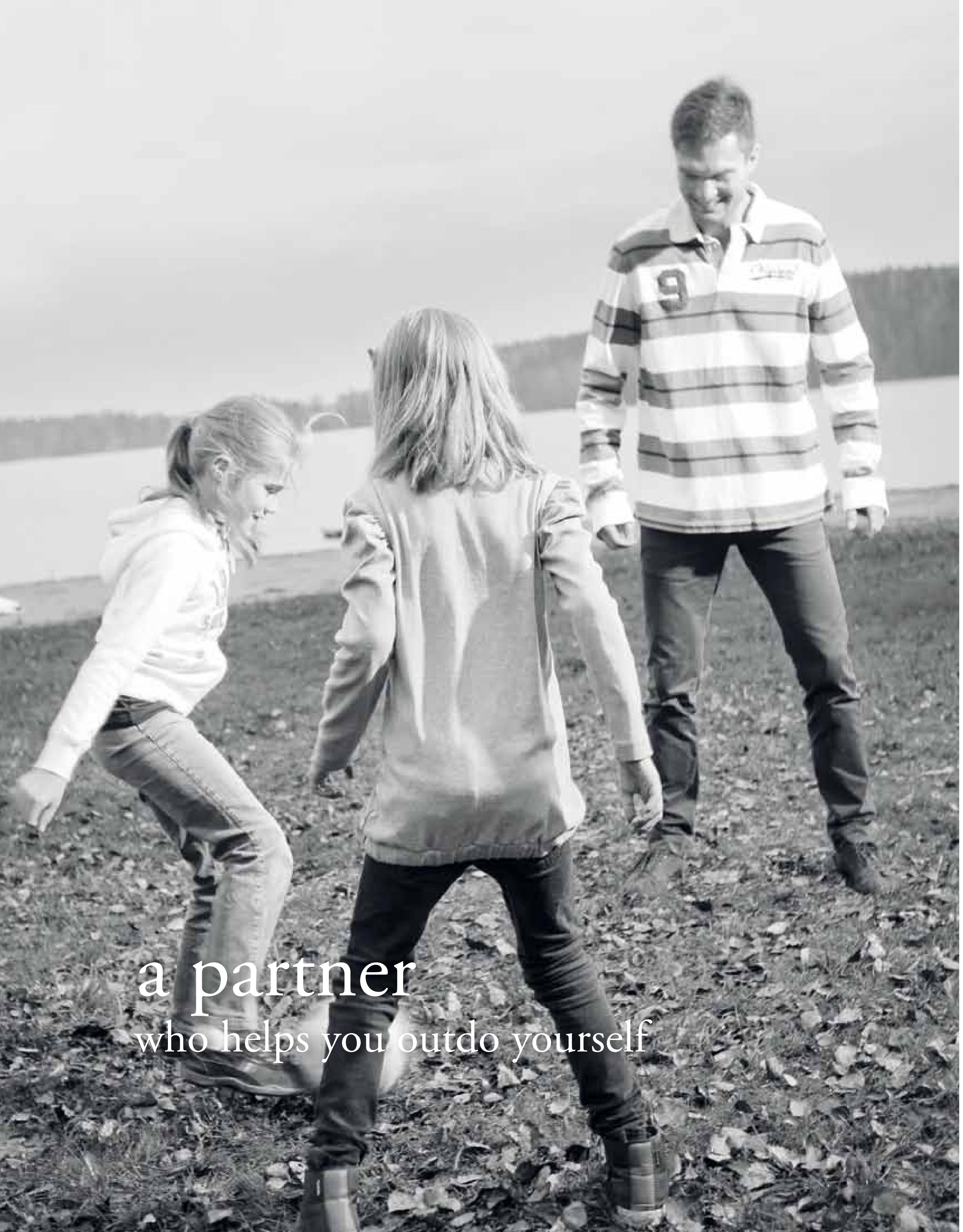
sato

# annual report 2011

“good housing *together* with our partners






SATO is one of Finland's leading corporate investors in housing. SATO owns a total of some 23,000 rentable homes in Finland's largest centres of urban growth and St. Petersburg. Its investment assets have a fair value of roughly 1.9 billion euros.

SATO has set the goal of being the most efficient and progressive player in the market, which facilitates the constant improvement of customer services as well as generating added value for its shareholders. This requires the constant re-evaluation of operating methods as well as the ability to regenerate. SATO's value creation is based on the trend in value of the investment properties and on rental business. Continuing demand for housing fosters the stability of SATO's business. Homes will always be needed.

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# Partnerships help to make good housing

In cooperation with our partners, we create efficient new working methods for the improvement of business operations and to fulfil the value proposition 'A Home the Way You Want It'. Our longest-lasting partnerships involve building management and maintenance for the investment properties.

*"Partnering supports the SATO business model*

## MANAGEMENT

**HOUSING PORTFOLIO**
- Investments and divestments
- Project and property development
- Asset management
- Control of renovations and construction

**CUSTOMER RELATIONSHIPS**
- Marketing
- Renting
- Sales
- Customer Service
- Enhancing customer relationships

**PARTNERSHIPS**
- Building management
- Property maintenance
- Construction
- Renting and selling when there is no company-owned service office in the area

## SUPPORT FUNCTIONS

Financial management and finance, communications, legal affairs, IT, development





SATO's personnel is comprised of some 140 people skilled in the housing sector. Our organisation's operations are focused on expanding the value of the housing portfolio and managing renting, sales and customer relationships.

We develop our present housing portfolio by maintenance and repairs as well as investment and divestment. We devote 30–40 million euros a year to repairs and raising the quality standards of homes. The value of SATO's annual new investments in the 21st century has averaged 115 million euros and its divestment of housing has averaged roughly 30 million euros. The increase in the difference in values of the investment properties during the year under review was 122.3 million euros.

The importance of property development to investment business is significant and SATO maintains a building land inventory to facilitate the commissioning of rental and owner-occupied housing. During the year under review a total of 351 homes were completed, 240 of which were rented homes.

Through partnerships we manage such aspects as property management and maintenance as well as renovation and construction.

The renting of homes is handled mainly at SATO's renting offices. We are enhancing operating processes and services aimed at residents in order to improve the customer experience.

SATO operates in the long term, on a customer-driven basis and in a professional manner

## financial *key figures*

| | 2011 | 2010 |
|---|---|---|
| Turnover, MEUR | **232.0** | 192.9 |
| Operating profit, MEUR | **86.8** | 74.7 |
| Profit before taxes, MEUR | **52.1** | 41.6 |
| Earnings per share, EUR | **0.82** | 0.62 |
| Balance sheet total, MEUR | **1,716.6** | 1,471.8 |
| Return on equity, % | **14.9** | 12.4 |
| Return on investment, % | **6.1** | 5.7 |
| Equity ratio, % at fair values | **29.5** | 29.5 |
| Net worth per share | | |
| at book values, EUR | **5.56** | 5.36 |
| at fair values, EUR* | **12.59** | 10.48 |
| Investment in investment properties, MEUR | **148.8** | 104.3 |
| Occupancy rate of rented homes, % | **98.3** | 98.1 |
| Dividend, MEUR | **24.9**** | 17.8 |
| Dividend per share, EUR | **0.49**** | 0.35 |

*) deferred tax liability figured in
**) Board's proposal to AGM

# The year 2011

## Good trend in profits continued

- Profit before taxes improved by roughly 25% on the previous year, reaching MEUR 52.1 (41.6).
- The difference in value of investment properties grew by MEUR 122.3 to MEUR 473.7 (351.4).
- Net worth per share was EUR 12.59 (10.48) per share, figuring in appreciation.
- Proposed dividend €0.49 per share (dividend for 2010 was €0.35 per share).

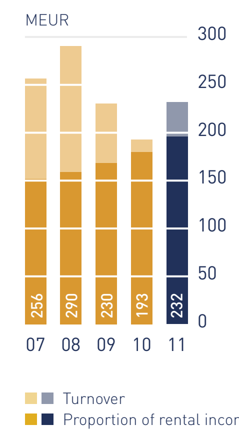
## Large investments in rented homes

- Investments in housing totalled MEUR 148.8 (104.3).
- St. Petersburg accounted for MEUR 3.7 (19.5) of the investments.
- At year-end, 469 rented homes were under construction.

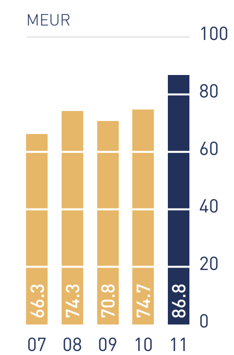
## Excellent occupancy rate

- The rental occupancy rate was a record high at 98.3 (98.1)%.
- Rental income grew by roughly 9% to MEUR 195.8 (180.1).

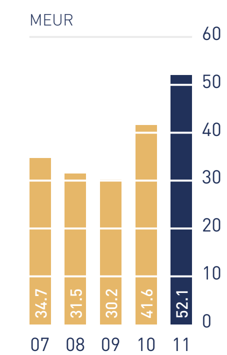
Turnover and rental income



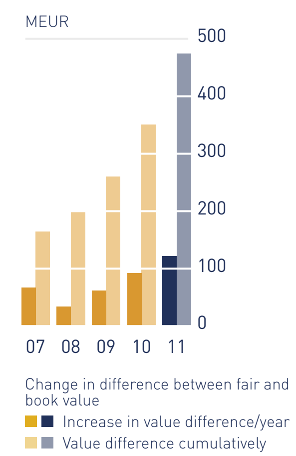

Operating profit



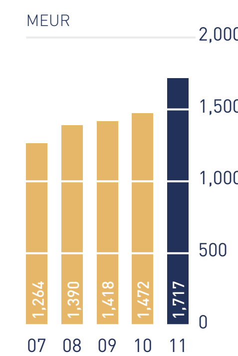

Profit before taxes



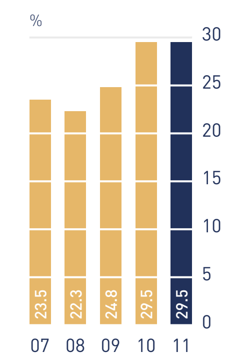

Change in value difference of investment properties



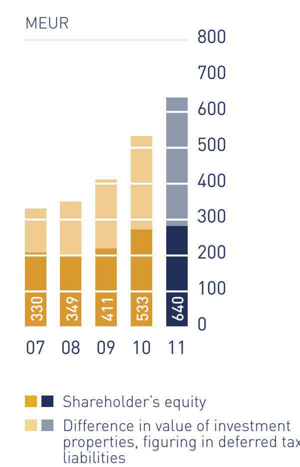

Balance sheet



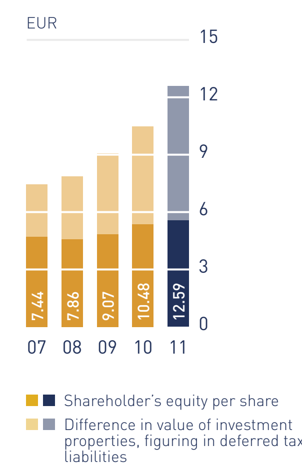

Equity ratio calculated on fair values



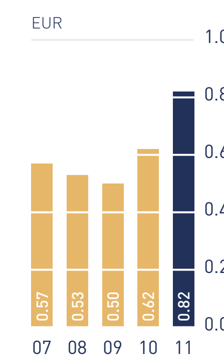

Net worth




Net worth per share




Earnings per share



# A developing network of partners

SATO's principal mission is to provide good housing. The criteria for good housing have changed as society has evolved. Future housing solutions will be affected by today's megatrends: sustainable development, the ageing population, internationalisation, and diversification of lifestyles. Many parties contribute to the housing experience and new forms are needed for interaction between them. SATO looks for new ways to tackle these challenges and it encourages the entire sector to do the same. In 2011, SATO spent a total of 1.1 million euros on development.

## Top expertise

SATO's goal is to be the most efficient and progressive player in the housing investment sector. We promote the implementation of our strategy by building up a smoothly functioning partnership network with the best talents in the field, one that is able to produce advantages for all parties.

The nature of our business demands a long-term approach, so we aim to create lasting partnerships for crucial functions. In these, a shared understanding of the partners' goals and a strong desire to progress together play a leading role.

## Functioning supervisory model

In selecting suppliers, we are directed by the SATO Code of Conduct and procurement policy. In strategic partnerships, we have developed a contractually based management system, the supervisory model of which will eventually be used in other partnerships where applicable.

In order to clarify shared goals and to develop operating methods, we regularly arrange collaboration sessions for our partners' employees. These deal with issues such as customer feedback, the attainment of operational benchmarks, and ideas for improvements.

## Developing the network of partners

We want to achieve constant improvement in service for our customers and to make our processes run more efficiently. We believe we will obtain the best result by expanding the existing collaborative network.

A broad-based network of service companies is being built up for the new SATO HotelHome concept, and this can be used in the future for the improvement of services for all of SATO's residents. In developing interior solutions for SATO's homes, we also forge closer cooperation with design firms.

## Promoting collaboration

SATO has enhanced its own customer service, for example, by speeding up the resolution of customers' problems and responses to phone calls. In future we will work together with our partners to improve their operational value propositions and best practices for implementing these.

## Respect for a job well done

SATO annually names a Partner of the Year. SATO's longest-lasting partnerships are in the fields of management, supervision and maintenance for the investment properties. The building manager plays a key role in promoting the residents' comfort.

The Partner of the Year for 2011 was Realia Group Oy, which has had a building supervisory and management relationship with SATO since 2005. The mention of honour is an expression of thanks for promoting SATO's strategic goals, but it also provides encouragement for the constant expansion of customer satisfaction.

# Business climate

When the year 2011 began, the European economy was living in uncertain times. At the end of the year under review, uncertainty had embraced the entire global economy and in the closing months of the year the European Central Bank lowered its base rate twice to support economic activity. In Finland, the effects of the economic crisis began to show only in the second half of the year, when exports had slowed and the availability of corporate loans deteriorated.

Indicators for confidence in trade and industry as well as consumers began to slide in the spring. The consumer confidence indicator was 0.4 in December as against 13.5 in the same period of the previous year. The long-term average for the indicator is 13.0. Trade and industry confidence indicators in December were below long-term averages except for the retail trade.

The stability of SATO's business builds the tenacity to survive economic turmoil. Demand for rented housing grew and low interest rates had a positive effect on SATO's cost structure and on sales of owner-occupied housing.

## Urbanisation

Urbanisation continues, as Finland's urbanisation rate is still short of international levels. The attractions of the cities are jobs and opportunities for studying. In Finland, the population of urban municipalities has grown by roughly half a million people in the past thirty years.

The main driver of population growth in Finland is immigration, which is mainly targeted on the larger cities. Roughly a third of immigrants settle in the Helsinki region.

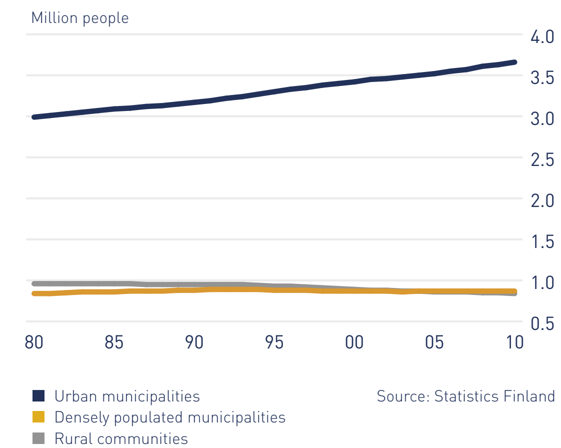
SATO responds to the trend in urbanisation by consolidating its investment housing in Finland in the five major centres of growth. Roughly 80 per cent of SATO's housing portfolio is in the Helsinki region.

## Smaller family sizes

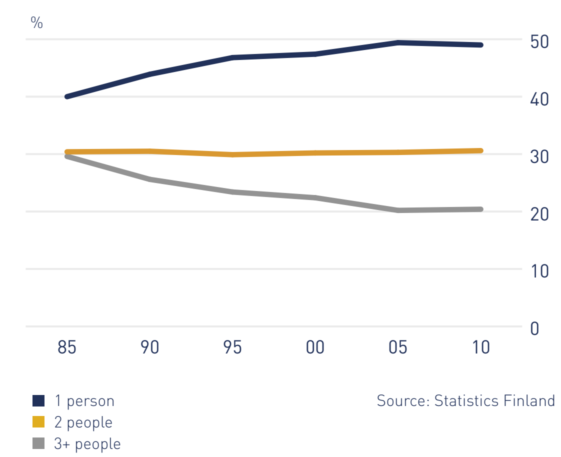
Finland has approximately 2.5 million households, of which roughly 40 per cent consist of one person and one- and two-person households comprise more than 70 per cent. The average family size is about 2.1 people. In the Helsinki region, more than 80 per cent of households are comprised of one or two people. Family sizes are forecast to continue to decrease, partly due to the growing population of senior citizens. Finland has one of Europe's fastest ageing populations.

Most of the demand is still focused on small rented homes, for which supply does not match demand.

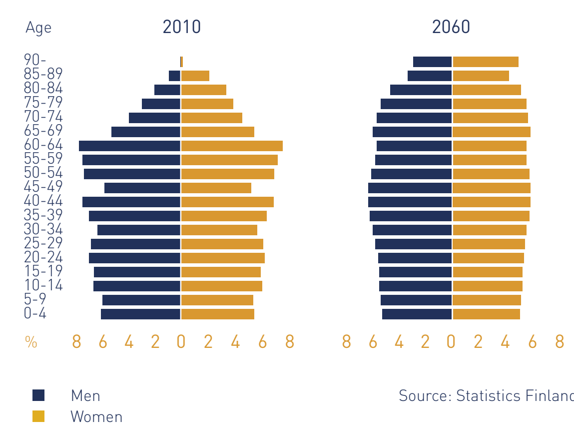
Urbanisation 1980–2010




Distribution of household sizes in Helsinki 1985–2010




Population age structure 2010 and forecast 2060



## Housing construction and energy efficiency

During the year under review there were around 30,500 housing starts in Finland, which is more than 3,000 fewer than in the previous year. The quantity corresponds roughly with VTT's calculation for annual housing needs in the long term.

The halving of the deductible interest on interest-subsidised loans which came into effect in October may increase the state-subsidised rented housing construction to some extent. SATO does not use this type of financing because of the so-called eternal non-profit restrictions it entails.

At the turn of the year there were few unsold, completed homes, but heightened caution on the part of homebuyers will exert a drag on housing starts in 2012. Housing starts are estimated at only 27,000 units in 2012.

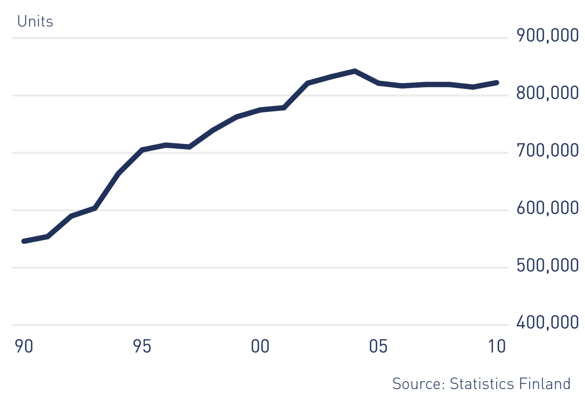
Regulations on energy efficiency and sustainable development have been increased and will continue to be increased in the future for the construction, renovation and use of housing properties. This will boost the costs of homes and housing. Since the beginning of the 21st century, SATO has launched action for improving the energy consumption of the properties it owns.

## The housing market

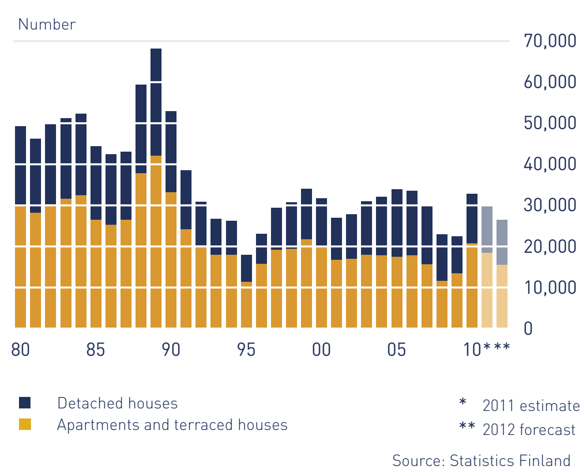
Demand continued to be good on the rented housing market. Urbanisation, smaller family sizes, the greying population and work-based immigration support expectations for growth in demand for rented housing also in the next few years. As immigration rises, demand for family homes will also grow.

The number of rented homes changes only slightly from year to year and demand outstrips supply, particularly in the Helsinki Metropolitan Area. Small private investors own half of Finland's roughly 800,000 rented homes, while local authorities hold some 35 per cent and housing investment companies about 10 per cent. However, new players have also entered the sector, mainly Finnish housing funds.

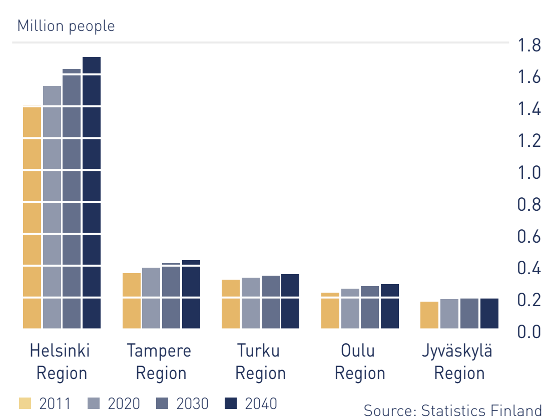
The rented housing stock in Finland 1990–2010




Housing starts 1980–2011




Forecast population by region 2011–2040




In the long term, this will increase the supply of rented housing and professional activity in the industry. SATO has good prospects for investment in rented housing as a high-profile, large company operating professionally.

During the year under review, rent increases in the rented housing market averaged 4 per cent by SATO's estimate. The change in rent per square metre of SATO's rented homes relative to the previous year averaged 4.5 per cent due to the smaller size and central location of SATO's housing portfolio.

Low interest rates kept up demand for owner-occupied housing and the number of housing trades in Finland was in line with the long-term average at about 70,000 transactions. The downturn in confidence may reduce housing sales in the near future. In the owner-occupied housing market, SATO stands out with its concepts.

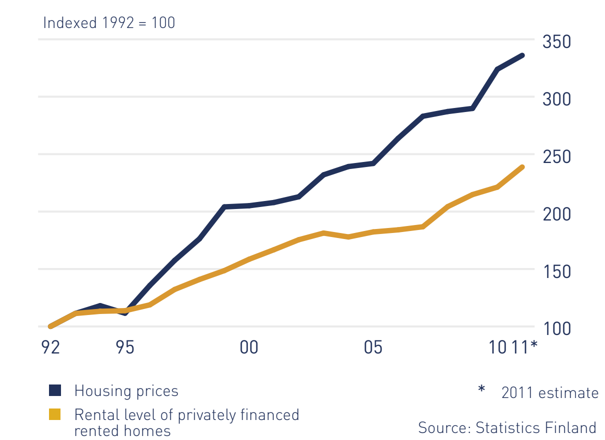
## St. Petersburg

Economic growth in St. Petersburg is forecast to be faster than in Finland. The need for newly built homes is greater than current output.

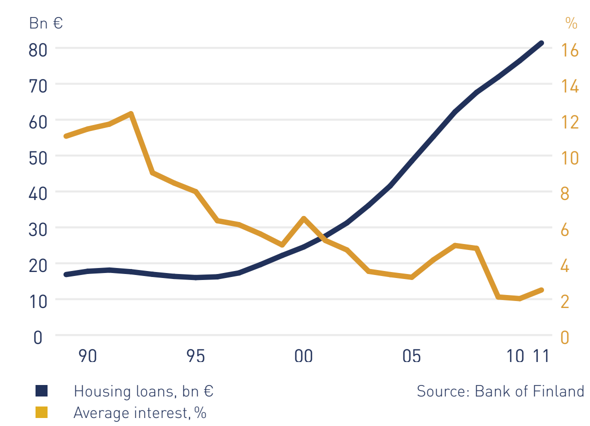
The market for rented housing in St. Petersburg currently has few parties counted as housing investment companies. As Western players increase and the loan market evolves there is, however, a growing rented housing market forming in the city. The number of owner-occupied home transactions is equal to the number made in Finland.

The urban structure of St. Petersburg is evolving dynamically and SATO sees the growth potential for St. Petersburg's rented housing demand as large in its chosen customer segments.

Housing prices and rental levels in the Helsinki Metropolitan Area 1992–2011




Housing loans and average interest rate 1989–2011




Housing prices in St. Petersburg 2004–1/2012

# Strategy

SATO aims to become Finland's most significant housing investment company. This will require good profitability, growth and a constantly improving service experience.

Profitability is secured through efficient operations and by actions aimed at enhancing the customer experience. To boost profitability levels, we have consolidated procurement, we are ensuring long-term financing, we are building a skilled service network, and we constantly assess our operating methods.

Our target for growth includes raising the value of the housing portfolio to over three billion euros by 2020. At the end of the year under review, the fair value of SATO's investment properties was roughly 1.9 billion euros. Growth will be achieved by investing in rented housing which has the best prospects for appreciation in value.

**MISSION**
SATO is a provider of good housing

**VISION**
Homes are our passion – 50,000 satisfied residents in our homes in 2020

**STRATEGIC GOALS**
- Constantly improving services for the customers
- Average 12% p.a. total annual return for the shareholders
- Value of the investment properties > €3 billion in 2020

## SATO's values

- customer satisfaction – we keep our promises
- the personnel's expertise – skilled personnel is our strength
- partnership – we win by working together
- profitability – profit enables us to build the future



# SATO's value proposition: *A Home the Way You Want It*

### ADJUSTMENTS TO THE STRATEGY IN 2011

SATO adjusted its target for equity ratio and specified it as applying to the Group's equity ratio calculated at fair value. The targeted level is a minimum of 25 per cent. Significant investments may mean that this target could be momentarily underachieved.

The investment criteria were reviewed for the investment properties: SATO will invest only in multistorey housing and the aim is to carry out more than half of the investments in newly built properties. In St. Petersburg, the selection of investment prospects is being expanded to include comfort-class homes in addition to elite and business-class apartments.

A decision was made to expand SATO's service offering with hotel homes, a solution suited to temporary, short-term housing. This operation is scheduled for start-up in summer 2012.

Environmental issues have grown in importance and more resources are being channelled to this.

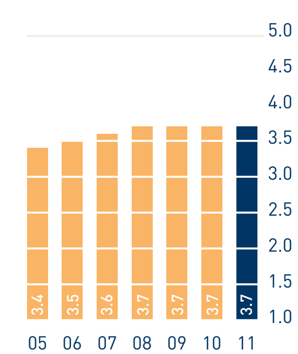
### ATTAINMENT OF STRATEGIC GOALS IN 2011

**Improvements in customer service**
Online access facilities for residents were increased and a possibility for home-seekers to add apartments to a "shopping basket" was added. The operations of the Customer Service unit were established and the job description of customer agents was expanded.

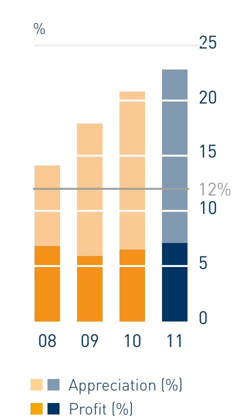
A free broadband connection was included in practically all the homes' lease agreements.

During the year under review, a new way of buying a newly built home only after completion was launched on the market. The first homes in line with this concept were completed in January 2012.

Customer satisfaction 2005–2011



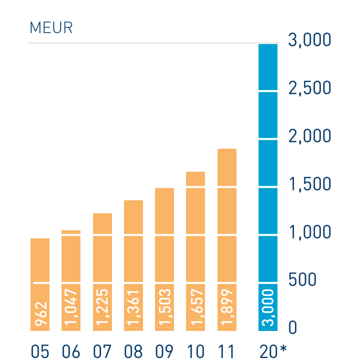

Total annual return 2008–2011*




*formula on page 103

Graph amended after the printed version of the annual report was issued

Growth, investment properties 2005–2011




*SATO's target

### Profitability

The rental occupancy rate was further enhanced by streamlining marketing and by applying customer feedback in process development work. Rental income was up by 8.7 per cent on the previous year, reaching 195.8 million euros in all.

The savings achieved from competitive tendering for procurement were significant.

Capital gains of new owner-occupied home increased by 14.7 per cent on the previous year, which boosted capital gains by 3.9 million euros.

### Growth

SATO's investments in housing during the year under review amounted to 148.8 million euros. Plots of land for forthcoming construction were purchased for the construction of a total of roughly 500 homes.

The fair value of SATO's investment properties grew by roughly 14.6 per cent and was 1,898.6 million euros at year-end.

Collaboration with financial backers has been intensified and new sources of financing are being charted.

### Regeneration

During the year under review, SATO's competitive edge began to be enhanced in selected areas of expertise by training in-house personnel and by recruitment of new professionals. Spheres of responsibility were updated and internal job rotation was increased to spread expertise. Innovation-related practices were updated.

