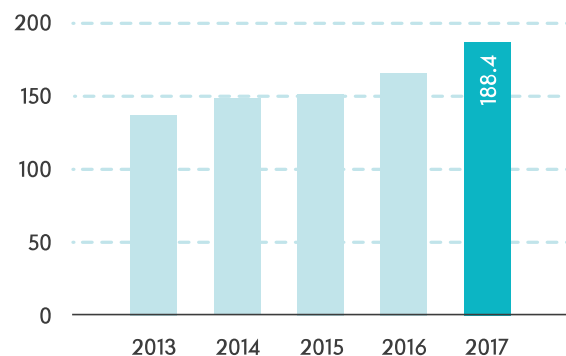
External tenant turnover, %



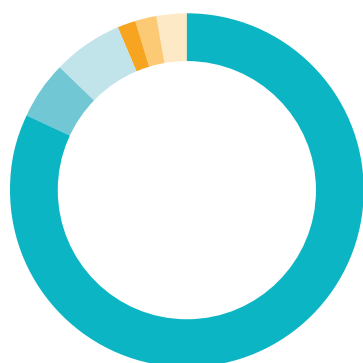
### Net Sales, MEUR



### Net rental income, MEUR



### Regional distribution of the housing portfolio, 31 Dec 2017

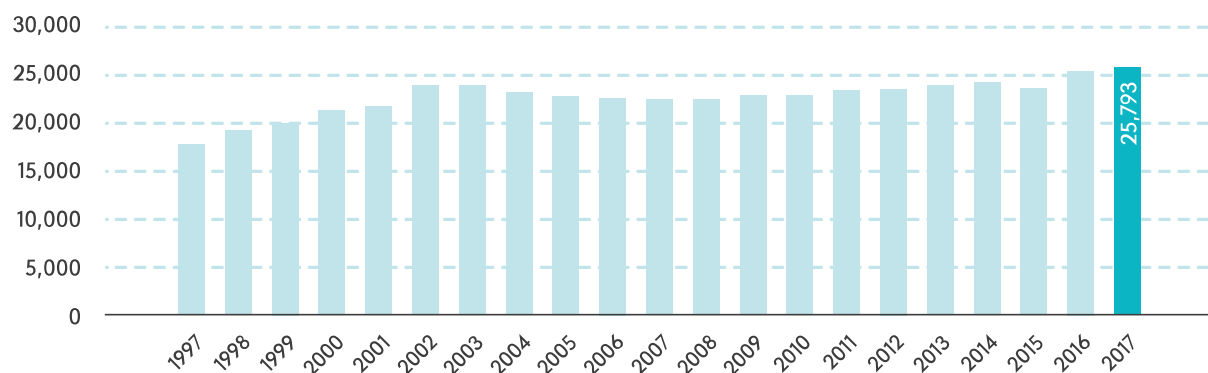


- Helsinki Metropolitan Area 80%
- Turku region 6%
- Tampere region 7%
- Jyväskylä region 2%
- Oulu region 2%
- St. Petersburg 3%

Total housing portfolio MEUR 3,565



### Trend in the housing portfolio, number



## SATO RENTHOME

SATO RentHome is the answer when customers are looking for a long-term home from a reliable lessor. At the end of 2017, we owned 25,793 SATO RentHomes. The rental income from these homes and the development of their value lay the foundation for the profitability of our business operations.

In recent years, the proportion of living costs out of total income has increased, as has demand for smaller apartments. Instead of space, people appreciate functional solutions, a balcony and high-quality surface materials. The average size of SATO RentHomes is 55m<sup>2</sup>, and 70.9 % of the homes are studio apartments or one-bedroom apartments.

We want our customers to enjoy living in our rental apartments – their homes. We monitor the need for maintenance during regular inspections, and we ensure that the building and yard are kept clean and in good condition. The service manager of a building coordinates renovation and repair operations in cooperation with the infrastructure manager and other SATO employees.

Our residents can also renovate their homes using SATO's DIY renovation kit, which includes optional materials and tools for a facelift.

In nearly all SATO RentHomes, the rent includes a high-speed broadband subscription, and residents are allowed to have pets. Lease agreements signed after 2008 have a non-smoking condition. Smoking is also prohibited on balconies and in outdoor areas in new buildings.

Finding a new home is easy with FindHome.

SATO RentHome	2017	2016
Number of properties	751	742
Total number of apartments	25,793	25,344
Rental apartments	25,262	24,605
Part-ownership apartments	531	739
Surface area of apartments, m2	1,420,716	1,408,407
Average size of apartments, m2	55.1	55.6

Fair value of apartments, MEUR	3,564.8	3,383.2
Net rental income from apartments, MEUR	188.4	167.1
Growth during the review period, %	12.7	10.1
Net rental income from apartments, %	5.6	5.7

## SATO STUDIOHOME

At the end of 2017, SATO completed its pilot project in the Martinlaakso district of Vantaa in Finland: 68 SATO StudioHomes, with a common living room that attracts residents to spend time together and engage in activities, a laundry room and a top-floor sauna with a terrace.

[Read more about SATO StudioHomes.](#)

## SATO IN ST PETERSBURG

SATO has 534 apartments in St Petersburg. SATO's buildings are located close to the centre of St. Petersburg and constructed in the 21st century. During the reporting year, the average occupancy rate of our apartments in St. Petersburg increased to 89.6 (82.2) per cent.

Approximately half of our apartments are rented furnished. As a result of the decreased value of the rouble, euro-denominated rents decreased, being EUR 14.86 (15.33) per m2 per month at the end of the year.

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. For the time being, SATO will refrain from making new investment decisions in Russia.

SATO does not have binding purchase agreements in St. Petersburg. No new apartments were completed in St Petersburg in the review period, and no new apartments are under construction. At the end of the review period, the value of SATO's housing assets in St Petersburg stood at around EUR 118.9 million. The impact of the ruble's price performance during the year 2017 was EUR -9.5 million, and the effect of the change in the change in value was EUR -9.8 million.

Rental apartments in St Petersburg	2017	2016
Completed on 31 December, units	534	534
Completed during the year, units	0	74
Under construction on 31 December, units	0	0
Value of housing assets, MEUR	118.9	128.6
Investments, MEUR	0	2.4
Investment commitments, MEUR	0	0
Average rent, including furniture, EUR/m2/month at the end of the review period	14.86	15.33

Economic occupancy rate, %	89.6	82.2
Turnover of rental apartments, %	53.6	39.1

## SATO HOTELHOME

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.

# WE HAVE THE PERFECT HOME FOR YOU

*Your home is the most important place in the world. We help our customers find homes that meet their needs and wishes. Using our FindHome service, finding a new rental apartment is now even easier than before.*

We provide customer service online and face-to-face. It is easy to visit our locations to ask about homes – and perhaps even find a new one on your first visit.

*“I love finally having a large balcony that I can decorate and that serves as an extension to my living room in the summer.”*  
–SATO Pulssi panelist

In 2017, we signed around 10,172 lease agreements. The popularity of digital agreements increased. Nearly 50 % of all lease agreements were signed digitally.

One-bedroom apartments were the most popular, followed by studio apartments and two-bedroom apartments.

Our Customer First approach has enabled us to improve occupancy rates. We fine-tuned our sales management and monitoring towards a more customer-driven direction. We also provided training to our employees and developed new ways of working to improve the customer experience in terms of renting a home and changing apartments.

*47 % of lease agreements were signed digitally.*

## EFFORTLESS CUSTOMER SERVICE ONLINE

Dreaming about a new home is now easier than ever before, thanks to the new FindHome service. Launched in 2017, FindHome service makes finding a home an effortless and convenient experience. The service was designed with mobile users in mind, and it also includes a watchdog feature. Finding an apartment has thus become a lot easier. As the new FindHome service has increased the amount of apartment applications we receive, it has also had a positive impact on our occupancy rate.

To further improve the customer experience, we have started MySATO, a strategic development programme. The digital MySATO service will be introduced in 2018. Its purpose is to make our residents' daily lives easier and to offer experiences and opportunities for community activities.

## BENEFITS FOR RESIDENTS CHANGING APARTMENTS

Life situations change from time to time. In 2017, around 1,912 customers changed SATO apartments. We want to create long-term customer relationships and make changing apartments as easy as possible. For this reason, we improved our [benefits for residents changing apartments](#).

When a customer moves from one SATO home to another, we are flexible with the notice periods, and the customer will not have to pay rent for two homes for any period of time. In addition, our existing customers have priority over other applicants for SATO RentHomes.

Rental activities in Finland	2017	2016
Average rent of rental apartments, EUR/m <sup>2</sup> /month, at the end of the review period	16.69	16.47
Economic occupancy rate, %	96.8	95.6
Turnover of rental apartments, %	28.9	32.7

# WE ARE PRESENT IN OUR CUSTOMERS' DAILY LIVES

*In 2017, we wholeheartedly focused on our Customer First programme, which lies at the core of our strategy. We wanted to serve our customers even better than before, and to keep in touch with them more frequently.*

In spring 2017, we updated the traditional concept of building management and integrated building management services into our operations. We had previously acquired such services from outside the company. We hired around 40 new professionals for this and other customer service work.

*“It’s always easy to deal with the service manager.”  
–SATO Pulssi panelist*

In SATO’s new Customer First organisation, building management services are divided between service managers and directors, apartment inspectors, infrastructure managers and building services managers. Together with customer service professionals and housing and rental advisors, these professionals are closest to our customers’ daily lives. However, during the review period, the Customer First approach became a priority throughout our organisation.

Customer First program’s effects on customers were clear during the review period: the apartment turnover rate decreased, and the occupancy rate increased. In addition, the results of the employee satisfaction survey improved.

## SERVICE MANAGERS KNOW THE RESIDENTS OF THEIR BUILDINGS

SATOs service managers are responsible for getting to know the residents of their buildings as well as possible and taking care of their well-being.

They visit their buildings frequently and organise events where the residents can discuss everything related to housing with them.

## CUSTOMER SERVICE ADVISORS SOLVE PROBLEMS AND OFFER HOUSING ADVICE

In addition to rethinking our service organisation, we renewed our customer service operations to ensure a more comprehensive approach. Our new ticketing system enables our customer service professionals to ensure that problems are solved within a set time frame. In accordance with the one-contact principle, one person monitors the entire process, until the resident is provided with an answer to their question.

We made our customer service professionals’ job titles more multifaceted, moved to better facilities and recruited more customer service employees. We also held an open-doors event to offer all our employees an opportunity to learn about day-to-day customer service.

In 2017, SATOs customer service department responded to 114,090 telephone calls and 39,224 emails. The number of chat contacts on sato.fi was 7,156 and we responded to 5,662 messages on Facebook.

*To implement our Customer First programme, we hired more than 40 people in 2017.*

During 2017, we also trained everyone working for SATO to communicate with our customers in accordance with our tone of voice – lively and warm.

## CUSTOMER FIRST IN PROPERTY MAINTENANCE

After the renewal of our service model in the spring, we wanted to make sure that our residents also come first in property

maintenance. We organised a competitive bidding process for property maintenance companies, with the main requirement being that the company is able to operate in accordance with our Customer First programme.

In the autumn, we provided property maintenance employees with induction training on our approach. Such training was provided to around 160 people.

## EASIER REMOVAL DAYS

Removals are happy, exciting and often also stressful events. The resident's mind is full of questions, and the new apartment keeps them busy: they have to put together bookshelves, hang art on the walls, hang lights from the ceiling and so on.

SATO has invested significantly in ensuring smoothly running removals to new buildings:

- In four new buildings, we made our residents' daily lives easier by establishing a pop-up customer service point in their buildings. Our customer service professionals answered questions and solved problems.
- The service manager is present to help with hanging pictures and lights, for example, during the first few weeks in a new building.

## WE TAKE GOOD CARE OF HOMES AND BUILDINGS

A pleasant, well-managed building and yard have a positive effect on the residents' daily lives and level of satisfaction. Our property maintenance services ensure that our apartments maintain their condition and value.

SATO is responsible for the management of apartment maintenance and for ordering major repairs. We acquire maintenance and cleaning services from maintenance companies, and supervise the quality of maintenance ourselves. We monitor the consumption of energy and water in our apartments, and we implement measures that improve energy efficiency, in cooperation with our service providers.

# WE OFFER MORE THAN JUST WALLS

*We want to create long-term partnerships with our customers and provide them with more than just walls. We aim for deeper customer relationships by making people's daily lives easier and supporting their well-being.*

We request feedback from our customers on our operations during different stages of the relationship. Based on this feedback, we further develop our services and operating methods. This continuous work is highly rewarding.

*“I’m always glad to help other residents, and it’s nice to know that if I run out of baking paper, for example, one of the neighbours will always help. A sense of community is important. It makes the area feel safer and even more pleasant.”*

*–SATO Pulssi panelist*

## CUSTOMER BENEFITS BRING SAVINGS AND JOY

We provide our customers with valuable benefits. In 2017, in cooperation with our partners, we offered a diverse range of products and services at special prices: insurance policies, removal services, music lessons, electricity and healthcare services, to name just a few examples. In addition, in nearly all SATO homes, the rent includes a high-speed broadband connection. We aim to further increase our selection of attractive customer benefits.

## WE TALK, SHARE AND LISTEN

To listen to our customers more intently, we introduced the mobile [SATO Pulssi](#) resident panel in spring 2017. The panel enables our residents to affect the development of housing solutions and the related services. The response rates are high. We have asked the members for their opinions on waste management, design and community, among other aspects.

During the review period, we issued six postal newsletters and ten online newsletters to provide our residents with information about current affairs and content related to housing and living.

We encourage our customers to communicate with us on social media and in the service chat on our website at [sato.fi](#). Our website was revamped during the review period, and its number of visitors increased to 3,9 million.

## SMALL JOYS AND MAJOR EXPERIENCES

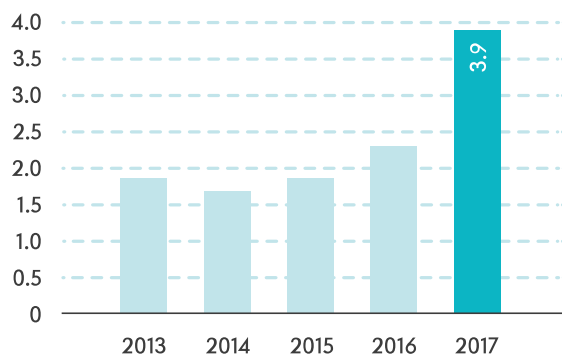
Shared experiences create stronger partnerships. In 2017, we held a wide range of customer events, from meetings with service managers at our buildings to a tour of events with [Jyrki Sukula](#), one of Finland’s best-known chefs.

Our largest customer event of the year was a show by [Sirkus Finlandia](#) in Helsinki, Turku and Tampere, which attracted nearly 1,200 residents to spend time together and enjoy a magical atmosphere.

In the autumn, we organised invitational showings of *The Unknown Soldier*, with more than 1,000 residents enjoying the film.

On Valentine’s Day – or as Finns prefer to call it, “friendship day” – we delighted long-standing residents, as well as residents actively participating in resident activities, with a special event and flowers.

Visits on sato.fi web site 2013–2017,  
million visitors



## DEVELOPING CITIES AND RENEWING RESIDENTIAL AREAS

*A vibrant city needs enough homes. The volume and quality of housing supply have a significant effect on urban development and Finland's competitiveness. Investments in homes and infrastructure are needed. SATO aims to develop an even more diverse range of homes for its existing and future customers.*

We invest in new rental apartments, renovate existing homes and sell apartments in areas where the demand does not meet our goals. We take our customers' wishes into account by investing in the Helsinki metropolitan area, Tampere and Turku, the main focus areas for internal migration. We cooperate closely with cities in [planning and complementary construction projects](#).