Communications are developed, for example, by employing the social media as one channel of communications. It was also decided to update SATO's corporate image and service concepts to bring them better into line with current activities.

## FINANCIAL TARGETS

To promote business continuity, profitability and growth, the following targets have been set for the equity ratio, dividend payments and investments:

| | actual 2011 |
|---|---|
| • SATO business equity ratio at fair values ≥ 25%* | 29.5 |
| • Dividend ≥ 60% of distributable profit** | 79.8*** |
| • MEUR 100 of annual investments in rented housing | 148.8 |

*) the equity ratio may fall briefly below 25% due to investments
**) definition on page 103
***) Board's proposal to AGM

# Risk management

The goal of risk management is to ensure operational continuity as well as achieving the company's strategic and financial aims. The highest responsibility for risk management is held by the company's Board of Directors, which decides on the targets for risk management and monitors the main risks. Risk management is part of SATO's strategy process, operational management and business processes.

SATO carries out risk assessment on its business regularly in connection with strategic and annual planning. To identify the risks of various subdivisions, SATO uses a risk model developed for it. The risk model assists in mapping out on a broad front the risks and opportunities that may be associated with the business climate, business management and decision-making, and operational processes.

To preclude the fulfilment of recognised risks and to minimise possible consequences, the necessary actions are planned. Responsibility for following up these impacts is allocated on the unit level. The Corporate Management Group supervises action on risk management and its impacts no less often than quarterly. The internal audit assists in the process and serves as an external guarantor of quality and as an assessor of results.

## The risk management system

**Risk assessment and risk management**

**Key guidelines**

- Decision-making model and authorisations
- Procurement management model (supplier networking, selection of suppliers, supplier criteria, selection of partners)
- Insurance policy management system, appraisal and allocation of responsibility

**Internal controls system**

**Process management model**

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

**Financial and operational reporting**

- Balance between anticipatory and follow-up benchmarks

| SATO's main business risks in the near future | Effects/action |
|---|---|
| Trend in housing prices | Changes in prices affect the trend in the values of SATO's investment properties. SATO's homes are approximately 80 per cent in central locations in the Helsinki region. Lifecycle repairs are carried out on the housing portfolio to maintain its value. |
| Success in rental business | The rental occupancy rate may decline significantly. Deployments are made in repairing apartments and in modernising renovation models to make the homes more attractive. Renting operations have been intensified and customer relationship management is being improved. |
| Availability of financing and interest rate risks | The implementation of SATO's investments may be hampered. Financial planning is a central part of business planning. The hedging rate of SATO's market-based loans is 71%. |

# Review by the President and CEO

## To the reader,

SATO has improved its performance capability thanks to successful strategic choices and streamlined operations. One of our key objectives is to enhance our residents' service experience without jeopardising our cost-effectiveness. Crucial to this is our skilled and seamlessly operating service network, which is achieved through open collaboration between the personnel, partners and residents.

## An incredible year

The past year will go down in history as a time of many upheavals: the Arab spring, uncertainty over the impact of economic events in the world and Europe, a nuclear disaster in Fukushima, changes in the relative strength of political parties in Finland, and also the start of a protest movement in Russia at the end of the year.

In the midst of these events, it has seemed as though SATO was swimming against the current. In our business, the year went better than before in many respects, and we achieved the best results in SATO's history in almost all subdivisions of the strategy. The rate of growth exceeded with the target, profitability was improved, and actions to enhance customer service were added. The results from the year under review were aided particularly by our expanded housing portfolio and streamlined rental business, combined with an increase in demand for rented homes.

## The situation in the housing market

Demand for small rented homes especially in the Helsinki Metropolitan Area continues to outstrip supply. Constantly rising demand and the increasing cost of home maintenance are driving a trend in rents above inflation levels. If the government authorities have the will to promote the construction of rented housing and to encourage all players to increase project start-ups, I believe the most efficient way would be a variety of incentives instead of restrictions.

Consumer confidence and the terms of home loans affect the owner-occupied housing trade. During the year under review, active trading was kept up by continuing low interest rates and first-time buyers who benefited from the statutory bonus for home savers. The climate of confidence dipped sharply at the end of the year under review, making it difficult to predict demand in the year ahead.

## Efficiency through partnerships

In order to operate efficiently, SATO's strategic choice is to handle the management of the housing portfolio and customer relationships and closely related supporting functions on an in-house basis. Other functions are outsourced from corporate partners who represent the best expertise in their fields. The most important partnering contracts have been made with companies providing building management and maintenance.

In order for us to be able to provide our customers with the optimal benefits from the service network, we devote effort to underpinning our expertise in procurement and to the application of the partnership management model developed by us. We have done a great deal of work to create a seamless service chain, and we have been able to improve operations. However, discontinuities still occur, so there is still some fine-tuning to be done on practices.

Customer satisfaction has held steady at a favourable level, although a six-year improvement came to a halt. This gives us reason to put further effort into enhancing the customer experience.

## Growth through investments

We want to make SATO Finland's most important housing investment company. Through investment business, we aim to boost the value of our housing portfolio to over three billion euros by the end of 2020.

Measured in terms of the value of new investments placed, SATO has been Finland's biggest housing investor in the 21st century. Our investments in rented housing have averaged roughly 115 million euros a year.

The customers also benefit from SATO's growth. Our range of housing expands, and by updating our housing stock, we are able to respond to the changing needs of home-seekers. To balance the housing portfolio we have increased the proportion of newly built homes.

## Regeneration

Housing investment is stable as a business and I consider that the forecasted growing need for rented housing is promising. However, we want to secure our success by anticipating changes taking place in the business environment and by regenerating our offering as well as our way of thinking and acting. We are developing our service concepts and online services, we are launching new products, and we are empowering our personnel to innovate. We are also studying ways of putting solutions for sustainable development into our properties.

In 2012 we will launch a new kind of service model for temporary housing, the SATO HotelHome concept. This concept is aimed at new customer categories and synergies with our other business operations. During the year under review we also upgraded practices for purchasing newly built homes: standing out from the mainstream, we offer our owner-occupied homes for sale only after they have been completed.

We also wish to communicate the regeneration of our business and operating methods externally by updating SATO's identity and corporate emblem during 2012.

Following this incredible year, I would like to thank all our partnering stakeholders for fruitful collaboration which has strengthened our business. I would like to extend my warmest thanks to SATO's expert personnel, who have surprised me year after year with their ability to learn and acquire new skills. I also have the pleasure of thanking our customers, financial backers, shareholders and Board of Directors for an excellent partnership during the year. With the support of you all, our enthusiasm for advancing SATO will only grow. Homes will always be needed.

Erkka Valkila
President and CEO

# SATO's offering of housing is diversifying

SATO's value proposition is 'A Home the Way You Want It', which we put into practice by advancing the company's housing solutions to meet prevailing needs and wishes as well as by maintaining a diverse offering of housing. In order to clarify the value proposition, we have updated the names of our service concepts and are developing their contents.

SATO RentHome Star-rated rented homes

SATO SeniorHome Care services in addition to rented housing

SATO OwnerHome Individual owner-occupied homes ready for moving into

2012 SATO HotelHome for home comforts in short-term accommodation

# SATO's service concepts

### SATO RentHome

SATO's core business is ownership of rented homes and making them available to people who need housing. We have grouped our rented homes into star-rated groups according to their quality. The earlier four-category rating has been changed to three. Our rented homes which are unique for their location and quality are five-star SATO RentHomes, and the four-star homes are new or as good as new. Our basic homes are three-star SATO RentHomes.

Almost all the rented homes include a broadband connection, free of charge to our customers. We also carry out frequent quality inspections on homes, at which time necessary maintenance repairs are carried out.

### SATO SeniorHome

SATO SeniorHome provides not only a safe place to live but also service counselling, in which a specialist charts out the individual needs for services, and plans together with the customer the way services will be implemented. The home help and care providers are partners selected by SATO.

The locations of SATO SeniorHome properties are chosen on the basis of nearby services and good transport connections. The design prominently features the homes' functionality, unimpeded accessibility and safety.

### SATO HotelHome

During 2012, SATO is expanding its housing options in line with the value proposition 'A Home the Way You Want It'. International working, mobile workforces and plumbing upgrades have boosted demand for hotel-style temporary housing. Demand is at its highest in the Helsinki Metropolitan Area. The first furnished apartments intended for short leases are being completed in a property undergoing renovation in Helsinki city centre. We are developing the concept on the basis of experience.

> SATO HotelHome responds to growing demand for short-term accommodation

### SATO OwnerHome

Most housing purchases in Finland are for used homes, in which case the buyer sees the property ready-made. Newbuilds by contrast are almost invariably purchased while they are still under construction. A recent survey shows that almost half of the buyers would like to see their future homes completed before making the deal.

During the year under review, SATO began a new way to offer a newly built home for sale. According to the concept, the homes cannot be purchased during the construction phase, contrary to the usual practice. Instead, they are completed before sales are started. The concept was designed for buyers who appreciate a new home with character which is immediately ready to be moved into, with individual choices of materials and fittings that have been selected by a skilled designer.

PARTNERSHIP 1

## DESIGN MANAGER

*In photo:* Piritta Kokkonen

I started at SATO as Design Manager in October 2011. During these four months I have gained a grounding in how SATO works together with an extensive network of partners to achieve good housing. In my job I have up till now mostly familiarised myself with suppliers of materials and fittings as well as architects and specialised engineers designing constructions and renovations. The next round of familiarisation includes construction and renovation contractors.

### Design growing in importance

Interest in home interiors and new kinds of materials has increased in recent years. Standards for household layouts and choices of fittings have also risen. SATO responds to these trends by devoting greater efforts to the planning of layouts and materials in homes undergoing renovation and under construction. The interior design models used for repairs to home are being updated and solutions for newly built homes are being individualised.

During the year under review, we have honed our skills and recruited our company's very first Design Manager, who will deploy effort to boosting the distinctiveness of our homes. We believe this will update the entire housing investment business and increase the desirability of rented housing.

> We make our apartments stand out more through design

# SATO customer relationships

Some 40,000 people live in SATO's rented homes, and their comfort is the responsibility of SATO along with the partners looking after the properties. We also sell owner-occupied homes to customers.

### A genuine desire to serve the customer

For us, the customer is something special, a partner with whom we also want a lasting relationship. This is why we seek to achieve a corporate culture in which a passion to serve the customer can be seen in everything we do. We also require this of our service providers.

### Customer satisfaction is a key benchmark

SATO has set itself the task of constantly improving the customer's service experience. We check how we are doing through customer surveys carried out at various stages of the customer relationship and by monitoring customer complaints. The trend in customers' overall satisfaction is also an important part of the oversight of operations for the building management and maintenance partners.

Since 2005 tenants' overall satisfaction has risen from 3.4 to 3.7 on a scale of 1–5. In 2011 overall satisfaction held steady at a good level, although the six-year increase came to a halt. We are continuing our efforts to improve the customer experience.

In order to improve customer surveys, we carried out a project in cooperation with the Aalto University which charted new perspectives for enhancing and quantifying the service experience.

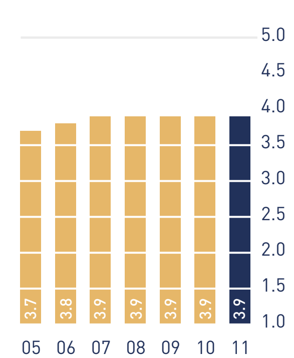
### Improvements in rental housing

SATO is appreciated for its diverse supply of housing. We improve our housing stock through repairs and by increasing the proportion of newly built homes. In the design of renovations and new homes, we will produce more and more individual interior solutions as well as choices of fittings and materials in the future.

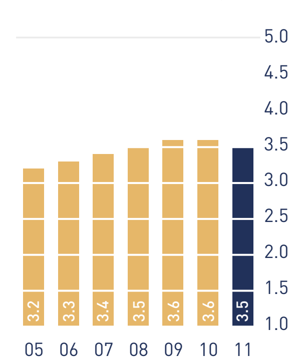
Star ratings for rented housing are our way to inform residents about the condition and facilities of apartments. We have updated the contents of the categories to improve our commitments to customers.

To boost the quality of the repairs and maintenance for our rented homes and properties, we have increased guidance and supervision for our partner maintenance companies.

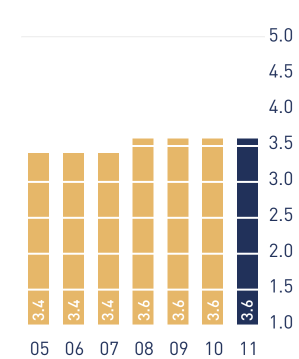
Satisfaction with SATO as landlord




Satisfaction with services for property maintenance and management




Satisfaction with apartment




### Bettering service

In order to facilitate access between customers and SATO, we have extended our service hours and we are improving online access. We have also negotiated discounts for our customers on housing-related goods and services. As of 2011, practically every rented home includes a free broadband connection for our customers.

During the year under review, we studied residents' views on new services they would like to improve housing convenience. On the basis of interviews and a poll of residents engaged in resident activity, we identified targets for future improvements.

### Resident collaboration on a jointly chosen theme

In addition to the quality of the home, the building's amenities and inter-resident relations are important subareas of good housing. Each year, SATO's residents choose an annual theme which they want to develop jointly with SATO. The theme for the year under review was "Calm in the House". During the year, the rules governing order in SATO's buildings were updated on the basis of feedback from a residents' questionnaire as well as a joint brainstorming evening. The building managers' guidelines for promoting resident comfort were also updated.

There were 11 customer events held by SATO, and support was also given to the residents' own events. A total of roughly 2,000 residents attended all the events.

The residents' theme chosen for 2012 was "Cultures Meet".

## Working on development together with our customers

### Recognition for customers

The Resident of the Year chosen in 2011 was Sven Petterson, who is a well-known and trusted residents' representative in the building in which he lives. He makes a difference to the amenity values in his home building and neighbouring buildings, and his example encourages other residents to get involved. He also actively takes part in events held by SATO.

# Business segments

SATO's operations are managed and reported on in two business segments, SATO business and VATRO business. SATO's investment in housing business includes both privately financed and state-subsidised housing property, of which the latter is affected by restrictions set by housing legislation both at the company level and for individual properties. This segmentation enhances the transparency of operations and reporting related to the state-subsidised housing stock.

SATO business is comprised of privately financed housing as well as those housing units subject to state subsidies and interest-subsidised credits to which property-specific restrictions end during the period 2011–2025. The homes included in SATO business account for roughly 89 per cent of the fair value of the Group's investment properties.

Operations in St. Petersburg and construction of owner-occupied housing are also part of the SATO business segment. The VATRO business segment includes those housing units which are subject to longer-term restrictions under legislation on state-subsidised loans. These restrictions will end by approximately 2047.

In accordance with the Group's growth strategy, most of the new investments are allocated to homes included in SATO business and the relative importance of VATRO business within the Group is declining.

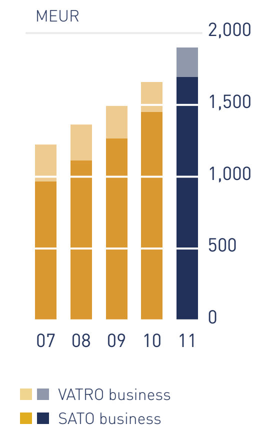

## SATO BUSINESS

- Roughly 19,200 homes, mostly in Finnish growth centres and St. Petersburg
- Rented housing with no or shorter-term restrictions as well as owner-occupied housing construction
- Fair value of the homes roughly 1.7 billion euros, 89% of the value of the SATO Group's investment properties

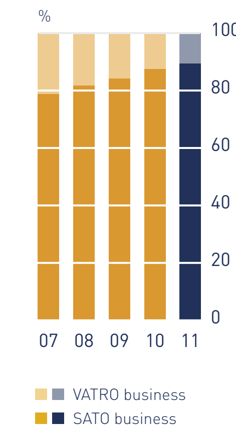
## VATRO BUSINESS

- Roughly 4,100 homes, mostly in Finnish growth centres
- State-subsidised housing subject to long-term restrictions, with the restrictions ending in the 2040s
- Fair value of the homes roughly 204 million euros, 11% of the value of the SATO Group's investment properties

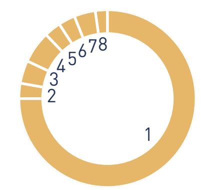
Trend in the housing portfolio 2007–2011 at fair values




Business segments' shares of the housing portfolio 2007–2011, fair value



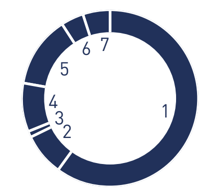

Regional distribution of the investment properties (SATO business) 31 Dec. 2011




1 Helsinki Metropolitan Area 75%
2 Rest of Helsinki Region 3%
3 Turku Region 4%
4 Tampere Region 6%
5 Jyväskylä Region 3%
6 Oulu Region 3%
7 St. Petersburg 4%
8 Outside the designated focus area 2%

Total housing portfolio, fair value MEUR 1,694.7

Regional distribution of the investment properties (VATRO business) 31 Dec. 2011




1 Helsinki Metropolitan Area 60%
2 Rest of Helsinki Region 8%
3 Turku Region 1%
4 Tampere Region 9%
5 Jyväskylä Region 13%
6 Oulu Region 4%
7 Outside the designated focus area 5%

Total housing portfolio, fair value MEUR 203.9

## financial *key figures 2011*

| MEUR | SATO | VATRO |
|---|---|---|
| Turnover | **196.9** | 35.1 |
| Net rental income | **90.6** | 16.5 |
| Profit before taxes | **48.8** | 3.3 |
| Gross investments in investment properties | **148.8** | 0 |
| Book value of the investment properties | **1,221.0** | 203.9 |
| Fair value of the investment properties | **1,694.7** | 203.9 |
| Rented homes (number) | **17,923** | 4,099 |
| Shared ownership apartments (number) | **1,257** | 0 |
| Completed owner-occupied homes (number) | **111** | 0 |

# Investment properties

In addition to the rental yield obtained from the investment properties, their appreciation in value plays a key role in SATO's business. To ensure the trend in values, SATO concentrates its holdings of housing in areas in which the demand for rental homes will grow in the long term. The assessment of the investment is influenced by the area's development prospects, the population profile and the estimated expenditure on maintenance and repair.

## Yields from the homes

At the end of the year under review, SATO had a total of 760 housing properties with a total of 23,279 (22,830) homes. Of these, 22,022 (21,516) were rented homes, and 1,257 (1,314) were shared ownership apartments. The combined total area of the homes was 1,337,831 square metres. The book value of the investment properties totalled 1,424.9 (1,305.9) million euros and the fair value was 1,898.6 (1,657.3) million euros. The difference between fair and book value increased during the period under review by 122.3 (91.8) million euros. The increase was due to the trend in prices and rents as well as the ending of state-subsidy restrictions on properties. The yield requirement has also been reviewed due to market conditions. The assessment procedure is described on page 61.

The net rental income of the housing stock was 109.4 (100.6) million euros. The net rental income percentage of rental housing was 8.1 (7.9) per cent on the book value and 6.2 (6.5) on the fair value.

## Location and size

Demand for rented housing is growing in the urban centres of growth and along railway routes. Demand focuses mainly on small homes. Rising immigration will also expand the need for family homes.

Roughly 80 per cent of SATO's housing is in the Helsinki region, including Lahti and Hämeenlinna. The rest of the apartments are in the economic zones of Tampere, Turku, Oulu and Jyväskylä as well as in St. Petersburg, Russia. The average size of the homes is 57.5 square metres. The homes in the economic zones are located close to good transport links and services. Homes outside the targeted area are being divested.

## Quality classes

SATO has developed a quality classification system for its rented apartments, the intention of which is on the one hand to communicate to the customer an accurate image of the rented apartment's price-quality ratio and on the other hand to guide repairs. The condition of the home affects the number of stars awarded. Most of the homes are three- and four-star SATO RentHome apartments in good condition. SATO has updated the content of categories.

## Maintenance

The building management, maintenance and cleaning as well as the repairs for individual apartments for the properties are handled by partners. During the year under review, SATO put the properties' management, supervision and maintenance out for competitive tenders. The criteria for the choice were price, quality and the ability to participate in developing the service.

The allocation of building repairs is based on lifecycle plans and on repair needs analyses. Repairs to apartments are focused on maintaining and enhancing the standard in line with the quality rating. The condition of all of SATO's rented homes is checked at fixed intervals or when there is a change of resident. Small faults requiring improvements are repaired at the time of the inspection and a survey is made of larger repair requirements. In the course of 2011, fixed-term renovations were carried out on roughly 5,800 homes in all.

## Outlook

Long-term repair plans ensure the appreciation of the properties and their desirability for tenants. Greater attention will be paid to the methods and materials used to repair apartments to enhance their ecological and aesthetic qualities.

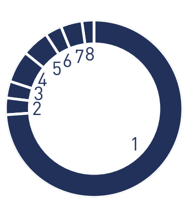
PARTNERSHIP 2

## REGIONAL MANAGER

*In photo:* Jan Bertills

The closest partners in my field of responsibility are first and foremost building managers, apartment rental agents and building maintenance representatives. With them I regularly go through feedback from residents, budget fulfilment, market trends, and matters related to removals and property maintenance. I closely watch how these partners perform in reaching the jointly assigned targets. The level of customer satisfaction, rent yields and maintenance costs, and the planned improvement of energy efficiency at the targeted level are among the most important things to keep a watch on in my job.

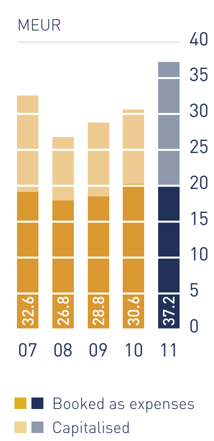
Regional distribution of the investment properties
31 Dec. 2011



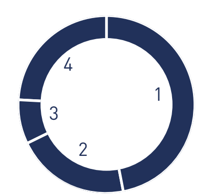

1 Helsinki Metropolitan Area 74%
2 Rest of Helsinki Region 3%
3 Turku Region 3%
4 Tampere Region 6%
5 Jyväskylä Region 5%
6 Oulu Region 3%
7 St. Petersburg 4%
8 Outside the designated focus area 2%

Total housing portfolio,
fair value MEUR 1,899

Renovation



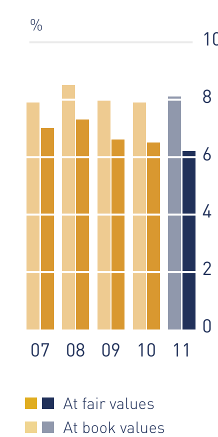

Distribution of housing by area, Helsinki
31 Dec. 2011

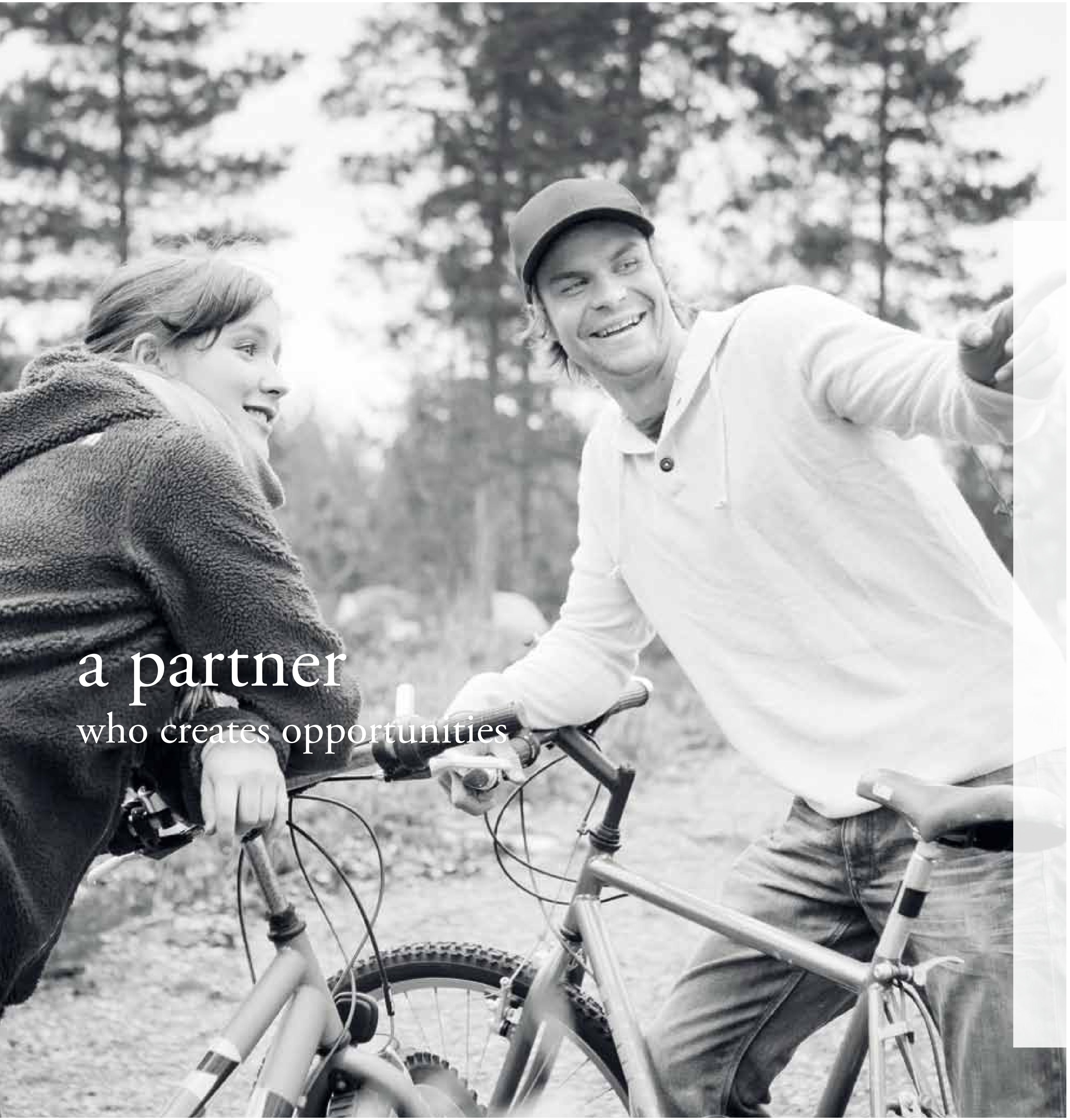



1 South 47%
2 West 21%
3 North 8%
4 East 24%

Total housing portfolio,
fair value MEUR 865

Net rental income






# Rental business

Efficient rental business secures rapid availability for people who need a home and a steady trend in cash flow for the Group. Renting of homes is handled mainly by SATO's rental offices.

## Rental service

Apartments are rented out mainly by an in-house organisation. Operating at the customer interface gives SATO valuable information on what is wanted from homes and from changes in these wishes. Feedback from renting activities can be used, for example, in operational development and in investment. During the year under review a total of 6,800 leases were signed for SATO homes.

## Rents

The rents of SATO homes are reviewed yearly and valid leases include the applicable rent review criteria. The rents for vacated apartments are determined according to market conditions. The relevant regulations are applied to the setting of rents in properties subject to state-subsidised loans.

The Group's average monthly rent per square metre in 2011 was EUR 12.82 (EUR 12.10) for rental housing. The average increase in rent for valid leases was 4.5 (3.0) per cent. The change in rents per square metre of rental homes averaged 6.0 (4.6) per cent on the previous year.

## Rental occupancy rate and tenant turnover

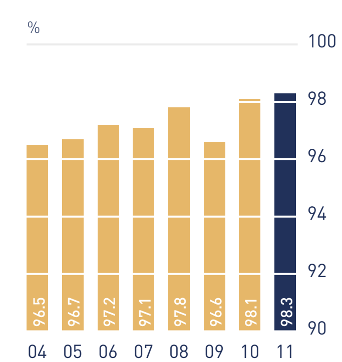
During the year under review, the rental occupancy rate of the apartments remained excellent, improving on the previous year. Action was taken to streamline the efficiency of rental business in order to maintain the occupancy rate. Good demand strengthened the improvement in the occupancy rate.

The average financial rental occupancy rate for SATO's apartments in Finland was 98.3 (98.1) per cent. Tenant turnover was 30.6 (29.0) per cent, including internal turnover, which was 6.4 (5.5) per cent.

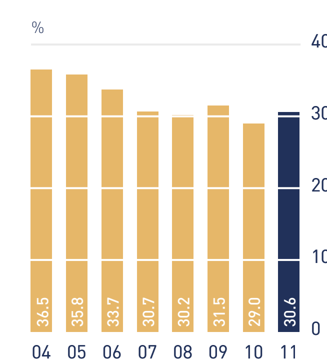
## Outlook

Migration, urbanisation, the changing age structure of the population and smaller family sizes will further boost demand for rented homes in the centres of growth. A potential upturn in unemployment may exert a drag on rises in rents.

Financial occupancy rate of rental housing




Tenant turnover



# Investments and divestments

For several years, SATO has carried out its growth strategy which is attuned to its investment in housing business. In the 21st century, SATO has invested more than 1.4 billion euros in rented housing. At the same time, holdings have been run down in areas in which SATO does not see prospects for growth in the long term.

## Allocating investments

The leasability of homes and a positive trend in the value of holdings of housing are assured by focusing in Finland on the five largest centres of growth. Holdings of housing are expanded primarily in the Helsinki commuter zone and St. Petersburg, where properties are selected along good transport links. SATO acquires and commissions construction for ownership both of complete rented buildings and of individual rented apartments. The proportion of newly built homes is being increased.

The need for a service combining housing with care is growing as the population ages. SATO's housing stock includes roughly 600 senior apartments. This number was increased during the year under review by 92 homes. Investments in senior housing will be continued.

As a result of the regional emphases, the fair value of the housing stock has risen from roughly 700 million euros at the turn of the millennium to roughly 1.9 billion euros.

## Investments

During the year under review, the Group's gross investments in investment properties totalled 148.8 (104.3) million euros. Investments were used to acquire a total of 748 (674) rented homes.

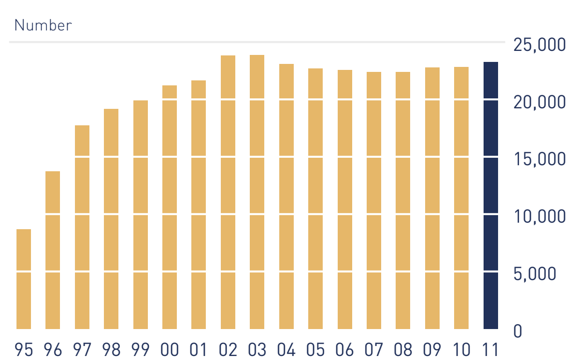
The main acquisition was for a total of 383 apartments in Helsinki, Turku and Oulu from the OP-Pohjola Group for 60 million euros. Investments in newly built homes amounted to 43.4 (48.2) million euros.

At the end of the year under review, there were 469 (496) rented homes under construction in Finland for ownership by the Group. During the year under review 240 (289) new rented homes were completed for the Group.

## Investments in major renovations

During the year under review, a total of five properties including a total of 255 apartments were renovated. In 2011, the value of the investments decided on totals roughly 15.3 million euros.

Trend in the housing portfolio




PARTNERSHIP 3

## FINANCE MANAGER

*In photo:* Sami Laine

SATO is an active investor in housing and most of the capital invested is taken in the form of loans from financial institutions. Arranging finance requires speed and innovativeness at SATO's rate of growth. I feel that constant interaction with financiers makes both my job and theirs easier. We each benefit from knowing each other's objectives and operating methods, and this is why our cooperation with financial backers is very smooth.

## Divestments

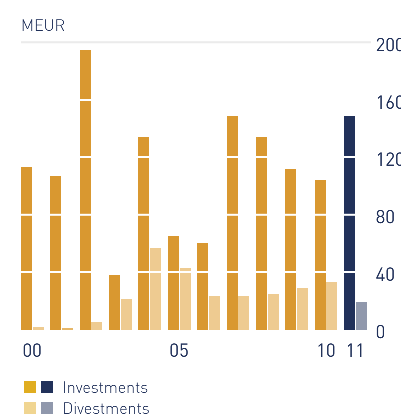
A total of 301 (608) rental homes were sold from the Group's housing portfolio and the total value of the divestments was 18.7 (32.9) million euros.

Divestments of housing and plots of land totalled 27.2 (38.9) million euros, generating capital gains amounting to 13.9 (13.4) million euros.

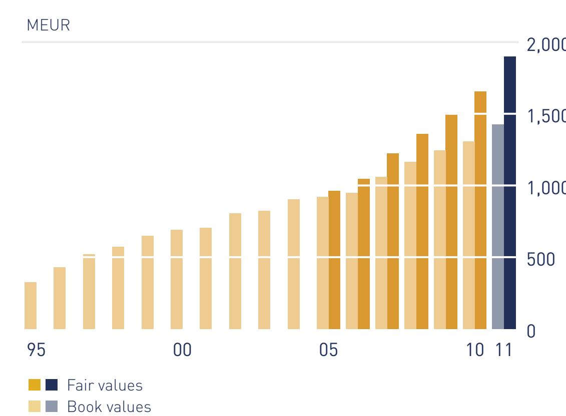
## Outlook

SATO is aiming in the long term for annual investments totalling roughly 100 million euros in Finland and St. Petersburg. The properties for divestment will be chosen on the basis of the location strategy. Thanks to its high profile, its market position and its financial resources, SATO's opportunities for continuing growth are good. Uncertainty in the financial market may affect the prospects for investments and divestments in the near future.

Investments and divestments




Trend in housing stock, book values 1995–2011 and fair values 2005–2011



# Property development

Property development creates a basis for SATO's investment in new rented homes and for the construction of owner-occupied homes. The leasability and value of the corporation's rented homes are enhanced through renovations.

## Building land inventory

At the end of the year under review, SATO held land with zoning permission for construction of housing amounting to roughly 207,800 square metres of floor area with a book value of 90.8 (76.7) million euros. In addition to this, the permitted building volume based on plot reservations and letters of intent totalled roughly 33,300 square metres of floor area and projects under zoning development were estimated at roughly 75,400 square metres of floor area. Together, these will permit the construction of roughly 3,500 homes if the letters of intent and zoning targets are implemented.

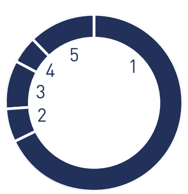
## Plot acquisitions

During the year under review, a total of roughly 19.0 (14.5) million euros was invested in plots of land. This will enable the construction of more than 500 homes. The most important land acquisition was in the Keimolanmäki district in Marja-Vantaa. The area acquired by SATO can be developed with roughly 140 homes.

## Plot divestments

Land holdings not suitable for apartment building development will be sold. During the year under review, plots conferring entitlement to construct a total of roughly 12,400 square metres of floor area were sold from the land portfolio. The capital gains accruing from the sale of plots was 5.1 (2.3) million euros.

Regional distribution of the building land inventory (floor area, sq.m.) 31 Dec. 2011




1 Helsinki Metropolitan Area 68%
2 Tampere 6%
3 Turku 9%
4 Jyväskylä 5%
5 Oulu 12%

Total approx. 317,000 floor area, sq.m., about 3,500 apartments

## Use of building land inventory

Roughly 34,400 (40,000) square metres of floor area of land inventory was transferred to production. The value of the owned plots sold or transferred to construction totalled roughly 10.6 (16.4) million euros.

## Housing output

During the year under review, 351 (122) homes commissioned by SATO were completed, of which 240 (44) were rented homes built for Group ownership and 111 (50) were owner-occupied homes. Of the rented apartments, 92 were senior homes.

Under construction on 31 December 2011 were a total of 856 (686) housing units, of which 469 (496) were Group investment apartments, and 387 (190) were owner-occupied homes for sale.

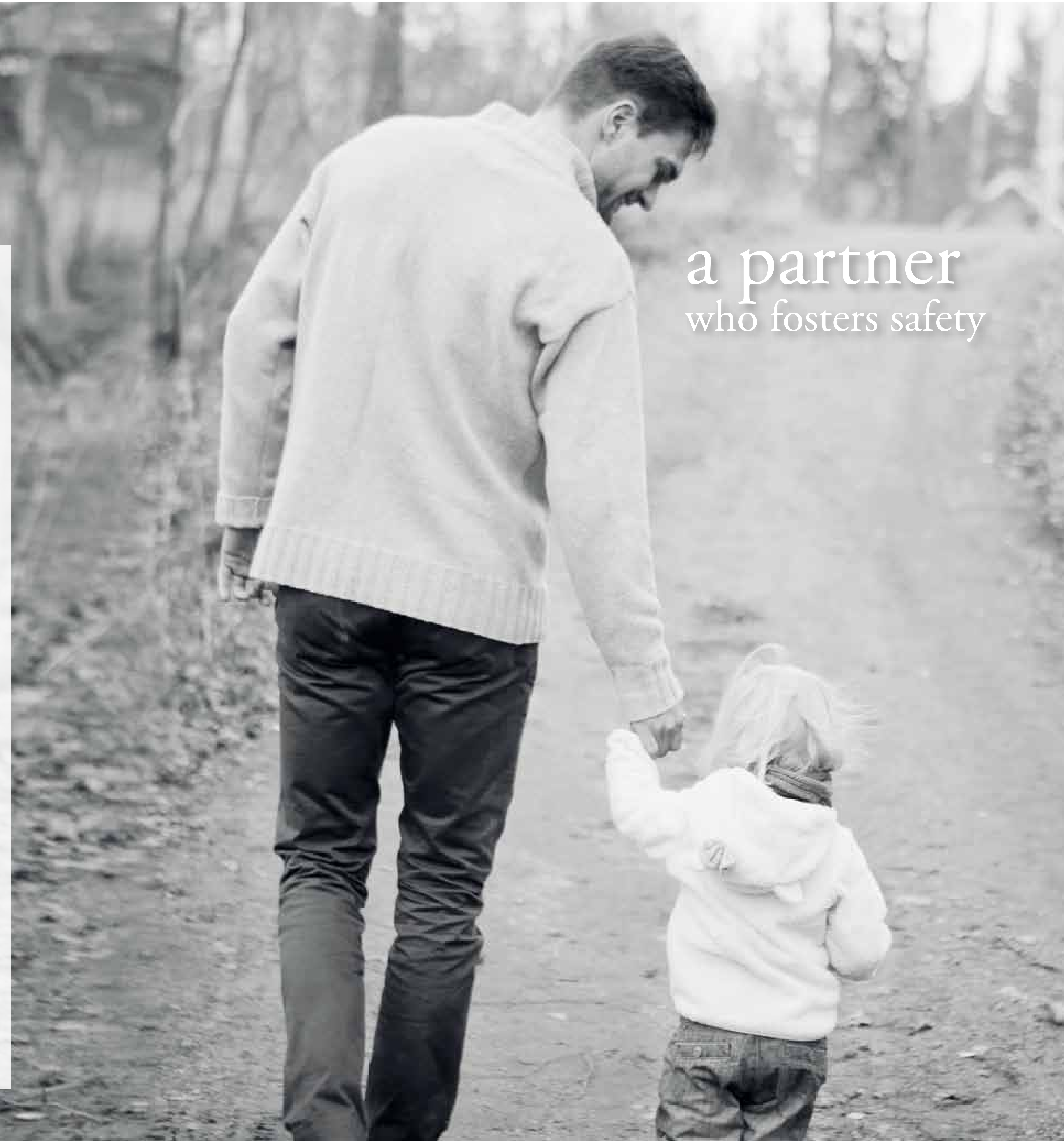
During the year under review, the construction of 132 (375) rented homes for SATO's ownership was started as well as 309 (190) owner-occupied homes for sale.

## Sales of owner-occupied housing

In 2011, a total of 151 (87) owner-occupied homes valued at 30.0 (25.0) million euros were sold. Unsold at the end of the year under review were 16 (2) completed owner-occupied homes and 274 (130) homes under construction, to a combined value of 78.3 (38.0) million euros.

## Outlook

SATO has the ability to start the construction of 500–800 new rental and owner-occupied homes in 2012. The economic and demand trends will affect the number of project starts.



# Business in St. Petersburg

The housing market in St. Petersburg is equivalent in volume to that of the whole of Finland. By investing in rented homes in St. Petersburg, SATO carries out its growth target. Rented housing acquired by SATO is chosen in central locations in the city.

## Business policies

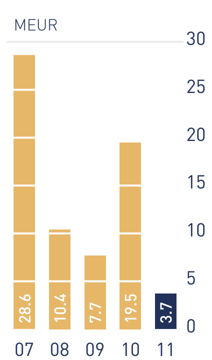
It is SATO's strategic goal to grow by investing in rented housing in the urban growth centres of Finland and in St. Petersburg. Business started up in St. Petersburg in 2007 and investments have been made in homes newly built by Nordic and Russian construction companies. SATO does not itself commission the construction of homes in St. Petersburg.

Investments in St. Petersburg are directed towards elite and business-class homes. The customers are well-to-do Russians and foreign expatriates who have relocated to St. Petersburg. In the future, investments may also be channelled to so-called comfort-class homes.

The apartments in St. Petersburg are in the best locations in the city centre or in developing areas near to the centre and linked by the metro.

Home leasing is handled by the corporation's own personnel at SATO's St. Petersburg regional office.

Housing investments in St. Petersburg




## Investment properties

On 31 December 2011, SATO had in St. Petersburg a total of 93 (93) completed apartments and 85 (85) homes under construction. By the end of the year under review, the value of investments made in St. Petersburg totalled 70.1 (66.4) million euros.

## Investments

During the year under review, the Group's investments in housing in St. Petersburg totalled 3.7 (19.5) million euros. SATO had binding purchased agreements to a value of 13.7 (7.1) million euros.

During the year under review, an investment decision was made on 43 apartments in the Vasilyevsky Island district.

## Rental business

The number of leasable apartments at year-end was 93 (93). Most of the apartments are rented out furnished. The average rent for SATO's apartments including fittings in St. Petersburg was 26.04 (25.49) euros/sq.m./month and their financial occupancy rate averaged 70.0 per cent, being 89.2 per cent at year-end.

## Outlook

The economy of St. Petersburg is forecast to grow faster than that of Finland. The developing city is attracting companies and new residents. The housing investment market in St. Petersburg is becoming more professional and an increase in the supply of rented homes is fuelling new demand.

# Corporate responsibility

### Corporate responsibility

Homes will always be needed. SATO's business is firmly linked to people's welfare, as it maintains, rents out and improves its housing stock and produces new homes. Together with its residents, SATO develops ways to ensure housing amenity values.

SATO has been a responsible operator in the housing market for more than 70 years. SATO currently holds some 23,000 leasable homes in the urban growth centres of Finland and in St. Petersburg. Maintaining and expanding a broad-based supply of housing in the growth centres boosts these regions' prospects for development and their labour supply.

Thanks to a steady cash flow from rental business, the Group's ability to attend to its liquidity and its financial obligations is on a sound basis. Through professional maintenance of the investment properties and systematic repairs, combined with investment and divestment, a foundation is created for increasing the value of the company. SATO works together with its network of partners to achieve its aims.

The backbone of operations is the creation of added value together with the customers, partners and other stakeholders, in a way that benefits all parties.

# Financial responsibility

### Cash flow diagram

| | |
|---|---|
| **Customers** | **MEUR 248.1** |
| Turnover | MEUR 232.0 |
| Divestments | MEUR 16.1 |

▼

**SATO**

▼

| | |
|---|---|
| **Suppliers** | **MEUR 262.3** |
| Purchases | MEUR 159.5 |
| Investments | MEUR 102.8 |
| **Personnel** | **MEUR 12.2** |
| Salaries | MEUR 10.2 |
| Pension expenses | MEUR 2.0 |
| **Investors** | **MEUR 53.6** |
| Dividends | MEUR 17.8 |
| Interest and financial expenses | MEUR 35.8 |
| **Public sector** | **MEUR 14.1** |
| Income taxes | MEUR 14.1 |

# Personnel and social responsibility

## Personnel
SATO's personnel comprises some 140 professionals in the housing sector. Most of them have a technical, commercial or legal education. As an employer, SATO offers competitive pay, good working conditions and opportunities for professional growth. The average age of the personnel is 45 years.

## Personnel index
SATO carries out an annual survey of the personnel in which the employees assess and provide information on job stamina, supervisors' work, skills development and organisational functionality. The SATO index describing the personnel's overall satisfaction was, for the year under review, 67 (on a scale of 0–100) (64 in 2010). The most important improvements were found in subdivisions related to supervisors' work.

## Good work by supervisors
During the year under review, training and discussions were held for supervisors dealing with the targets to be set for SATO's management and inspiring leadership. Regular meetings of senior and middle management were kept up. The Corporate Management Group made an appraisal of its own activities and improved them on the basis of the results.

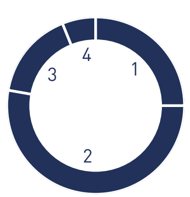
## Training
Personnel training during the year under review emphasised the improvement of management as well as SATO employees' vocational skills. Alongside in-house training sessions, SATO employees also attended management, financial and real estate training programmes held by external institutions.

Training was also held for the personnel in connection with wellbeing on the job and working stamina. Opportunities for learning on the job were improved by intensifying internal job rotation.

## Collaboration
During the year under review, TARMO, the coordinating body for SATO's personnel and management, updated its targets and working methods. The activities focus on chosen themes; during the year under review, these included improving in-house communications and collaboration. TARMO grants mentions of honour to SATO employees for action to promote the corporate values on the basis of initiatives from the personnel.

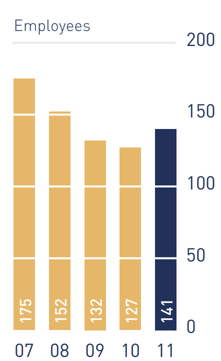
## Recreation
SATO supports the personnel's exercise and recreational activities on a broad front, for example, by distributing culture vouchers. During the year under review, SATO's sport and recreation club LiiVi arranged a number of opportunities for exercise, an everyday fitness campaign, and cultural events.

Personnel educational level 31 Dec. 2011

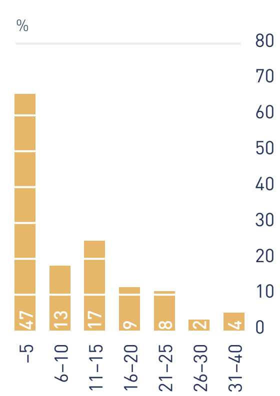



1 Tertiary 25%
(university or equivalent)
2 Senior upper secondary 53%
(e.g. college or polytechnic)
3 Junior upper secondary 16%
(vocational training or matriculation)
4 Lower secondary 6%
(e.g. middle school or comprehensive school)

Personnel at year-end




Number of years of service by personnel 31 Dec. 2011




PARTNERSHIP 4

## HR MANAGER

*In photo:* Anne-Marie Ruohonen

In order to be able to concentrate in my job on supporting management and supervisors' work and promoting personnel wellbeing, I work with a number of parties outside the corporation. I am in contact at least once a week with the companies to which payroll calculation and occupational healthcare are outsourced and many experts in aspects of HR management. This makes my work both challenging and on the other hand inspiring. My contacts steadily increase my professional skills.

## Incentives
SATO appreciates a collaborative, initiative-taking and active operating method, which is also rewarded.

The company's senior and middle management are covered by an individually specified incentive scheme. Other personnel are paid a cash bonus for attaining jointly agreed targets. In addition, one way the personnel are incentivised is through presentation of the annual 'SATO Employee of the Year' certificate as well as mentions of honour for exceptional efforts to promote the corporate values.

During the year under review, the personnel were paid a total of roughly 12.2 million euros in salaries, bonuses and employee benefits.

## Collaboration with universities
SATO collaborates in many ways with universities. During the year under review, corporate projects related to customer relationships and financing were started with the Aalto University. We also counsel students on their theses. We are also engaged in supporting individual research projects.

## Sponsorship
SATO supports young designers to promote creative solutions associated with good housing. The 'Mind the Seniors' campaign by Stefania Passera, a graduate of the University of Art and Design, which won a grant during the year under review, was a reminder of individuals' ability to influence their immediate surroundings and encourages them to maintain a sense of community.

Instead of the traditional once-only Christmas donation, SATO made a longer-term sponsorship agreement with Save the Children Fund Finland. The money will be allocated mostly to foster family activities.

## An influence in society
SATO is a member of the Finnish Association of Building Owners and Construction Clients RAKLI, whose Board is chaired by SATO's President and CEO. Also, SATO representatives are members of RAKLI's Housing Sector Management Group and three committees. SATO is also represented on the consultative committee of the Finnish Real Estate and Construction Forum.

SATO is a member of the Helsinki Region Chamber of Commerce, where SATO's President and CEO is the deputy chairman of the Board. The corporation is also represented on the Chamber of Commerce's delegates' committee plus the housing and regional committee, as well as being represented on the consultative committee for the City of Helsinki and the Chamber of Commerce. Furthermore, SATO is a member of the Association of Support Service Industries, the Finnish-Russian Board of Trade, and several housing and senior citizen support organisations.

# Environmental responsibility

### Energy conservation targets

SATO has committed itself to the property sector's energy-efficiency agreement included in the state's action programme for rented home communities (VAETS). The aim of the agreement is to reduce the consumption of electricity and heating in SATO-owned rented housing by 7 per cent of the 2009 level by the year 2016. SATO has also set its own target to reduce the specific consumption of electricity, heating and water in SATO-owned buildings by 15 per cent of the 2004 level. By the end of the year under review, specific consumption of heating had been reduced since 2004 by some 13 per cent and that of water by roughly 9 per cent.

### Energy consumption management

SATO's energy conservation activities include annual inspections of the functioning and settings of heating, plumbing and air conditioning fittings. On the basis of the energy reports, SATO directs the operations of the maintenance companies in cooperation with the building managers. The day-to-day energy consumption of the buildings is monitored to detect malfunctions and so that rapid action can be taken on repairs. Annual training sessions on energy management are held for building managers and maintenance operatives.

## Further deployments in improving energy efficiency

The condition of SATO's rented homes is checked at fixed intervals, and during the inspections repairs such as fixing water leaks are carried out, room temperatures are adjusted, and when necessary plumbing fixtures are changed for water-saving models. By the end of 2012, all of SATO's rented homes will have been fitted with water-saving fixtures.

During the year under review SATO deployed a total of roughly 0.5 million euros in action and equipment to improve energy efficiency. We estimate that the payback period for investments as cost-saving measures will be roughly two years.

### Consumption monitoring

SATO's energy monitoring system was improved with the start-up of hour-specific monitoring of electricity consumption in some rented buildings. Possibilities for improving remote monitoring of energy consumption in old buildings were also examined.

As a result of the pilot project of a control system based on measuring apartment-specific heating consumption, which was started in 2010, savings of roughly 15 per cent in consumption were achieved. The comfort levels experienced by the residents also improved. On the basis of the results, it was decided to continue development work on control systems.

### Temperature reviews

During the year under review, a more detailed than usual temperature review was performed at 50 of SATO's rental properties, on the basis of which heating controls were repaired. Heating regulators were also replaced at 50 properties, which showed up immediately in the properties' energy consumption. Consumption fell during the first six months by eight per cent.

PARTNERSHIP 5

*In photo:* Kimmo Ruokoniemi

## BUILDING TECHNOLOGY MANAGER

Developments in property maintenance and repair costs are of great importance to the profitability of investments. Promoting sustainable development by reducing energy consumption and by the proper allocation and timely performance of repairs has a major impact. Together with our partners, we have developed for SATO a functional tool for the ongoing monitoring and control of energy consumption. With building renovation designers and contractors we aim to identify the best practices for lifecycle repairs to properties.

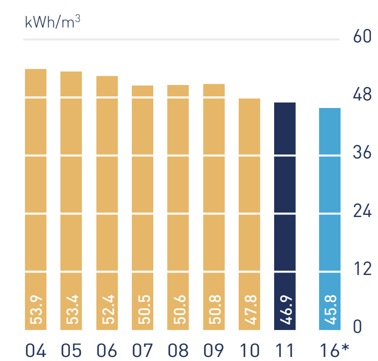
### Construction

The importance of energy efficiency in construction is rising all the time. SATO studies technology-based alternatives to identify the best solutions in terms of sustainable development, and in 2012 it will start a pilot project for this. The aim is to create a cost-effective ecological construction model by which amenity value can also be enhanced.

### Committed partners

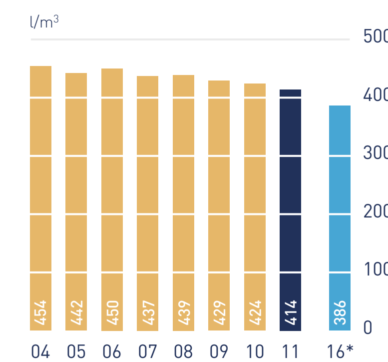
The building management contracts were renewed in spring 2011 and targets were set in these for the energy-efficiency of SATO-owned properties. Energy conservation was tied in as part of the price review system of the contracts.

Standardised heating consumption




* SATO's target

Water consumption




* SATO's target

# Report on the governance and resource management system 2011

The administration of SATO Corporation is based on the Finnish Companies Act and SATO Corporation's articles of association. The company also complies with the Corporate Governance Code for Finnish listed companies issued by the Finnish Securities Market Association on 15 June 2010. As SATO Corporation shares are not publicly listed it does not, however, comply with recommendation 9 of section 3 or recommendation 51 of section 9, which concern the number of members and composition of the Board of Directors and the management of insiders. The company's Board of Directors approved guidelines on 13 February 2008 for trading in SATO Corporation shares and other securities. The Corporate Governance Code is available publicly at the website www.cgfinland.fi.

SATO Corporation draws up its consolidated financial statements and interim reports in accordance with international, EU-approved IFRS reporting standards. 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.

Authority and the governance of the company are divided among the annual general meeting, the Board of Directors, and the President and CEO. The current articles of association of SATO Corporation were registered on 15 March 2011.

## The general meeting

The general meeting of the shareholders is SATO Corporation'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.

The annual general meeting decides on the matters due to it under the Finnish Companies Act and the articles of association, which include the following:

1. adopting the company's financial statements and consolidated financial statements
2. the application of the profit shown by the balance sheet
3. granting release from personal liability to the members of the Board of Directors and the President and CEO
4. electing the members and chairman of the Board of Directors as well as an auditor
5. the remuneration of the Board members and the auditor.

A shareholder is entitled to propose an item permitted under the Companies Act for discussion by the meeting of shareholders if he or she requires this in writing from the Board of Directors no later than four weeks before the notice of meeting is sent.

The notice of meeting will be sent to shareholders no more than three months and no less than three weeks prior to the meeting in a newspaper published in the capital city or demonstrably sent in writing as well as being displayed, together with appendices, on the company's website.

Entitlement to attend the general meeting is held by a shareholder who has been entered in the register of shareholders eight working days before the general meeting.

SATO Corporation has one class of shares. Each share confers entitlement to one vote at a general meeting.

## Board of Directors

The general meeting elects no fewer than five and no more than nine members to the company's Board of Directors. The general meeting elects one member of the Board of Directors to serve as chairman of the Board. The Board of Directors elects one of its members to serve as deputy chairman.

A majority of the members of the Board of Directors must be independent of the company, and at least two of the said majority must also be independent of major shareholders. 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 annual general meeting which convened on 2 March 2011 elected to the Board of Directors Juha Laaksonen as chairman of the Board and, as ordinary members, Timo Hukka, Vesa Immonen, Jorma Kuokkanen, Raimo Lind and Esko Torsti. The Board of Directors elected Raimo Lind as its deputy chairman.The Board of Directors convenes 6–12 times a year. In 2011, the Board of Directors convened 11 times. An average of 86.4 per cent of the members of the Board of Directors attended the Board meetings.

Information about the chairman and members of the company's Board of Directors as well as their holdings is on the company's website www.sato.fi and on pages 46–47 of this annual report.

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.

SATO Corporation's Board of Directors has confirmed rules of procedure which apply to the duties, meeting procedures and decision-making practices of the Board of Directors. The essential contents of the rules of procedure are explained on the company's website www.sato.fi. In addition to matters for decision, the Board of Directors is supplied at the meetings with up-to-date information on the company's operations, economy and risks.

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 to the Group's business. The duties of the Board of Directors include the following:

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

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

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

## The Committees of the Board of Directors

At the organisational meeting held annually after the annual general meeting, the Board of Directors appoints an Audit Committee and a Nomination and Compensation Committee. The Audit Committee and the Nomination and Compensation Committee are comprised of between three and five members, chosen by the Board of Directors, one of whom acts as chairman.

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

The Audit Committee convened three times and the Nomination and Compensation Committee convened once during the financial year. The meetings of the Committees were attended on average by 100 per cent of their members.

Serving on the Audit Committee in 2011 were chairman Raimo Lind and members Vesa Immonen and Esko Torsti. All the members are independent of the company and one is also independent of the major shareholders.

Serving on the Nomination and Compensation Committee in 2011 were chairman Juha Laaksonen and members Timo Hukka and Jorma Kuokkanen. All the members are independent of the company and one is also independent of the major shareholders.

## President and CEO

The Board of Directors appoints the company's President and CEO and his deputy. The duties of the President and CEO are defined by the law, the articles of association, and guidelines supplied by the Board of Directors. The President and CEO attends to the ongoing management of the company in accordance with the rules and regulations supplied by the Board of Directors. The President and CEO is responsible for the Group's business, the planning thereof and the attainment of its goals. The President and CEO serves as chairman of the Corporate Management Group.

The President and CEO is Erkka Valkila, B.Sc. (Eng.). The deputy to the President is Tuula Entelä, LL.M, B.Sc. (Econ.). Information on the President and CEO and his deputy and on their holdings is given on the Group's website www.sato.fi and on pages 48–49 of this annual report.

## The Corporate Management Group

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

The members of the Corporate Management Group are the President and CEO of SATO Corporation; the Vice Presidents; the Director, Customer relationships and Communications; and the CFO. The duties and spheres of responsibility of the members of the Corporate Management Group, as well as their personal details and holdings, are stated on the Group's website www.sato.fi.

The Corporate Management Group convenes once a week.

### Disclosures

SATO's website is used to make public the main information on the company's administration. All of the company's disclosures and the main management presentation material on the company's economy may be seen immediately after publication on the company's website www.sato.fi.

### Internal supervision

The aim of the internal supervision 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 supervision 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 supervision.