*"The best things about my home in Jätkäsaari are its good location and excellent connections. I also love that it's located so near to the city centre."*

*–SATO Pulssi panelist*



## SUCCESSFUL DEALS AND NEW HOMES

In autumn 2017, SATO acquired 150 rental apartments in Espoo, Vantaa and Turku from Veritas Pension Insurance. We met our new residents in the spirit of our Customer First principle and introduced them to the service manager of their building.

*Service managers get to know the residents, who can discuss everything related to housing with their service manager.*

In the reporting year 232 new SATO RentHomes were completed in Niittykumpu in Espoo. The West Metro, which started operation late in the autumn, takes residents to Matinkylä in one minute and to the centre of Tapiola in two minutes.

We will continue to design the final building to be constructed at Laivalahdenkaari 1 in Herttoniemenranta, based on an invitational design contest held in 2016. With the investment decision made in 2017, a total of 143 rental apartments will be completed in the building in 2019, along with parking facilities, a grocery store and compact commercial premises. The local metro station is less than 500 metres from Laivalahdenkaari.

In 2017, as a result of our comprehensive long-term plan development work with the city of Vantaa, we started the construction of 288 SATO RentHomes in Raivosuonmäki and completed 110 rental apartments on Kukinkuja. In November 2017, the first residents of the 68 SATO StudioHomes in Martinlaakso moved in.

Complementary construction plays a key role in providing affordable homes. During the reporting period development plan projects began in Helsinki's suburbs of Oulunkylä, Lauttasaari, Meri-Rastila and Pukinmäki, and also in Kairilankatu in Turku.

## WE GROW BY MAKING INVESTMENTS

Since 2000, SATO has invested a total of EUR 2,863 billion in rental homes. We acquire and construct entire multi-storied buildings and single rental apartments under our ownership.

In 2017, SATO invested EUR 156 million in its range of apartments. Our investment level peaked in 2016, at a total of nearly EUR 600 million.

## DEVELOPMENT THROUGH DIVESTMENTS

We sell apartments that do not correspond to our strategy over the long term. The apartments to be sold are mainly selected based on their location, size or condition. During the review period, our divestments stood at around EUR 46.2 million.

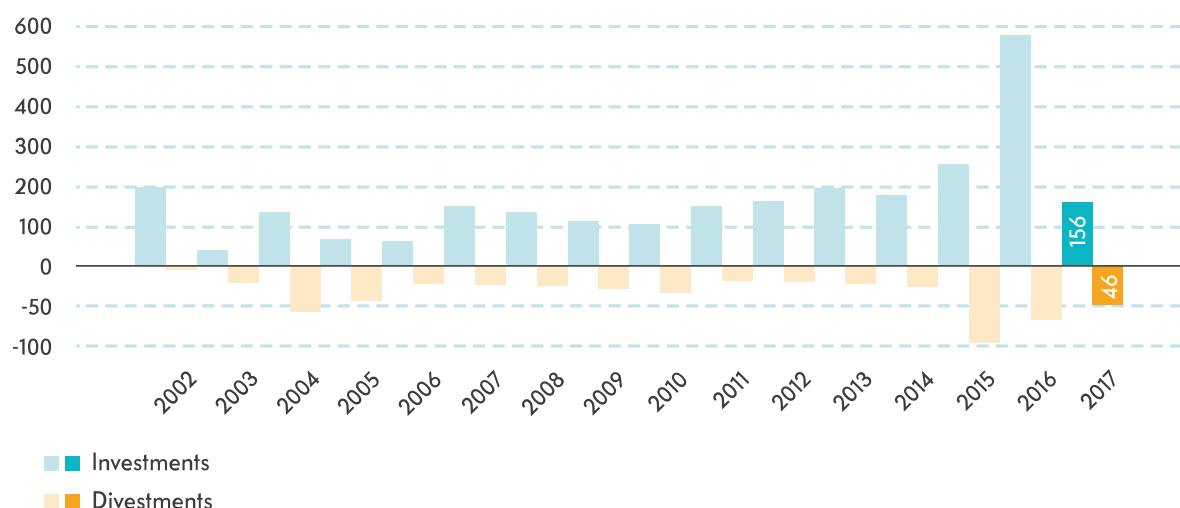
Investments	2017	2016
Housing investments, MEUR	156.0	572.6
Acquisition of existing stock, units	167	2,679
New apartments, units	856	701
Investment commitments on 31 December, MEUR	54.9	121.2
Rental apartments under construction on 31 December, units	1,036	1,232
Divestments		
Divestments of apartments, units	294	1,267
Divestments of apartments, MEUR	46.2	66.5

## EVALUATING OUR ENVIRONMENTAL IMPACT

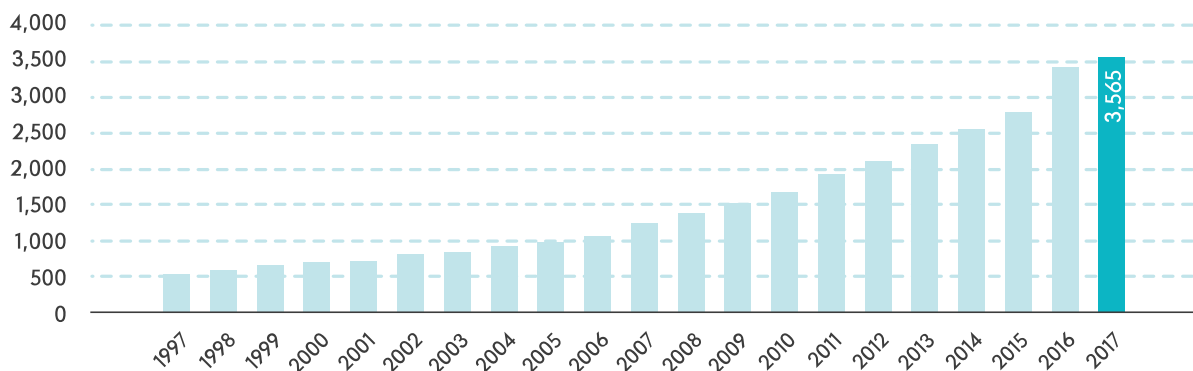
We prepare an investment sustainability evaluation before trading. The evaluation focuses on the fulfilment of financial criteria, the environmental impact of the investment, transport connections and the execution of the procurement process in accordance with good corporate governance, among other aspects.

By investing close to public transportation routes, we can reduce our environmental load and that of our customers.

### Housing investments and divestments, MEUR



## Trend in the housing portfolio, fair values, MEUR



# WE ENABLE GROWTH AND MANAGE RISKS THROUGH A DIVERSE RANGE OF FINANCING SOURCES

*SATO is determined to continue expanding its financing structure. Diversified financing supports our strategic goals and profitable housing investments and strengthens our risk management.*

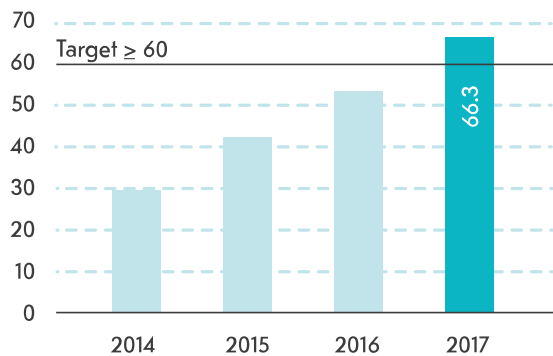
To ensure the availability of financing and a broad financing base, we are aiming for an even stronger public credit rating. Our current rating by Moody's is Baa3 (investment grade) with a stable outlook.

## MORE UNENCUMBERED ASSETS

During the review period, we increased the proportion of financing free of real securities, as well as the amount of unencumbered assets.

At the end of 2017, 66.3 per cent of our total assets were unencumbered. Our target for the unencumbered assets ratio is 60 per cent or more.

### Unencumbered assets, %

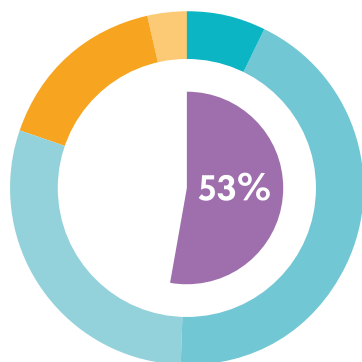


## PROPORTION OF FINANCING FREE OF REAL SECURITIES INCREASES

During the review period, we continued to diversify our financing structure and increased the proportion of unsecured financing. At the end of 2017, the proportion of unsecured financing out of the entire debt portfolio was 53.4 per cent.

During the review period, we signed two significant and exceptionally long agreements on bank loans free of real securities. In May, SATO and OP Corporate Bank agreed upon a bilateral loan of EUR 100 million. In August, SATO and Swedbank AB (publ) agreed upon a bilateral loan of EUR 100 million. Both of these are seven-year loans, and the cash proceeds will be used to cover the Group's general financing purposes and to refinance secured loans.

### Debt portfolio, Nominal values 31 Dec 2017, total MEUR 1,948



- Commercial papers 141
- Corporate bonds 849
- Bank loans 579
- Interest subsidised 315
- State subsidised (ARAVA) 65
- 53 % of loans without real securities

## STRONG AND MULTIFACETED RISK MANAGEMENT

We are exposed to various financing risks in our business operations. Our risk management principles have been defined in the treasury policy approved by SATO's Board of Directors. The policy is implemented by SATO's treasury unit together with other business units.

*The purpose of financing risk management is to reduce the impact of unfavourable movements in financing markets on the Group and its financial results, and to give business operations time to adjust to a changing market environment.*

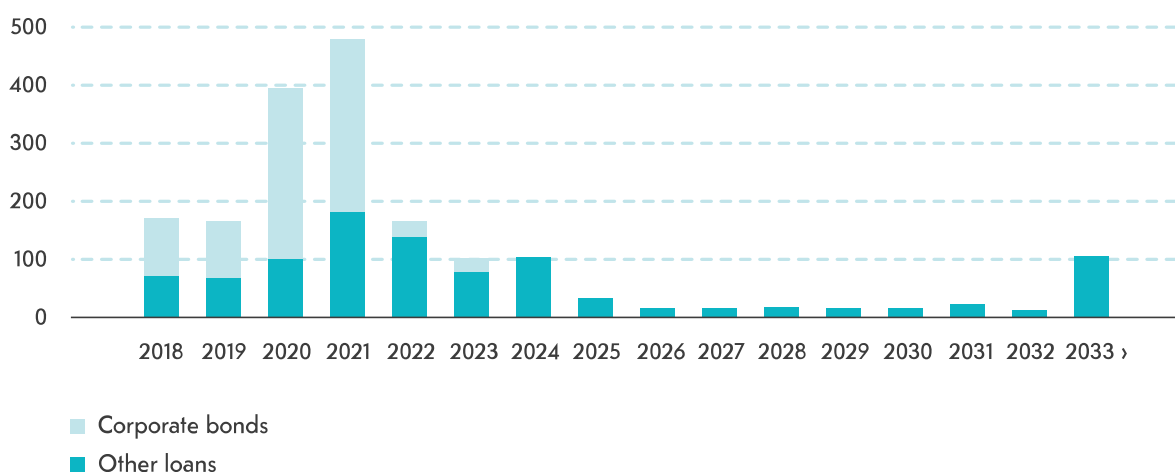
Our most significant financial risks relate to liquidity, refinancing and interest rates. We manage our liquidity and refinancing risks by diversifying the financing sources and maturity of our loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other long-term financing commitments.

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

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

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

### Maturity profile of long term debt, MEUR

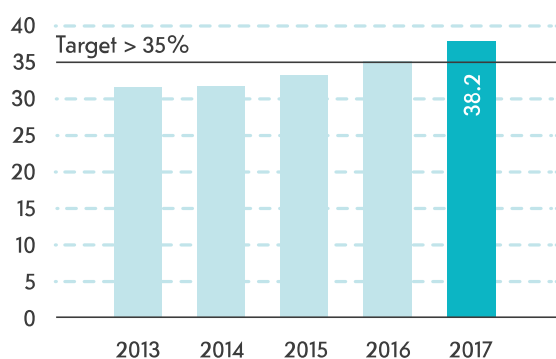


## SUFFICIENT FINANCING THROUGH CAPITAL MANAGEMENT

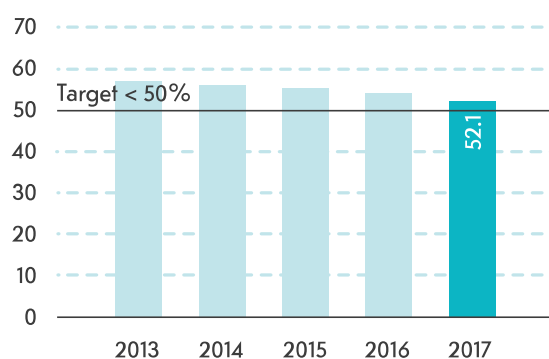
The purpose of SATO's capital structure management is to support the company's targets and to ensure the Group's operating conditions in capital markets. An optimal capital structure secures sufficient financing with competitive terms and the ability to pay dividends.

SATO's long-term financial target is to have an equity ratio of at least 35 per cent and a solvency ratio of less than 50 per cent. At the end of the review period, the equity ratio was 38.2 per cent and the solvency ratio was 52.1 per cent.

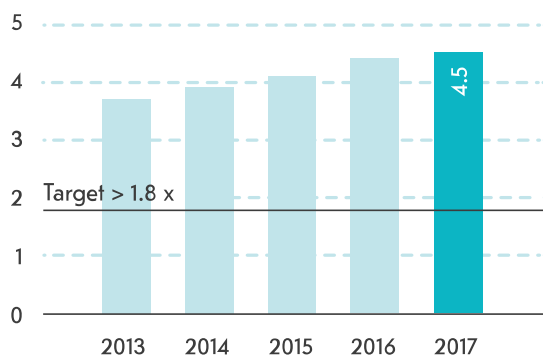
Equity ratio, %



Solvency ratio, %



Interest coverage ratio



Key figures of financing	Target	2017	2016
Average loan maturity*, years	2.5–6	4.8	5
Average interest fixing period*, years	3–5	3	3.4
Average interest rate, at end of period, %	-	2.2	2.5
Proportion of fixed rate debt*, %	> 60	78.2	81.7

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

# THE FUTURE IS BEING PLANNED TODAY

*Our expertise in planning development is a strength we can be proud of. Our development projects bring together the authorities, local residents, partners and other stakeholders to find a common vision. The cities of the future are being planned today.*

Cities grow and develop when people have homes and jobs. With the number of jobs increasing in the service sector in particular, the need for affordable rental apartments is growing as well, and a balance between supply and demand is the only way to keep the cost of living in check.

*“The apartment is new, in prime condition. The location is excellent: this is a peaceful area. I’m very happy. And for me, it’s important to be allowed to have pets.”*

*–SATO Pulssi panelist*

SATOs land and plot reserves, combined with our extensive experience in property development, ensure the continuity of the housing supply. A considerable new permitted building volume is being developed for our plots in the planning projects currently in progress in the Helsinki metropolitan area, Tampere and Turku. These sites have good locations in terms of public transportation and services, very close to the West Metro and Raide-Jokeri stations, for example, which is enabling more than 3,000 new homes to be built over the next five years.

Plot reserves	2017	2016
Plot reserves, MEUR	54.0	62
Plots purchased, MEUR	0	13.5
Total permitted building volume in the plot reserve, floor-m2	447,100	460,472
Owned plots transferred to production or sold, MEUR	9.0	22.4

## COMPLEMENTARY CONSTRUCTION IS INCREASINGLY IMPORTANT

Complementary planning supports not only the objectives of a denser urban structure stated in the master plans of cities and towns, but also SATO's goals to offer new apartments close to comprehensive public transportation routes and various services.