Responsibility for the arrangement of the internal supervision is held by the Board of Directors and by the President and CEO. Each member of the Board of Directors is sent a monthly report on the Group's financial situation and its business climate. The Audit Committee of the Board of Directors oversees the effectiveness of the internal supervision and the accuracy of the financial reporting. Responsibility for the performance of internal supervision 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.

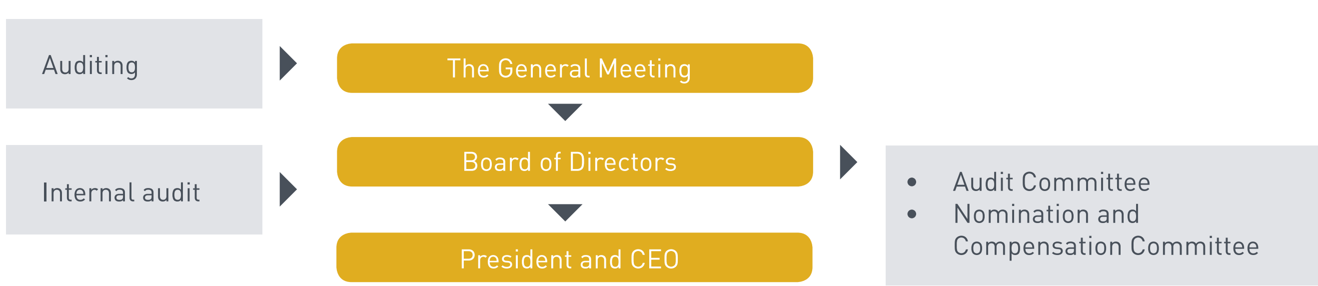
The interpretation and application of accounting standards has been consolidated in the hands of the Group's financial administration, which maintains operating guidelines on financial reporting, process descriptions, calculation manuals and control mechanism descriptions, and which attends to the associated 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.

### Internal audit

The internal audit enhances the handling of the Board of Directors' duty of supervision.

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

The duties of the internal audit are handled by Deloitte & Touche Oy. The internal audit reports are sent to the chairmen of the Board of Directors and the Audit Committee as well as to the President and CEO. A review of the internal audit is sent twice a year to the Audit Committee. The Board of Directors deals with the annual plan for internal auditing and the audit report for the previous year. The subjects for auditing are selected in accordance with the Group's strategic goals, estimated risks and priorities.




### Risk management

SATO's risk management is based on the systematic risk assessment embodied in the strategic and annual planning process. Risk assessment also covers the risks of the financial reporting process. Business risks are categorised as strategic and tactical 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. The internal audit and internal supervision enhance the handling of the Board of Directors' 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.

### Auditing

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 his duties end at the closing of the annual general meeting following the one at which he was elected. The auditor for the financial year 1 January–31 December 2011 was KPMG Oy Ab. The auditor in charge at the auditing firm was Lasse Holopainen, M.Sc. (Econ. & BA), APA. The audit checks the accounts, financial statements and administration of the company and Group.

## REPORT ON SALARIES AND REMUNERATION, 2011

### The Board of Directors and auditors

The remuneration to be paid to the members of the Board of Directors and auditors is decided by the annual general meeting. The annual general meeting which convened on 2 March 2011 decided that the chairman of the Board of Directors was to be paid EUR 36,000, the deputy chairman was to be paid EUR 22,000 and the members of the Board of Directors were to be paid EUR 18,000 for their term in office. It was also decided to pay the chairman of the Board of Directors and the members EUR 500 per meeting. It was decided to pay the chairmen of the committees and the members EUR 500 per meeting.

The fees for the members of the Board of Directors in 2011 totalled EUR 167,500.00. No shares or share-related entitlements were surrendered to members of the Board of Directors during the financial year.

It has been decided to pay the auditors' fee on invoice. Auditing fees paid by the SATO Group for auditing services during the financial year 2011 amounted to EUR 216,166.27 and fees for non-auditing services were EUR 71,280.96.

### The President and CEO and the Group's other management

The criteria and payment of the salaries and bonuses paid to the President and CEO and to the members of the Group's Corporate Management Group are decided by the company's Board of Directors. Employees of the Group are not paid any separate remuneration for serving as a member of the Board of Directors or as President of a Group company.

The salary and other perquisites of the President and CEO in 2011 amounted to EUR 430,772.40, of which EUR 292,897.65 was fixed salary and the variable component was EUR 137,874.75. The salary and other perquisites paid to the Deputy President and CEO were EUR 257,927.87, of which EUR 186,698.72 was fixed salary and the variable component was EUR 71,229.15.

The retirement age for the President and CEO and for a Vice President acting as his deputy is 60 years. At that time, they are entitled to a pension amounting to 60 per cent of the annual wages serving as the basis for the calculation of pension. The period of notice of the President and CEO's service contract is six months. In case the company terminates the service contract of the President and CEO before his retirement age, the President and CEO will be entitled to a redundancy bonus of 12 months' full salary in addition to the salary for the period of notice.

The members of the Corporate Management Group are covered by an annual incentive scheme based on the Group's profit and the attainment of other main targets. The Board of Directors approves the criteria for and payment of bonuses.

A long-term incentive scheme for the period 2010–2012, which was decided on in spring 2010 by the Board of Directors, applies to 15 people working in management positions in the Group. The earnings period is three years and the criterion for accrual is growth in net assets. The commitment period for the incentive scheme will continue until 2014. The incentive scheme is cash-based and includes a maximum limit. The purpose of this is to combine the goals of the management with those of the shareholders, commitment of the key people, improvement of competiveness, and promotion of long-term financial success.

# Board of Directors

Timo Hukka (left), Raimo Lind, Juha Laaksonen, Esko Torsti, Vesa Immonen and Jorma Kuokkanen

Juha Laaksonen
born 1952, B.Sc. (Econ.), CFO, Fortum Corporation, Board member since 2007, Chairman of the Board since 2007, independent of the company and its main shareholders

Primary working experience:
Fortum Corporation: CFO since 2000, Fortum Corporation: Corporate Vice President, M&A and Executive Vice President, Finance & Planning, Oil and Gas Divison; 1999–2000, Neste Oyj: CFO 1998, Corporate Controller 1997–1998, Vice President of Finance & Planning, Chemicals Division 1994–1997, Neste Oy: various expert and management duties 1979–1993

Main simultaneous positions of trust:
Kemira Oyj: member of the Board of Directors, Kemijoki Oy: member of the Supervisory Board, Several Fortum Group companies' Board chairman or member, Fortum Art Foundation: chairman of the Board

Timo Hukka
born 1952, economist,
Chief Investment Officer, Investment Operations, Suomi Mutual Life Assurance Company, member of the Board of Directors since 2008, independent of the company, not independent of the main shareholders

Primary working experience:
Suomi Mutual Life Assurance Company: deputy for President and CEO since 2008, Chief Investment Officer, Investment Operations since 2003, Has served in the insurance industry since 1979 in various specialist, managerial and executive posts for corporate finance and investment.

Main simultaneous positions of trust:
Member of the State Pension Fund´s Investment Consultative Committee, Finsilva Oyj: member of the Board of Directors, Aberdeen Asset Management Finland Oy, member of the Board of Directors

Vesa Immonen
born 1965, M.Sc.,
Managing Director, Tapiola Real Estate Ltd, Board member since 2010, independent of the company, not independent of the main shareholders

Primary working experience:
Tapiola Real Estate Ltd: Managing Director 9/2008–, Tapiola Real Estate Ltd's Property Investment Director from 2007, Tapiola Insurance Group's Vice President 2002–2006, Department Manager 2000–2001, Project Manager (property unit) 1998–1999, Helsinki University of Technology (property laboratory) Assistant Professor, Senior Assistant and Assistant 1992–1998

Main simultaneous positions of trust:
Exilion Capital Oy: member of the Board of Directors, Tapiolan Alueen Kehitys Oy: chairman of the Board of Directors

Jorma Kuokkanen
born 1953, LL.M., M.Sc. (Econ.),
Director, Investments, Varma Mutual Pension Insurance Company, Board member since 2005, independent of the company, not independent of the main shareholders

Primary working experience:
Varma Mutual Pension Insurance Company: head of Client Financing and Real Estate Investments since 1998, since 1981 in various investment-related posts for Sampo, Pension Sampo and Varma Mutual Pension Insurance Company

Main simultaneous positions of trust:
NV Kiinteistösijoitus Oy: member of the Board of Directors

Raimo Lind
born 1953, M.Sc. (Econ.),
Executive Vice President, CFO and Deputy to the President, Wärtsilä Group, Board member since 2001, Deputy Chairman of the Board since September 2007, independent of the company and its main shareholders

Primary working experience:
Wärtsilä Corporation: Vice President, CFO since 1998, Executive Vice President, CFO and Deputy to the President since 2005, Tamrock Oy: CFO, Tamrock Service Business, Vice President, Tamrock Coal Business, Vice President, 1992–1998, Scantrailer Ajoneuvoteollisuus Oy: President and CEO 1990–1991, Wärtsilä Group: positions within control & finance and line functions 1976–1989

Main simultaneous positions of trust:
Member of the Board of Directors of several Wärtsilä Group companies, Elisa Corporation: member of the Board of Directors, vice chairman of the Board since 2010, Wilhelm Wahlforss Foundation: member of the Board of Directors 2011–, The Federation of Finnish Technology Industries: member of the Board of Directors 2012–

Esko Torsti
born 1964, Licentiate in Social Sciences, Economics, Director, Ilmarinen Mutual Pension Insurance Company, Board member since 2006, independent of the company, not independent of the main shareholders

Primary working experience:
Ilmarinen Mutual Pension Insurance Company: Director since 2006, Pohjola Group plc: Director, Investments 2005–2006, Pohjola Asset Management Ltd: President and CEO 2003–2005, Pohjola Group plc: Director, Investments 2001–2003, Ilmarinen Mutual Pension Insurance Company: Director, Interest Investments 1998–2001, Skandinaviska Enskilda Banken, Finland: Chief Economist 1996–1998, Stockbroker company Protos: economist 1994–1996, Research Institute of the Finnish Economy: 1985–1994

Main simultaneous positions of trust:
Tornator Oy: chairman of the Board of Directors, Ekokem: member of the Board of Directors, RAKLI – the Finnish Association of Building Owners and Construction Clients: member of the Board of Directors, Central Chamber of Commerce: member of the Property Appraisal Board

# Corporate Management Group

*First photo*
Monica Aro

*Second photo*
Esa Neuvonen
and Tuula Entelä

*Third photo*
Erkka Valkila
and Pasi Suutari

### Erkka Valkila
born 1953, B.Sc. (Eng.)
*President and CEO*
has worked for SATO since 2003

Primary working experience:
Polar Corporation/Polar Real Estate Corporation: President and CEO 1998–2003; Vice President, Real Estate Division 1993–1998, Ferenda Oy: Managing Director 1991–1993, Kiinteistösolar Oy: Managing Director 1988–1991

Main simultaneous positions of trust:
Member of the Board for several SATO Group companies, KTI Kiinteistötieto Oy: chairman of the Board of Directors, The Finnish Housing Fair: chairman of the Board of Directors, HYY Group: member of the Board of Directors, Suomen Talokeskus Oy: member of the Board of Directors, Duuri Oy: member of the Board of Directors, RAKLI – the Finnish Association of Building Owners and Construction Clients: chairman of the Board of Directors, Helsinki Region Chamber of Commerce: deputy chairman of the Board, Finnish Housing Reform Association: deputy chairman of the Board, SFHP Suomi-Finland Housing and Planning: member of the Board of Directors

Shareholding in SATO: 366,187 shares

### Monica Aro
born 1954, B.Sc. (Econ.), LL.M., MBA
*Director, Customer Relationships and Communications*
has worked for SATO since 1990

Primary working experience:
SATO Group: 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 simultaneous positions of trust:
Member of the Board for several SATO Group companies

Shareholding in SATO: 42,000 shares

### Esa Neuvonen
born 1967, M.Sc. (Econ.)
*Chief Financial Officer*
has worked for SATO since 2009

Primary working experience:
TeliaSonera Enterprise Services: Senior Vice President 2007–2008, TeliaSonera Finland: CFO 2005–2006 and Vice President Finance and Business Control in 2003–2005, Sonera Corporation: Vice President Finance and Business Control in 2002, Director in 1998–2000 and Business Controller in 1997, Quam Gmbh: Vice President 2001, Helsingin Energia: Manager 1993–1996

Main simultaneous positions of trust:
Member of the Board for several SATO Group companies, Suomen Asumisoikeus Oy: member of the Board of Directors

Shareholding in SATO: 875 shares

### Tuula Entelä
born 1955, B.Sc. (Econ.), LL.M.
*Vice President/Helsinki Region and St. Petersburg*
Deputy to President and CEO
has worked for SATO since 1981

Primary working experience:
Polar Group: Administrative Director of Real Estate Division 1992–1994, SATO Group: Director, Housing Development and Construction 1989–1992, SOK Corporation: Real Estate Legal Counsel 1987–1989, SATO Group: Construction Client Agent 1981–1986

Main simultaneous positions of trust:
Member of the Board for several SATO Group companies, Sponda Plc: member of the Board of Directors, Helsingin Osuuskauppa Elanto: deputy chairman of the Board, Member of the Governing Board for Diaconia Services and Development Services of the Helsinki Deaconess Institute, Finnish Housing Association: deputy chairman of the Board of Directors, RAKLI – the Finnish Association of Building Owners and Construction Clients: Member of Management Group of the Housing division

Shareholding in SATO: 155,812 shares

### Pasi Suutari
born 1969, M.Sc. (Constr. Eng.)
*Vice President/Regions, Construction and Renovation*
has worked for SATO since 2010

Primary working experience:
YIT-Rakennus Oy: Business Development Director 2009, Business Segment Director 2005–2008, Regional Director 2001–2004, Project Engineer, Project Manager, Builder/Developer Manager 1995–2001
YIT Corporation: Site Engineer 1994–1995

Main simultaneous positions of trust:
Member of the Board for several SATO Group companies, RAKLI - The Finnish Association of Building Owners and Construction Clients: member of the Consultative Committee, chairman of the Construction Client and Procurement Committee

Shareholding in SATO: –

# Annual Report of the Board

## Business climate

The year under review began with hopes for the overall economic trend, but doubt in the EU's ability to make collective decisions to boost economic discipline grew throughout the year. In the closing months, there was talk of an EU-wide economic downswing, a credit crunch and the breakup of the euro. In Finland, a downturn in consumer confidence that began in the spring continued throughout the year, leaving the confidence level well below average. However, intentions to buy homes held at an average level.

Demand for rented homes remained good throughout the year. As a result of the good market situation and improvements made in SATO's rental business, the rental occupancy rate of the Group's investment properties rose to a record level.

The number of rented homes completed was above the average for recent years, but this was inadequate to meet demand, particularly in the Helsinki Metropolitan Area. SATO's investments during the year under review were 150.0 million euros and at the end of the year SATO had under construction a total of 469 (496) rented homes in Finland.

Demand for owner-occupied housing was at an average level and construction of housing was brisk. SATO started construction of a total of 309 (190) owner-occupied homes.

In the early months of the year SATO forecast a moderate increase in interest rates in 2011, but rising uncertainty over the economy returned interest rates to an exceptionally low level.

The economic uncertainty was reflected less in Russia than in Western Europe. SATO continued its investments in St. Petersburg and made a decision on 10.0 million euros in investments.

## Segment division

In financial reporting, the Group's investment properties are grouped under two segments, namely SATO business and VATRO business. The segmentation increases the transparency of operations and reporting related to the state-supported housing stock.

SATO business is comprised of investment properties which are restriction-free or have shorter-term restrictions as well as owner-occupied home construction.

VATRO business is comprised of investment properties with longer-term restrictions.

In accordance with the Group's growth strategy, new investments are channelled to homes included in SATO business and the relative importance of VATRO business in the Group is declining.

## Turnover and net profit

During the year under review Group's turnover grew by 20 per cent and was 232.0 million euros (192.9 million euros in 2010). The increase in turnover was due to a rise in rental income and increased sales of owner-occupied homes. Of the turnover 196.9 (158.8) million euros was SATO business turnover and 35.1 (34.1) million euros was due to VATRO business.

Rental income grew by 8.7 (6.8) per cent and accounted for 195.8 (180.1) million euros of turnover. The increase in rental income has an impact on expanding the cash flow and the value of assets. The positive trend was influenced by the continued good demand, new investments, and improvements in rental business.

The Group's operating profit was 86.8 (74.7) million euros.

The trend in the Group's profit before taxes grew in line with the forecasts issued by SATO and it was an improvement on the figure for 2010. It grew by 25 (38) per cent to 52.1 (41.6) million euros. The profit includes 13.9 (13.4) million euros in capital gains from divestment. The share of the profit before taxes due to SATO business was 48.8 (35.0) million euros and that of VATRO business was 3.3 (6.6) million euros. The improvement in profit was influenced by an increase in rental income and proceeds from sales of owner-occupied homes, good management of costs, and low interest rates.

## Financial position

The consolidated balance sheet total as at 31 December 2011 was 1,716.6 (1,471.8) million euros. The Group's interest-bearing liabilities were 1,255.4 (1,067.9) million euros.

The Group's equity ratio calculated on the book value of investment properties was 16.7 (18.8) per cent and calculated on fair value it was 29.5 (29.5) per cent. The target is an equity ratio of at least 25 per cent calculated on the fair value of investment properties.

The book value of the investment properties was 1,424.9 (1,305.9) million euros and the fair value was 1,898.6 (1,657.3) million euros. The difference in value was 473.7 (351.4) million euros and the difference in value increased during the year under review by 122.3 (91.8) million euros.

The Group's return on equity was 14.9 (12.4) per cent and its return on investment 6.1 (5.7) per cent.

The average 12 per cent annual return SATO has set as a strategic goal is comprised of, in addition to return on equity, the appreciation on investment properties which is reported in the notes to the financial statements. The total return is calculated on net assets at fair value. The total return for 2011 was 22.8 (20.8) per cent, of which appreciation accounted for 15.7 (14.3) percentage points.

## Finance

The financial situation of the Group and parent company was good throughout the financial year. The Group's financial assets at year-end were 23.6 (18.0) million euros.

Interest-bearing liabilities at year-end were 1,255.4 (1,067.9) million euros, of which market rate loans totalled 773.1 (616.3) million euros, pension insurance loans totalled 35.4 (39.0) million euros, interest-subsidised loans 98.0 (98.6) million euros and state-subsidised ARAVA loans 178.4 (191.7) million euros. There were debts in the amount of 170.5 (122.3) million euros on shares held in housing companies and mutual property holding companies included in investment properties.

During the financial year, new long-term financing was acquired in the amount of 181.1 million euros. In addition to this, contingent liabilities applied to shares in housing companies increased by 48.2 million euros.

Of the capital of market rate loans at year-end, 530.3 (431.3) million euros was hedged with interest-rate derivatives, which is equal to 71 (72) per cent of the market rate interest position. The average maturity of the derivatives was 3.5 (3.6) years. The computational effect of changes during the financial year in the market value of hedges on shareholders' equity was –13.3 (–2.5) million euros and the effect on the profit was 2.2 (0.3) million euros.

The state-subsidised ARAVA loans, interest-subsidised loans and pension insurance loans are pegged to a long-term reference rate or include an element limiting the interest risk. When these loans are included, the hedged total of the 1,255.4 (1,067.9) million euros in loans is 919.0 (802.8) million euros.

The Group's cash flow during the year under review was good. Cash flow from business operations was particularly boosted by the improvement in operating profit by roughly 16.3 per cent.

## Group structure

SATO Corporation is the parent company of the SATO Group. At year-end, the parent company had a total of 6 (6) subsidiaries engaged in business.

## Investment properties

On 31 December 2011, the Group held a total of 23,279 (22,830) housing units. The book value of the homes was 1,424.9 (1,305.9) million euros and the fair value was 1,898.6 (1,657.3) million euros. The positive difference between fair and book values was 473.7 (351.4) million euros. The difference grew during the period under review by 122.3 (91.8) million euros. The increase in value difference was due to the trend in housing prices and rents as well as the ending of state-subsidy restrictions on properties.

In its accounting, SATO applies the acquisition cost model to investment properties. The change in the value difference of investment properties is not posted to the profit and loss account; it is given in the notes.

## Investments in investment properties and divestments

The Group's gross investments totalled 150.0 (104.3) million euros.

During the year under review, growth continued in line with the strategy. In the course of 2011, a total of 748 (674) homes were acquired, of which 240 (85) were newly built.

The main acquisition in Finland was the purchase of a total of 383 homes in Helsinki, Turku and Oulu from the OP-Pohjola Group for 60 million euros. Investments in newly built homes amounted to a total of 43.4 (48.2) million euros.

The increase in the balance sheet due to investments in housing totalled 148.8 (104.3) million euros. The investments were targeted on areas in which the demand for rented homes and expected appreciation were considered to be best. Also, on 31 December 2011 there were binding purchase agreements valued at 66.9 (38.5) million euros. This creates a good basis for continuing the achievement of the Group's growth target.

At year end, 469 (496) new rental housing units were under construction in Finland for ownership by the Group.

The sum used for renovating the housing stock and improving the quality of apartments was 37.2 (30.6) million euros.

During the financial year, 301 (608) homes were divested in Finland for a total of 18.7 (32.9) million euros. The divested homes were for the most part located outside SATO's targeted business area.

## Rental business

The financial rental occupancy rate during the year under review averaged 98.3 (98.1) per cent and occupant turnover averaged 30.6 (29.0) per cent. The rise in the rental occupancy rate was influenced by the good demand and improvements effected in rental business.

The average rent per square metre for rented homes during the period under review was 12.82 (12.10) euros/sq.m./month. The actual rent increase in SATO's housing stock during the year was 4.5 (3.0) per cent.

As stated in the forecast issued by SATO, the net rental income of rented housing improved on the previous year's figure, being 109.4 (100.6) million euros. The net rental income percentage of rented housing was 8.1 (7.9) on book value and 6.2 (6.5) per cent on fair value.

## Property development

Property development plays an important part in carrying out the growth strategy. In construction of both rented and owner-occupied homes, SATO focuses on commissioning the building of apartment blocks, and it acquires a land portfolio suitable for this.

The book value of the Group's building land inventory at the end of the period under review was 90.8 (76.7) million euros. During the period under review, new plots were acquired to a value of 19.0 (14.5) million euros. The most significant acquisitions of land were in Marja-Vantaa and the Telakkaranta district of Turku. The book value of the building land inventory sold and transferred to housing construction during the year was 10.6 (16.4) million euros.

During the financial year, a total of 351 (122) homes were completed, of which 111 (50) were owner-occupied homes with an acquisition value of 33.7 (2.9) million euros. Under construction on 31 December 2011 there were a total of 856 (686) homes, of which 469 (496) were Group investment properties and 387 (190) were owner-occupied homes for sale.

During the year under review, construction began on 132 (375) rented homes for ownership by the Group. The market conditions for owner-occupied homes were good in the early months of the year and SATO started the construction of a total of 309 (190) owner-occupied homes.

During the period under review, a total of 151 (87) owner-occupied homes with a value of 30.0 (25.0) million euros were sold. At year-end, the completed owner-occupied homes unsold numbered 16 (2) and those under construction numbered 273 (130), with a total acquisition value of 78.3 (38.0) million euros.

## Business in St. Petersburg

By the end of the year under review, the value of investments made in St. Petersburg totalled 70.1 (66.4) million euros. SATO continued its investments in St. Petersburg and made a decision on an investment of 10 million euros. At year-end, binding contracts for acquisitions totalled 13.7 (7.1) million euros in value. At the end of the year under review, SATO had in St. Petersburg a total of 93 (93) completed apartments and 85 (85) ones under construction. The rental occupancy rate for rented homes averaged 70.0 per cent during the year under review and 89.2 per cent at year-end.

## Customer relationships

In order to increase customer-centredness, the development continued during the year under review of the key processes in SATO's business and new customer benefits were added. A new benefit for customers, a free broadband connection, was included in practically all rental agreements. Online facilities were added to improve customer service. The overall satisfaction of tenants remained good, although after six years of improvement, the rise in ratings came to a halt.

## Environmental impacts

SATO has committed itself to the property sector's energy-efficiency agreement included in the state's action programme for rented home communities (VAETS). The aim of the agreement is for the signatory communities to cut their consumption of electricity and heating by 7 per cent of the 2009 level by the year 2016. During the year under review, consumption fell by more than 6 per cent on the previous year. The Group's environmental programme can be read in its entirety on the website www.sato.fi.

## Research and development

During the year under review, SATO spent a total of 1.1 million euros on research and development, which is equivalent to 0.5 per cent of turnover. Development work focused on updating the service concepts, increasing web-based access to services, and development on processes and information systems.

## Risk management

SATO's risk management is based on guidelines for corporate governance as well as on the systematic risk assessment embodied in the strategic and annual planning process. An internal audit is carried out by an independent party and the auditing is allocated in accordance with the risk assessments of the strategic and annual planning process.

The main risks of selling and leasing homes concern economic cycles and changes in demand. The vacancy rate and occupant turnover of rented homes as well as forecasts for these are monitored on a weekly basis. In order to boost the rental occupancy rate and to reduce occupant turnover, effort is deployed in action on the apartments' quality factors and on strengthening customer relationships. Sales of owner-occupied housing are monitored on a weekly basis to detect changes in the market. SATO's Board of Directors has set euro limits to the total amount of unsold homes and land inventory.

A change in the market prices of homes impacts on the value of SATO's housing portfolio. A positive trend in the value of the housing and the rentability of the homes portfolio are secured by concentrating on the urban centres of growth. Systematic repairs help to enhance the quality of the Group's housing portfolio in the long term. Changes in requirements for energy efficiency and environmental aspects may affect a rise in the costs of repairs to SATO's investment properties.

Business in St. Petersburg involves risks related to the business climate as well as a currency risk. Known payments in foreign currency related to the acquisition of properties are hedged in accordance with the Group's financing policy. As part of the risk management, investment prospects are selected among properties which are in central locations. Also, the proportion of investments in St. Petersburg has been restricted relative to the Group's total housing investments.

To secure the continuity of services purchased from partners, operations have been shared out among a number of service providers.

Interest rate fluctuations affect SATO's profit through changes in interest expenses and through changes in the market values of interest rate hedging. In accordance with the Group's financial policy, 50–80 per cent of the market loans is hedged. The adequacy of financing is monitored on an ongoing basis through a liquidity forecast, and the Group has also set a target for equity ratio.

The Group's risks in respect of property, loss of profits and liability for damages are secured with appropriate insurance cover.

Further information on risk management is given on page 15 of the annual report.

## Pending lawsuits

Lawsuits and countersuits between the contracting parties are pending in connection with the implementation of and invoicing for an owner-occupied property built in the Arabianranta district of Helsinki.

## Shares

The share capital of SATO Corporation as at 31 December 2011 was 4,442,192.00 euros and the number of shares was 51,001,842. The company has a single series of shares. The shares are on a book-entry securities system maintained by Euroclear Finland Ltd.

SATO Corporation holds 160,000 company shares. These shares represent 0.3 per cent of all shares and the combined total of voting rights.

The members of SATO Corporation's Board of Directors, the President and CEO and his deputy held a total of 521,999 shares on 31 December 2011.

## Personnel

At the end of 2011, the Group had 141 (127) employees. There were 135 (122) employees on permanent contracts and 6 (5) on fixed-term contracts. The number of Group personnel averaged 137 (129) during the year.

## Board of Directors, President and CEO, and auditors

Serving on SATO's Board of Directors until the annual general meeting of 2 March 2011 were Juha Laaksonen (chairman), Raimo Lind (deputy chairman), and ordinary members Timo Hukka, Vesa Immonen, Jorma Kuokkanen and Esko Torsti.

The annual general meeting of 2 March 2011 confirmed the number of members on the Board of Directors as six. Juha Laaksonen was re-elected as chairman of the Board and all existing Board members were re-elected.

The Board of Directors reappointed Raimo Lind as their deputy chairman.

In 2011, the Board of Directors convened on 11 occasions. The work of the Board is supported by two committees: the Appointment and Compensation Committee and the Audit Committee.

Erkka Valkila, B.Sc. (Eng.), served as President and CEO. Tuula Entelä, LL.M., B.Sc. (Econ.), is deputy to the President and CEO.

The company's auditors were KPMG Oy Ab, a firm of Authorised Public Accountants, with Markku Sohlman, APA, as the auditor in charge until the annual general meeting of 2 March 2011, whereupon he was succeeded by Lasse Holopainen, APA.

### The members of the Corporate Management Group

The Corporate Management Group was comprised of President and CEO Erkka Valkila; Vice Presidents Tuula Entelä and Pasi Suutari; Director, Customer Relationships and Communications Monica Aro; and Chief Financial Officer Esa Neuvonen.

### Outlook

Uncertainty over the economic trend continues and forecasts show little growth in the Finnish economy or a downswing in overall output in 2012.

Interest rates are expected to stay low in 2012.

Demand for rented homes is forecast to continue to be good in SATO's business areas. SATO's net rental income is forecast to improve.

Continuing uncertainty will also impact the housing business, in which case SATO's number of divestments and housing starts may also decline.