Complementary construction offers one way to increase the number of reasonably priced apartments. In addition, it offers local residents an opportunity to move to a brand-new home in their familiar neighbourhood. Complementary construction is an ecological solution, as the existing urban structure reduces the need for municipal infrastructure investments and the growing number of residents serves to maintain and improve local services.

Dialogue with local residents plays a key role in successful complementary construction projects. Before filing the planning application, we organise an event to present our plans and discuss the project with local residents.

In Helsinki, a complementary construction planning project involving around 10,000 floor square metres in Kontula became legally valid, and an equal amount of permitted building volume in Patola was approved by the city council. In Vantaa, a plan alteration project involving around 20,000 floor square metres on Raudikkokuja in Vantaa has reached the plan proposal phase.

In Espoo, plan proposals related to significant development projects in Niittykallio, Saunalahti, Finnö and Soukka have reached the municipal committee phase. One plan alteration project was started in Turku. In Turku and Tampere, we are negotiating with the cities over complementary planning projects to be launched during 2018.

## A BLOCK FOR WISE MOBILITY

One of our most significant complementary construction projects in progress started in the Oulunkylä district of Helsinki in 2017.

Known as the **Wise Mobility Block**, this residential area has a superior location at the junction of Raide-Jokeri and the main railway, and a design competition was held in the autumn to re-plan and enliven the area and increase its density.

The plan will be based on a block structure drawing on public transport connections and opportunities for pedestrian and bicycle traffic. The buildings will have around 500 privately financed rental and owner occupied apartments and ARA and shared ownership apartments. The parking facility to be built in the area can later be replaced with apartment buildings. The construction is estimated to begin in 2019, after the local plan alteration has been completed.

## IDEAS FOR A VIBRANT URBAN ENVIRONMENT

A design from SATO, Skanska and ALA Architects was selected for the next 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. When preparing for the second phase of the competition, we are studying the cost of construction carefully, among other aspects.

Complementary construction plays a very significant role in building more affordable homes. In 2017, plan alteration processes were started for five new complementary construction projects in Oulunkylä, Lauttasaari, Meri-Rastila and Pukinmäki in Helsinki and on Kairialankatu in Turku.

## NEW AND GOOD-AS-NEW APARTMENTS FOR URBAN PEOPLE

*Needs and wishes related to homes are changing and diversifying as the urban population grows. Identifying and responding to residents' wishes is easiest when we are designing new rental apartments or are planning to renovate existing ones. This also enables us to affect our buildings' environmental impact.*

We build SATO RentHomes or acquire new apartments from contractors following the turnkey principle. When we decide to construct a new building, we assess which apartments are suitable for rental activities and which will be sold off as owner-occupied homes.

*"It was love at first sight. I knew this was the perfect home for me."  
–SATO Pulssi panelist*

We measure the level of satisfaction of the residents moving to a new or renovated home and remunerate the contractor accordingly. The contract amount is higher when customer satisfaction is at the target level and no accidents have taken place on the construction site. We adopted this model for two of our sites two years ago and will expand it to cover all of our contract sites.

Even though the contractor is responsible for the construction site, we want to monitor occupational safety, as we are their customer. In 2017, we started monitoring accident frequency rates on construction sites and will develop our operations based on the accumulated data.

### CONSTRUCTION BASED ON STRONG CUSTOMER INSIGHT

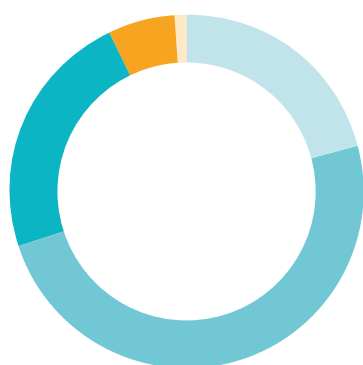
SATO's construction and renovation operations are driven by our expertise as a lessor and our extensive experience in construction, combined with a strong desire to understand customers' needs. We want to know what type of home the

customer wants to live in. We know how the value and usability of an apartment change over time.

In the cities in which we operate, studio apartments and small one-bedroom apartments are the most popular rental apartments. Design is even more important than usual in smaller apartments. We provide our implementation partners with clear goals and design guidelines for SATO homes, and they also have the support of our design team.

The building materials we use in rental apartments are durable and easy to care for. Functionality alone is not enough to attract customers, which is why we also pay attention to the timelessness and durability of materials, the functionality of the layout and the level of the equipment. New rental apartments come with a dishwasher, glazed balcony and fridge freezer.

#### SATO's owned rental homes 31 Dec 2017, %



■ Studio 21%    ■ 3 br 6%  
■ 1 br 49%    ■ 4 br 1%  
■ 2 br 23%

On 31 December 2017, SATO had more than 1.000 rental apartments under construction in Finland, and around 850 rental apartments were completed for the SATO Group in Finland during the year.

## WE TAKE GOOD CARE OF OUR BUILDINGS

We hope that all residents enjoy living in our homes, regardless of the age of the building. For this reason, we renovate our rental homes and properties according to life cycle principles.

During the review period, we invested around EUR 44.3 million in the repair and renovation of apartments and properties, of which repair investments accounted for EUR 25.8 million.

Some renovations are so extensive technically that it is impossible to live at home during the repairs. During the review, there were 129 such homes with about 135 residents. We provided the residents with the opportunity to find a new home from the range of rental apartments offered by SATO.

## BOOST FOR ENERGY EFFICIENCY FROM THE EIB

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

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

New production	2017	2016
Completed in Finland, units	913	665
Rental apartments	856	627
Owner-occupied apartments	57	38
Under construction on 31 December, units	1,109	1,270
Rental apartments	1,036	1,232
Owner-occupied apartments	73	38
Unsold owner-occupied apartments, by 31 December, units	1	27
Completed	1	27
Under construction	0	0
Repairs	2017	2016
Apartment repairs, MEUR	22.8	21.3
Repair investments, MEUR	25.8	24
Repair subsidies received, MEUR	0	0.9

# CITIES AND PEOPLE ARE CHANGING – SO MUST THE HOUSING SECTOR

*Growing cities are home to people with different cultural backgrounds and values. With trends changing cities and people, the housing sector also needs to change. We develop housing concepts so that we are able to offer attractive and affordable homes for people today and in the future.*

There is a great need for affordable homes, as housing is a significant expense for consumers. It is challenging, but not impossible, to reduce living costs within the regulatory framework on residential construction and considering the taxes and expenses related to housing. [Complementary construction](#) is a good way to rapidly increase the supply of affordable homes.

In the development of affordable solutions, we never compromise on quality. Instead, we rethink the way in which space is used in homes and buildings. The SATO StudioHome building is a good example of this. This entirely new type of apartment building was completed during the review period.

During 2017, we also designed the ToiveKoti concept aimed at standardised production. In cooperation with partners, we seek to identify production solutions that enable us to offer more affordable homes, especially in areas suitable for complementary construction.

*“I love my neighbours. We are always there for one another.”  
–SATO Pulssi panelist*

## A NEW TYPE OF COMMUNAL LIVING

The [SATO StudioHome](#) building, an entirely new type of apartment building, was completed in Martinlaakso in Vantaa in December 2017. The concept attracted a great deal of interest. The building has 68 compact, affordable homes, in addition to a top-floor sauna with a terrace, a spacious laundry room and a shared living room for the residents.

We were able to offer reasonably priced apartments by reducing the volume of private space and increasing that of shared space. The pleasant shared facilities serve as a living room where residents can meet and spend time with one another. The floor area of a SATO StudioHome is 15.5 square metres. In addition, each home has a sleeping loft of 6.3 square metres, close to full standing height.

*Cities have a growing number of single-person and two-person households whose residents have active and mobile lifestyles.*

This new form of housing inspired us to find ways to increase communication and shared activities among residents. For this reason, we hired a community manager to increase interaction in the SATO StudioHome building.

The StudioHome residents are a diverse group of people in terms of nationality and profession, including employees, business owners and students from a broad range of fields.

*A sense of community might prevent loneliness and increases the enjoyment of living.*

## COOPERATION INSPIRES AND INCREASES UNDERSTANDING

In its development of new concepts and services, SATO studies trends, listens to its customers and encourages its residents to come up with ideas and plans.

In the early stages of a project, we identify the right partners and find out what our stakeholders – customers, partners, authorities and decision makers – think about which might help us in our development process. This ensures that we are moving in the right direction – towards new types of homes.

# HOUSING DEVELOPMENT

SATO 1940–2017

Established to speed up post-war reconstruction

 <p><b>LAUNCHER OF LOCAL CONSTRUCTION</b></p> <p><b>PRODUCER OF OWNER-OCCUPIED APARTMENTS</b></p>	<p><b>DEVELOPER OF NEW HOUSING SOLUTIONS</b></p> <ul style="list-style-type: none"> <li>• Right-of-occupancy apartments</li> <li>• Part-ownership apartments</li> <li>• Senior apartments, including home care and nursing services</li> <li>• SATO StudioHome</li> <li>• SATO IdealHome</li> <li>• SATO HotelHome</li> </ul>	 <p><b>LAUNCHER OF PROFESSIONAL HOUSING INVESTMENT ACTIVITIES IN FINLAND AND ST PETERSBURG</b></p>
 <p><b>ENHANCER OF CUSTOMERS' IMPACT OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Resident forum</li> <li>• Customer panel</li> <li>• Customer feedback channels</li> </ul>	 <p><b>PROVIDER OF EASY-TO-FIND INFORMATION</b></p> <ul style="list-style-type: none"> <li>• For customers</li> <li>• For people dreaming of a home</li> <li>• For people looking for a home</li> <li>• For stakeholders</li> </ul>	 <p><b>ACTIVE BUILDER OF A PARTNERSHIP NETWORK</b></p>

# SUSTAINABILITY IS PART OF OUR DAILY WORK

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

SATO's most important guidelines and principles include its Code of Conduct, values, sustainability policy, environmental programme and guidelines for preventing the grey economy, as well as its procurement, financing, risk management and disclosure policies and its HR management principles and stakeholder policy.

## SUSTAINABILITY MANAGEMENT

The Group's management team processes all key corporate management matters, such as those related to the Group's strategy, budget, investments, operational planning and financial reporting. The management team is also responsible for executing the Board of Directors' decisions. Within the management team, the Vice President of Development is responsible for matters related to sustainability. SATO's units have their own management team, which is responsible for the preparation and execution of matters.

Chief Development Officer is responsible for sustainability issues in the management team. Sustainability work is planned and coordinated by the sustainability working group, which meets quarterly. The working group is responsible for preparing the main guidelines and determining the target level for sustainability work, in addition to preparing a suggestion for the action plan. It is also responsible for sustainability communications within SATO in cooperation with the communications department, and for preparing propositions concerning sustainability matters for the Group's management team. Practical measures and development goals related to sustainability are included in the action plan of each of SATO's units. The sustainability working group monitors the implementation of these measures and the achievement of these goals.

Environmental management principles and responsibilities at SATO are described in its [environmental programme](#).

Key guidelines and principles related to corporate responsibility at SATO are described in the table below. These are applied to all material topics related to sustainability and to monitoring supply chain operations.

In 2017, we started the development of sustainability management principles and their compilation into SATO's sustainability manual. This development work will continue in 2018.

## WE INTRODUCED OUR NEW CODE OF CONDUCT

At the beginning of 2017, SATO introduced its new Code of Conduct and the related whistleblowing channel for our employees and stakeholders. This reform supports profitability in the long term, based on ethically sound and sustainable operating methods with regard to the economy, people, society and the environment. We are passionate about our contribution to the provision

of rental apartments for people who need them. We work to keep reinventing ourselves for our customers' benefit.

Our Code of Conduct, values and management culture lay the framework for SATO's operating methods and encourages sustainable business operations. When we encounter challenges in our day-to-day work, we remember that our business operations and success are founded on legal compliance and sustainable, ethically sound operating methods. We regularly provide training for our existing and new employees on operating methods based on the Code of Conduct and the related compliance guidelines.

## WE ARE PREPARING FOR THE GDPR

The purpose of the EU's General Data Protection Regulation (GDPR) is to increase openness and transparency in handling personal information, and to strengthen individuals' rights to control the handling of their personal information by securing personal data protection of i.e. online services. The starting point of the regulation is that the protection of personal information during data handling is a right that everyone has, and this is also a guiding principle for us at SATO.

SATO began to implement operating principles in line with the GDPR in autumn 2016, when we carried out data protection studies. We have updated our related documents and provided our employees with training on compliance with the renewed data protection practices. We also expect our partners to process personal data responsibly. The GDPR will come into effect across the EU in May 2018.

SATO's principles of responsible management			
Vision	Mission	Strategy	Objectives
Key sustainability topics at SATO	Operating principles/policies	Management methods	Strategic objective
A home to fit your life	Investment criteria, planning guidelines, service principles	Customers, SATO homes	Continuously improving Net Promoter Score, profitability
Delightful service	Customer promises, service principles, partnership control principles, good renting practices	Customers, Partners, Customer service	Continuously improving Net Promoter Score
Growth and profitability	Investment criteria, financing policy, risk management principles, sustainability policy	Financing, Risk management	Profitability
Energy efficiency	Environmental programme, planning instructions, sustainability policy	Environment	Profitability
Apartments in key locations	Investment criteria, environmental programme	Environment, Property development	Profitability
Customers engagement in development activities	Stakeholder policy, sustainability policy	Customers, Deeper customer relationships	Continuously improving Net Promoter Score



Active stakeholder relations	Stakeholder policy, HR management principles, partnership control principles, sustainability policy	Stakeholders, Personnel, Customers, Partners	Continuously improving Net Promoter Score
Transparent practices	Code of Conduct, disclosure policy, good corporate governance, insider guidelines, data privacy guidelines, corporate governance statement, prevention of money laundering and terrorist financing	Sustainable operating principles, Risk management, Value creation	Continuously improving Net Promoter Score, profitability
Sustainable supply chain	Procurement policy, Code of Conduct, guidelines for preventing the grey economy, guidelines for preventing money laundering, related party guidelines, stakeholder policy, cooperation agreements, sustainability policy	Partners	Continuously improving Net Promoter Score, profitability
Inspiring corporate culture	HR management principles, Code of Conduct, sustainability policy	Personnel, Partners, Sustainable operating principles	Committed employees
Evolving competence	HR management principles	Personnel	Committed employees

## PREVENTING RISKS

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

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

### OPERATING MODEL

We have set responsibilities for the evaluation and monitoring of the realisation of recognised risks. When required, risk management measures will be initiated to prevent the realisation of risks or to enhance the monitoring of a certain area. Management can also be strengthened by preparing operating models for various risk situations.

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

## RISK MANAGEMENT SYSTEM

### Risk evaluations and risk management

#### Key guidelines

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

#### Process management model

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

#### Financial and operational reporting

- Balance between preventive and monitoring indicators

## MANAGEMENT OF KEY RISKS

Risk	Description of risk	Control measures
Regulatory risk	A risk that the activities of the authorities, political guidelines or legal amendments disturb the development of towns and cities and SATOs operating conditions.	<ul style="list-style-type: none"> <li>• Continuous contact with authorities</li> <li>• Impact on housing policies</li> <li>• Active monitoring of motions to change laws</li> </ul>
Impact of a long-term recession on the development of prices and demand for apartments	A risk that a trend lower than the basic scenario applied by SATO to evaluate the economic situation is realised. A risk that market demand decreases significantly, resulting in a decrease in the value of SATOs apartment stock.	<ul style="list-style-type: none"> <li>• Sufficient financial reserves and liquidity buffers</li> <li>• Development of the housing portfolio, investments (procurement and repairs) and divestments</li> <li>• Sensitivity analyses</li> <li>• Allocation of new investments/micro-location strategy</li> </ul>
Reputation risk	A risk that SATOs reputation/image is damaged, reducing business operations, or that irresponsible activities in the real estate business ruin the reputation of the industry. A risk that a significant industrial operator faces financial difficulties that are also reflected in the value of housing assets of other operators.	<ul style="list-style-type: none"> <li>• Secured compliance with the Code of Conduct and other internal guidelines</li> <li>• Internal audits</li> <li>• Guidelines on crisis communications</li> </ul>

Risks associated with partnerships	A risk that a major partner faces financial difficulties or other problems, causing significant damage to SATO's business operations.	<ul style="list-style-type: none"> <li>• Thorough and close monitoring of the financial situation of partners</li> <li>• Regular communication with managers of partners</li> <li>• Back-up plans in the case of partners facing difficulties</li> </ul>
Cyber threats	A risk that an external party attacks SATO's data systems and/or data network with the purpose of causing disruption and endangering SATO's operations. A risk that, as a result of an attack, SATO's customer information ends up in wrong hands and/or it is misused.	<ul style="list-style-type: none"> <li>• Building strong firewalls</li> <li>• Continuity and recovery plans for data management</li> <li>• Information security audits</li> <li>• Information security training</li> </ul>
Significant difficulties in the availability and price of financing	A risk that current sources of financing are unable to respond to SATO's financing needs in the medium term. Key risks include difficulties in the availability and price of bank financing due to changes in the market environment, and a decrease in demand in the Nordic bond market.	<ul style="list-style-type: none"> <li>• Diversified financing</li> <li>• Sufficient reserves</li> <li>• IG credit rating</li> </ul>

# CORPORATE GOVERNANCE STATEMENT 2017

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

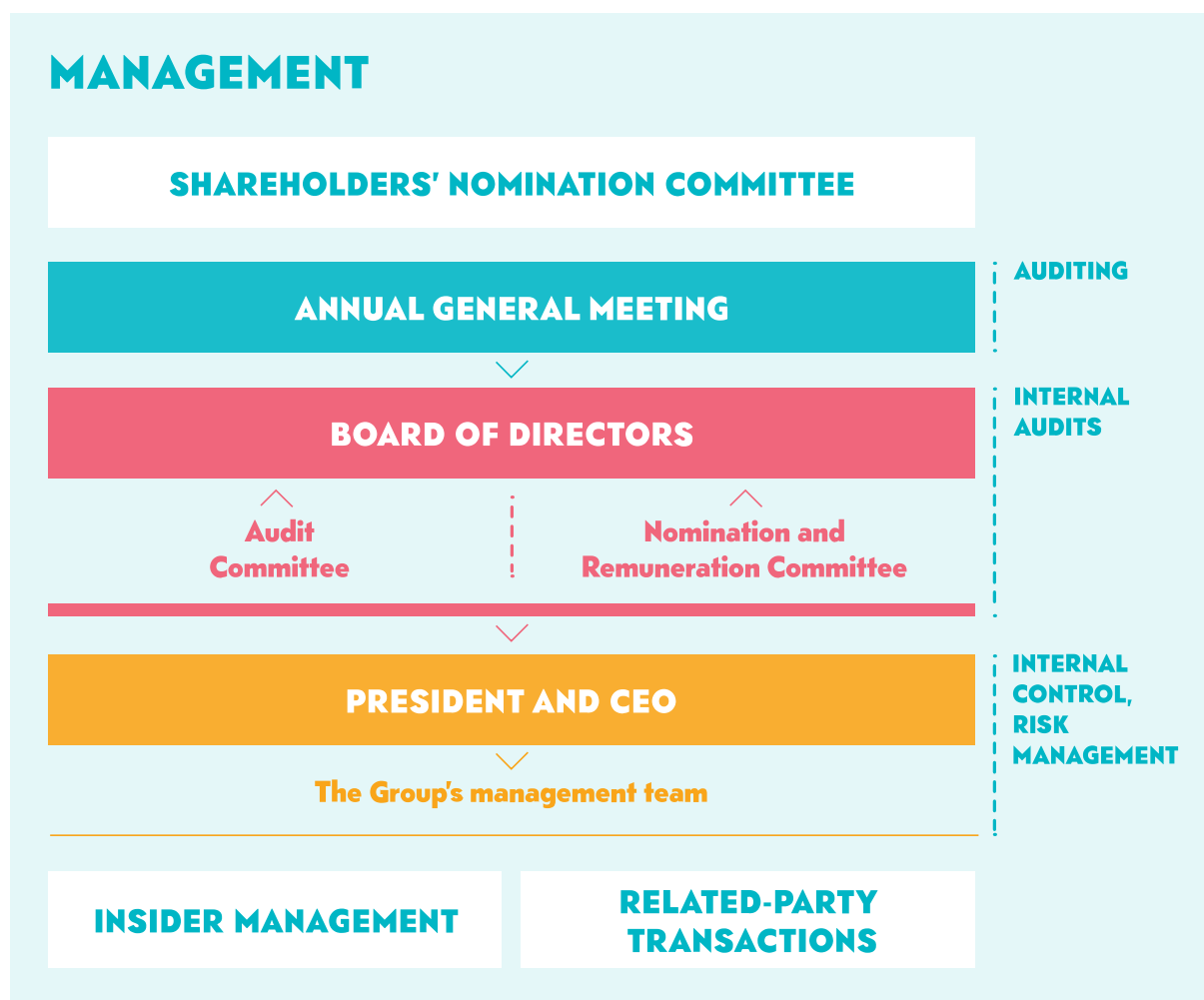
SATO's shares are not publicly listed. SATO has issued corporate bonds, which are listed on the Helsinki stock exchange or Irish stock exchange, and the Company complies with their rules and regulations for listed bonds as well as EU's Market Abuse Regulation, securities markets legislation and the regulations of supervisory authorities.

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

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

## GOVERNING BODIES

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



## The general meeting

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

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

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

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

The Company's annual general meeting was held on 8 March 2017. A total of 18 shareholders attended the meeting, representing 96.95 % of the Company's shares and votes. The minutes of the annual general meeting can be found on the [Company's website](#).

## Shareholders' Nomination Committee

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

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

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

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

The representatives of the following shareholders have been nominated as members of the Committee: Balder Finska Ots AB (Erik Selin, chairman), Stichting Depositary APG Strategic Real Estate Pool (Hans Spikker), Elo Mutual Pension Insurance Company (Hanna Hiidenpalo) and Finnish Construction Trade Union (Matti Harjuniemi).

## Board of Directors

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

**The annual general meeting on 8 March 2017 elected seven members to the Board of Directors. Elected as Board members were**

Chair

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

Re-elected as  
members were

Marcus Hansson	degree in business economics b. 1974, CFO, Fastighets Ab Balder - no shareholdings - no shareholdings in controlled corporations
Jukka Hienonen	M.Sc. (Econ.) b. 1961, professional board member - no shareholdings - no shareholdings in controlled corporations
Esa Lager	LL.M., M.Sc.(Econ.) b. 1959, professional board member - no shareholdings - no shareholdings in controlled corporations
Tarja Pääkkönen	D.Sc. (Corporate strategies), M.Sc. (Construction) b. 1962, professional board member - no shareholdings - no shareholdings in controlled corporations
Timo Stenius	M.Sc. (Constr. Eng.) b. 1956, Director, Unlisted investments (real estate, infrastructure, private equity and private debt Elo Mutual Pension Insurance Company) - no shareholdings - no shareholdings in controlled corporations

and elected as a new member

Johannus (Hans) Spikker	Economic Geography, University of Amsterdam b. 1959, Senior Portfolio Manager Real Estate Europe, APG Asset Management, The Netherlands - no shareholdings - no shareholdings in controlled corporations
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The Board of Directors elected Jukka Hienonen as its Deputy Chair.

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

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

In 2017, the Board of Directors convened on 8 meetings. An average of 92.6 % of the members of the Board of Directors attended the Board meetings. Members of the Board of Directors participated in the meetings as follows: Erik Selin 7/8, Marcus Hansson 6/8, Jukka Hienonen 8/8, Esa Lager 8/8, Tarja Pääkkönen 8/8, Hans Spikker 5/6 and Timo Stenius 8/8.

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



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

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

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

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

## Diversity of the Board of Directors

### Purpose of the diversity of the Board of Directors

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

### Taking diversity into account in the election of Board members

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

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

### Realising diversity in SATO

The requirement for diversity has been implemented in the composition of SATO's Board of Directors. Each member of Sato's Board either has a Finnish or foreign higher education degree or a degree in business economics taken somewhere other than Finland. Of the members, two have a degree in the field of technology, four in business or economics and one of the members is both a Master of Laws and a Master of Economics. The Chair of the Board is the main shareholder and CEO of a property investment company quoted on the Stockholm Stock Exchange and operating in many countries. Several

of the Board members have experience of management functions in significant Finnish companies, and most of the members have experience of companies operating internationally. Both genders are represented on the Board of Directors and the span of ages ranges from 43 to 61. The term of office of the Board members has lasted three years on average.

## The committees of the Board of Directors

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

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

Until 8 March 2017, serving on the Audit Committee were Chair Marcus Hansson as Chair and members Esa Lager and Timo Stenius. Since 8 March 2017, Marcus Hansson has served as Chair with members being Esa Lager, Hans Spikker and Timo Stenius. All members have been independent of the Company. Esa Lager is also independent of the significant shareholders. An average of 93,75 % of the members of the Audit Committee attended the committee meetings. Members of the Audit Committee participated in the meetings as follows: Marcus Hansson 4/4, Esa Lager 4/4, Hans Spikker 2/3 and Timo Stenius 4/4.

Serving on the Nomination and Remuneration Committee in 2017 were Chair Erik Selin and members Jukka Hienonen and Tarja Pääkkönen. All the members are independent of the Company and Esa Lager and Jukka Hienonen are also independent of the significant shareholders. The members of the committee attended all the committee meetings, six meetings in the total.

## President and CEO

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

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

SATO's President and CEO is Saku Sipola (b. 1968), M.Sc. (Tech.).

## The Corporate Management Group

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

### In 2017, the Corporate Management Group has consisted of

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

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

Monica Aro Vice President, Development  
b. 1954, B.Sc. (Econ.), LL.M., MBA  
- shareholdings 44,000  
- no shareholdings in controlled corporations

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

Miia Eloranta Director, Marketing and Communications  
b. 1973, M.Pol.Sc.  
- no shareholdings  
- no shareholdings in controlled corporations

Markku Honkasalo CFO  
b. 1964, LL.M., eMBA  
- no shareholdings  
- no shareholdings in controlled corporations

The Corporate Management Group convenes once a week. The Corporate Management Group convened 44 times in 2017.

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

### Internal control

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

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

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

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

## Risk management

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

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

## Internal audit

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

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

The aim of the internal audit is to give reasonable reliability of the correctness of financial and business reporting, the appropriate management of Company's assets and the legality of Company's activities. In addition, the internal audit aims to promote the development of the risk management. The person liable for the internal audit reports to the Chief Financial Officer (as the member of the organisation) and the findings of internal audit to the President and CEO as well as to the Audit Committee of the Board. The Audit Committee deals with the annual plan for internal auditing and the Board of Directors approves them. The subjects for auditing are selected in accordance with the Group's strategic goals, estimated risks and priorities.

## Audit

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

The auditor for the financial year 1 January to 31 December 2017 was KPMG Oy Ab with Lasse Holopainen, M.Sc. (Econ.), APA as the auditor in charge. The audit checks the accounts, financial statements and administration of the Company and Group.

In 2017, the auditor was paid auditing fees of EUR 124 808. The auditor was also paid EUR 71.158 for other services (including all companies belonging to the same group or chain).

## Related party transactions

A key employee included in the management of SATO Corporation is obligated to report in writing to the person in charge of related party issues any related party transaction that involves the key employee in question, their close family member or corporation in which said employee or their close family member hold control or have prominent influence.

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

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

## Insider trading management

SATO's rules concerning insider trading are based on the EU's Market Abuse Regulation (596/2014), the Finnish Securities Markets Act and they comply with the standards of the Financial Supervisory Authority and the guidelines of the Helsinki and Irish stock exchanges where these apply to a party issuing listed bonds. The insider guidelines include, among other things, guidelines concerning SATO's financial instruments. SATO does not keep a list of insiders. A project-specific list of insiders is based on a decision by the President and CEO or, if he/she is recused, the CFO. Insider information is in particular information that concerns the ability of SATO and the SATO Group to fulfil their commitments in respect of bond issues.

# REMUNERATION STATEMENT 2017

## MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS

### Decision-making procedure

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

SATO's Annual General Meeting held on 8 March 2017 resolved that the following annual remuneration be paid for the term starting at the close of the AGM and ending at the close of the 2017 AGM:

- Chair of the Board of Directors: EUR 36,000
- Deputy chair of the Board of Directors: EUR 22,000

- Other members of the Board of Directors: EUR 18,000 each

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

### Fees paid to members of the Board of Directors in 2017

The following fees were paid to members of SATO's Board of Directors during the financial period of 1 January – 31 December 2017:

Erik Selin, chairman of the Board of Directors	40,000 €
Jukka Hienonen, deputy chairman of the Board of Directors	27,500 €
Marcus Hansson	22,500 €
Esa Lager	23,500 €
Tarja Pääkkönen	23,500 €
Johannus (Hans) Spikker (member as of 8 March 2017)	16,000 €
Timo Stenius	23,500 €
<b>Total</b>	<b>176,500 €</b>

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

## CEO AND OTHER MANAGERS OF THE GROUP

### Decision-making procedure

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

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

### The CEO's employment contract

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

The period of notice for the CEO is six months if the employment contract is terminated by SATO. If SATO terminates the

CEO's employment contract, the CEO will receive compensation corresponding to a 12-month salary in addition to the regular salary paid for the period of notice.

## REMUNERATION SCHEMES

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

In 2017, SATO used the following incentive schemes:

a. Scheme applicable to years 2015–2017

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

b. Scheme applicable to years 2016–2018

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

SATO's Board of Directors has decided who participates each scheme, the maximum bonus to be paid, and the values which form the basis of the bonuses, as well as the amount of bonuses to be paid annually.

c. Incentive scheme for year 2017

Members of the Group's management team and separately appointed key individuals of the Group are within the scope of an annual bonus scheme. In 2017, the objectives defined for the Group's management team were related to the Group's profit and the value development of the company. The objectives set for key individuals were related to the successful performance of their tasks.

The Board of Directors annually approves the criteria for bonuses, the individuals within the scope of bonus schemes and the payment of bonuses.

## SALARIES AND FEES PAID TO THE CEO AND MEMBERS OF THE GROUP'S MANAGEMENT TEAM IN 2017

In 2017, CEO Saku Sipola received EUR 311.935 in salary, of which monetary salary accounted for EUR 298.337 and fringe benefits made up EUR 13.598. The CEO was paid bonuses for year 2016 EUR 53.550 and on the basis of previous long-term incentive schemes EUR 20.034.

In 2017, Erkkä Valkila, who acted as the CEO of SATO until 15 November 2015, received EUR 163.869 in bonuses paid on the basis of previous long-term incentive schemes.

In 2017, other members of the Group's management team received EUR 769.693 in salaries and fringe benefits, EUR 79.523 in bonuses based on long-term incentive schemes, and EUR 71.098 in bonuses based on the annual bonus scheme. In addition to the CEO, the Group's management team consisted of a total of five individuals in 2017.