### Board's proposal for the disposal of profits

The parent company's distributable assets as at 31 December 2011 were EUR 89,550,511.18, of which the net profit for the financial year was EUR 25,882,712.05. The number of issued shares in the company conferring entitlement to dividend for 2011 is 50,841,842.

The Board of Directors proposes to the annual general meeting that dividend be paid on the profit for the financial year of EUR 0.49 (0.35) per share, being a total of EUR 24,912,502.58, and that EUR 970,209.47 be posted to retained profits.

Since the end of the financial year, there have been no significant changes in the company's financial status.

### Signatures to the report of the Board and the financial statements

Helsinki, 30 January 2012

Juha Laaksonen Timo Hukka Vesa Immonen

Jorma Kuokkanen Raimo Lind EskoTorsti

Erkka Valkila
President and CEO

### Note on the financial statements

An auditors' report has been submitted this day on the audit performed.

Helsinki, 30 January 2012

KPMG OY AB

Lasse Holopainen, APA



# Consolidated comperehensive profit and loss account, IFRS

| MEUR | Note | 1 Jan.–31 Dec. 2011 | 1 Jan.–31 Dec. 2010 |
|---|---|---|---|
| TURNOVER | 2, 3 | 232.0 | 192.9 |
| Capital gains/losses on Investment Properties | 4 | 9.9 | 12.0 |
| Share of profit in associated companies | 13 | 0.0 | 0.1 |
| Other income from business operations | 4 | 0.5 | 0.0 |
| Consumption of materials and services | | −28.2 | −11.7 |
| Personnel expenses | 5 | −12.2 | −9.9 |
| Depreciation, amortization and impairment charges | 6 | −20.6 | −19.4 |
| Losses from disposals of Investment Properties | 4 | −0.2 | −0.6 |
| Other expenses of business operations | 4 | −94.3 | −88.7 |
| OPERATING PROFIT | | 86.8 | 74.7 |
| Financial income | 7 | 0.8 | 0.6 |
| Financial expenses | 7 | −35.5 | −33.7 |
| | | −34.7 | −33.1 |
| PROFIT BEFORE TAXES | | 52.1 | 41.6 |
| Income taxes | 8 | −10.5 | −10.9 |
| PROFIT FOR THE PERIOD | | 41.6 | 30.7 |
| OTHER COMPREHENSIVE INCOME ITEMS | | | |
| Cash flow hedges | | −17.9 | −3.4 |
| Financial assets available for sale | | 0.0 | 0.1 |
| Translation difference | | 0.0 | 0.0 |
| Taxes applied to other comprehensive income items | | 4.2 | 0.9 |
| Other comprehensive income items for the accounting period after taxes | | −13.8 | −2.5 |
| COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD, TOTAL | | 27.9 | 28.2 |
| Distribution of net profit for financial period | | | |
| To the owners of the parent company | | 41.6 | 30.6 |
| To the shareholders without a controlling interest | | 0.1 | 0.1 |
| | | 41.6 | 30.7 |
| Distribution of comprehensive income | | | |
| To the owners of the parent company | | 27.8 | 28.1 |
| To the shareholders without a controlling interest | | 0.1 | 0.1 |
| | | 27.9 | 28.2 |
| Profit per share calculated on the profit due to the owners of the parent enterprise | | | |
| Earnings per share, € | | 0.82 | 0.62 |
| Average number of shares, million | | 50.84 | 49.14 |

# Consolidated balance sheet, IFRS

| MEUR | Note | 31 Dec. 2011 | 31 Dec. 2010 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Investment Property | 10 | 1,424.9 | 1,305.9 |
| Tangible assets | 11 | 1.3 | 1.0 |
| Intangible assets | 12 | 0.8 | 0.8 |
| Holdings in joint ventures and associated companies | 13 | 0.2 | 0.5 |
| Financial assets available for sale | 15 | 2.5 | 2.3 |
| Receivables | 16 | 57.9 | 7.0 |
| Deferred tax receivables | 17 | 26.9 | 22.2 |
| | | 1,514.5 | 1,339.6 |
| Current assets | | | |
| Inventories | 18 | 154.3 | 107.1 |
| Accounts receivable and other receivables | 19 | 21.8 | 7.1 |
| Tax credits based on the taxable income for the period | | 2.4 | 0.0 |
| Cash and cash equivalents | 20 | 23.6 | 18.0 |
| | | 202.1 | 132.2 |
| ASSETS, TOTAL | | 1,716.6 | 1,471.8 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity due to the parent company's owners | 21 | | |
| Share capital | | 4.4 | 4.4 |
| Fair value reserve | | −24.4 | −10.6 |
| Reserve fund | | 43.7 | 43.7 |
| Other funds | | 44.9 | 44.9 |
| Retained earnings | | 213.9 | 190.1 |
| | | 282.6 | 272.6 |
| Proportion of shareholders without a controlling interest | | 1.0 | 1.6 |
| SHAREHOLDERS' EQUITY, TOTAL | | 283.5 | 274.2 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | 17 | 69.1 | 70.3 |
| Provisions | 26 | 3.9 | 4.3 |
| Other debts | 25 | 34.4 | 20.6 |
| Interest-bearing debt | 23 | 1,115.3 | 922.7 |
| | | 1,222.7 | 1,017.9 |
| Current liabilities | | | |
| Accounts payable and other liabilities | 27 | 65.7 | 29.7 |
| Income tax liabilities | | 4.5 | 4.8 |
| Interest-bearing debt | 23 | 140.2 | 145.1 |
| | | 210.4 | 179.7 |
| LIABILITIES, TOTAL | | 1,433.1 | 1,197.6 |
| SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL | | 1,716.6 | 1,471.8 |



# Consolidated cash flow statement, IFRS

| MEUR | Note | 1 Jan.–31 Dec. 2011 | 1 Jan.–31 Dec. 2010 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Net profit for financial year | | 41.6 | 30.7 |
| Adjustments: | | | |
| Business activities not involving payment | 30 | 19.4 | 19.3 |
| Capital gains and losses on fixed assets | | −9.7 | −11.4 |
| Interest expenses and other financing expenses | | 37.7 | 33.8 |
| Interest income | | −0.8 | −0.5 |
| Dividend income | | −0.1 | −0.1 |
| Taxes | | 10.5 | 10.9 |
| Cash flow before change in working capital | | 98.7 | 82.7 |
| Change in working capital: | | | |
| Changes in accounts receivable and other receivables | | −14.3 | 6.0 |
| Change in inventories | | −37.0 | −11.4 |
| Change in accounts payable and other liabilities | | 24.1 | −0.1 |
| Change in reserves | | −0.4 | −0.7 |
| Interest paid | | −36.0 | −34.9 |
| Interest received | | 0.2 | 0.3 |
| Taxes paid | | −14.1 | −4.3 |
| Net cash flow from operating activities | | 21.2 | 37.7 |
| Cash flow from investing activities | | | |
| Acquisition of subsidiaries less cash and cash equivalents at time of acquisition | | 0.0 | −5.9 |
| Sale of subsidiaries less cash and cash equivalents at time of sale | | 1.1 | 0.2 |
| Investments in tangible assets | | −102.9 | −68.4 |
| Repayments of notes receivable | | 0.4 | 0.4 |
| Loans granted | | −1.4 | −1.1 |
| Increase (–) /decrease (+) in short-term investments | | −50.0 | 0.0 |
| Sale of associated companies | | 0.1 | 0.0 |
| Sale of tangible assets | | 15.7 | 21.3 |
| Net cash flow from investing activities | | −136.8 | −53.5 |
| Cash flow from financial activities | | | |
| Proceeds from share issues | | 0.0 | 36.6 |
| Repayments (–) / withdrawals (+) of short-term loans | | −4.7 | −31.7 |
| Withdrawals of long-term loans | | 205.4 | 87.3 |
| Repayments of long-term loans | | −61.6 | −80.8 |
| Dividends paid | | −17.8 | −10.9 |
| Net cash flow from financial activities | | 121.3 | 0.4 |
| Change in cash and cash equivalents | | 5.7 | −15.4 |
| Cash and cash equivalents at the beginning of the period | 20 | 18.0 | 33.4 |
| Cash and cash equivalents at the end of the period | 20 | 23.6 | 18.0 |

# Statement of changes in Group's shareholders' equity, IFRS

**Calculation of changes in Group's shareholders' equity 1 Jan.–31 Dec. 2011**

| MEUR | Shareholders' equity due to the parent company's owners | | | | | | Shareholders without a controlling interest | Shareholders' equity, total |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Revaluation fund | Reserve fund | Other funds | Retained profits | Total | | |
| Shareholders' equity 1 Jan. 2011 | 4.4 | –10.6 | 43.7 | 44.9 | 190.1 | 272.5 | 1.6 | 274.2 |
| Comprehensive income for the accounting period, total | | –13.8 | | | 41.6 | 27.8 | 0.1 | 27.9 |
| Dividend payment | | | | | –17.8 | –17.8 | | –17.8 |
| Directed share issue | | | | | | | | 0.0 |
| Acquisition of company shares | | | | | | | | |
| Other adjustments | | | | | | | –0.7 | –0.7 |
| | 0.0 | –13.8 | 0.0 | 0.0 | 23.8 | 10.1 | –0.6 | 9.4 |
| Shareholders' equity 31 Dec. 2011 | 4.4 | –24.4 | 43.7 | 44.9 | 213.9 | 282.6 | 1.0 | 283.5 |

**Calculation of changes in Group's shareholders' equity 1 Jan.–31 Dec. 2010**

| MEUR | Shareholders' equity due to the parent company's owners | | | | | | Shareholders without a controlling interest | Share holders' equity, total |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Revaluation fund | Reserve fund | Other funds | Retained profits | Total | | |
| Shareholders' equity 1 Jan. 2010 | 4.4 | –8.2 | 43.7 | 9.3 | 170.1 | 219.4 | 1.6 | 221.0 |
| Comprehensive income for the accounting period, total | | –2.5 | | | 30.6 | 28.1 | 0.1 | 28.2 |
| Dividend payment | | | | | –10.9 | –10.9 | | –10.9 |
| Directed share issue | | | | 36.6 | | 36.6 | | 36.6 |
| Acquisition of company shares | | | | –1.0 | | –1.0 | | –1.0 |
| Other adjustments | | | | | 0.4 | 0.4 | –0.1 | 0.3 |
| | 0.0 | –2.5 | 0.0 | 35.6 | 20.1 | 53.2 | 0.0 | 53.3 |
| Shareholders' equity 31 Dec. 2010 | 4.4 | –10.6 | 43.7 | 44.9 | 190.1 | 272.5 | 1.6 | 274.2 |

# Notes to the consolidated financial statements, IFRS

## 1. The accounting principles of the financial statements

### Basic information

The Group's parent company is a Finnish public limited liability company established in compliance with Finnish law, with its domicile in Helsinki and the registered address Panuntie 4, 00600 Helsinki. The Board of Directors approved the financial statements on 31 January 2012. A copy of the company's consolidated financial statements may be obtained from the above-mentioned address.

SATO is a corporation providing housing solutions, and its business is comprised of Investment in Housing, and Housing Development. The Group's operations are focused on the Helsinki Metropolitan Area and its commuter regions as well as the economic zones of Tampere, Turku, Oulu and Jyväskylä.

SATO's Investment in Housing includes both privately financed and state-supported 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, for example, restrictions on distribution of profit, divestment and risk-taking as well as through a prohibition on lending and providing collateral. Also, housing is 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 of selling and leasing homes concern interest rates and changes in housing demand.

### General principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and complies with the IFRS norms in force on 31 December 2011, meaning the procedures ordered in the EU's IAS Regulation No. 1606/2002 for the standards approved for application in the EU and the interpretations supplied for these.

The Group has applied the following updated or amended standards as of 1 January 2011. They have not, however, had a substantial impact on the consolidated financial statements.

The updated IAS 24 Related Party Disclosures (in force for financial years beginning on 1 January 2011 or thereafter). The definition of related parties has been further specified and the requirements for notes concerning communities linked to public authorities will change.

Improvements to IFRS (May 2010) (mainly in force for financial years beginning on 1 July 2010 or thereafter). Small and less urgent changes made to standards through the Annual Improvements procedures are collected into a single unit and put into effect once a year.

In addition to the above, no other amendments to standards or IFRIC interpretations or amendments thereof coming into force in 2011 has had an effect on the consolidated financial statements.

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

The consolidated financial statements have been prepared on the basis of acquisition cost, with the exception of assets available for sale, derivatives, and financial assets and liabilities booked at fair value. The information in the financial statements is stated in millions of euros.

The preparation of IFRS financial statements requires the company management to make certain estimates and assumptions and to apply discretion in applying the accounting principles. The estimates and assumptions made will affect the amount of assets, debts and conditional debts on the balance sheet in the financial statements as well as the amount of income and expenses in the profit and loss account. The estimates and assumptions are based on previous experience and other factors which are considered to offer the best current view in the assessment of assets or debts for which figures cannot be obtained from other sources. The actuality may differ from the estimates made.

The estimates and the related assumptions are constantly examined. Revisions of accounting estimates are booked for the period in which the estimate is revised if the change in the estimate affects only that period. If the change in the estimate affects both the period in which it is made and subsequent periods, the change in the estimate is correspondingly booked both for that and for future periods.

In the section of the accounting principles entitled

"Accounting principles requiring management discretion and the main factors of uncertainty affecting the estimates", information is given on those subdivisions in which management discretion or uncertainty factors in estimates may cause the most effects on the figures shown.

## 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 constitutes a condition in which the parent company has, directly or indirectly, the right to determine the subsidiary's principles of finance or business with the aim of benefiting from its operations. Acquired subsidiaries are included in the consolidated financial statements from the date of acquisitions until such time as the control ends. Acquired companies are included in the financial statements using the acquisition cost method. The net assets of the acquired company as 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 debts, in addition to unrealized margins on internal transactions and the distribution of profit between Group companies, are eliminated in the production of the financial statements.

Mutual property companies and housing companies are treated as asset items under joint control, which are consolidated by the proportionate consolidation method prescribed by the IAS 31 *Financial Reporting of Interests in Joint Ventures* standard. This means that the consolidated financial statements include the Group's share of assets, debts, incomes and expenses. The relative proportionate method is applied to all such asset items irrespective of the Group's holdings.

Suomen Asumisoikeus Oy is a joint venture in which SATO has a 50% interest. The joint venture, in which the partners exercise business under joint control, is consolidated in SATO's consolidated financial statements in accordance with the optional consolidation method permitted by the standard IAS 31 *Interests in Joint Ventures*, i.e., the equity method.

The housing companies in SATO, which own so-called shared ownership apartments, are treated as SPEs (Special Purpose Entities) and these are not included in the consolidated financial statements. These companies are considered to be arrangements external to 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 currency

Monetary assets and debts denominated in foreign currency are translated into euros at the year-end rate. Non-monetary assets and debts denominated in foreign currency, which are valued at the original acquisition costs, are translated into euros at the rate in effect on the transaction date. Gains and losses on translation are booked in the profit and loss account.

## Investment Properties

Investment properties are those properties defined in IAS 40 Investment Property, of which the Group retains possession in order to obtain rental income or appreciation in value of the property and which are not used by the Group itself. SATO has chosen as the method for accounting for Investment Properties the acquisition cost method permitted by the IAS 40 *Investment Property* standard, as legal restrictions on divestment and use apply to the greater part of the properties. Restrictions apply on the one hand to a company owning housing (the so-called non-profit restrictions) and on the other hand to the investment which is the subject of the ownership (the so-called property-specific restrictions). 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 are booked at the original acquisition price, including the transaction costs. Later they are valued at the original acquisition price less accumulated depreciation and impairments.

Expenditure on repairs to Investment Properties is only capitalised if it increases the property's future revenue-generating capability. The depreciation periods of these capitalisations are set on a case-by-case basis according to the estimated economic life.

Investment Properties are depreciated on a straight-line basis. The economic lives on which this is based are as follows:

| | |
|---|---|
| Buildings | 67 years |
| Buildings' machinery and equipment | 20 years |
| Buildings' civil defence shelters | 40 years |

The economic life and residual value of Investment Properties are reassessed at each year-end. Changes in the economic advantages obtainable revealed by the assessment are figured in by adjusting the economic life and residual value of the goods.

An investment property is written off 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 shown on separate lines in the profit and loss account.

The fair values of the Investment Properties presented in the notes to the financial statements are determined as the result of the company's in-house assessment made quarterly at the time the financial statements are drawn up. An external specialist also makes a report on the assessment of value.

The fair values of the Investment Properties are based on the following:

- the market value in properties where the homes are freely on sale,
- the yield value for properties which are for sale only by complete buildings and to a restricted group of buyers, and
- for state subsidised properties, at the remaining historical cost shown in the accounting.

In the market value method, the comparison data for market prices are for the 24 months preceding the appraisal date.

## Tangible assets

Tangible assets are valued at the original acquisition price less accumulated depreciation and impairments. Tangible assets are depreciated in straight-line instalments during 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 included in fixed 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 entered 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 impairments.

Intangible assets consist largely of computer software, which is subjected to straight-line depreciation over 3–6 years.

## Impairment

At each year-end, it is assessed for Investment Properties' tangible and intangible assets whether there are indications of impairment. If there are indications of impairment, the sum of money accruing from the asset item is estimated. If the book value exceeds the sum of money accruing, an impairment loss is booked in the profit and loss account.

When an impairment loss is booked, the economic life of the asset item subject to depreciation is reassessed. An impairment loss booked against an asset item is cancelled if there has been a change increasing the value in the assessment used to determine the amount of money accruing from the asset item. However, no more of an impairment loss will be cancelled than what the asset's book value would have been without the booking of the impairment loss.

## Inventories

Inventories are valued at the acquisition cost or probable net divestment value if lower. The net divestment value corresponds to the selling price in normal business less the estimated cost of completing the product and the expenses of selling.

Inventories are comprised of the following items:

- homes under construction, comprised of the portion of projects in progress not booked as an expense,
- completed homes and commercial premises intended for sale but unsold at the date of closing the books,
- land areas and land area companies, which includes the acquisition costs of unstarted properties, and
- other inventories, which are mostly comprised of projects being planned.

## Financial instruments

SATO's financial assets and financial debts are classified in accordance with the IAS 39 standard in the following classes: financial assets and financial debts to be charged or credited to the profit and loss account at fair value, financial assets available for sale, loans and other receivables, and financial debts valued at the matched acquisition cost. The classification is performed at the time of the original acquisition and on the basis of the purpose of the acquisition. Purchases and sales 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

### Financial assets and debts to be credited or charged to the profit and loss account at fair value

This group includes derivative instruments which do not fulfil the terms of IAS 39 for hedge accounting and they are classified in the group of instruments kept for trading purposes. The group's financial assets and debts are valued at fair value and profits and losses arising from changes in the fair value, both realised and unrealised, are booked in the profit and loss account for the period in which they arose.

### Loans and other receivables

Loans and other receivables are assets not included in derivative assets, the payments for which are fixed or can be determined. They are included in the group for accounts receivable and other receivables in the balance sheet, in either current or non-current assets, according to their nature.

Loans and other receivables are valued at the matched acquisition cost less any impairments. 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 selling

Financial assets available for selling are mostly stocks and shares. Investments made in listed securities are valued in the financial statements at the buying price based on quoted prices announced in an active market on the date of closing the books. Unlisted shares, the fair value of which cannot be determined reliably, are valued at the original acquisition price or probable value if lower.

Unrealised changes in value of financial assets available for selling are booked direct in other items in the broad result and stated in the value adjustment fund, with allowance for the effect of 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 has to be booked against the investment.

A significant and prolonged impairment of share investments in which the fair value is lower than the acquisition price is an indication of an impairment in a share available for selling. An impairment loss on financial assets available for sale which are classified as quasi-equity investments is not cancelled through the profit and loss account.

## Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, bank accounts and liquid investments with a currency at the date of acquisition of three months or less. The 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 free of non-profit restrictions

## Financial liabilities

Financial debts are booked at the fair value at the time the debt is drawn, in the form of the amount of the remuneration received less transaction expenses. Later interest-bearing liabilities are shown valued at the matched acquisition 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 matched in the profit and loss account for the currency period of the liability by the effective interest method.

## Derivatives and hedge accounting

All derivatives are originally booked at fair value as at the date on which the Group becomes a contracting party. In the future they will continue to be valued at fair value. The accounting treatment of profits and losses depends on the intended use of the derivatives. The Group documents the ratio of hedging instruments to hedged items and makes its assessment as to whether the derivatives used for hedging are highly effective in negating 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 cash flows related to them. 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 or as derivatives which do not meet the criteria of hedge accounting under IAS 39. Changes in value of derivative instruments in the sphere of hedge accounting are booked in the items of the broad results and stated in the value adjustment fund. Profits and losses entered in shareholders' equity are transferred to the interest expenses in the profit and loss account corresponding to the interest expenses on the hedged loan at the same time as the hedged item. Any ineffective part of a hedging relationship is booked immediately in financial expenses.

Changes in value in derivatives which are not in the hedge accounting are credited or charged in the financial items.

## Untaxed reserves

A reserve is booked when the Group has a legal or actual obligation on the basis of prior events, when the realisation of a payment obligation is likely and the amount of the obligation can be reliably estimated.

The extent of the construction sector's 10-year liability reserve is based on experience of the realisation of these liabilities. A guarantee period reserve is also booked when a project is credited or charged in the profit and loss account. The extent of the guarantee period reserve is based on experience of the realisation of guarantee expenditures.

Other reserves may be reorganisation reserves or loss-making agreements. A reserve is booked for loss-making agreements when the essential expenditure required to meet obligations exceeds the benefits obtained from the agreement.

## Principles of income recognition

### Principles of income recognition for sales of new homes

Sales of newly built homes are income-recognised in compliance with the IAS 18 *Revenue* standard and the related IFRIC 15 *Agreements for the Construction of Real Estate* interpretation when the risks and benefits of the property have been transferred to the buyer. In respect of homes sold during the construction, the risks and benefits are deemed to be transferred on the completion date of the property and for completed homes on the sale date.

### Income from services

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

### Lease agreements (SATO as lessor)

Rental income from Investment Properties is entered 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 agreements are classified at their commencement and they are booked at fair value, or at the present value of minimum rents if lower, in the balance sheet as a tangible asset and financial debt. 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 are not transferred to an essential 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 expenditure 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 and is not shown as a separate item in the interest income.

## Pension arrangements

SATO's pension arrangements are classified as both contribution-based and, for some sections of the personnel, benefit-based. Contributions to contribution-based 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 payment-based ones are treated as benefit-based pension arrangements. At SATO, these include the supplementary pension arrangements for the management.

Obligations arising from benefit-based 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 assets pertaining to the pension arrangements at their current value, unposted profits and losses based on actuarial calculations, and expenditures based on backdated work done. Pension expenditure is posted to the profit and loss account as an expense over the period of employment of the individuals. Profits and losses based on actuarial calculations are entered in the profit and loss account over the period of employment of the individuals to the extent that they exceed the greatest of the following: 10% of the pension obligation or 10% of the fair value of the assets.

### 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 the financial instruments valued through the profit and loss account from Investment Properties and for fair value.

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.

### 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 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.

### Accounting principles requiring management discretion and the main factors of uncertainty affecting estimates

When the financial statements are prepared, the making of estimates is required in certain quarters. At SATO, the main estimates are associated with the following subdivisions:

The amount of reserves booked on projects requires estimates of the obligations arising from the projects.

In respect of Investment Properties, tangible and intangible assets must be assessed annually for indications that the value of these assets may have declined. If there are such indications, the amount of money accruing from these asset items must be estimated.

### The application of new and updated IFRS norms

IASB has issued the following new and amended standards, which have not yet been approved for application in the EU. The Group has not yet applied these; they will be adopted on the date the standard comes into force or, of the date of entry into effect is other than the first day of a financial year, from the beginning of the financial year following the entry into effect. No other issued changes in standards or interpretations not listed here are deemed to have any effect on the Group's future financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* (in force for financial years beginning on 1 July 2012 or thereafter): the principal change is a requirement for the grouping of items of a comprehensive profit according to whether they may possibly be transferred later to be charged or credited to the profit and loss account as certain conditions are fulfilled. The changes will only affect the presentation of the SATO consolidated financial statements.
- Amendment to IAS 19 *Employee Benefits* (in force for financial years beginning on 1 January 2013 or thereafter): in future, all actuarial profits and losses will be posted immediately to other items of the comprehensive profit, i.e., the so-called pipeline method will be abandoned, and a financial expense will be defined on the basis of net funding. The amendment will affect the posting of benefit-based arrangements at SATO.
- New and updated standards for drawing up consolidated financial statements (in force for financial years beginning on 1 January 2013 or thereafter):
  - IFRS 10 *Consolidated Financial Statements*
  - IFRS 11 *Joint Arrangements*
  - IFRS 12 *Disclosure of Interests in Other Entities*
  - IAS 27 (updated 2011) *Separate Financial Statements*
  - IAS 28 (updated 2011) *Investments in Associates and Joint Ventures*
- IFRS 10 defines controlling power as the key factor when deciding whether to consolidate an entity in the consolidated financial statements, and it provides additional guidelines for defining controlling power when this is difficult to assess. IFRS 11 provides guidelines for the accounting treatment of joint arrangements on the basis of the rights and duties they entail rather than on the basis of their legal form. Also, the equity method has to be used in future for the reporting of joint ventures, i.e., the previous relative consolidation option will no longer be permitted. IFRS 12 contains the requires for information to be presented holdings in other entities, including affiliated companies, joint arrangements, structured units and other entities not included on the balance sheet. The effects of the new standards on SATO's consolidated financial statements will be appraised in future financial years.
- IFRS 13 *Fair Value Measurement* (in force for financial years beginning on 1 January 2013 or thereafter): IFRS 13 contains the combined requirements for measuring fair value and for the presentation of information on this in the financial statements. The use of fair value is not expanded; the standard provides guidelines for measuring it when its use is permitted or it has been demanded by some other standard. The new standard is expected to affect SATO's consolidated financial statements mainly through new notes to the financial statements.
- IFRS 9 *Financial Instruments and amendments thereto* (in force for financial years beginning on 1 January 2015 or thereafter): the new standard will be issued in three phases and it is intended to replace the current IAS 39. In the first phase, the valuation method for financial assets has been simplified: financial assets are divided on the basis of the valuation method into two main groups: those valued according to the matched acquisition and those valued at fair value. In respect of financial debts, most of the regulations of IAS 39 have been transferred to the new standard without alteration. The effect of the new standard on SATO's consolidated financial statements will be appraised in future financial years.

## 2. Information for segments

SATO's operations are managed and monitored in the form of two business areas, namely SATO business and VATRO business. The division into segments is done on the same principle. SATO business includes privately financed investment homes as well as those state-subsidised and interest-subsidised homes to which property-specific restrictions end mostly by 2016, although for some properties they will continue until 2025. Construction of owner-occupied housing and investment in housing in St. Petersburg are also included in SATO business. VATRO business includes housing subject to longer-term property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by the year 2047.

The earnings and expenses shown for the segments are the direct earnings and expenses due to the segments plus those earnings and expenses which are reasonably attributable to the segments. Within SATO, the segments' earnings and expenses are also taken to include financial income and expenses, as these are considered to be such a crucial factor in forming the net profit of the segment that leaving them out would not give a fair view of the segments' net profit.

The assets and liabilities of a segment are such business items as the segment uses in its business operations or are reasonably attributable to the segments. All items are included in the segments' assets and liabilities which give rise to items in the profit and loss account which are shown into the segments' net profits, including the segments liabilities which are deemed to constitute an important part in describing the segments' financial position.

The unallocated assets include deferred tax credits as well as the Group's common items. The unallocated debts are comprised mainly of deferred tax liabilities.

Investments are comprised of increases in investment properties, tangible fixed assets, and intangible assets which are used in more than one financial year.

Pricing between segments is done at appropriate market rate.

### Calculation of net rental income

The net rental income of investment properties is obtained by deducting from the rental income the maintenance expenses, which include annual repair expenses. In calculating the net rental income, the part of the Group's fixed expenses which concerns the maintenance of the investment properties is added to the maintenance expenses.

## Information for segments 1 Jan.–31 Dec. 2011

| MEUR | SATO business | VATRO business | Eliminations | SATO Group, total |
|---|---|---|---|---|
| External turnover | 196.9 | 35.1 | | 232.0 |
| Internal turnover | 0.0 | 0.0 | 0.0 | 0.0 |
| Turnover, total | 196.9 | 35.1 | 0.0 | 232.0 |
| Profits/losses from divestments of Investment Properties | 9.7 | 0.0 | | 9.7 |
| Depreciation, amortizations and impairment charges | −16.8 | −3.8 | 0.0 | −20.6 |
| Operating profit | 77.2 | 9.6 | 0.0 | 86.8 |
| Interest income | 0.8 | 0.0 | | 0.8 |
| Interest expenses | −28.9 | −6.6 | | −35.5 |
| Profit before taxes | 48.8 | 3.3 | 0.0 | 52.1 |
| | | | | |
| Net rental income on the housing portfolio | 92.9 | 16.5 | | 109.4 |
| Net rental income of rented homes, % of book value | 8.1% | 8.0% | | 8.1% |
| Investments | 148.8 | 0.0 | | 148.8 |
| Acquisition of land for inventory | 19.1 | | | 19.1 |
| Depreciation and amortization | −16.8 | −3.8 | | −20.6 |
| Impairment charges | 0.0 | | | 0.0 |
| Assets and eliminations allocated to segments, total | 1,467.4 | 226.2 | −14.5 | 1,679.1 |
| Investment Properties | 1,221.0 | 203.9 | | 1,424.9 |
| Cash and cash equivalents | 9.8 | 3.2 | | 13.0 |
| Other assets of the segment | 236.7 | 18.8 | −14.5 | 241.0 |
| Holding in joint venture and associated companies | −0.1 | 0.3 | | 0.2 |
| Unallocated assets | | | | 37.5 |
| Assets, total | | | | 1,716.6 |
| | | | | |
| Liabilities and eliminations allocated to segments, total | 1,174.2 | 204.3 | −14.5 | 1,364.0 |
| Interest-bearing debt | 1,063.1 | 192.4 | | 1,255.5 |
| Other liabilities of segment | 111.1 | 11.9 | −14.5 | 108.5 |
| Unallocated liabilities | | | | 69.1 |
| Liabilities, total | | | | 1,433.1 |

## Information for segments 1 Jan.–31 Dec. 2010

| MEUR | SATO business | VATRO business | Eliminations | SATO Group, total |
|---|---|---|---|---|
| External turnover | 158.8 | 34.1 | | 192.9 |
| Internal turnover | 0.0 | 0.0 | 0.0 | 0.0 |
| Turnover, total | 158.8 | 34.1 | 0.0 | 192.9 |
| Profits/losses from divestments of Investment Properties | 7.3 | 4.1 | | 11.4 |
| Depreciation, amortizations and impairment charges | −15.4 | −4.0 | 0.0 | −19.4 |
| Operating profit | 62.7 | 12.0 | 0.0 | 74.7 |
| Interest income | 0.6 | 0.0 | | 0.6 |
| Interest expenses | −28.3 | −5.4 | | −33.7 |
| Profit before taxes | 35.0 | 6.6 | 0.0 | 41.6 |
| | | | | |
| Net rental income on the housing portfolio | 85.5 | 15.1 | | 100.6 |
| Net rental income of rented homes, % of book value | 8.3% | 7.0% | | 7.9% |
| Investments | 104.3 | 0.0 | | 104.3 |
| Acquisition of land for inventory | 14.5 | | | 14.5 |
| Depreciation and amortization | −15.4 | −4.0 | | −19.4 |
| Impairment charges | 0.0 | | | 0.0 |
| Assets and eliminations allocated to segments, total | 1,238.6 | 226.7 | −15.7 | 1,449.6 |
| Investment Properties | 1,098.1 | 207.8 | | 1,305.9 |
| Cash and cash equivalents | 16.2 | 1.8 | | 18.0 |
| Other assets of the segment | 124.1 | 16.8 | −15.7 | 125.2 |
| Holding in joint venture and associated companies | 0.2 | 0.3 | | 0.5 |
| Unallocated assets | | | | 22.2 |
| Assets, total | | | | 1,471.8 |
| | | | | |
| Liabilities and eliminations allocated to segments, total | 935.3 | 207.7 | −15.7 | 1,127.3 |
| Interest-bearing debt | 867.2 | 200.7 | | 1,067.9 |
| Other liabilities of segment | 68.1 | 7.0 | −15.7 | 59.4 |
| Unallocated liabilities | | | 0.0 | 70.3 |
| Liabilities, total | | | | 1,197.6 |

| MEUR | 2011 | 2010 |
|---|---|---|
| **3. Distribution of turnover** | | |
| Revenue from sales of owner-occupied housing | 29.0 | 8.6 |
| Rental income | 195.8 | 180.1 |
| Other income | 7.2 | 4.2 |
| Total | 232.0 | 192.9 |
| **4. Profits and losses from sales of Investment Properties and other income and expenses from business operations** | | |
| Profits and losses from sales of Investment Properties | | |
| Profit from divestments of Investment Properties | 9.9 | 12.0 |
| Losses from divestments of Investment Properties | –0.2 | –0.6 |
| Total | 9.7 | 11.4 |
| **Other income from business operations** | 0.5 | 0.0 |
| Total | 0.5 | 0.0 |
| Other expenses of business operations | | |
| Direct maintenance expenses of Investment Properties generating rental income | 55.4 | 54.6 |
| Rental expenses | 30.4 | 27.0 |
| Other fixed expenses | 6.8 | 6.3 |
| Other expenses of business operations | 1.6 | 0.8 |
| Total | 94.3 | 88.7 |
| Auditors fee | | |
| Audit | 0.2 | 0.2 |
| Tax advice | 0.0 | 0.0 |
| Other services | 0.0 | 0.0 |
| Total | 0.3 | 0.3 |
| **5. Personnel expenses** | | |
| Salaries and wages | 10.0 | 8.2 |
| Pension expenses – contribution-based arrangements | 1.7 | 1.2 |
| Pension expenses – benefit-based arrangements | 0.3 | 0.2 |
| Other personnel expenses | 0.3 | 0.2 |
| Total | 12.2 | 9.9 |
| Management perquisites are set out in note 32, Related Party Events. | | |
| Average number of Group personnel during the financial year | | |
| Total | 137 | 129 |
| **6. Depreciation, amortizations and impairment charges** | | |
| Depreciation by asset class: | | |
| Investment Properties | 19.9 | 18.7 |
| Tangible assets | 0.4 | 0.4 |
| Intangible assets | 0.3 | 0.4 |
| Total | 20.6 | 19.4 |
| Impairments: | | |
| Investment Properties | 0.0 | 0.0 |
| Total | 0.0 | 0.0 |

| MEUR | 2011 | 2010 |
|---|---|---|
| **7. Financial income and expenses** | | |
| Financial income | | |
| On loans and other receivables | 0.7 | 0.5 |
| Dividend income | | |
| Dividend income on available-for-sale investments | 0.1 | 0.1 |
| Financial income, total | 0.8 | 0.6 |
| Financial expenses | | |
| Interest expenses on financial liabilities at amortized cost and interest rate derivatives, non hedge accounted | –31.1 | –24.9 |
| Interest rate derivatives, hedge accounted | –6.6 | –8.9 |
| Changes in fair values of financial liabilities at fair value through income statement | | |
| Changes in fair value of non hedge accounted interest rate derivatives | 2.2 | 0.2 |
| Financial expenses, total | –35.5 | –33.7 |
| Financial income and expenses, total | –34.7 | –33.1 |
| **8. Income taxes** | | |
| The profit and loss account tax expense is distributed as follows: | | |
| Tax based on the taxable income for the period | 11.5 | 9.0 |
| Taxes of previous years | 0.0 | 0.0 |
| Deferred taxes, net | –1.0 | 1.9 |
| Total | 10.5 | 10.9 |
| Reconciliation calculation based on the domestic corporate tax rate (26%) for the tax expense of the consolidated profit and loss account for the SATO Group's parent company: | | |
| Profit before taxes | 52.1 | 41.6 |
| Taxes calculated on the parent company's tax rate | 13.5 | 10.8 |
| Non-tax-deductible expenses | 0.1 | 0.6 |
| Non-taxable income | 0.0 | –0.2 |
| Application of previously unbooked taxation losses | –0.1 | –0.5 |
| Tax from previous financial years | 0.0 | 0.0 |
| Losses/profits on merger | –3.0 | |
| Other differences | 0.1 | 0.2 |
| Adjustments, total | –3.0 | 0.1 |
| Taxes in profit and loss account | 10.5 | 10.9 |

Pursuant to the Act on Amending the Tax Rate, a new 24.5 per cent tax rate has been set for deferred tax credits and liabilities. The effect of the change is 1.2 million euros on deferred tax credits and 4.2 million euros on deferred tax liabilities, totalling 3.0 million euros.

## 9. Earnings per share

The undiluted earnings per share are calculated by dividing the profit for the year due to the parent company's shareholders by the weighted average number of issued shares for the year. The number of SATO shares as at 31 December 2011 was 51,001,842. SATO Corporation held 160,000 company shares at year-end.

| | 2011 | 2010 |
|---|---|---|
| Profit for financial year for distribution to the owners of the parent company (MEUR) | 41.6 | 30.6 |
| Weighted average number of shares during the financial year (millions) | 50.8 | 49.1 |
| Earnings per share (€) | 0.82 | 0.62 |

## 10. Investment Properties (=investment property as per IAS 40)

| MEUR | 2011 | 2010 |
|---|---|---|
| Acquisition cost, 1 Jan. | 1,423.0 | 1,341.8 |
| Additions; new properties | 140.4 | 98.6 |
| Additions; additional investments | 8.1 | 5.7 |
| Decreases | −9.4 | −23.6 |
| Reclassifications | −0.2 | 0.6 |
| Acquisition cost, total | 1,561.9 | 1,423.0 |
| | | |
| Accumulated depreciation and write-downs, 1 Jan. | −117.1 | −98.4 |
| Depreciation | −19.9 | −18.7 |
| Impairment losses | 0.0 | 0.0 |
| Accumulated depreciation and write-downs, total | −137.0 | −117.1 |
| | | |
| Book value | 1,424.9 | 1,305.9 |
| Fair value | 1,898.6 | 1,657.3 |
| Difference between fair and book value | 473.7 | 351.4 |
| Change in difference in value | 122.3 | 91.8 |

The difference in values increased mainly due to a rising trend in rents and prices of apartments, and also yield requirements have been revised because of the market conditions.

An external appraiser has made a statement on the fair value of SATO's investment properties as at 31 December 2011.

Investment Properties are subject to legislated non-profit restrictions on disposal and utilisation. These restrictions and the definition of fair value are described above in greater detail in the accounting conventions of the financial statements, in the sections Basic Company Information and Investment Properties.

| | 2011 | 2010 |
|---|---|---|
| Rental income on Investment Properties | 195.8 | 180.1 |

The Group's lease agreements are leases on housing and they are mostly valid indefinitely. Roughly 6,800 new leases are drawn up per year. The turnover in the Group's rental housing portfolio in 2011 was 30.6% and in 2010 it was 29.0%, with the average validity for leases being 3.3 years in 2011 and 3.4 years in 2010.

## 11. Tangible assets

| 2011<br>MEUR | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|
| Acquisition cost, 1 Jan. | 2.6 | 0.1 | 2.8 |
| Increases | 0.9 | 0.0 | 0.9 |
| Decreases | −0.2 | 0.0 | −0.2 |
| Reclassifications | 0.0 | | 0.0 |
| Acquisition cost, 31 Dec. | 3.3 | 0.1 | 3.5 |
| | | | |
| Accumulated depreciation and write-downs, 1 Jan. | 1.8 | 0.0 | 1.8 |
| Accumulated depreciation on transfers | 0.0 | 0.0 | 0.0 |
| Depreciation for the period | 0.4 | 0.0 | 0.4 |
| Accumulated depreciation and write-downs, 31 Dec. | 2.2 | 0.0 | 2.2 |
| | | | |
| Book value, 1 Jan. 2011 | 0.8 | 0.1 | 1.0 |
| Book value, 31 Dec. 2011 | 1.1 | 0.1 | 1.3 |

| 2010<br>MEUR | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|
| Acquisition cost, 1 Jan. | 2.6 | 0.1 | 2.7 |
| Increases | 0.2 | 0.0 | 0.2 |
| Decreases | −0.1 | 0.0 | −0.1 |
| Reclassifications | −0.1 | | −0.1 |
| Acquisition cost, 31 Dec. | 2.6 | 0.1 | 2.8 |
| | | | |
| Accumulated depreciation and write-downs, 1 Jan. | 1.4 | 0.0 | 1.4 |
| Accumulated depreciation on transfers | 0.0 | 0.0 | 0.0 |
| Depreciation for the period | 0.4 | 0.0 | 0.4 |
| Accumulated depreciation and write-downs, 31 Dec. | 1.8 | 0.0 | 1.8 |
| | | | |
| Book value, 1 Jan. 2010 | 1.2 | 0.0 | 1.3 |
| Book value, 31 Dec. 2010 | 0.8 | 0.1 | 1.0 |

Tangible assets include assets acquired with financial leasing agreements as follows:

| MEUR | Machinery and equipment 2011 | Machinery and equipment 2010 |
|---|---|---|
| Acquisition cost, 1 Jan. | 0.9 | 1.0 |
| Increases | 0.0 | 0.0 |
| Decreases | −0.2 | −0.1 |
| Acquisition cost, 31 Dec. | 0.7 | 0.9 |
| | | |
| Accumulated depreciation and write-downs, 1 Jan. | 0.5 | 0.3 |
| Depreciation for the period | 0.1 | 0.2 |
| Accumulated depreciation on decreases | 0.0 | 0.0 |
| Accumulated depreciation, 31 Dec. | 0.6 | 0.5 |
| Book value, 31 Dec. | 0.1 | 0.4 |

## 12. Intangible assets

| 2011 | Intangible rights | Other intangible assets | Total |
|---|---|---|---|
| **MEUR** | | | |
| Acquisition cost, 1 Jan. | 0.3 | 2.3 | 2.6 |
| Increases | 0.0 | 0.3 | 0.3 |
| Reclassifications | 0.0 | 0.0 | 0.0 |
| Acquisition cost, 31 Dec. | 0.3 | 2.6 | 2.9 |
| | | | |
| Accumulated depreciation and write-downs, 1 Jan. | 0.3 | 1.5 | 1.8 |
| Accumulated depreciation on transfers | 0.0 | 0.0 | 0.0 |
| Depreciation for the period | | 0.3 | 0.3 |
| Accumulated depreciation and write-downs, 31 Dec. | 0.3 | 1.8 | 2.1 |
| | | | |
| Book value, 1 Jan. 2011 | 0.0 | 0.8 | 0.8 |
| Book value, 31 Dec. 2011 | 0.0 | 0.8 | 0.8 |

| 2010 | Intangible rights | Other intangible assets | Total |
|---|---|---|---|
| **MEUR** | | | |
| Acquisition cost, 1 Jan. | 0.3 | 2.1 | 2.4 |
| Increases | 0.0 | 0.2 | 0.2 |
| Reclassifications | 0.0 | 0.0 | 0.0 |
| Acquisition cost, 31 Dec. | 0.3 | 2.3 | 2.6 |
| | | | |
| Accumulated depreciation and write-downs, 1 Jan. | 0.3 | 1.1 | 1.4 |
| Accumulated depreciation on transfers | 0.0 | 0.0 | 0.0 |
| Depreciation for the period | | 0.4 | 0.4 |
| Accumulated depreciation and write-downs, 31 Dec. | 0.3 | 1.5 | 1.8 |
| | | | |
| Book value, 1 Jan. 2010 | 0.0 | 1.0 | 1.0 |
| Book value, 31 Dec. 2010 | 0.0 | 0.8 | 0.8 |

## 13. Holding in joint ventures and associated companies

| MEUR | 2011 | 2010 |
|---|---|---|
| Acquisition cost, 1 Jan. | 0.4 | 0.5 |
| Increases | 0.0 | 0.0 |
| Decreases | –0.1 | 0.0 |
| Reclassifications | 0.0 | –0.1 |
| Acquisition cost, 31 Dec. | 0.2 | 0.4 |
| | | |
| Adjustments to shares in equity, 1 Jan. | 0.1 | 0.1 |
| Share of net profit for the financial year | 0.0 | 0.0 |
| Reclassifications | 0.0 | 0.0 |
| Dividends received | –0.1 | –0.1 |
| At year-end | 0.2 | 0.5 |

Information on the joint venture and associated companies and their combined assets, debts, turnover and profit/loss (MEUR):

| | Domicile | Assets | Debts | Turnover | Profit/loss | Holding (%) |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| Suomen Asumisoikeus Oy (* | Helsinki | 1,185.8 | 1,013.4 | 123.7 | 0.2 | 50.0 |
| K Oy Salpalohi | Kerava | 0.9 | 0.7 | 0.2 | 0.0 | 33.3 |
| Piipunjuuri Oy | Oulu | 0.1 | 0.1 | 0.4 | 0.0 | 50.0 |
| SV-Asunnot Oy | Helsinki | 0.3 | 0.3 | 0.0 | 0.0 | 50.0 |
| | | | | | | |
| **2010** | | | | | | |
| Suomen Asumisoikeus Oy (* | Helsinki | 1,188.8 | 1,015.1 | 117.6 | 0.1 | 50.0 |
| K Oy Färminahde | Nokia | 0.5 | 0.4 | 0.2 | 0.0 | 40.7 |
| K Oy Nurmijärven Jukolanmäki | Nurmijärvi | 0.4 | 0.1 | 0.1 | 0.0 | 40.0 |
| K Oy Salpalohi | Kerava | 0.9 | 0.7 | 0.2 | 0.0 | 33.3 |
| Piipunjuuri Oy | Oulu | 0.1 | 0.1 | 0.5 | 0.0 | 50.0 |
| SV-Asunnot Oy | Helsinki | 0.3 | 0.3 | 0.0 | 0.0 | 50.0 |

*) Suomen Asumisoikeus Oy has been consolidated as per the Right of Occupancy Act in respect of the distributable dividend (8% on invested assets)

## 14. Book values of financial assets and debts by valuation group

| 2011 | Note | Derivatives subject to hedge accounting | Derivatives not subject to hedge accounting | Loans and other receivables | Financial assets available for selling | Debts to book at matched acquisition cost | Book values of balance sheet items |
|---|---|---|---|---|---|---|---|
| MEUR | | | | | | | |
| Non-current financial assets | | | | | | | |
| Stocks and shares | 15 | | | | 2.5 | | 2.5 |
| Notes receivable | 16 | | | 57.8 | | | 57.8 |
| Current financial assets | | | | | | | |
| Accounts receivable | 19 | | | 17.4 | | | 17.4 |
| Notes receivable | 19 | | | 0.2 | | | 0.2 |
| Derivative receivables | 24 | | | | | | |
| Cash and cash equivalents | 20 | | | 23.6 | | | 23.6 |
| Non-current financial debts | | | | | | | |
| Loans from financial institutions | 23 | | | | | 1,115.3 | 1,115.3 |
| Derivative debts | 24 | 32.3 | 2.1 | | | | 34.4 |
| Current financial debts | | | | | | | |
| Loans from financial institutions | 23 | | | | | 140.2 | 140.2 |
| Derivative debts | 24 | 0.6 | 1.4 | | | | 2.0 |
| Accounts payable | 27 | | | | | 6.6 | 6.6 |

| 2010 | Note | Derivatives subject to hedge accounting | Derivatives not subject to hedge accounting | Loans and other receivables | Financial assets available for selling | Debts to book at matched acquisition cost | Book values of balance sheet items |
|---|---|---|---|---|---|---|---|
| MEUR | | | | | | | |
| Non-current financial assets | | | | | | | |
| Stocks and shares | 15 | | | | 2.3 | | 2.3 |
| Notes receivable | 16 | | | 7.0 | | | 7.0 |
| Current financial assets | | | | | | | |
| Accounts receivable | 19 | | | 5.8 | | | 5.8 |
| Notes receivable | 19 | | | 0.2 | | | 0.2 |
| Derivative receivables | 24 | | | | | | 0.0 |
| Cash and cash equivalents | 20 | | | 18.0 | | | 18.0 |
| Non-current financial debts | | | | | | | |
| Loans from financial institutions | 23 | | | | | 922.7 | 922.7 |
| Derivative debts | 24 | 15.0 | 5.6 | | | | 20.6 |
| Current financial debts | | | | | | | |
| Loans from financial institutions | 23 | | | | | 145.2 | 145.2 |
| Derivative debts | 24 | | | | | | 0.0 |
| Accounts payable | 27 | | | | | 5.2 | 5.2 |

Loans from financial institutions had a total book value of MEUR 1,255.4 (MEUR 1,067.9 in 2010). The balance sheet value of market-based loans and pension loans was MEUR 809.0 (in 2010 MEUR 655.3) and the fair value was MEUR 811.1 (in 2010 MEUR 656.5). The book value of other loans was MEUR 446.4 (MEUR 412.6 in 2010). No fair value has been given for state-subsidised ARAVA loans and interest-subsidised loans due to the special features of these types of loans, such as the quasi-subsidy components. The maturities of state-subsidised ARAVA loans and interest-subsidised loans are very long, so it is difficult to set a reliable benchmark interest rate. Most of the state-subsidised loans are maturing in the period 2022–2047. The fair value of all the other financial assets and debts is estimated to be equal to their book value.

More detailed information on derivatives is given in note 24. There were no postings of financial assets available for selling in the profit and loss account during the year. Changes in the fair value are booked in items of the broad profit and given in the value adjustment fund with the effect of tax figured in.





| MEUR | 2011 | 2010 |
|---|---|---|

## 15. Financial assets available for selling

| | 2011 | 2010 |
|---|---|---|
| Shares | 0.5 | 0.6 |
| Other holdings | 1.9 | 1.7 |
| Financial assets available for selling, total | 2.5 | 2.3 |

Shares include quoted shares, which are valued at the closing price on the date of closing the books. Other holdings include unlisted shares, which are valued at the acquisition cost as it was not possible reliably to determine their fair value.

## 16. Non-current receivables

| | 2011 | 2010 |
|---|---|---|
| Loan receivable | 57.8 | 6.9 |
| Other receivables | 0.1 | 0.1 |
| Total | 57.9 | 7.0 |

The receivables are principally receivables from housing companies.They have been valued at the acquisition cost in the financial statements and their fair value is estimated to be equal to their book value. In addition, receivables include more than 3-month bank deposits to the tune of 50 million euros.

## 17. Deferred tax credits and liabilities

| Changes in deferred taxes during 2011: | 1 Jan. 2011 | Recognized in profit and loss account | The effect of a change in the tax rate | Recognized in other items of comprehensive income | Subsidiaries acquired/sold | 31 Dec. 2011 |
|---|---|---|---|---|---|---|
| MEUR | | | | | | |
| Deferred tax credits: | | | | | | |
| Valuation of financial instruments at fair value | 5.3 | –0.5 | –0.1 | 4.2 | | 8.8 |
| From matching difference and interim differences | 16.9 | 2.3 | –1.1 | | 0.0 | 18.1 |
| Total | 22.2 | 1.8 | –1.2 | 4.2 | 0.0 | 26.9 |
| Deferred tax liability: | | | | | | |
| Valuation of financial instruments at fair value | 0.0 | 0.1 | 0.0 | 0.0 | | 0.2 |
| From appropriations and depreciation differences | 63.8 | 3.1 | –3.8 | | –0.3 | 62.6 |
| From matching differences and interim differences | 3.8 | 0.3 | –0.2 | | –0.3 | 3.6 |
| From applied acquisition costs | 2.8 | 0.3 | –0.2 | | –0.2 | 2.7 |
| Total | 70.3 | 3.8 | –4.2 | 0.0 | –0.8 | 69.1 |

| Changes in deferred taxes during 2010: | 1 Jan. 2010 | Recognized in profit and loss account | The effect of a change in the tax rate | Recognized in other items of comprehensive income | Subsidiaries acquired/sold | 31 Dec. 2010 |
|---|---|---|---|---|---|---|
| MEUR | | | | | | |
| Deferred tax credits: | | | | | | |
| Valuation of financial instruments at fair value | 4.5 | 0.0 | | 0.9 | | 5.3 |
| From matching differences and interim differences | 15.0 | 1.9 | | | | 16.9 |
| Total | 19.5 | 1.8 | 0.0 | 0.9 | 0.0 | 22.2 |
| Deferred tax liability: | | | | | | |
| Valuation of financial instruments at fair value | 0.0 | | | 0.0 | | 0.0 |
| From appropriations and depreciation differences | 60.1 | 3.7 | | | 0.0 | 63.8 |
| From matching differences and interim differences | 3.7 | 0.1 | | | | 3.8 |
| From applied acquisition costs | 2.9 | –0.1 | | | | 2.8 |
| Total | 66.6 | 3.7 | 0.0 | 0.0 | 0.0 | 70.3 |

| MEUR | 2011 | 2010 |
|---|---|---|

## 18. Inventories

| | 2011 | 2010 |
|---|---|---|
| Housing under construction | 45.0 | 19.4 |
| Completed housing units and commercial space | 7.9 | 5.9 |
| Land areas and land area companies | 90.8 | 76.7 |
| Other inventories | 10.6 | 5.0 |
| Total | 154.3 | 107.1 |

## 19. Accounts receivable and other receivables

| | 2011 | 2010 |
|---|---|---|
| Accounts receivable | 17.4 | 5.8 |
| Accrued assets | 2.0 | 0.9 |
| Notes receivable | 0.2 | 0.2 |
| Other receivables | 2.2 | 0.3 |
| Total | 21.8 | 7.1 |

| Itemisation of accrued assets | 2011 | 2010 |
|---|---|---|
| Rental business | 0.3 | 0.2 |
| Construction commissioning | 0.5 | 0.1 |
| Interest | 1.0 | 0.4 |
| Other accrued assets | 0.2 | 0.2 |
| Total | 2.0 | 0.9 |

The balance sheet values correspond best to the amount of money which is the maximum amount of the credit risk notwithstanding the fair value of the securities in a case in which the other contractual parties are unable to meet their obligations in respect of financial instruments. The receivables do not entail significant clusters of credit risks. The book values of the trade receivables and other non-current receivables are considered to be equal to their fair values.

## 20. Cash and cash equivalents

| | 2011 | 2010 |
|---|---|---|
| Cash and bank balances | 23.6 | 15.5 |
| Certificates of deposit, deposits | - | 2.5 |
| Cash and cash equivalents on balance sheet | 23.6 | 18.0 |

The non-profit companies' cash assets are kept separately from those of companies not subject to non-profit. The non-profit companies' cash assets in 2011 were MEUR 17.0 and in 2010 MEUR 15.7.

## 21. Notes on shareholders' equity

| Precision calculation of the number of shares: | Number of shares (1,000) | Share capital, MEUR | Reserve fund, MEUR | Invested distributable equity fund | Total, MEUR |
|---|---|---|---|---|---|
| 1 Jan. 2010 | 45,373 | 4.4 | 43.7 | 9.3 | 57.4 |
| Rights issue | 5,629 | 0.0 | 0.0 | 36.6 | 36.6 |
| Non-payment issue | −160 | | | −1.0 | −1.0 |
| 31 Dec. 2010 | 50,842 | 4.4 | 43.7 | 44.9 | 93.0 |
| 1 Jan. 2011 | 50,842 | 4.4 | 43.7 | 44.9 | 93.0 |
| Rights issue | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-payment issue | 0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 31 Dec. 2011 | 50,842 | 4.4 | 43.7 | 44.9 | 93.0 |

**Description of shareholders' equity funds:**

**Shares**
The total number of SATO shares as at 31 December 2011 was 51,001,842. SATO Corporation held 160,000 company shares as at 31 December 2011.

The annual general meeting of 2 March 2011 authorised the Board of Directors to decide on one or more targeted, for-payment share issues, in such a way that the combined total number of company shares held by the company to be surrendered in the issues will not exceed 160,000. The proposed maximum is equal to 0.3% of the company's shares. The Board of Directors was authorised to decide on the terms of the issue, the issue price of the shares and the criteria on which the price is based, and on the other terms of the issue. The annual general meeting authorised the Board of Directors to decide on a share issue other than in proportion to the holdings of existing shareholders (targeted issue) if there is a pressing financial reason for this from the company's perspective. The authorisation is valid until 28 February 2016 including said date.

**Reserve fund**
The reserve fund includes a share premium account.

**Value adjustment fund**
The value adjustment fund includes the change in fair values of the derivative instruments used to hedge the cash flow as well as the valuation of the investments available for selling at their fair value.

**Dividends**
After the date of closing the books, 31 December 2011, the Board of Directors has proposed paying dividend in the amount of 0.49 euros per share.

**Restrictions concerning the Group's shareholders' equity**
The Group's retained profits in 2011, MEUR 213.9 (in 2010 MEUR 190.1) include a total of MEUR 58.9 (in 2010 MEUR 48.5) of shareholders' equity subject to restrictions on the distribution of profit from non-profit operations. Part of the Group companies are subject to so-called non-profit income-recognition limitations under housing legislation, according to which the organisation may not pay out to its owners more than the profit permitted under housing legislation.

**Management of the capital structure**
The aim of the company's capital structure management is to support the growth targets and to secure the ability to pay dividend. Another aim of the structure management is to ensure the Group's prospects for operating in the equity market. The SATO Group's targeted equity ratio at fair value is at least 25 per cent. Equity ratio may temporarily dip below this target due to significant investments. The actual equity ratio at fair value as at 31 December 2011 was 29.5 per cent.

The company's Board of Directors reviews and assesses the Group's capital structure regularly.