# BOARD OF DIRECTORS

*The Annual General Meeting elects at least five and at most nine members to the company's Board of Directors and its chair from among the members. The Board of Directors elects the deputy chair from among its members.*



## ERIK SELIN

b. 1967, Business school economist, CEO and Board Member, Fastighets Ab Balder, Board member since 2015, Chairman of the Board since March 2016, independent of the company, not independent of the main shareholders

### Primary working experience

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

### Main positions of trust

Skandrenting AB: Chairman of the Board of Directors, Collector AB: member of the Board of Directors, Collector Bank AB: Member of the Board of Directors, Västsvenska Handelskammaren: member of the Board of Directors, Hexatronic Scandinavia AB: member of the Board of Directors, Hedin Bil: member of the Board of Directors, Ernström & Co: member of the Board of Directors



## JUKKA HIENONEN

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

### Primary working experience

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

### Main positions of trust

Paroc Group: Chairman of the Board of Directors, Juuri Partners Oy: Chairman of the Board of Directors, Stockmann Oyj Abp: Chairman of the Board of Directors  
Central Chamber of Commerce: member of the Board of Directors (until the end of 2017), Hartela Oy: Chairman of the Board of Directors





## MARCUS HANSSON

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

### Primary working experience

Fastighets Ab Balder: CFO since 2007–

### Main positions of trust

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



## ESA LAGER

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

### Primary working experience

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

### Main positions of trust

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



## TARJA PÄÄKKÖNEN

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

### Primary working experience

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

### Main positions of trust

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



## JOHANNUS (HANS) SPIKKER

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

### Primary working experience

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

### Main positions of trust

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## TIMO STENIUS

b. 1956, M.Sc. (Constr. Eng.), Director, Unlisted investments (real estate, infrastructure, private equity and private debt) of Elo Mutual Pension Insurance Company, Board member since 2015, independent of the company, not independent of the main shareholders

### Primary working experience

In his current post, he is responsible for Elo Mutual Pension Insurance Company's unlisted investments worth EUR 5.4 billion. Since 1990, he has been involved in property investment and development, first in a listed company and later, since 2001, as the director responsible for a pension insurance company's property investments, corporate financing and non-listed equity investments. In addition, in 1982–1988 he was involved in project export tasks targeted at the Soviet Union in Finn-Stroi Oy

### Main positions of trust

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

# CORPORATE MANAGEMENT GROUP

*All key Group management business, such as matters of strategy, budgeting, investments, operational planning and financial reporting, is addressed by the Corporate Management Group. It is the duty of the Corporate Management Group, under the leadership of the President and CEO, to implement the decisions taken by the Board of Directors.*



## SAKU SIPOLA

President and CEO

b. 1968, M.Sc.(Tech.), has worked for SATO since 2015

### Primary working experience

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

### Main positions of trust

Member of the Board for several SATO Group companies, Remeo Oy: chairman of the Board, Llentab Group: member of the Board of Directors, Pohjolan Design-Talo Oy: member of the Board of Directors, Helsinki Region Chamber of Commerce: member of Delegation, RAKLI ry: deputy member of the Board of Directors



## ANTTI AARNIO

Vice President/Investments

b. 1972, M.Sc.(Eng.), has worked for SATO since 2000

### Primary working experience

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

### Main positions of trust

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



## MONICA ARO

Vice President of development

b. 1954, B.Sc. (Econ.), LL.M., MBA, has worked for SATO since 1990

### Primary working experience

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

### Main positions of trust

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## ANTTI ASTELJOKI

Vice President/Rental Housing Business

b. 1974, M.Sc. (Econ.), has worked for SATO since 2016

### Primary working experience

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

### Main positions of trust

Member of the Board for several SATO Group companies



## MIIA ELORANTA

Director of Marketing and Communications

b. 1973, M.Soc.Sc., has worked for SATO since 2016

### Primary working experience

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

### Main positions of trust

Member of the Editorial Board for Locus magazine



## MARKKU HONKASALO

Chief Financial Officer

b. 1964, LL.M., eMBA, has worked for SATO since 2016

### Primary working experience

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

### Main positions of trust

Member of the Board for several SATO Group companies



# 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 acquire 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<sup>2</sup> 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<sup>2</sup> 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<sup>2</sup> 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 apartment.

The average rent of SATO's apartments in Finland was EUR 16.69 (16.47) per m<sup>2</sup> 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<sup>2</sup> 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](http://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 hospitality, 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](http://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](http://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
<b>Other comprehensive income</b>		
Remeasurement of defined benefit liability, net of tax	0.0	-0.1
Related tax	0.0	0.0
<b>Items that will never be reclassified to income statement</b>	<b>24</b>	<b>0.0</b>
Cash flow hedges	15.6	-3.5
Translation differences	-0.1	0.1
Related tax	-3.1	0.7
<b>Items that may be reclassified subsequently to income statement</b>	<b>12.4</b>	<b>-2.7</b>
<b>Other comprehensive income, net of tax</b>	<b>12.4</b>	<b>-2.8</b>
<b>Total comprehensive income</b>	<b>158.7</b>	<b>171.9</b>
<b>Comprehensive income attributable to</b>		
Equity holders of the parent	158.7	172.1
Non-controlling interest	-0.1	-0.2
	<b>158.7</b>	<b>171.9</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
<b>Total</b>		<b>3,662.2</b>	<b>3,521.1</b>
<b>Current assets</b>			
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
<b>Total</b>		<b>32.5</b>	<b>41.2</b>
<b>TOTAL ASSETS</b>		<b>3,694.6</b>	<b>3,562.2</b>

### SHAREHOLDERS' EQUITY AND LIABILITIES

<b>Equity attributable to equity holders of the parent</b>			
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
<b>Total</b>	23	<b>1,411.3</b>	<b>1,252.6</b>
<b>Non-controlling interests</b>		<b>-0.1</b>	<b>0.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,411.2</b>	<b>1,252.6</b>

**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
<b>Total</b>			<b>1,903.9</b>	<b>2,078.5</b>

**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
<b>Total</b>			<b>379.6</b>	<b>231.1</b>

**TOTAL LIABILITIES****TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**

			<b>2,283.4</b>	<b>2,309.6</b>
			<b>3,694.6</b>	<b>3,562.2</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Cash flow from operating activities</b>			
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
<b>Cash flow before change in net working capital</b>		<b>165.1</b>	<b>143.7</b>
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
<b>Net cash flow from operating activities</b>		<b>82.1</b>	<b>98.1</b>
<b>Cash flow from investing activities</b>			
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
<b>Net cash flow from investing activities</b>		<b>-78.3</b>	<b>-269.8</b>
<b>Cash flow from financing activities</b>			
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
<b>Net cash flow from financing activities</b>		<b>-7.8</b>	<b>128.1</b>

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

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
Shareholders' equity 1 Jan 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
<b>Total comprehensive income</b>	<b>0.0</b>	<b>-2.8</b>	<b>0.0</b>	<b>0.0</b>	<b>174.8</b>	<b>172.1</b>	<b>-0.2</b>	<b>171.9</b>
Transactions with shareholders:								
Issue of shares	-	-	-	112.9	-	112.9	-	112.9
Dividend	-	-	-	-	-25.4	-25.4	-	-25.4
<b>Transaction with shareholders, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>112.9</b>	<b>-25.4</b>	<b>87.5</b>	<b>0.0</b>	<b>87.5</b>
Other adjustments	0.0	-	-	0.0	0.0	0.0	-	0.0
<b>Total of equity movements</b>	<b>0.0</b>	<b>-2.8</b>	<b>0.0</b>	<b>112.9</b>	<b>149.4</b>	<b>259.5</b>	<b>-0.2</b>	<b>259.4</b>
<b>Shareholders' equity 31 Dec 2016</b>	<b>4.4</b>	<b>-37.9</b>	<b>43.7</b>	<b>114.8</b>	<b>1,127.6</b>	<b>1,252.6</b>	<b>0.0</b>	<b>1,252.6</b>

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
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
<b>Total comprehensive income</b>	<b>0.0</b>	<b>12.5</b>	<b>0.0</b>	<b>0.0</b>	<b>146.2</b>	<b>158.7</b>	<b>-0.1</b>	<b>158.6</b>
Transactions with shareholders:								
Dividend	-	-	-	-	-	0.0	-	0.0
<b>Transaction with shareholders, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Other adjustments	0.0	-	-	-	0.0	0.0	-	0.0
<b>Total of equity movements</b>	<b>0.0</b>	<b>12.5</b>	<b>0.0</b>	<b>0.0</b>	<b>146.2</b>	<b>158.7</b>	<b>-0.1</b>	<b>158.6</b>
<b>Shareholders' equity 31 Dec 2017</b>	<b>4.4</b>	<b>-25.4</b>	<b>43.7</b>	<b>114.8</b>	<b>1,273.7</b>	<b>1,411.3</b>	<b>-0.1</b>	<b>1,411.2</b>



# 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 valued 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
<b>Assets by geographical regions</b>		
Finland	3,567.8	3,425.4
Russia	126.8	136.8
<b>Total</b>	<b>3,694.6</b>	<b>3,562.2</b>

### 4. Result on disposal of investment properties

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

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

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
<b>Other operating income</b>			
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
<b>Total</b>		<b>10.8</b>	<b>7.7</b>

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
<b>Other operating expenses</b>			
Impairment charges	8	2.0	0.0
Other expenses		1.4	2.6
<b>Total</b>		<b>3.4</b>	<b>2.6</b>

#### 6. Personnel expenses

MEUR	note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Personnel expenses</b>			
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
<b>Total</b>		<b>16.1</b>	<b>13.2</b>

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
<b>Auditor's fees</b>			
Audit		0.1	0.1
Tax consultancy		0.0	0.0
Other services		0.0	0.2
<b>Total</b>		<b>0.2</b>	<b>0.3</b>

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
<b>Depreciation, amortisation and impairment charges by asset class:</b>			
Tangible assets	14	2.3	0.4
Intangible assets	15	0.8	0.8
<b>Total</b>		<b>3.1</b>	<b>1.1</b>

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
<b>Financial income</b>		
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
<b>Total</b>	<b>0.7</b>	<b>0.6</b>
<b>MEUR</b>	<b>1 Jan–31 Dec 2017</b>	<b>1 Jan–31 Dec 2016</b>
<b>Financial expenses</b>		
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
<b>Total</b>	<b>-46.5</b>	<b>-48.4</b>
<b>Financial income and expenses, net</b>	<b>-45.8</b>	<b>-47.8</b>

## 11. Income taxes

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

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
<b>Profit before taxes</b>	<b>184.9</b>	<b>219.4</b>
<b>Income tax calculated with domestic corporate tax rate of the parent</b>	<b>37.0</b>	<b>43.9</b>
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
<b>Total adjustments</b>	<b>1.6</b>	<b>0.9</b>
<b>Income tax expense in income statement</b>	<b>38.6</b>	<b>44.8</b>
<b>Effective tax rate, per cent</b>	<b>20.9</b>	<b>20.4</b>

## 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
<b>Earnings per share (EUR)</b>		
Basic	2.58	3.22
Diluted	2.58	3.22

## 13. Investment properties

MEUR	note	31 Dec 2017	31 Dec 2016
<b>Fair value of investment properties at start of period</b>		<b>3,383.2</b>	<b>2,752.9</b>
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
<b>Fair value of investment properties end of period</b>		<b>3,564.8</b>	<b>3,383.2</b>

\*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 valued by a third party expert (currently JLL, St. Petersburg office). The principles and methods used in the fair value valuation are approved by the Corporate Management Group. During the valuation process all the periodical changes are analysed. The result of the valuation and the periodic change in fair value booked through profit and loss are reported to the Corporate Management Group and 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 represents 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 valued 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 valued using the income value method. The income value is based on the area-specific yield and assumption of the long-term rental use of the buildings. Long-term renovation costs and interest subsidies are taken into account in 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
<b>Investment property by valuation classes</b>		
Sales comparison method	2,932.8	2,687.6
Income value	478.9	540.6
Acquisition method	153.1	155.1
<b>Total</b>	<b>3,564.8</b>	<b>3,383.2</b>

#### Sensitivity analysis of investment properties

MEUR	-10%		-5%		5%		10%	
	Change	Change %	Change	Change %	Change	Change %	Change	Change %
<b>Properties measured at market values</b>								
Change in market prices	-240.0	-8.2%	-120.0	-4.1%	120.0	4.1%	240.0	8.2%
<b>Properties measured at yield value</b>								
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
<b>Acquisition cost, 1 January</b>		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
<b>Acquisition cost, 31 December</b>		<b>69.7</b>	<b>4.7</b>	<b>1.3</b>	<b>75.7</b>
<b>Accumulated depreciation, 1 January</b>		-	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
<b>Accumulated depreciation, 31 December</b>		<b>2.0</b>	<b>3.6</b>	<b>0.3</b>	<b>5.8</b>
<b>Carrying value, 1 January</b>		<b>103.0</b>	<b>1.0</b>	<b>1.1</b>	<b>105.1</b>
<b>Carrying value, 31 December</b>		<b>67.7</b>	<b>1.1</b>	<b>1.1</b>	<b>69.9</b>

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
<b>Acquisition cost, 1 January</b>	0.3	5.4	5.7
Additions	-	0.5	0.5
Disposals	-	-	0.0
Transfers between items	-	0.1	0.1
<b>Acquisition cost, 31 December</b>	<b>0.3</b>	<b>6.0</b>	<b>6.3</b>
<b>Accumulated amortisation, 1 January</b>	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
<b>Accumulated amortisation, 31 December</b>	<b>0.3</b>	<b>4.4</b>	<b>4.7</b>
<b>Carrying value, 1 January</b>	0.0	1.8	1.8
<b>Carrying value, 31 December</b>	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

Fair value hierarchy

MEUR	note	Fair value, other comprehensive income	Available -for-sale	Assets and liabilities at amortised cost	2017 Carrying amount total	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>								
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	-
<b>Total</b>		<b>0.6</b>	<b>1.7</b>	<b>10.7</b>	<b>13.0</b>			
<b>Current financial assets</b>								
Accounts receivable	21	-	-	10.8	10.8		10.8	
Cash and cash equivalents	22	-	-	14.2	14.2		14.2	
<b>Total</b>		<b>0.0</b>	<b>0.0</b>	<b>25.1</b>	<b>25.1</b>			
<b>Non-current financial liabilities</b>								
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	-
<b>Total</b>		<b>39.4</b>	<b>0.0</b>	<b>1,521.8</b>	<b>1,561.2</b>			
<b>Current financial liabilities</b>								
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	-
<b>Total</b>		<b>3.3</b>	<b>0.0</b>	<b>314.4</b>	<b>317.7</b>			

31 Dec 2016

Fair value hierarchy

MEUR	note	Fair value, other comprehensive income	Available - for-sale	Assets and liabilities at amortised cost	2016 Carrying amount total	Level 1	Level 2	Level 3
<b>Non-current financial assets</b>								
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	-
<b>Total</b>		<b>0.5</b>	<b>1.7</b>	<b>12.9</b>	<b>15.1</b>			
<b>Current financial assets</b>								

Accounts receivable	21	-	-	15.1	15.1	-	15.1	-
Cash and cash equivalents	22	-	-	18.3	18.3	-	18.3	-
<b>Total</b>		<b>0.0</b>	<b>0.0</b>	<b>33.5</b>	<b>33.5</b>			

<b>Non-current financial liabilities</b>								
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	-
<b>Total</b>		<b>54.4</b>	<b>0.0</b>	<b>1,794.4</b>	<b>1,848.9</b>			

<b>Current financial liabilities</b>								
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	-
<b>Total</b>		<b>1.1</b>	<b>0.0</b>	<b>157.0</b>	<b>158.1</b>			

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
<b>Available-for-sale financial assets</b>		
Other holdings	1.7	1.7
<b>Total</b>	<b>1.7</b>	<b>1.7</b>

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
<b>Non-current receivables</b>			
Derivatives	17 27	0.6	0.5
Loans receivable	17	10.7	12.9
<b>Non-current receivables total</b>		<b>11.3</b>	<b>13.4</b>

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
<b>Deferred tax assets</b>						
Valuation of financial instruments at fair value	9.5	-	-	-3.1	-	6.4
Periodisation and temporary differences	6.5	-0.2	-	-	-	6.4
<b>Total</b>	<b>16.1</b>	<b>-0.2</b>	<b>0.0</b>	<b>-3.1</b>	<b>0.0</b>	<b>12.8</b>
<b>Deferred tax liabilities:</b>						
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
<b>Total</b>	<b>225.9</b>	<b>14.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>240.0</b>
MEUR	1 Jan 2016	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	Subsidiaries acquired / sold	31 Dec 2016
<b>Deferred tax assets</b>						
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
<b>Total</b>	<b>15.5</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.7</b>	<b>0.0</b>	<b>16.1</b>
<b>Deferred tax liabilities:</b>						
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
<b>Total</b>	<b>202.6</b>	<b>23.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>225.9</b>

## 21. Accounts receivable and other receivables

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

MEUR	31 Dec 2017	31 Dec 2016
<b>Specification of prepaid expenses and accrued income</b>		
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
<b>Total</b>	<b>1.1</b>	<b>1.9</b>

## 22. Cash and cash equivalents

MEUR	note	31 Dec 2017	31 Dec 2016
Cash and bank balances	17	14.2	18.3
<b>Total</b>		<b>14.2</b>	<b>18.3</b>

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
<b>The following dividend and repayment of capital were declared and paid by the company:</b>		
Dividends, EUR 0.00 (0.50) per share	0,0	-25,4
<b>Total</b>	<b>0,0</b>	<b>-25,4</b>

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.

**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
<b>Recognised items in statement of financial position</b>		
Defined benefit obligation	0.0	0.0
Fair value of plan assets	0.0	0.0
<b>Net benefit liability recognised in statement of financial position</b>	<b>0.0</b>	<b>0.0</b>

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
<b>Defined benefit obligation, 1 January</b>	<b>0.0</b>	<b>0.1</b>
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
<b>Defined benefit plan obligations, 31 December</b>	<b>0.0</b>	<b>0.0</b>

## Change of fair value of plan assets

MEUR	2017	2016
<b>Fair value of plan assets, 1 January</b>	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
<b>Fair value of plan assets, 31 December</b>	<b>0.0</b>	<b>0.0</b>

## Change in net defined benefit liability

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

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

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

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.

## 26. Financial liabilities

MEUR	31 Dec 2017	31 Dec 2016
<b>Non-current</b>		
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
<b>Total</b>	<b>1,621.8</b>	<b>1,794.4</b>

MEUR	31 Dec 2017	31 Dec 2016
<b>Current</b>		
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
<b>Total</b>	<b>309.9</b>	<b>148.5</b>

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
<b>Non-current</b>						
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
<b>Non-current derivatives, total</b>	<b>0.6</b>	<b>-39.4</b>	<b>-38.8</b>	<b>0.5</b>	<b>-54.4</b>	<b>-53.9</b>
<b>Current</b>						
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	-	-	-
<b>Current derivatives, total</b>	<b>0.0</b>	<b>-3.3</b>	<b>-3.3</b>	<b>0.0</b>	<b>-1.1</b>	<b>-1.1</b>
<b>Derivatives, total</b>	<b>0.6</b>	<b>-42.7</b>	<b>-42.1</b>	<b>0.5</b>	<b>-55.5</b>	<b>-55.0</b>

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

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
<b>Total provision at the end of the period 31 December 2016</b>	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
<b>Total provision at the end of the period 31 December 2017</b>	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
<b>Total</b>	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
<b>Accounts payable and other liabilities</b>			
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
<b>Total accounts payable and other liabilities</b>		59.4	69.9



MEUR	31 Dec 2017	31 Dec 2016
<b>Accrued expenses and prepaid income</b>		
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
<b>Total accrued expenses and prepaid income</b>	<b>40.3</b>	<b>40.2</b>

### 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

MEUR	2017				2016			
	Profit and Loss		Equity		Profit and Loss		Equity	
	+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
<b>Total</b>	<b>-3.8</b>	<b>0.1</b>	<b>32.4</b>	<b>-3.4</b>	<b>-2.4</b>	<b>0.1</b>	<b>30.6</b>	<b>-3.2</b>

## Sensitivity analysis, currency risk

MEUR	2017				2016			
	Profit and Loss		Equity		Profit and Loss		Equity	
	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	-	-
<b>Total</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>

## 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
<b>Financial liabilities</b>						
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
<b>Financial liabilities total</b>	<b>-347.1</b>	<b>-1,282.9</b>	<b>-290.0</b>	<b>-79.7</b>	<b>-110.0</b>	<b>-2,109.7</b>
<b>Financial instruments</b>						
Interest rate derivatives	-10.7	-29.2	-7.9	-	-	-47.9
<b>Financial instruments total</b>	<b>-10.7</b>	<b>-29.2</b>	<b>-7.9</b>	<b>0.0</b>	<b>0.0</b>	<b>-47.9</b>
<b>Total</b>	<b>-357.9</b>	<b>-1,312.1</b>	<b>-297.9</b>	<b>-79.7</b>	<b>-110.0</b>	<b>-2,157.6</b>

31 Dec 2016

MEUR	Within 1 year	2-5 years	6-10 years	11-15 years	After 15 years	2016 total
<b>Financial liabilities</b>						
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
<b>Financial liabilities total</b>	<b>-190.9</b>	<b>-1,430.5</b>	<b>-286.6</b>	<b>-92.6</b>	<b>-134.3</b>	<b>-2,134.8</b>
<b>Financial instruments</b>						
Interest rate derivatives	-12.0	-32.4	-6.6	-	-	-51.0
<b>Financial instruments total</b>	<b>-12.0</b>	<b>-32.4</b>	<b>-6.6</b>	<b>0.0</b>	<b>0.0</b>	<b>-51.0</b>
<b>Total</b>	<b>202.8</b>	<b>-1,462.9</b>	<b>-293.2</b>	<b>-92.6</b>	<b>-134.3</b>	<b>-2,185.8</b>

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
<b>Minimum rents to be paid on the basis of other lease agreements:</b>		
Within one year	5.5	5.7
Within two to five years	21.6	20.8
Over five years	99.8	105.0
<b>Total</b>	<b>126.9</b>	<b>131.5</b>

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
<b>Non-cash items included in the profit</b>			
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
<b>Total</b>		<b>-66.2</b>	<b>-122.5</b>

<b>MEUR</b>	
<b>Changes in interest-bearing debt during the period</b>	
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
<b>Interest-bearing debt, 31 Dec 2017</b>	<b>1,931.7</b>

## 33. Collateral, commitments and contingencies

MEUR	31 Dec 2017	31 Dec 2016
<b>Mortgages and pledges for secured borrowings</b>		
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
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**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 Ota 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
<b>Transactions with related parties</b>		
Rental agreements	0.0	0.0
Insurance payments	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

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

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Salaries and remuneration paid</b>		
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
<b>Total</b>	<b>0.6</b>	<b>0.9</b>

Thousand EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Compensation paid to the members of the Board of Directors and the President &amp; CEO</b>		
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
<b>Total</b>	<b>562</b>	<b>496</b>

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	1.1
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.		
<b>Subsidiaries held by SATO Corporation</b>		
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
<b>Unconsolidated subsidiaries and associated companies</b>		
SV-Asunnot Oy	50.0	50.0
<b>Other shares</b>		
Outakessa Koy	100.0	100.0
Espoon Aallonrivi As Oy	100.0	100.0
Jyväskylän Lyseonlinna As Oy	6.8	2.2
<b>Companies held by subsidiaries</b>		

**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 Perkkankuja 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 Rummunlyöjäkatu 11 D - E As Oy	100.0	100.0
Espoon Ruorikuja 4 As Oy	3.8	3.8
Espoon Ruusulinnat 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 Tähtimöte 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 Kallioliina As Oy	0.8	0.8
Helsingin Kanavaranta As Oy	8.8	8.8
Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0
Helsingin Kangaspellontie 4 As Oy	10.0	10.0
Helsingin Kaustisenpolku 1 As Oy	100.0	100.0
Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Helsingin Kirjala As Oy	100.0	100.0
Helsingin Klaavuntie 8-10 As Oy	100.0	100.0
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Helsingin Koralli As Oy	4.1	4.1
Helsingin Koroistentie As Oy	9.4	9.4
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0
Helsingin Kultareuna 1 As Oy	39.0	39.0
Helsingin Kutomotie 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 Leikovuori 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 Nukkerusunkuja 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 Alhonorinne As Oy	18.4	18.4
Järvenpään Kotokartano As Oy	100.0	100.0
Kaarenkunas 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 Sarvikinrinne 4 As Oy	100.0	100.0
Kirkkosalmentie 3 As Oy	0.9	0.9
Kivisaarentie As Oy	2.7	2.7
Kolehmaisentori As Oy	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
Kulmavuorenpa As Oy	100.0	100.0
Kulmavuorenrinne As Oy	1.0	1.0
Kuopion Keilankanta As Oy	48.7	48.7
Kupittaa Kotka, Turku As Oy	10.9	10.9
Kupittaa Kurki, Turku As Oy	6.1	6.1
Kupittaa Kyyhky, Turku As Oy	100.0	100.0
Kupittaa Satakieli As Oy	6.1	6.1
Kuuselanpuisto As Oy	23.0	23.0
Kuusihalme As Oy	2.3	2.3
Kuusitie 15 As Oy	1.5	1.5
Kuusitie 3 As Oy	1.8	1.8
Kuusitie 9 As Oy	2.3	2.3
Kvarnhyddan Bost. Ab	1.8	1.8
Laajalahdentie 26 As Oy	6.5	6.5
Lahden Jyrkkärinteenpuisto As Oy	41.2	41.2
Lahden Nuolikat 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
Myllysalamäki As Oy	61.9	61.9
Myyrinhaikka 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
Näkinmäki 2 As Oy	2.5	2.5
Näsinlahti As Oy	1.0	1.0
Näyttelijäntien Pistetalo 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 Paalikatku 23 As Oy	100.0	100.0
Oulun Peltolantie 18 B As Oy	100.0	100.0
Oulun Rautatienkatu 74 As Oy	100.0	100.0

Oulun Rautatiekatu 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
Raisio Tason torni 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
Rivihkola 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 Alapeussonkatu 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 Linnanhera 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 Tähtiö 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 Soppeenkatja As Oy	100.0	100.0
<b>Sato-Rakennuttajat Oy</b>		
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
<b>SATOkoti Oy</b>		
Ida Aalbergintie 1 KOy	100.0	100.0
Tohlopinkontu Koy (SATOkoti)	100.0	40.0
<b>SATOkoti 15 Oy</b>		
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
<b>SATOkoti 16 Oy</b>		
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
<b>SATOkoti 18 Oy</b>		
Espoon Jousenkaari 7 As Oy	100.0	100.0
Vantaan Hiekkaharjuntie 16 As Oy	100.0	100.0
<b>SATOkoti 21 Oy</b>		
Helsingin Keinulaudantie 7 As Oy	100.0	100.0
<b>SVK Yhtymä Oy</b>		
Suomen Vuokrakodit 1 Oy	100.0	100.0
Suomen Vuokrakodit 2 Oy	100.0	100.0
Suomen Vuokrakodit 3 Oy	100.0	100.0
<b>Suomen Vuokrakodit 1 Oy</b>		
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
<b>Suomen Vuokrakodit 2 Oy</b>		
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
<b>Suomen Vuokrakodit 3 Oy</b>		
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
<b>Suomen Satokodit 16 Oy</b>		
Meiramikuja As Oy	4.7	4.7
Satosorsa As Oy	19.9	19.9
<b>Suomen Satokodit 19 Oy</b>		
Pellervon Pysäköinti KOy	16.0	16.0
<b>Suomen Satokodit 21 Oy</b>		
Espoon Kaskenkaatantatie 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
<b>Suomen Satokodit 22 Oy</b>		
Vantaan Kortteeri As Oy	6.4	6.4
<b>Sato VK 16 Oy</b>		
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
Raisio Toripuisto As Oy	56.9	20.8
Tampereen Kyyhky As Oy	11.1	8.1
<b>Sato VK 17 Oy</b>		
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
<b>Sato VK 18 Oy</b>		
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 Pasuuntatie 8 As Oy	74.8	9.1
Helsingin Taimistontie 9 As Oy	12.3	12.3
Helsingin Tulisuntatie 20 As Oy	100.0	100.0

Kuovi As Oy	100.0	100.0
Tampereen Haapalinnan Antintalo As Oy	66.7	50.7
<b>Sato VK 19 Oy</b>		
Jyväskylän mlk:n Kirkkotie 3 As Oy	91.4	12.1
Kaarinan Katarinankallio 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 Naavankierro 10 As Oy	87.8	5.3
<b>Sato VK 20 Oy</b>		
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
<b>Sato VK 21 Oy</b>		
Espoon Zanseninkuja 4 As Oy	82.0	17.4
Jyväskylän Vaneritori 4 As Oy	88.0	19.8
Kaarinan Mattelipiha As Oy	94.2	36.0
Turun Unikkoniitty As Oy	88.2	13.9
Vantaan Herttuantie 3 As Oy	88.1	31.2
<b>Sato VK 22 Oy</b>		
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
<b>Sato-Osaomistus Oy</b>		
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 Ristinientie 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
Raisio Siirinsopukka As Oy (VA)	15.3	15.3
Raisio Toripuisto As Oy (VA)	56.9	36.2
Tampereen Haapalinnan Antintalo As Oy (OOA)	66.7	16.0
Tampereen Kyläleni As Oy (OOA)	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
<b>Vatrotalot 2 Oy</b>		
Sato-Osaomistus Oy	100.0	100.0
<b>Vatrotalot 3 Oy</b>		
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
<b>Vatrotalot 4 Oy</b>		
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

## 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
<b>Operating profit</b>		<b>-6.4</b>	<b>-5.5</b>
Financial income and expenses	9	-41.1	-39.0
<b>Profit/loss before appropriations and taxes</b>		<b>-47.5</b>	<b>-44.4</b>
Group contribution	10	125.6	110.2
Income taxes	11	-15.6	-13.2
<b>Profit for the period</b>		<b>62.5</b>	<b>52.6</b>

## PARENT COMPANY BALANCE SHEET, FAS

MEUR	note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
<b>Total</b>		<b>1,086.0</b>	<b>1,085.8</b>
<b>Current assets</b>			
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
<b>Total</b>		<b>573.7</b>	<b>323.0</b>
<b>TOTAL ASSETS</b>		<b>1,659.7</b>	<b>1,408.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	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
<b>Total</b>		<b>350.5</b>	<b>288.0</b>
<b>Obligatory reserves</b>	22	<b>0.0</b>	<b>0.0</b>
<b>Liabilities</b>			
Non-current	23	1,047.7	901.1
Current	24	261.5	219.6
<b>Total</b>		<b>1,309.2</b>	<b>1,120.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>		<b>1,659.7</b>	<b>1,408.7</b>



## PARENT COMPANY'S CASH FLOW STATEMENT, FAS

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
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
<b>Cash flow before change in working capital</b>	<b>-5.9</b>	<b>-4.1</b>
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
<b>Cash flow before financial items and taxes</b>	<b>-1.4</b>	<b>-4.5</b>
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
<b>Cash flow from operating activities (A)</b>	<b>-78.5</b>	<b>-37.1</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
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
<b>Cash flow from investing activities (B)</b>	<b>-388.4</b>	<b>-247.5</b>