Some of the company's financial debts applies to the capital structure and special terms related to profitability. During the 2011 financial year, the company's capital structure and profitability met the terms set.

| MEUR | 2011 | 2010 |
|---|---|---|

## 22. Pension commitments

| Benefit-based pension liability on the balance sheet | | |
|---|---|---|
| Current value of unfunded liabilities | 0.0 | 0.0 |
| Current value of funded liabilities | 1.5 | 1.5 |
| Fair value of assets | –1.4 | –1.1 |
| Below/above margin | 0.1 | 0.3 |
| Unbooked profits (+) / losses (–) based on insurance calculation | –0.2 | –0.4 |
| Unbooked expenditure based on backdated work done | 0.0 | 0.0 |
| Net debt | –0.1 | –0.1 |
| | | |
| Amounts on balance sheet: | | |
| Debts | 0.0 | 0.0 |
| Receivable | 0.1 | 0.1 |
| Net debt | 0.1 | 0.1 |
| | | |
| Benefit-based pension expenditure of profit and loss account | | |
| Expenditure based on work done during period | 0.2 | 0.2 |
| Interest expenditure | 0.1 | 0.1 |
| Expected income of assets in arrangements | 0.0 | –0.1 |
| Profits (+) / losses (–) based on insurance calculation | 0.1 | 0.0 |
| Effect of fulfilling the obligation | 0.0 | 0.0 |
| Profits/losses of reduction in arrangements | 0.0 | 0.0 |
| Total | 0.3 | 0.2 |
| | | |
| Income of assets in arrangements | 0.0 | –0.2 |
| | | |
| Changes in current value of liability shown on balance sheet | | |
| Liability 1 Jan. | 1.5 | 1.2 |
| Expenditure due to work done | 0.2 | 0.2 |
| Interest expenditure | 0.1 | 0.1 |
| Profits (+) / losses (–) based on insurance calculation | –0.2 | 0.0 |
| Profits (–) / losses (+) of reduction in arrangements | 0.0 | 0.0 |
| Benefits paid | 0.0 | 0.0 |
| Fulfilment of obligations | 0.0 | 0.0 |
| Liability 31 Dec. | 1.5 | 1.5 |
| | | |
| Changes in fair values of assets included in arrangements | | |
| Fair values 1 Jan. | 1.1 | 1.1 |
| Expected income of assets | 0.0 | 0.1 |
| Profits (+) / losses (–) based on insurance calculation | 0.0 | –0.2 |
| Employer's remittances in arrangements | 0.3 | 0.3 |
| Fulfilment of obligations | 0.0 | 0.0 |
| Fair values 31 Dec. | 1.4 | 1.1 |
| | | |
| Amount the Group expects to remit to benefit-based arrangements in 2012 | 0.3 | |
| | | |
| No division of the assets in the arrangement by property groupings is available. | | |
| | | |
| Assumptions used in insurance calculation | | |
| Discount interest | 5.00% | 4.00% |
| Expected income of assets in arrangements | 4.70% | 3.57% |
| Assumed future salary increase | 3.00% | 3.50% |



The expected overall income of assets has been calculated by the insurer.

| Five-year time series | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Current value of liabilities | 1.5 | 1.5 | 1.2 | 0.9 | 0.7 |
| Fair value of assets in arrangements | –1.4 | –1.2 | –1.1 | –1.0 | –0.8 |
| Below (–) / above margin (+) | 0.1 | 0.3 | 0.1 | –0.1 | –0.2 |
| | | | | | |
| Experience-based revisions of assets included in arrangements (profit +/ loss –) | 0.0 | –0.2 | 0.0 | 0.0 | 0.0 |
| Experience-based revisions of debts included in arrangements (profit –/ loss +) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| MEUR | 2011 | 2010 |
|---|---|---|

## 23. Financial liabilities

| Non-current | | |
|---|---|---|
| Market-based loans | 651.7 | 490.9 |
| Pension insurance loans | 31.7 | 35.4 |
| Interest-subsidised loans | 96.2 | 98.0 |
| State-subsidised loans | 168.2 | 179.3 |
| Contingent liabilities due to shares in housing companies and mutual building management companies | 167.4 | 119.0 |
| Financial leasing liabilities | 0.0 | 0.1 |
| Total | 1,115.3 | 922.7 |
| | | |
| Current | | |
| Market-based loans | 121.3 | 124.9 |
| Pension insurance loans | 3.7 | 3.6 |
| Interest-subsidised loans | 1.8 | 0.6 |
| State-subsidised loans | 10.2 | 12.4 |
| Contingent liabilities due to shares in housing companies and mutual building management companies | 3.1 | 3.4 |
| Financial leasing liabilities | 0.1 | 0.3 |
| Total | 140.2 | 145.1 |

The amount of cash flow hedging entered in shareholders' equity during the period is shown in the calculation of changes in shareholders' equity.
Cash flows of instalments and interest based on loan agreements are shown in note 28 to the financial statements, Management of Financial Risks.

| Financial leasing liabilities | | |
|---|---|---|
| Total of minimum rents | | |
| During one year | 0.1 | 0.3 |
| Longer than one year and within a maximum of five years | 0.0 | 0.1 |
| In more than five years | | |
| Total | 0.1 | 0.5 |
| | | |
| Current value of minimum rents | | |
| During one year | 0.1 | 0.3 |
| Longer than one year and within a maximum of five years | 0.0 | 0.1 |
| In more than five years | | |
| Total | 0.1 | 0.4 |
| | | |
| Financial expenses accruing in the future | 0.0 | 0.0 |
| | | |
| Total amount of financial leasing liabilities | 0.1 | 0.5 |

## 24. Derivatives

The following table gives information on the derivatives presented in note 14 to the financial statements:

| | | < 1 year | 1–3 years | > 3 years | Total |
|---|---|---|---|---|---|
| **Derivative instruments specified for hedging cash flow in 2011** | | | | | |
| Interest-rate swaps | Nominal value | 35.0 | 65.0 | 282.3 | 382.3 |
| Currency forward rate agreements | Nominal value | 2.5 | | | 2.5 |
| Cross currency swaps | Nominal value | | | 117.3 | 117.3 |
| Positive | Fair value | 0.0 | | | 0.0 |
| Negative | Fair value | –0.6 | –3.4 | –28.7 | –32.7 |
| Total | | –0.6 | –3.4 | –28.7 | –32.7 |
| **Derivative instruments without hedge accounting in 2011** | | | | | |
| Interest-rate swaps | Nominal value | | | 20.0 | 20.0 |
| Interest-rate options | Nominal value | 90.0 | | | 90.0 |
| Positive | Fair value | | | | |
| Negative | Fair value | –1.4 | | –2.1 | –3.5 |
| Total | | –1.4 | 0.0 | –2.1 | –3.5 |
| **Derivative instruments specified for hedging cash flow in 2010** | | | | | |
| Interest-rate swaps | Nominal value | | 65.0 | 276.3 | 341.3 |
| Fx agreements | Nominal value | 2.6 | 2.5 | | 5.1 |
| Positive | Fair value | | | 0.3 | 0.3 |
| Negative | Fair value | –0.1 | –3.3 | –11.9 | –15.3 |
| Total | | –0.1 | –3.3 | –11.6 | –15.0 |
| **Derivative instruments without hedge accounting in 2010** | | | | | |
| Interest-rate swaps | Nominal value | | | 20.0 | 20.0 |
| Interest-rate options | Nominal value | | 90.0 | | 90.0 |
| Fx agreements | Nominal value | 1.9 | | | 1.9 |
| Positive | Fair value | | | | |
| Negative | Fair value | –0.1 | –3.8 | –1.7 | –5.6 |
| Total | | –0.1 | –3.8 | –1.7 | –5.6 |

Of the derivatives specified for hedging cash flow in 2011, MEUR –13.3 (–2.5) was booked in the value adjustment fund. At year-end, MEUR 530.3 (431.3) of the principal of market-rate loans was hedged, which is the equivalent of 71 (72) per cent of the market-rate interest position. Currency forward rate agreements are used to hedge the risks arising from changes in currency rates for binding purchase contracts denominated in foreign currency. Interest-rate and currency swaps are used to hedge the currency risks of loans denominated in foreign currency. The hedging covers the currency risks both of interest payments and of payments of loan principal.

## 25. Fair values of financial instruments

| | Fair values quoted on operational markets | Fair values based on verifiable input data | Fair values based on unverified input data |
|---|---|---|---|
| Financial assets and debts charged or credited at fair value | | –3.5 | |
| Financial assets for sale | 0.5 | | 1.9 |
| Derivatives assigned to hedging of cash flow | | –32.7 | |
| **Total** | 0.5 | –36.2 | 1.9 |

**Fair values of financial instruments 2010**

| | Fair values quoted on operational markets | Fair values based on verifiable input data | Fair values based on unverified input data |
|---|---|---|---|
| Financial assets and debts charged or credited at fair value | | –5.6 | |
| Financial assets for sale | 0.6 | | 1.7 |
| Derivatives assigned to hedging of cash flow | | –15.0 | |
| **Total** | 0.6 | –20.6 | 1.7 |

Financial assets based on unverified input data are unlisted shares valued at their acquisition cost.

## 26. Untaxed reserves

| MEUR | Refund claim expense reserve | Other reserves | Reserves, total |
|---|---|---|---|
| 1 Jan. 2011 | 4.0 | 0.3 | 4.3 |
| Increases in reserves | 0.7 | 0.0 | 0.7 |
| Reserves disbursed | –0.8 | –0.3 | –1.1 |
| Cancellations of unused reserves | 0.0 | | 0.0 |
| **31 Dec. 2011** | 3.9 | 0.0 | 3.9 |

The refund claim expense reserve includes a guarantee reserve related to construction business as well as the 10-year liability period thereafter.
The refund claim expense reserve is determined on the basis of the claims submitted and on figures from previous experience.
Other reserves include, inter alia, reserves for loss-making agreements.
The potential realisation of the refund claim expense reserve will take place within 10 years and other reserves within 1 year.

## 27. Accounts payable and other debts

| MEUR | 2011 | 2010 |
|---|---|---|
| Advances received | 16.5 | 10.2 |
| Accounts payable | 6.6 | 5.2 |
| Other debts | 0.6 | 0.7 |
| Deferred liabilities | 42.0 | 13.7 |
| **Accounts payable and other debts, total** | 65.7 | 29.7 |
| **Critical items of deferred liabilities** | | |
| Wages and salaries with employee benefits | 5.1 | 2.8 |
| Interest | 6.4 | 4.7 |
| Hedge accounting | 2.0 | |
| Construction commissioning | 24.2 | 1.6 |
| Rental business | 3.3 | 3.7 |
| Others | 1.0 | 0.9 |
| | 42.0 | 13.7 |

## 28. Management of financial risks

The goal of SATO's finance policy is to protect the company from unfavorable changes occurring in the financial market. In 2008 the Board of Directors approved SATO's finance policy, which sets out the main principles of managing finance and financial risks. SATO's Group finance attends to the management of financial risks in accordance with the Group's finance policy. Group finance reports to the CFO, who is responsible for organizing and managing the duties associated with the management of finance and financial risks as well as ensuring that the principles set in the finance policy are complied with.

### Interest rate risk

The aim of interest rate risk management is to reduce the impact of changes in market rates on interest expenses in such a way that the risk of a rise in interest expenses is on an acceptable level and liquidity is secured. The most crucial risk to the loan portfolio is interest rate risk, which is due to the effect of fluctuations in market interest rates. In interest rate risk management, the aim is to achieve a balance between floating and fixed rates. Interest rate risk mostly results from financial debts, which include market based loans, interest subsidised loans and state subsidised loans. The main interest rate risk involves market-based loans, but the interest rate risk on other types of financial debts is also monitored.

Market-based loans are basically drawn at floating rates. In accordance with the financial policy, 50–80% of the nominal value of loans is hedged, i.e., their interest-rate fixing period is extended. On 31 December 2011, 71% of the nominal value of these loans was hedged with derivatives, their average maturing being 3.45 years. Part of the interest rate derivatives are treated as cash flow hedging in the accounting. The longest of the hedges on floating-rate loans extend until 2017. The hedges on cash flow include no ineffective part, because the subjects of the hedging and the hedging instruments have the same interest periods. The effect of changes in market interest rates on net financial expenses is examined with sensitivity analyses on the next page.

Changes in market interest rates also affect interest expenditure on interest-subsidised loans. In interest-subsidised loans, a subsidy is obtained for the part exceeding the deductible rate, so the costs of increases in interest rates for interest subsidised loans are considerably lower than for market rate loans. The deductible rate at the end of 2011 was 2.75–3.5%. A large part of the interest-subsidised loans is tied to long reference rates. The interest risk on interest-subsidised loans is very small due to the interest subsidy and long reference rates. In accordance with the finance policy, SATO does not apply hedging to interest-subsidised loans. In 2009, 2010 and 2011, the base deductible rate on interest-subsidised loans of the so-called interim model is 3.40%.

In operations financed with state subsidies, absorption costbased determination is used for rent, by which any interest risk can be transferred to the rents. The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. Some state-subsidised loans have interest rate cap, the level of which is based on the interest rate of government 10-year bonds. A risk in state-subsidised ARAVA loans is a sudden increase in interest, which would be difficult to transfer in its entirety to rents without delay. Another risk is an increase in state subsidised interest rates based on inflation to a level higher than Euribor rates. In accordance with the finance policy, SATO does not apply hedging to state-subsidised ARAVA loans.

### Currency risk

In 2007, SATO started Investment in Housing business in Russian St. Petersburg. The first homes were completed for rental purposes in October 2008. SATO's main currency risks have been rouble-denominated commitments related to the investments. Currency risks of binding purchase contracts are hedged with forward rate agreements. On 31 December 2011, SATO had MEUR 3.7 in rouble-denominated commitments related to the investments. As rental business is still in the early stages, no very probable foreign currency denominated cash flows related to operational business constitute a significant currency risk. Neither will the consolidation of the foreign subsidiary's currency denominated shareholders' equity have significant effects on the Group's consolidated equity and the key indicators of the balance sheet.

### Price risk

At present, SATO has no items which might be subject to a significant price risk.

### Credit risk

Credit risk is caused by the inability of a contractual party to fulfil his obligations.

SATO's accounts receivable consist mainly of accounts receivable from construction commissioning. For the most part there is no credit risk from accounts receivable from construction commissioning, as title to the properties to be sold is not usually transferred to the buyer until the price has been paid.

A small proportion of accounts receivable involve rent receivables. SATO has more than 23,000 tenants, so the risk entailed in a single rent receivable is insignificant. Most lease agreements have security for the rent receivable. SATO's actual credit losses have averaged the equivalent of 0.7% of rental income.

In addition, derivative instruments involve a counterparty risk, which is reduced by spreading derivative instruments 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 actual basic business is a steady foundation on which the cash flows of investments and financing are built. Liquidity is managed with the commercial paper programme used by the Group, MEUR 100, committed credit limits, MEUR 130 and non-committed credit limits, MEUR 5. On 31 December 2011, the commercial paper issued amounted to EUR 93.2 million (31.12.2010: EUR 88.2 million). In liquidity management, it is taken into account that the assets of the Group's non-profit companies are kept separately and allocated to non-profit operations.

### Sensitivity analyses (interest rate risk)

The following assumptions were used in the sensitivity analysis:
- the interest rate change is assumed to be +1%/–0.5%
- the assumed change in the exchange rate is +/–10%

**Sensitivity analysis of market-rate floating interest loans 2011**

| | Profit and loss account | | Shareholders' equity | |
|---|---|---|---|---|
| | +1% | –0.5% | +1% | –0.5% |
| Floating rate loans | –6.5 | 3.3 | | |
| Cross currency swaps | 0.7 | –0.4 | 3.3 | –1.7 |
| Interest rate swaps | 3.5 | –1.8 | 13.9 | –7.2 |
| Interest rate options | 0.8 | –0.4 | | |
| Effect, total | –1.5 | 0.7 | 17.2 | –8.9 |

**Currency derivative sensitivity analysis 2011**

| | Profit and loss account | | Shareholders' equity | |
|---|---|---|---|---|
| | +10% | –10% | +10% | –10% |
| Foreign currency loans | –11.8 | 11.8 | | |
| Cross currency swaps | 11.8 | –11.8 | | |
| Forward agreements | | | 0.3 | –0.3 |
| Effect, total | 0.0 | 0.0 | 0.3 | –0.3 |

**Sensitivity analysis of market-rate floating interest loans 2010**

| | Profit and loss account | | Shareholders' equity | |
|---|---|---|---|---|
| | +1% | –0.5% | +1% | –0.5% |
| Floating rate loans | –5.0 | 2.5 | | |
| Interest rate swaps | 3.9 | –1.9 | 9.6 | –4.8 |
| Interest rate options | 1.8 | –0.9 | | |
| Effect, total | 0.7 | –0.3 | 9.6 | –4.8 |

**Currency derivative sensitivity analysis 2010**

| | Profit and loss account | | Shareholders' equity | |
|---|---|---|---|---|
| | +10% | –10% | +10% | –10% |
| Forward agreements | 0.2 | –0.2 | 0.4 | –0.4 |
| Effect, total | 0.2 | –0.2 | 0.4 | –0.4 |

Market-rate loans are basically drawn at floating rates. The company hedges against market-based loan interest rate risk in accordance with the Group's finance policy with derivative instruments such as interest rate swaps and options. The currency risk of loans denominated in foreign currency is fully hedged with cross currency swaps.

The sensitivity of interest-subsidised loans to changes in market rates is slight. The average interest-rate subsidy for interest-subsidised loans for the part in excess of the deductible rate was 35.2% at balance sheet date. The deductible rate on interest-subsidised loans at balance sheet date was 2.75–3.50%. Approximately 2/3 of the interest-subsidised loans are pegged to long-term, from 3- to 10-year reference rates. During the period under review, the base deductible rate on interest-subsidised loans of the so-called interim model is 3.40%. For the portion in excess of the deductible rate, 75% is paid in interest subsidy.

The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. The interest on state-subsidised ARAVA loans is updated annually on the basis of the change in the consumer price index for July. The new interest rate on statesubsidised ARAVA loans affects the interest rates for SATO's state subsidised loans only more than six months later. Therefore, as at the date of closing the books, the sensitivity of SATO's state-subsidised ARAVA loans to changes in the consumer price index for the next 12 months is nonexistent. Some of the state-subsidised ARAVA loans also have an interest rate cap based on the three-year average for interest on Finnish state bonds, therefore the sensitivity of the loans to a change in the consumer price index for the next 12 months is marginal also in other periods under examination.

**Analysis of maturity**

**The instalments on debts and the cash flows of interest based on loan agreements were as follows on 31 Dec. 2011:**

| MEUR | In 1 year | In 2–5 years | In 6–10 years | In 11–15 years | After 15 years | Total |
|---|---|---|---|---|---|---|
| Market-based loans | –155.7 | –201.4 | –218.3 | –82.2 | –86.7 | –744.3 |
| Interest-subsidised loans | –4.6 | –47.9 | –61.2 | –1.4 | | –115.1 |
| State-subsidised ARAVA loans | –16.5 | –67.4 | –75.7 | –55.9 | –25.5 | –241.0 |
| Accounts payable | –6.6 | | | | | –6.6 |
| | –183.4 | –316.7 | –355.2 | –139.5 | –112.2 | –1,107.0 |
| Interest rate swaps | –7.1 | –19.2 | –1.7 | | | –28.0 |
| Interest rate options | –1.4 | | | | | –1.4 |
| | –8.5 | –19.2 | –1.7 | 0.0 | 0.0 | –29.4 |
| Total | –191.9 | –335.9 | –356.9 | –139.5 | –112.2 | –1,136.4 |

**The instalments on debts and the cash flows of interest based on loan agreements were as follows on 31 Dec. 2010:**

| MEUR | In 1 year | In 2–5 years | In 6–10 years | In 11–15 years | After 15 years | Total |
|---|---|---|---|---|---|---|
| Market-based loans | –156.3 | –182.1 | –203.9 | –101.3 | –93.4 | –737.0 |
| Interest-subsidised loans | –3.2 | –36.1 | –70.5 | –7.4 | | –117.2 |
| State-subsidised ARAVA loans | –17.2 | –65.3 | –66.5 | –47.0 | –47.8 | –243.8 |
| Accounts payable | –5.2 | | | | | –5.2 |
| | –181.9 | –283.5 | –340.9 | –155.7 | –141.2 | –1,103.2 |
| Interest rate swaps | –8.2 | –10.0 | 0.3 | | | –17.9 |
| Interest rate options | –2.1 | –1.6 | | | | –3.7 |
| | –10.3 | –11.6 | 0.3 | 0.0 | 0.0 | –21.6 |
| Total | –192.2 | –295.1 | –340.6 | –155.7 | –141.2 | –1,124.8 |

The tables do not include the liability for debts of shares of housing and mutual property holding companies belonging to the group of investments.

## 29. Other lease agreements

| MEUR | 2011 | 2010 |
|---|---|---|
| **Group as lessee** | | |
| Minimum rents to be paid on the basis of other lease agreements: | | |
| During one year | 1.3 | 2.0 |
| Longer than one year and a maximum of five years later | 0.8 | 4.0 |
| In more than five years | 0.0 | 0.0 |
| Total | 2.1 | 6.0 |

The Group has sublet SATO's office premises on Panuntie in Helsinki. The amount of the minimum rents to be obtained from these premises is MEUR 0.5 (MEUR 0.4 in 2010). The received rents entered in the profit and loss account during the year were MEUR 1.0 (MEUR 0.9 in 2010).



| MEUR | 2011 | 2010 |
|---|---|---|

## 30. Notes to the cash flow statement

| | 2011 | 2010 |
|---|---|---|
| Business actions not involving a payment | | |
| Depreciation | 20.6 | 19.4 |
| Other changes | –1.3 | –0.2 |
| Total | 19.4 | 19.3 |

## 31. Collateral and contingency commitments

| | 2011 | 2010 |
|---|---|---|
| Debts for which mortgages and pledges have been given as collateral | | |
| Market loans | 668.1 | 475.7 |
| Mortgages provided | 61.1 | 63.4 |
| Book value of pledged shares | 659.0 | 567.3 |
| Value of corporate mortgages pledged | 0.0 | 0.0 |
| Value of deposits pledged | 50.0 | 0.0 |
| State-subsidised ARAVA loans | 173.5 | 186.3 |
| Mortgages provided | 333.0 | 351.3 |
| Book value of pledged shares | 23.8 | 23.8 |
| Interest-subsidised loans | 98.0 | 98.6 |
| Mortgages provided | 127.2 | 127.2 |
| Book value of pledged shares | 0.8 | 0.8 |
| Debts of housing and mutual property holding companies, secured by mortgages on properties | | |
| Loans from financial institutions | 170.5 | 122.3 |
| Mortgages provided | 265.4 | 184.8 |
| Other commitments | | |
| Guarantees | 3.3 | 2.6 |
| Guarantee pledges for others | | |
| Owner-occupier home purchase commitments | 18.9 | 18.1 |
| Rs-guarantees | 9.4 | 9.0 |
| Mortgages provided to secure payment of rent and street maintenance | | |
| Property mortgages provided | 5.1 | 5.1 |
| Binding purchase agreements | | |
| For acquisitions of investment properties | 66.9 | 38.5 |
| Pledges for land use payments on zoned plots | 4.6 | 13.1 |
| Commitments to cleaning and removal charges | 1.0 | 1.3 |
| Letters of intent on land for which there is a zoning condition | 0.0 | 7.5 |

Within SATO, housing companies which hold so-called owner-occupied apartment are treated for the special purpose as units established for a fixed period, which are not included in the consolidation. The combined total for loans of such housing companies, which are included in shared ownership systems, was MEUR 93.6 in 2011 (MEUR 99.8 in 2010).

## 32. Related party events

The Group's related parties are comprised of the parent company, SATO Corporation, and the subsidiaries and associated companies. The owners are also counted as related parties when they have direct or indirect influence, meaning those owners whose holding in SATO is 20% or more are always related parties. When ownership falls below 20%, an owner is considered a related party when he has considerable influence in other ways, for example, through a seat on the Board of Directors. In 2010 and 2011 the shareholders included in related parties were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and Wärtsilä Corporation.

Related parties are also taken to include the members of the Board of Directors and Corporate Management Groups, including the President and CEO as well as the families of the members of the Board of Directors and Corporate Management Group and the President and CEO, and companies managed by these. The Group's Corporate Management Group is comprised of SATO Corporation's President and CEO; the Vice Presidents; the Director, Customer Relationships and Communications; and the Chief Financial Officer.

| MEUR | 2011 | 2010 |
|---|---|---|
| **The following transactions were effected with related parties:** | | |
| Open balances with shareholders | | |
| Receivables | 0.0 | 0.0 |
| Debts | 35.4 | 39.4 |
| The terms applied in business with related parties were equal to the terms complied with in business dealings between independent parties. | | |
| Management perquisites | | |
| Salaries and other short-term perquisites | 1.7 | 1.5 |
| Other long-term perquisites | 0.8 | 0.5 |
| Total | 2.5 | 2.0 |
| Management salaries and emoluments | | |
| Presidents | 1.1 | 0.9 |
| Members of the Board of Directors | 0.2 | 0.2 |

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.

Pensionable age for the President, the President's deputy and the Vice President for the Helsinki Region and St. Petersburg is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary.

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

The members of the Group's Corporate Management Group are covered by an annual incentive scheme based on the Group's profit and fulfilment of the key targets for their respective sphere of responsibility. The Board of Directors approves the payment of bonuses.

In spring, 2010 the Board of Directors decided on a new long-term incentive scheme for the period 2010–2012 with a maximum limit. The earnings period is three years and the criterion for accrual is growth in net assets. The commitment period for the incentive scheme will continue until 2014. The incentive scheme applies to 15 people working in management positions in the Group. The purposes of the incentive scheme are to combine the goals of the management with those of the shareholders, commitment of the key people, improvement of competiveness, and promotion of long-term financial success.