<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
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
<b>Cash flow from financing activities (C)</b>	<b>454.3</b>	<b>286.0</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12.6</b>	<b>11.2</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>0.0</b>	<b>12.6</b>

## 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
<b>Total</b>	<b>7.5</b>	<b>7.3</b>

### 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
<b>Total</b>	<b>5.2</b>	<b>6.0</b>

### 3. Materials and services

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

### 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
<b>Total</b>	<b>3.0</b>	<b>3.0</b>

### 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
<b>Total</b>	<b>1.1</b>	<b>1.1</b>

## 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
<b>Total</b>	<b>13.0</b>	<b>12.1</b>

## 9. Financial income and expenses

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

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

## 10. Group contributions

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Group contributions received	125.6	110.2
<b>Total</b>	<b>125.6</b>	<b>110.2</b>

## 11. Income taxes

MEUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Income taxes, business operations	15.6	13.2
<b>Total</b>	<b>15.6</b>	<b>13.2</b>

## NOTES TO BALANCE SHEET

### 12. Intangible assets

MEUR	2017	2016
<b>Other long-term expenditure</b>		
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
<b>Book value, 31 Dec</b>	<b>2.1</b>	<b>1.9</b>
<b>Intangible assets, total</b>	<b>2.1</b>	<b>1.9</b>

### 13. Tangible assets

MEUR	2017	2016
<b>Land and water areas</b>		
Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
<b>Book value, 31 Dec</b>	<b>0.0</b>	<b>0.0</b>

#### 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
<b>Book value, 31 Dec</b>	<b>0.0</b>	<b>0.0</b>

#### Connection fees

Acquisition cost, 1 Jan	0.0	0.0
<b>Acquisition cost, 31 Dec</b>	<b>0.0</b>	<b>0.0</b>

**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
<b>Book value, 31 Dec</b>	<b>1.0</b>	<b>1.0</b>

**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
<b>Book value, 31 Dec</b>	<b>0.7</b>	<b>0.7</b>
<b>Tangible assets, total</b>	<b>1.7</b>	<b>1.7</b>

**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
<b>Book value, 31 Dec</b>	<b>1,081.2</b>	<b>1,081.2</b>

**15. Holdings in associated companies**

MEUR	2017	2016
Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
<b>Book value, 31 Dec</b>	<b>0.0</b>	<b>0.0</b>

## 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
<b>Book value, 31 Dec</b>	<b>1.0</b>	<b>1.0</b>
<b>Investments, total</b>	<b>1,082.2</b>	<b>1,082.1</b>

## 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
<b>Book value</b>	<b>1.8</b>	<b>4.7</b>

## 18. Non-current receivables

MEUR	31 Dec 2017	31 Dec 2016
<b>Receivables from Group companies</b>		
Notes receivable, Group	395.0	7.8
<b>Total</b>	<b>395.0</b>	<b>7.8</b>

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

## 19. Current receivables

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

**Receivables from others**

Accounts receivable	0.1	0.3
Prepaid expenses and accrued income	0.1	0.3
<b>Total</b>	<b>0.3</b>	<b>0.7</b>
<b>Current receivables, total</b>	<b>176.5</b>	<b>297.6</b>
<b>Receivables total</b>	<b>571.9</b>	<b>305.7</b>

**Specification of prepaid expenses and accrued income**

Interest receivables	0.0	0.0
Other	0.1	0.4
<b>Total</b>	<b>0.1</b>	<b>0.4</b>

**20. Shareholders' equity**

<b>MEUR</b>	<b>2017</b>	<b>2016</b>
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
<b>Profit for the period</b>	<b>62.5</b>	<b>52.6</b>
<b>Shareholders' equity, total, 31 Dec</b>	<b>350.5</b>	<b>288.0</b>



## 21. Calculation of distributable funds

MEUR	2017	2016
Other funds	1.1	1.1
Invested unrestricted equity fund	114.8	114.8
Retained earnings	123.9	71.2
Profit for the period	62.5	52.6
<b>Distributable funds, 31 Dec</b>	<b>302.4</b>	<b>239.8</b>

## 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
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

## 24. Long-term liabilities

MEUR	31 Dec 2017	31 Dec 2016
<b>Loans to Group companies</b>		
Loans, Group	0.0	3.9
<b>Total</b>	<b>0.0</b>	<b>3.9</b>

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

**Derivatives**

MEUR	31 Dec 2017	31 Dec 2016
<b>Nominal values of derivative instruments</b>		
Interest rate swaps, liabilities	474.6	538.4
Interest rate swaps, assets	120.0	0.0
<b>Net</b>	<b>594.6</b>	<b>538.4</b>
<b>MEUR</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
<b>Fair values of derivative instruments</b>		
Interest rate swaps		
Positive	0.3	0.0
Negative	-20.8	-30.7
<b>Net</b>	<b>-20.6</b>	<b>-30.7</b>

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
<b>Loans to Group companies</b>		
Accounts payable	0.4	0.4
Other liabilities	0.0	68.1
Accrued expenses and prepaid income	0.0	16.9
<b>Total</b>	<b>0.4</b>	<b>85.4</b>

MEUR	31 Dec 2017	31 Dec 2016
<b>Loans to others</b>		
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
<b>Total</b>	<b>261.1</b>	<b>134.2</b>
<b>Current liabilities, total</b>	<b>261.5</b>	<b>219.6</b>
<b>Liabilities, total</b>	<b>1,309.2</b>	<b>1,120.7</b>

MEUR	31 Dec 2017	31 Dec 2016
<b>Specification of accrued expenses and prepaid income</b>		
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
<b>Total</b>	<b>18.8</b>	<b>39.8</b>

#### 26. Collaterals, contingent liabilities and other commitments

MEUR	31 Dec 2017	31 Dec 2016
<b>Congingent liabilities on behalf of Group companies</b>		
Guarantees	175.5	314.8
<b>Total</b>	<b>175.5</b>	<b>314.8</b>

MEUR	31 Dec 2017	31 Dec 2016
<b>Other commitments</b>		
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
<b>Pledges and contingent liabilities, total</b>	<b>6.9</b>	<b>10.6</b>

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**

- Rental income comprises a significant part of the consolidated net sales and cash flows. Rental income from investment properties is recognised in equal instalments over the lease term.
- Net sales consist of a significant number of invoicing transactions. The industry is marked by a large number of lease agreements effective until further notice.

#### **How the matter was addressed in the audit**

- We assessed the internal controls over rental income and tested the effectiveness of the key controls over the accuracy of the invoicing process.
- Our audit focused on testing the key controls to assess the completeness, accuracy and existence of consolidated net sales.

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

#### **Why**

- SATO acquires and disposes of apartments and investment property portfolios annually. The acquisitions of investment properties in 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.

#### **How the matter was addressed in the audit**

- 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 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 expenses, 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
Interest 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
<b>Key indicators per share</b>					
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
<b>Key figures according to EPRA recommendations and operational cash earnings</b>					
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, %	$\frac{\text{Net rental income}}{(\text{fair value of investment property} - \text{property under construction}) \text{ average during the financial year}}$	x 100
Return on investment, %	$\frac{(\text{Profit or loss before taxes} + \text{interest expense and other financing expenses})}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}}$	x 100
Return on equity, %	$\frac{\text{Profit or loss after taxes}}{\text{Shareholders' equity (average during the financial year)}}$	x 100
Equity ratio, %	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}}$	x 100
Earnings per share, EUR	$\frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$	
Equity per share, EUR	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares (at the end of the reporting period)}}$	
EPRA Earnings	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](http://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](mailto:kati.laakso@satofinland.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](http://www.sato.fi). Further information is available from [viestinta \(at\) sato.fi](mailto:viestinta@satofinland.com).

**Distribution of shares on 2 January 2018**

Shareholder	Holding %
Balder Finska Ota AB	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**

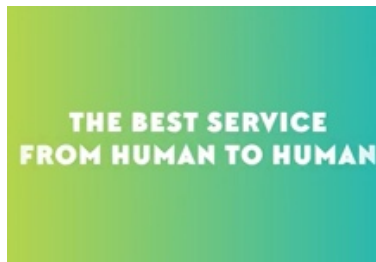
SATO Corporation's Articles of Association as in force was registered on 15 March 2011. The Articles of Association does not include any provisions on redemption of shares.

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.

# SUSTAINABILITY HIGHLIGHTS AT SATO IN 2017

A more customer-driven approach to customer service and building management:  
[Customer First](#)



We help our customers with the challenges of daily life:  
[Housing advisory services](#)

We invested EUR 1.5 million in energy efficiency: [Environmental responsibility](#)



We brought 289 recycling skips in the yards of our buildings:  
[Environmental responsibility](#)

Improved monitoring of occupational safety and moisture management on new construction and renovation sites:  
[Partners](#)



A renewed Code of Conduct and new data privacy practices to ensure the secure processing of personal data:  
[Sustainable operating principles](#)

Communal living and new type of design: [SATO StudioHome](#)



Our sustainably produced Kide line of bathroom furniture and products:  
[Partners](#)

The development of common sustainability reporting practices for the real estate sector and an environmental reporting recommendation for investors: [Responsible SATO](#)



Green Star level in the Global Real Estate Sustainability Benchmark comparison: [Responsible SATO](#)

# SUSTAINABILITY REPORTING PRINCIPLES

SATOs annual report is also its sustainability report. This is our fourth GRI-compliant sustainability report (GRI-G3 in 2014, GRI-G4 in 2015 and 2016) and our first in line with the new GRI Standards. The aim of the sustainability report is to openly provide our stakeholders with information about our operations, to create value for them in the short, medium and long terms.

The report has been prepared in line with the Core level of the international Global Reporting Initiative guidelines. It is also compliant with the industry-specific guidelines for the construction and real estate sector (CRESS). The report covers the universal standards of the GRI guidelines, as well as the topic-specific standards, which consist of descriptions of management practices and indicators for topics identified as material for SATO.

In comparison with previous years, we have added information related to SATOs other material sustainability topics in accordance with the GRI Standards. Any changes in the earlier reported information are shown in connection with the figures and factual content.

## SUSTAINABILITY BASED ON MATERIALITY

In 2015, we engaged in extensive online discussions with our stakeholders to identify key issues related to our business operations for each stakeholder group. Representatives of various stakeholder groups raised issues that should be associated with sustainability in our operations. The dialogue was implemented as an online think tank, with more than 600 participants from all key stakeholder groups. SATOs management evaluated the themes raised in the dialogue in terms of business impact, and identified five main themes and 11 material topics. In 2017, our [materiality analysis](#) was updated in terms of terminology, and the location of apartments was included as a material topic in line with our renewed strategy, which was introduced in 2016.

The effects of the material topics on stakeholders are defined under [Customers](#), [Personnel](#), [Partners](#), [Environment](#) and [Finances](#). The material topics and their boundaries can be found in the GRI section under [Material topics and boundaries](#). The comparison of the content of the report with the GRI standards is indicated in the GRI content index. A summary of our sustainability goals and measures, and their connection to the UN Sustainable Development Goals, is presented on the [Achievements of goals 2017](#) page.

## TOWARDS INTEGRATED REPORTING

Our sustainable operating principles lay the foundation for sustainable and profitable business operations over



the long term. We work to continuously develop our sustainability reporting, and are transitioning towards integrated annual reporting. In the 2017 annual report, integrated reporting has been applied to the descriptions of the effects of SATOs value creation, business operations and governance.

The report will be published online in Finnish and English. The boundaries for the calculation of key figures are mainly based on information concerning the SATO Group and the rental apartments it owns in Finland.

The information concerning environmental responsibility in the report has been verified by a third party. The following information has been confirmed by KPMG Oy Ab:

- The indicators presented in the tables of the SATO's Value Creation / Environment section:
  - Energy (GRI 302-1, 302-4, CRE1, CRE4)
  - Water (GRI 303-1, CRE2)
  - Emissions (GRI 305-1, 305-2, 305-3, 305-5, CRE3)
  - Effluents and waste (GRI 306-2)
- Indicators presented in GRI index table:
  - Environmental compliance (GRI 307-1)
  - Supplier environmental assessment (GRI 308-1)
  - Land degradation, contamination and remediation (CRE5)









# MATERIAL TOPICS AND BOUNDARIES

SATO's sustainability focus areas	Material GRI topics and SATO's own material topics of sustainability	Reporting boundaries
<b>Sustainable business</b>		
Growth		
	Economic performance	SATO Group
Profitability		
	Economic performance	SATO Group
	Procurement practices	SATO Group
	Socio-economic compliance, Environmental compliance	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
<b>Excellent customer experience</b>		
A home to fit your life		
	Economic performance	SATO Group
	Procurement practises	SATO Group
	Stakeholder engagement	SATO Group
Delightful service		
	Stakeholder engagement	SATO Group in Finland
	Customer service and communication	SATO Group in Finland
	Customer privacy	Customers of SATO Group in Finland
<b>Meaningful work</b>		
Inspiring corporate culture		

	Employment, Occupational health and safety	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Employee/Employer relations	SATO Group
Evolving competence		
	Employee/Employer relations	SATO Group
	Training and education	SATO Group
Environmental responsibility		
Energy efficiency		
	Energy	Rental homes of the SATO Group in Finland
	Water	Rental homes of the SATO Group in Finland
	Emissions	Rental homes of the SATO Group in Finland
	Effluents and waste	Rental homes of the SATO Group in Finland
Apartments in key locations		
	Public transportation	Rental homes of the SATO Group in Finland
Active stakeholder relations		
Customer engagement in development activities		
	Energy, water	Customers of SATO Group in Finland
	Effluents and waste	Customers of SATO Group in Finland
	Stakeholder engagement	Customers of SATO Group in Finland
Stakeholder dialogue		
	Energy, water	Rental homes of the SATO Group in Finland
	Effluents and waste	Rental homes of the SATO Group in Finland
	Stakeholder engagement	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Procurement practises	SATO Group
	Employess/Employer relations	SATO Group






	Occupational health and safety	SATO Group
Transparent practises		
	Procurement practises	SATO Group
	Socio-economic compliance, Environmental compliance	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Employee/Employer relations	SATO Group
	Occupational health and safety	SATO Group
	Anti-corruption	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Customer privacy	SATO Group
	Supplier environmental assessment	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Sustainable supply chain		
	Indirect economic impacts	SATO Group
	Procurement practises	SATO Group
	Anti-corruption	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Socio-economic compliance, Environmental compliance	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Supplier environmental assessment	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
	Land degradation, contamination and remediation	Rental homes of the SATO Group in Finland

# FULLFILMENT OF SUSTAINABILITY OBJECTIVES 2017








Environmental sustainability					
Objectives for 2017 (realised situation in 2016)	Fulfilment of objectives in 2017	Key actions in 2017	Objectives for 2018	Key actions in 2018	Link to the UN sustainable development goals (SDG)
Specific heat consumption 40,3 kWh/m <sup>3</sup> (41,5)	Unfulfilled, realised situation 41,8 kWh/m <sup>3</sup>	Extended temperature optimisation, installation of water-saving fixtures, optimised ventilation, development of remote monitoring of properties	Specific heat consumption 40,9 kWh/m <sup>3</sup>	Extended temperature optimisation, installation of water-saving fixtures, optimised ventilation	   
Specific water consumption 403 l/m <sup>3</sup> (412)	Unfulfilled, realised situation 414 l/m <sup>3</sup>	Installation of water-saving fixtures, development of remote monitoring of properties	Specific water consumption 390 l/m <sup>3</sup>	Installation of water-saving fixtures and enhancing searching for leaks	   

Specific electricity consumption 3,8 kWh/m <sup>3</sup> (3,9)	Unfulfilled, realised situation 3,9 kWh/m <sup>3</sup>	Optimised ventilation, development of remote monitoring of properties	Specific electricity consumption 3,9 kWh/m <sup>3</sup>	Optimised ventilation	   
Developing energy efficiency monitoring measures	Fulfilled. The monitoring of energy efficiency was compounded by the introduction of a new energy management system. Training was also added and monitoring was intensified	Defining and implementing policies and follow-up	Improving the energy efficiency within a site-specific energy monitoring	Renewing the energy monitoring system, streamline operational processes	  
New investments to be located by main public transportation routes	Fulfilled in the construction of new buildings, objective fulfilled in more than 90 per cent of all projects for purchases of existing properties	Due diligence and EDD reviews for investment sustainability, complementary construction projects	New investments to be located by main public transportation routes	Due diligence and EDD reviews for investment sustainability, complementary construction projects	  
New objective for 2018	-	-	Enhance the sorting of waste from residents	Increasing communications, resident support, recycling bins, cooperation project with HSY	  

## Social sustainability

Objectives for 2017 (realised situation in 2016)	Fulfilment of objectives in 2017	Key actions in 2017	Objectives for 2018	Key actions in 2018	Link to the UN sustainable development goals (SDG)
Residents constantly improving NPS (new measuring method)	Fulfilled in part. Realised situation of NPS -1, ie customer satisfaction has remained unchanged	New customer service model, new customer service centre, building-specific meet ups, development of digital services	Continuously improving NPS	Continuing and expanding the customer service model to partner activity, renewing the customer service center, building-specific meet ups, developing and publishing digital services	  
Improvement of personnel engagement	Fulfilled. Personnel engagement improved 2.5% from previous year, reaching 2.2 points above the expert standard	Organizational change training for the whole personnel, supervisor training, extensive induction program for newcomers, competence development	The People Power Index will improve by 3 points	Work capacity mapping and improving work ability management, increasing understanding of multiculturalism, developing SATO's corporate culture	
New objective for 2018	-	-	The development of communality among residents	Piloting a cooperative model at StudioKoti site and expanding it, enhancing multicultural understanding	

## Financial sustainability

Objectives for 2017 (realised situation in 2016)	Fulfilment of objectives in 2017	Key actions in 2017	Objectives for 2018	Key actions in 2018	Link to the UN sustainable development goals (SDG)
Lower maintenance costs	Fulfilled in part, when maintenance costs remained at previous year's level	Development of procurement, energy efficiency measures	Maintenance and repair costs remains at 2017 level (e/m2)	The introduction of a new partnership model for maintenance, invite to bid of the repair of apartments, energy efficiency measures	   
Auditing of 50 suppliers, start-up of construction site audits	Fulfilled with regard to suppliers audits. Auditing of construction sites was piloted	Continue to develop the audit program, start auditing construction sites	Extension of supplier audits and 10% reduction of suppliers	Continuing and developing the audit programme	 
New objective for 2018	-	-	Confirming the Investment grade credit rating	Improving key indicators	



# SUSTAINABILITY

## CONCEPTS

Concept or indicator	Definition
<b>Environment</b>	
Objects covered by energy and water consumption monitoring	Properties in which SATO holds more than 50%, consumption in SATOs offices is not included in the consumption figure
Total heat consumption (MWh)	The year's absolute heat consumption in all the owned properties held throughout the year and within the scope of consumption monitoring, expanded by estimated consumption in properties purchased and sold during the year and properties outside the scope of consumption monitoring (average rated consumption multiplied by the surface area of apartments owned on average during the year)
Total electricity consumption (MWh)	The year's absolute electricity consumption in all the owned properties held throughout the year and within the scope of consumption monitoring, expanded by estimated consumption in properties purchased and sold during the year and properties outside the scope of consumption monitoring (average rated consumption multiplied by the surface area of apartments owned on average during the year)
Total energy consumption (MWh)	Total consumption of heat and electricity during the year
Total water consumption (1,000 m <sup>3</sup> )	The year's absolute water consumption in all owned properties held throughout the year and within the scope of consumption monitoring, expanded by estimated consumption in properties purchased and sold during the year and properties outside the scope of consumption monitoring (average rated consumption multiplied by the surface area of apartments owned on average during the year)
Electricity consumption intensity (kWh/m <sup>3</sup> /year)	Electricity consumption per m <sup>3</sup> in all objects that have been rented for the entire year
Water consumption intensity (litres/m <sup>3</sup> /year)	Water consumption per m <sup>3</sup> in all objects that have been rented for the entire year
Standardised heat consumption intensity (kWh/m <sup>3</sup> /year)	Heat consumption per m <sup>3</sup> in all objects that have been rented for the entire year. The figure is weather adjusted to make years comparable

**Greenhouse gas emissions (tCO<sub>2</sub>e)** Emissions from heat, electricity, water and waste produced by residents. The emissions of properties within the scope of consumption monitoring have been expanded to apply to apartments owned on average during the year, similarly to the total consumption of heat, electricity and water. The emission multiplier of district heating is defined by Motiva Oy. Electricity does not produce any emissions because it is green electricity produced 100% by Finnish wind power

**Total amount of waste (tonnes)** The total volume of waste produced by residents has been estimated on the basis of the number of SATO residents and the annual resident-specific waste volume reported by Statistics Finland

## Personnel

**Total personnel turnover (%)** Sum of terminated employment contracts in relation to the number of personnel for the last month of the previous year, summer jobs excluded

**Number of new employment contracts** Permanent and fixed-term employment contracts that started during the reported period, summer jobs excluded

**Number of terminated employment contracts** Permanent and fixed-term employment contracts that ended during the reported period, summer jobs excluded

**Number of training days** One training day comprises six hours of training

**Person-year** SATOs direct and indirect employment impact has been evaluated applying a calculation of the employment footprint of the maintenance services and other purchased services prepared by VATT for Senate Properties and the estimate of the Confederation of Finnish Construction Industries and VTT of the employment impact of building investments. The employment multipliers obtained from the aforementioned sources have been combined with SATOs 2016 cost structure

**TARMO** TARMO is a discussion forum for SATOs management and personnel, comprised of nine employee representatives and four representatives of the employer

**Liivi** Liivi is SATOs committee for recreation and sports activities, comprised of seven employee representatives and one representative of the employer

## Customer relationships

**NPS (Net Promoter Score)** Net Promoter Score (NPS) among customers. The strategic NPS is the NPS during living starting from 2017

## SATO'S GRI CONTENT

Standard	Disclosure	Location and additional information
<b>General Disclosures</b>		
<b>Organisational profile</b>		
102-1	Name of the organisation	Contact information
102-2	Primary activities, brands, products and services	SATO homes Stories
102-3	Location of headquarters	Contact information
102-4	Location of operations	SATO homes
102-5	Ownership and legal form	Information for shareholders
102-6	Markets served	SATO homes
102-7	Scale of the organisation	Financial statements
102-8	Information on employees and other workers	Personnel
102-9	Supply chain	Value for customers Partners Finances
102-10	Significant changes to the organization and its supply chain	Key figures and highlights 2017, Report of the Board of Directors Information for shareholders Customer service Partners
102-11	Precautionary principle or approach	Risk management
102-12	External initiatives	The sustainable SATO Environment Corporate governance statement Achievement of goals 2017
102-13	Membership of associations	The sustainable SATO
<b>Strategy</b>		
102-14	Statement from senior decision-maker	CEO's review
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Our strategy Value for customers Sustainable operating principles Value creation model Personnel

102-17	Mechanisms for advice and concerns about ethics	Sustainable operating principles
<b>Governance</b>		
102-18	Governance structure	Corporate governance statement Sustainable operating principles
102-19	Delegating authority for economic, environmental and social topics	Sustainable operating principles
102-22	Composition of the highest governance body and its committees	Board of Directors Corporate Management Group
102-23	The role of Chair of the highest governance body	The Chairman of the Board of Directors is not the CEO, and the CEO is not a member of the Board of Directors
102-24	Nominating and selecting the highest governance body	Corporate governance statement
102-26	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Sustainable operating principles Corporate governance statement Rules of procedure of the Board of Directors
102-28	Evaluating the highest governance body's performance	Corporate governance statement Rules of procedure of the Board of Directors
102-29	The highest governance body's role in the identification and management of risks and opportunities	Sustainable operating principles Corporate governance statement Rules of procedure of the Audit Committee
102-30	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Corporate governance statement Rules of procedure of the Audit Committee
102-31	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Risk management
102-35	The remuneration policies for the highest governance body and senior executives	Remuneration statement
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Expectations of our stakeholders
102-41	Collective bargaining agreements	Personnel
102-42	Identifying and selecting stakeholders	Expectations of our stakeholders
102-43	Approach to stakeholder engagement	Expectations of our stakeholders Customers Personnel Achievement of goals in 2017

102-44	Key topics and concerns that have been raised through stakeholder engagement	Expectations of our stakeholders The sustainable SATO Materiality analysis
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#### Reporting practice

102-45	Entities included in the consolidated financial statements	Financial statements
102-46	Defining report content and topic boundaries	Reporting principles Material topics and boundaries
102-47	List of material topics	The sustainable SATO Materiality analysis Material topics and boundaries
102-48	Restatements of information	Reporting principles
102-49	Changes in reporting	Reporting principles
102-50	Reporting period	2017
102-51	Date of most recent report	2016
102-52	Reporting cycle	Reporting principles
102-53	Contact point for questions regarding the report	Contact information
102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles
102-55	GRI content index	GRI index
102-56	External assurance	Assurance report

#### Material topics

Topic-specific content is reported in accordance with topics identified as material

#### Management approach

103-1	Explanation of the material topic and its boundary	The sustainable SATO
103-2	The management approach and its components	The sustainable SATO
103-3	Evaluation of the management approach	The sustainable SATO

#### GRI 200 Economic standards series

##### Economic performance

201-1	Direct economic value generated and distributed	Key figures and highlights 2017 Finances
201-4	Financial assistance received from government	Construction and renovations SATO did not receive financial assistance from the government for renovations or new construction in 2017.

Indirect economic impacts		
203-1	Investments in local infrastructure and services	Environment
203-2	Significant indirect economic impacts	Value creation model Personnel Partners Environment Finances
Procurement practices		
204-1	Proportion of spending on local suppliers	Partners Local suppliers represent 94% of SATO's purchases in its main market areas: the Helsinki metropolitan area (80%), Tampere (8%) and Turku (6%)
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Sustainable operating principles No incidents of bribery in 2017
GRI 300 Environmental standards series		
Energy		
302-1	Energy consumption within the organisation	Environment
302-4	Reduction of energy consumption	Environment
CRE1: sector supplement	Building energy intensity	Environment
CRE8: sector supplement	Sustainability certification for buildings	Environment
Water		
303-1	Total water withdrawal by source	Environment
CRE2: sector supplement	Building water intensity	Environment
Emissions		
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Environment
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environment The calculation method for indirect emissions was further specified in 2017.
305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environment
305-5	Reduction of greenhouse gas (GHG) emissions	Environment

<b>CRE3: sector supplement</b>	Greenhouse gas emissions intensity from buildings	<b>Environment</b> The calculation method for emissions intensity was further specified in 2016.
<b>Effluents and waste</b>		
<b>306-2</b>	Total weight of waste by type and disposal method	<b>Environment</b> The total amount of waste includes non-hazardous waste generated by residents. The amount of waste from SATO's own operations is marginal. Information about the proportion of composted biowaste is not available from a reliable source.
<b>Environmental compliance</b>		
<b>307-1</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<b>Sustainable operating principles</b> No fines or sanctions in 2017
<b>Supplier environmental assessments</b>		
<b>308-1</b>	Percentage of new suppliers that were screened using environmental criteria	<b>Partners</b> Numerical information is not available. In line with our auditing process, we require that the environmental responsibility procedures of our new suppliers are fully adequate.
<b>Sector-specific topic: Land degradation, contamination and remediation</b>		
<b>CRE5: sector supplement</b>	Land remediated or in need of remediation	No soil remediation measures were carried out on SATO's plots in 2017, and the company is not aware of any need for remediation.
<b>GRI 400 Social standards series</b>		
<b>Employment</b>		
<b>401-1</b>	Total number and rates of new employee hires and employee turnover by age group, gender and region	<b>Personnel</b>
<b>Employee-employer relations</b>		
<b>402-1</b>	Minimum notice periods regarding operational changes	The Act on Co-operation within Undertakings (334/2007) applies to corporate restructuring in Finland. In all of its countries of operation, SATO complies with the local statutory periods (1–6 months)
<b>Occupational health and safety</b>		
<b>403-1</b>	Workers representation in formal joint management-worker health and safety committees	<b>Personnel</b>
<b>CRE6: sector supplement</b>	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	OHC coverage in the supply chain would be material, but it is not known.
<b>Training and education</b>		
<b>404-1</b>	Average hours of training per year per employee by gender, and by employee category	<b>Personnel</b>

404-3	Percentage of employees receiving regular performance and career development reviews	Applies to all employees; the personal information of employees in St Petersburg are not in the system due to the Russian data privacy legislation
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#### Customer privacy

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

419-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Corporate governance statement No fines or sanctions in 2017
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#### SATO's own material CSR topics

##### Delightful service

Customer service and communication	Customers Customer service
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##### Apartments in key locations

Public transportation	Environment Property development
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# INDEPENDENT ASSURANCE REPORT

Translation from the original Finnish report

## To the Management of SATO Corporation

We have been engaged by the Management of SATO Corporation (hereafter SATO) to provide limited assurance on the environmental indicators from the reporting period 1 Jan -31 Dec 2017 presented in SATO's Annual Report 2017 (hereafter Environmental Information).

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

- The indicators presented in the tables of the SATO's value creation / Environment section:
  - Energy (GRI 302-1, 302-4, CRE1, CRE4)
  - Water (GRI 303-1, CRE2)
  - Emissions (GRI 305-1, 305-2, 305-3, 305-5, CRE3)
  - Effluents and waste (GRI 306-2)
- Indicators presented in GRI index table:
  - Environmental compliance (GRI 307-1)
  - Supplier environmental assessment (GRI 308-1)
  - Land degradation, contamination and remediation (CRE5)

GRI Sustainability Reporting Standards was used as the assurance criteria (hereafter GRI Standards).

### *Inherent limitations on the engagement*

The inherent limitations on accuracy and completeness of data related to the Environmental Information are to be taken into account when reading our assurance report. The presented Environmental Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by SATO.

The Management of SATO is responsible for the measuring, preparation and presentation of the Environmental Information in accordance with the GRI Standards.

Our responsibility is to express an independent conclusion on the Environmental Information. We have conducted the engagement in accordance with ISAE 3000 (Revised). To the fullest extent permitted by law, we accept no responsibility to any party other than SATO for our work, for this assurance report, or for the conclusions we have reached.

We are independent from the company according to the ethical requirements in Finland and we have complied with other ethical

requirements, which apply to the engagement conducted.

We apply the International Standard on Quality Control 1 (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*Summary of the work performed*

A limited assurance engagement consists primarily of making inquiries of persons responsible for the preparation of the Environmental Information presented, and applying analytical and other appropriate evidence gathering procedures. The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower.

*In our engagement we have performed the following procedures:*

Interviews with the persons responsible for the reporting of the Environmental Information;

An assessment of conformity with the reporting principles of GRI Standards in the presentation of the Environmental Information;

An assessment of data management processes, information systems and working methods used to gather and consolidate the Environmental Information;

A review of the presented Environmental Information with an assessment of information quality and reporting boundary definitions;

Assessment of data accuracy and completeness through a review of the original documents and systems on a sample basis.

*Conclusions*

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

Helsinki, 8 February 2018  
KPMG Oy Ab

Lasse Holopainen  
APA

Tomas Otterström  
Partner