## 33. Subsidiaries owned by the Group and parent company

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Holding percentages are the same as voting rights. | | |
| **Subsidiaries held by SATO Corporation** | | |
| Sato-Asunnot Oy | 100.0 | 100.0 |
| SATOkoti Oy | 100.0 | 100.0 |
| Sato-Rakennuttajat Oy | 100.0 | 100.0 |
| Sato Vuokrakodit Oy | 100.0 | 100.0 |
| Suomen Satokodit Oy | 100.0 | 100.0 |
| Vatrotalot Oy | 100.0 | 100.0 |
| **Unconsolidated subsidiaries and associated companies** | | |
| Keskus-Sato Oy dormant | 100.0 | 100.0 |
| SV-Asunnot Oy | 50.0 | 50.0 |
| **Other shares** | | |
| Outakessa Koy | 100.0 | 100.0 |
| Espoon Aallonrivi As Oy | 100.0 | 100.0 |
| **Companies held by subsidiaries** | | |
| **Sato-Asunnot Oy** | | |
| Agricolankuja 3 As Oy | 3.0 | 3.0 |
| Agricolankuja 8 As Oy | 80.7 | 80.7 |
| Agricolankulma As Oy | 0.8 | 0.8 |
| Albertus As Oy | 1.1 | 1.1 |
| Amos As Oy | 0.5 | 0.5 |
| Björneborgsvägen 5 Bost. Ab | 0.5 | 0.5 |
| Bostads Ab Munksnäs N:o 25 Asunto Oy | 14.1 | 14.1 |
| Erkintalo As Oy | 1.1 | 1.1 |
| Espoon Elosalama As Oy | 100.0 | 100.0 |
| Espoon Hassel As Oy | 4.4 | 4.4 |
| Espoon Heinjoenpolku As Oy | 100.0 | 100.0 |
| Espoon Honkavaarantie 5 As Oy | 60.5 | 60.5 |
| Espoon Kaupinkalliontie 5 As Oy | 49.5 | 49.5 |
| Espoon Kiiltokalliontie As Oy | 14.5 | 14.5 |
| Espoon Kivenhakkaajankuja 3 As Oy | 2.3 | 2.3 |
| Espoon Lounaismeri As Oy | 100.0 | 100.0 |
| Espoon Malmiportti 4 A–B As Oy | 100.0 | 100.0 |
| Espoon Malmiportti 4 C–D As Oy | 100.0 | 100.0 |
| Espoon Myötätuulenmäki As Oy | 8.5 | 8.5 |
| Espoon Numersinkatu 11 As Oy | 18.8 | 18.8 |
| Espoon Omenapuu As Oy | 16.0 | 16.0 |
| Espoon Paratiisiomena As Oy | 18.3 | 18.3 |
| Espoon Perkkaankuja 3 As Oy | 100.0 | 100.0 |
| Espoon Porarinkatu 2 D–E As Oy | 100.0 | 100.0 |
| Espoon Porarinkatu 2 F As Oy | 100.0 | 100.0 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Espoon Puikkarinmäki As Oy | 100.0 | 100.0 |
| Espoon Punatulkuntie 5 As Oy | 12.0 | 12.0 |
| Espoon Pyhäjärventie 1 As Oy | 100.0 | 100.0 |
| Espoon Rastaspuistonpolku As Oy | 22.6 | 22.6 |
| Espoon Rastaspuistontie 8 As Oy | 7.3 | 7.3 |
| Espoon Rummunlyöjänkatu 11 D–E As Oy | 100.0 | 100.0 |
| Espoon Ruorikuja 4 As Oy | 3.8 | 3.8 |
| Espoon Ruusulinna As Oy | 100.0 | 100.0 |
| Espoon Satokallio As Oy | 11.6 | 11.6 |
| Espoon Saunalyhty As Oy | 6.8 | 6.8 |
| Espoon Taivalpolku As Oy | 3.6 | 3.6 |
| 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 4 KOy | 100.0 | 100.0 |
| Espoon Viherlaaksonranta 7 As Oy | 100.0 | 100.0 |
| Espoon Yläkartanonpiha As Oy | 10.9 | 10.9 |
| Espoon Zanseninkuja 6 As Oy | 100.0 | 100.0 |
| Etelä-Hämeen Talo Oy | 81.3 | 56.3 |
| Eura III As Oy | 100.0 | 100.0 |
| Fredrikinkatu 38 As Oy | 2.7 | 2.7 |
| Haagan Pappilantie 13 As Oy | 2.6 | 2.6 |
| Haagan Talontie 4 As Oy | 3.1 | 3.1 |
| Hakaniemenranta As Oy | 2.5 | 2.5 |
| 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 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 Happiness As Oy | 22.2 | 22.2 |
| Helsingin Hildankulma As Oy | 80.1 | 80.1 |
| Helsingin Isopurje As Oy | 3.2 | 3.2 |
| Helsingin Juhani Ahon tie 12–14 As Oy | 100.0 | 100.0 |
| Helsingin Kaarenjalka 5 As Oy | 100.0 | 100.0 |
| Helsingin Kaivonkatsojantie 2 As Oy | 16.4 | 16.4 |
| Helsingin Kalevankatu 53 As Oy | 30.5 | 30.5 |
| Helsingin Kalliolinna As Oy | 0.8 | 0.8 |
| Helsingin Kanavaranta As Oy | 8.8 | 8.8 |
| Helsingin Kangaspellontie 1–5 As Oy | 100.0 | 100.0 |
| Helsingin Kangaspellontie 4 As Oy | 20.1 | 20.1 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Helsingin Kangaspellontie 6 KOy | 100.0 | 100.0 |
| Helsingin Kangaspellontie 8 As Oy | 16.4 | 16.4 |
| 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 Koroistentie As Oy | 15.9 | 15.9 |
| Helsingin Korppaanmäentie 17 As Oy | 100.0 | 100.0 |
| Helsingin Korppaanmäentie 21 As Oy | 100.0 | 100.0 |
| Helsingin Korppaantie 8 As Oy | 49.8 | 49.8 |
| Helsingin Kristianinkatu 11–13 As Oy | 100.0 | 100.0 |
| Helsingin Kultareuna 1 As Oy | 39.0 | 39.0 |
| Helsingin Kutomotie 8a As Oy | 100.0 | 100.0 |
| Helsingin Kutomotie 10a K Oy | 100.0 | 100.0 |
| Helsingin Kyläkirkontie 13 As Oy | 68.5 | 68.5 |
| Helsingin Köysikuja 2 As Oy | 9.5 | 9.5 |
| Helsingin Lauttasaarentie 19 KOy | 58.3 | 58.3 |
| Helsingin Leikopiha As Oy | 9.6 | 9.6 |
| Helsingin Leikosaarentie 31 As Oy | 18.7 | 18.7 |
| Helsingin Leikovuo As Oy | 9.1 | 9.1 |
| Helsingin Lönnrotinkatu 32 As Oy | 57.5 | 57.5 |
| Helsingin Mariankatu 19 As Oy | 1.0 | 1.0 |
| Helsingin Mechelininkatu 12–14 As Oy | 100.0 | 100.0 |
| Helsingin Merenkävijä As Oy | 5.1 | 5.1 |
| Helsingin Meripellonhovi KOy | 98.3 | 98.3 |
| Helsingin Minna Canthinkatu 24 As Oy | 1.1 | 1.1 |
| Helsingin Mylläri As Oy | 2.3 | 2.3 |
| Helsingin Nautilus As Oy | 26.0 | 26.0 |
| Helsingin Navigatortalo KOy | 44.7 | 44.7 |
| Helsingin Nils Westermarckin kuja 18 As Oy | 100.0 | 100.0 |
| Helsingin Nukkeruusunkuja 3 As Oy | 15.5 | 15.5 |
| Helsingin Pakilantie 17 As Oy | 100.0 | 100.0 |
| 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 Reginankuja 4 As Oy | 11.8 | 11.8 |
| Helsingin Rikhard Nymanin tie 3 As Oy | 100.0 | 100.0 |
| Helsingin Rosas As Oy | 9.6 | 9.6 |
| Helsingin Rumpupolun palvelutalo As Oy | 4.6 | 4.6 |
| Helsingin Ruusutarhantie 2–4 As Oy | 38.0 | 38.0 |
| Helsingin Ruusutarhantie 7 As Oy | 39.3 | 39.3 |
| Helsingin Satoaalto As Oy | 8.6 | 8.6 |
| Helsingin Satorinne As Oy | 8.5 | 8.5 |
| Helsingin Serica As Oy | 3.8 | 3.8 |
| Helsingin Siltavoudintie 20 As Oy | 100.0 | 100.0 |
| Helsingin Snellmaninkatu 23 As Oy | 100.0 | 100.0 |
| Helsingin Solarus As Oy | 5.9 | 5.9 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Helsingin Solnantie 22 As Oy | 98.0 | 71.0 |
| 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 | 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 Tuohiaukio As Oy | 6.4 | 6.4 |
| Helsingin Töölön Oscar As Oy | 25.3 | 25.3 |
| Helsingin Vanha viertotie 16 As Oy | 76.7 | 76.7 |
| Helsingin Vanha viertotie 18 As Oy | 47.5 | 47.5 |
| 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 Villa Kuohu As Oy | 25.6 | 25.6 |
| Helsingin Vuosaaren Helmi As Oy | 100.0 | 100.0 |
| Helsingin Välskärinkatu 4KOy | 85.7 | 85.7 |
| Hiihtomäentie 34 As Oy | 3.7 | 3.7 |
| Humalniementie 3–5 As Oy | 1.1 | 1.1 |
| Hyvinkään Joutsenlaulu As Oy | 28.2 | 28.2 |
| Hämeenlinnan Aroniitunkuja 7 As Oy | 100.0 | 100.0 |
| Jussinhovi As Oy | 3.5 | 3.5 |
| Jyväskylän Ailakinraitti As Oy | 100.0 | 100.0 |
| Jyväskylän Lyseonlinna As Oy | 6.8 | 4.6 |
| Jyväskylän Taitoniekansato As Oy | 17.4 | 17.4 |
| Jyväskylän Torihovi As Oy | 2.7 | 2.7 |
| Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy | 100.0 | 100.0 |
| Kaarenkunnas As Oy | 100.0 | 100.0 |
| Kajaanin Rekitie 1–2 As Oy | 100.0 | 100.0 |
| Kajaneborg Bost. Ab | 7.3 | 7.3 |
| Kasarmikatu 14 As Oy | 12.2 | 12.2 |
| Kasarminkatu 10 As Oy | 26.7 | 26.7 |
| Kauniaisten Ersintie 9–11 As Oy | 5.5 | 5.5 |
| Kauniaisten Konsuli As Oy Bost. Ab | 7.4 | 7.4 |
| Keravan Papintie 1 As Oy | 100.0 | 100.0 |
| Ketturinne As Oy | 1.3 | 1.3 |
| Kirkkosalmentie 3 As Oy | 0.9 | 0.9 |
| Kristianinkatu 2 As Oy | 1.7 | 1.7 |
| Kulmakatu 12 As Oy | 2.1 | 2.1 |
| Kulmavuorenpiha As Oy | 100.0 | 100.0 |
| Kulmavuorenrinne As Oy | 1.0 | 1.0 |
| Kuuselanpuisto As Oy | 23.0 | 23.0 |
| 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 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Laajalahdentie 26 As Oy | 6.5 | 6.5 |
| Lahden Nuolikatu 9 As Oy | 100.0 | 100.0 |
| 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 |
| 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 | 32.1 | 16.3 |
| 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 |
| 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 |
| Mursu As Oy | 0.5 | 0.5 |
| Myllysalama As Oy | 76.6 | 76.6 |
| Myyrinhaukka As Oy | 100.0 | 100.0 |
| Nekalanpuisto KOy | 2.9 | 2.9 |
| Nervanderinkatu 9 As Oy | 2.6 | 2.6 |
| Neulapadontie 4 As Oy | 1.2 | 1.2 |
| Nordenskiöldinkatu 8 As Oy | 2.5 | 2.5 |
| Näsinkeskus KOy | 11.3 | 11.3 |
| Näyttelijäntien Pistetalot As Oy | 1.4 | 1.4 |
| 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 Arvolanpiha As Oy | 0.0 | 0.0 |
| Oulun Arvolanpuisto As Oy | 9.0 | 9.0 |
| Oulun Kalevalantie As Oy | 100.0 | 100.0 |
| Oulun Laanila I As Oy | 100.0 | 100.0 |
| Oulun Laanila IV As Oy | 100.0 | 100.0 |
| Oulun Laaniranta As Oy | 6.0 | 6.0 |
| Oulun Marsalkka As Oy | 5.7 | 5.7 |
| Oulun Mastolinna As Oy | 2.2 | 2.2 |
| Oulun Notaarintie 1 As Oy | 24.4 | 24.4 |
| Oulun Notaarintie 3 As Oy | 5.0 | 5.0 |
| Oulun Peltolantie 18 B As Oy | 100.0 | 100.0 |
| Oulun Tulliveräjä As Oy | 33.1 | 33.1 |
| Pellervon Pysäköinti KOy | 68.9 | 43.1 |
| Pengerkatu 27 As Oy | 2.6 | 2.6 |
| Pihlajatie N:o 23 As Oy | 3.0 | 3.0 |
| Poutuntie 2 As Oy | 3.7 | 3.7 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Puistokaari 13 As Oy | 1.9 | 1.9 |
| Raikukuja II As Oy | 100.0 | 100.0 |
| Raikurinne 1 As Oy | 1.3 | 1.3 |
| Riihimäen Kolehmaisentori As Oy | 29.6 | 29.6 |
| Risto Rytin tie 28 As Oy Bost. Ab | 1.5 | 1.5 |
| Ristolantie 7 As Oy | 2.5 | 2.5 |
| 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 |
| 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 Charlotta As Oy | 2.0 | 2.0 |
| Tampereen Jankanpuisto As Oy | 100.0 | 100.0 |
| Tampereen Kanjoninkatu 15 As Oy | 60.7 | 60.7 |
| Tampereen Kauppa-aukio As Oy | 100.0 | 100.0 |
| Tampereen Kristiina As Oy | 19.1 | 19.1 |
| Tampereen Kuikankatu 2 As Oy | 9.7 | 9.7 |
| Tampereen Linnanherra As Oy | 100.0 | 100.0 |
| Tampereen Rotkonraitti 6 As Oy | 62.2 | 62.2 |
| Tampereen Siirtolapuutarhankatu 12 As Oy | 5.6 | 5.6 |
| Tampereen Tarmonkatu 6 As Oy | 100.0 | 100.0 |
| Tampereen Waltteri As Oy | 23.9 | 23.9 |
| Tapiolan Tuuliniitty, Espoo As Oy | 6.8 | 6.8 |
| Tarkkampujankatu 14 As Oy | 44.1 | 44.1 |
| Terhokuja 3 As Oy | 100.0 | 100.0 |
| Terhokuja 6 As Oy | 11.3 | 11.3 |
| Tohlopinkontu Koy | 100.0 | 60.0 |
| Turun Eteläranta II As Oy | 3.2 | 3.2 |
| Turun Eteläranta III As Oy | 2.9 | 2.9 |
| Turun Eteläranta IV As Oy | 3.0 | 3.0 |
| Turun Förinranta II As Oy | 1.0 | 1.0 |
| Turun Ipnoksenrinne As Oy | 6.7 | 6.7 |
| Turuntie 112 As Oy | 1.4 | 1.4 |
| Turuntie 63 As Oy | 1.6 | 1.6 |
| Työväen Asunto-osakeyhtiö Rauha | 10.2 | 10.2 |
| Ulvilantie 11 b As Oy | 0.6 | 0.6 |
| Urheilukatu 38 As Oy | 56.0 | 56.0 |
| Uusikatu 58 KOy | 14.6 | 14.6 |
| Vaasankatu 15 As Oy | 0.8 | 0.8 |
| Vallinkyyhky As Oy | 6.0 | 6.0 |
| Vantaan Aapramintie 4 As Oy | 100.0 | 100.0 |
| Vantaan Albert Petreliuksen katu 8 As Oy | 7.7 | 7.7 |
| Vantaan Heporinne 4 As Oy | 100.0 | 100.0 |
| Vantaan Kaarenlehmus As Oy | 100.0 | 100.0 |
| Vantaan Kivivuorentie 8 A–B As Oy | 100.0 | 100.0 |
| Vantaan Kivivuorentie 8 C As Oy | 100.0 | 100.0 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Vantaan Käräjäkuja 3 As Oy | 19.8 | 19.8 |
| Vantaan Liesitorin palvelutalo As Oy | 5.9 | 5.9 |
| Vantaan Maarinrinne As Oy | 12.0 | 12.0 |
| Vantaan Maarukanrinne 6 As Oy | 14.6 | 14.6 |
| Vantaan Myyrinmutka As Oy | 100.0 | 100.0 |
| Vantaan Oritie 1 As Oy | 100.0 | 100.0 |
| Vantaan Pronssikuja 1 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 Tähkiö As Oy | 33.2 | 33.2 |
| Vihdin Lippotie 10 ja Vesitie 5 As Oy | 100.0 | 100.0 |
| Viides linja 16 As Oy | 1.1 | 1.1 |
| 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 |
| Vuosaaren Meripihka As Oy, Helsinki | 42.7 | 42.7 |
| OOO SATO-Rus | 100.0 | 100.0 |
| Sato-Pietari Oy | 100.0 | 100.0 |
| **SATOkoti Oy** | | |
| Espoon Jousenkaari 5 As Oy | 100.0 | 100.0 |
| Espoon Jousenkaari 7 As Oy | 100.0 | 100.0 |
| Espoon Sepetlahdentie 6 As Oy | 100.0 | 100.0 |
| Helsingin Graniittitie 8 ja 13 As Oy | 100.0 | 100.0 |
| Helsingin Ida Aalbergin tie 3 A As Oy | 100.0 | 100.0 |
| Helsingin Keinulaudantie 7 As Oy | 100.0 | 100.0 |
| Helsingin Kiillekuja 4 As Oy | 100.0 | 100.0 |
| Helsingin Lapponia As Oy | 100.0 | 100.0 |
| Helsingin Näyttelijäntie 24 As Oy | 100.0 | 100.0 |
| Helsingin Pajamäentie 6 As Oy | 100.0 | 100.0 |
| Helsingin Pajamäentie 7 As Oy | 100.0 | 100.0 |
| Helsingin Rusthollarinkuja 2 As Oy | 100.0 | 100.0 |
| Helsingin Viulutie 1 As Oy | 100.0 | 100.0 |
| Hiirakkokuja 4 KOy | 100.0 | 100.0 |
| Hiirakkotie 3 KOy | 100.0 | 100.0 |
| Hollolan Harjukoivu As Oy | 100.0 | 100.0 |
| Lohjan Koulukuja 14 As Oy | 100.0 | 100.0 |
| Matinkatu 10 KOy | 100.0 | 100.0 |
| Myyrinkulma KOy | 100.0 | 100.0 |
| Nummenpuisto KOy | 100.0 | 100.0 |
| Ojamonkuusi KOy | 54.6 | 54.6 |
| Oulun Hoikantie 14–22 As Oy | 100.0 | 100.0 |
| Tampereen Ruovedenkatu 11 As Oy | 100.0 | 100.0 |
| Tohlopinkontu Koy | 100.0 | 40.0 |
| Vantaan Havukoskenkatu 20 As Oy | 100.0 | 100.0 |
| Vantaan Hiekkaharjuntie 16 As Oy | 100.0 | 100.0 |
| Vihdin Kuortilankuja 4 As Oy | 100.0 | 100.0 |
| Vihdin Lippotie 3 As Oy | 100.0 | 100.0 |
| Vihdin Niittytie 1 KOy | 100.0 | 100.0 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Vihdin Nummenselkä 8 As Oy | 100.0 | 100.0 |
| Vihdin Peltotie 2 KOy | 100.0 | 100.0 |
| SATOhabita Oy | 100.0 | 100.0 |
| SATOhousing Oy | 100.0 | 100.0 |
| SATOliving Oy | 100.0 | 100.0 |
| **SATOhousing Oy** | | |
| Hannanpiha As Oy | 19.1 | 19.1 |
| Helkalax As Oy | 1.3 | 1.3 |
| Helsingin Hämeenpenger As Oy | 100.0 | 100.0 |
| Hervannan Juhani As Oy | 14.9 | 14.9 |
| Jyväskylän Karsikkotie 5 As Oy | 100.0 | 100.0 |
| Kastevuoren Palvelutalo As Oy | 100.0 | 100.0 |
| Kevätesikko As Oy | 3.4 | 3.4 |
| Kotipiennar As Oy | 2.8 | 2.8 |
| Koulukuja 4–10 KOy | 54.0 | 54.0 |
| Kuhakartano As Oy | 0.7 | 0.7 |
| Kukkolan Koivu As Oy | 4.3 | 4.3 |
| Kuusihalme As Oy | 2.3 | 2.3 |
| Maijalanraitti As Oy | 6.3 | 6.3 |
| Malmeken Ömsesidiga Fastighet | 12.8 | 12.8 |
| Mannerheimintie 170 KOy | 32.1 | 15.8 |
| Matinraitti 14 As Oy | 1.0 | 1.0 |
| Mattitapio As Oy | 2.5 | 2.5 |
| Muotialantie 31 As Oy | 7.0 | 7.0 |
| Näsinlaine As Oy | 1.0 | 1.0 |
| Oulun Utelias-Salpa As Oy | 100.0 | 100.0 |
| Peltohuhta As Oy | 1.2 | 1.2 |
| Pohjankartano As Oy | 22.8 | 22.8 |
| Puistoraitti As Oy | 2.3 | 2.3 |
| Puolukkasato As Oy | 5.9 | 5.9 |
| Rantasentteri As Oy | 1.5 | 1.5 |
| Satokaunokki As Oy | 7.5 | 7.5 |
| Satotatti As Oy | 3.0 | 3.0 |
| Satulapuisto As Oy | 6.9 | 6.9 |
| Tasatuomo As Oy | 1.3 | 1.3 |
| Tikkamatti As Oy | 19.6 | 19.6 |
| Turun Uudenmaanlinna As Oy | 100.0 | 100.0 |
| Ulpukkaniemi As Oy | 25.4 | 25.4 |
| Vahterantorni As Oy | 3.2 | 3.2 |
| Valtapolku As Oy | 1.2 | 1.2 |
| Vantaan Martinpääsky As Oy | 100.0 | 100.0 |
| Välkynkallio As Oy | 0.8 | 0.8 |
| Yläaitankatu 4 As Oy | 1.7 | 1.7 |
| **SATOliving Oy** | | |
| Espoon Kuunsirppi As Oy | 100.0 | 100.0 |
| Helsingin Pasilantornit As Oy | 67.8 | 67.8 |
| Helsingin Vetelintie 5 As Oy | 100.0 | 100.0 |
| Jyväskylän Karsikkotie 3 As Oy | 100.0 | 100.0 |
| Lohjan Riihenkiuas As Oy | 100.0 | 100.0 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Oulun Tervakukkatie 34–36 KOy | 100.0 | 100.0 |
| Tampereen Hervannan Puistokallio As Oy | 100.0 | 100.0 |
| Turun Veistämöntori As Oy | 100.0 | 100.0 |
| **Sato-Rakennuttajat Oy** | | |
| Helsingin Tila As Oy | 24.5 | 11.4 |
| Oulun Peltokerttu As Oy | 100.0 | 100.0 |
| Piipunjuuri Oy | 50.0 | 50.0 |
| **Sato Vuokrakodit Oy** | | |
| Espoon Numersinkatu 6 As Oy | 9.2 | 9.2 |
| Espoon Puropuisto As Oy | 51.7 | 51.7 |
| Espoon Ristiniementie 22 As Oy | 5.4 | 5.4 |
| Espoon Sokerilinnantie 1 As Oy | 4.3 | 4.3 |
| Espoon Säterinkatu 10 As Oy | 3.0 | 3.0 |
| Espoon Zanseninkuja 4 As Oy | 17.4 | 17.4 |
| Etelä-Hämeen Talo Oy | 81.3 | 25.0 |
| Helsingin Finniläntalo As Oy | 80.2 | 80.2 |
| Helsingin Lintulahdenpuisto As Oy | 100.0 | 100.0 |
| Helsingin Mustankivenraitti As Oy | 94.6 | 94.6 |
| Helsingin Myllypellonpolku 4 As Oy | 6.9 | 6.9 |
| Helsingin Otto Brandtin polku 4 As Oy | 5.9 | 5.9 |
| Helsingin Paciuksenkaari 13 As Oy | 2.8 | 2.8 |
| Helsingin Paciuksenkaari 19 As Oy | 1.6 | 1.6 |
| Helsingin Pasuunatie 8 As Oy | 7.5 | 7.5 |
| Helsingin Taimistontie 9 As Oy | 7.9 | 7.9 |
| Helsingin Tulisuontie 20 As Oy | 100.0 | 100.0 |
| Helsingin Tulvaniitynpolku 5 As Oy | 8.2 | 8.2 |
| Helsingin Vanhanlinnantie 10 As Oy | 6.5 | 6.5 |
| Iidesranta 42 Tampere As Oy | 3.3 | 3.3 |
| Jyväskylän mlk:n Kirkkotie 3 As Oy | 7.5 | 7.5 |
| Jyväskylän Vaneritori 4 As Oy | 16.7 | 16.7 |
| Kaarinan Katariinankallio As Oy | 12.3 | 12.3 |
| Kaarinan Katariinanrinne As Oy | 6.9 | 6.9 |
| Kaarinan Kiurunpuisto As Oy | 20.6 | 20.6 |
| Kaarinan Kultarinta As Oy | 22.8 | 22.8 |
| Kaarinan Mattelpiha As Oy | 28.0 | 28.0 |
| Kuovi As Oy | 100.0 | 100.0 |
| Lahden Kauppakatu 36 As Oy | 3.6 | 3.6 |
| Lappeenrannan Kanavansato 2 As Oy | 25.0 | 25.0 |
| Oulun Aleksanteri As Oy | 80.3 | 80.3 |
| Oulun Laamannintie 14 ja 17 As Oy | 56.9 | 56.9 |
| Oulun Laamannintie As Oy | 32.2 | 32.2 |
| Raision Toripuisto As Oy | 11.8 | 11.8 |
| Satulaparkki KOy | 53.3 | 53.3 |
| Tampereen Haapalinnan Antintalo As Oy | 47.1 | 47.1 |
| Tampereen Kyläleni As Oy | 63.8 | 63.8 |
| Tampereen Kyyhky As Oy | 8.1 | 8.1 |
| Tampereen Rantatie 13 E-G As Oy | 35.8 | 35.8 |
| Turun Hehtokatu As Oy | 9.0 | 9.0 |
| Turun Maarianportti As Oy | 100.0 | 100.0 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Turun Merenneito As Oy | 11.6 | 11.6 |
| Turun Meripoika As Oy | 26.0 | 26.0 |
| Turun Metallikatu As Oy | 100.0 | 100.0 |
| Turun Seiskarinkulma As Oy | 14.0 | 14.0 |
| Turun Tervaporvari As Oy | 79.9 | 79.9 |
| Turun Unikkoniitty As Oy | 4.3 | 4.3 |
| Vantaan Herttuantie 3 As Oy | 28.0 | 28.0 |
| Vantaan Orvokkitie 17 As Oy | 14.3 | 14.3 |
| **Suomen Satokodit Oy** | | |
| Arhotie 22 KOy | 100.0 | 100.0 |
| Karpalopolku KOy | 100.0 | 100.0 |
| Kaskenkaatajantie KOy | 100.0 | 100.0 |
| Meiramikuja As Oy | 4.7 | 4.7 |
| Myllymatkantie 1 Koy | 100.0 | 100.0 |
| Pellervon Pysäköinti KOy | 68.9 | 25.8 |
| Satosorsa As Oy | 19.9 | 19.9 |
| Vantaan Kortteeri As Oy | 6.4 | 6.4 |
| Vihdin Kirkkoniementie 2 KOy | 100.0 | 100.0 |
| Vihdin Nummenselkä 10 KOy | 100.0 | 100.0 |
| **Vatrotalot Oy** | | |
| Aapelinkatu 1 KOy | 100.0 | 100.0 |
| Harjulehmus As Oy | 41.0 | 41.0 |
| Helsingin Laivalahdenportti 5 As Oy | 75.5 | 75.5 |
| Helsingin Muurahaisenpolku 6 KOy | 64.4 | 64.4 |
| Helsingin Toini Muonan katu 8 As Oy | 19.2 | 19.2 |
| Hämeenlinnan Aaponkuja 3 As Oy | 47.7 | 47.7 |
| Jukolanniitty As Oy | 52.6 | 52.6 |
| Jukolantanner As Oy | 52.3 | 52.3 |
| Jyväskylän Kakkospesä As Oy | 18.2 | 18.2 |
| Kangasalan Kukkapuisto As Oy | 12.6 | 12.6 |
| Kaukotie 10–12 As Oy | 3.1 | 3.1 |
| Kavilanniitty As Oy | 21.3 | 21.3 |
| Kirkkonummen Riihipolku As Oy | 100.0 | 100.0 |
| Kukkaropohja KOy | 100.0 | 100.0 |
| Kylänpäänpelto As Oy | 48.3 | 48.3 |
| Laakavuorentie 4 As Oy | 39.1 | 39.1 |
| Lahden Roopenkuja As Oy | 57.7 | 57.7 |
| Marolinnankoti As Oy | 15.4 | 15.4 |
| 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 |
| Nurmijärven Kylänpäänkaari As Oy | 50.0 | 50.0 |
| Nurmijärven Kylänpäänniitty As Oy | 47.2 | 47.2 |
| Pirilänportti As Oy | 14.5 | 14.5 |
| Pohjanpoika As Oy | 24.5 | 24.5 |
| Puolukkavarikko As Oy | 33.9 | 33.9 |
| Raudikkokuja 3 KOy | 100.0 | 100.0 |
| Riviuhkola As Oy | 49.9 | 49.9 |
| Salpalohi KOy | 33.3 | 33.3 |

| | Group's holding, % | Parent company's holding, % |
|---|---|---|
| Satosyppi As Oy | 50.0 | 50.0 |
| Satotaival As Oy | 46.4 | 46.4 |
| Turun Kivimaanrivi As Oy | 13.1 | 13.1 |
| Turun Mietoistenkuja As Oy | 22.5 | 22.5 |
| Turun Pernon Kartanonlaakso As Oy | 68.8 | 68.8 |
| Turun Sipimetsä As Oy | 19.8 | 19.8 |
| Vantaan Minkkikuja As Oy | 74.9 | 74.9 |
| Vantaan Omaksi As Oy | 2.8 | 2.8 |
| Vantaan Ravurinmäki As Oy | 47.8 | 47.8 |
| Vantaan Ravurinpuisto As Oy | 64.2 | 64.2 |
| SATO-Osaomistus | 100.0 | 100.0 |
| Suomen Asumisoikeus Oy | 50.0 | 50.0 |
| VATROhousing Oy | 100.0 | 100.0 |
| **VATROhousing Oy** | | |
| Kajaanin Kannonkatu As Oy | 6.2 | 6.2 |
| Kajaanin Välimaanrinne As Oy | 28.4 | 28.4 |
| Naantalin Kastovuorenrinne As Oy | 25.6 | 25.6 |
| Nastolan Moreeniraitti As Oy | 27.2 | 27.2 |
| Nokian Miharintie 38–40 As Oy | 100.0 | 100.0 |
| Salon Valhojanrivi As Oy | 21.2 | 21.2 |
| Tasakuusi As Oy | 11.7 | 11.7 |

## 34. IAS23 Borrowing costs

| MEUR | 2011 | 2010 |
|---|---|---|
| Changeover date 1.1.2007 | | |
| Capitalised expenses of borrowing costs during the period | 0.3 | 0.5 |
| Financial expense index | 2.19 | 2.08 |

# Parent company's profit and loss account, FAS

| MEUR | Note | 1 Jan.–31 Dec. 2011 | 1 Jan.–31 Dec. 2010 |
|---|---|---|---|
| Turnover | 1 | 8.9 | 6.7 |
| Other operating income | 2 | 3.6 | 3.2 |
| Materials and services | 3 | –1.9 | –0.6 |
| Personnel expenses | 4–6 | –3.6 | –2.9 |
| Depreciation, amortization and impairment charges | 7 | –0.6 | –0.6 |
| Other operating expenses | 8 | –7.4 | –7.6 |
| **Operating profit** | | –0.9 | –1.8 |
| Financial income and expenses | 9 | 0.2 | 0.9 |
| **Profit/loss before extraordinary items** | | –0.7 | –0.9 |
| Extraordinary items | 10 | 35.5 | 25.7 |
| **Profit before taxes** | | 34.8 | 24.8 |
| Income taxes | 11 | –8.9 | –6.7 |
| **Net profit for the financial year** | | 25.9 | 18.1 |

# Parent company's balance sheet, FAS

| MEUR | Note | 31 Dec. 2011 | 31 Dec. 2010 |
|---|---|---|---|
| ASSETS | | | |
| Fixed assets and other long-term investments | | | |
| Intangible assets | 12 | 0.8 | 0.8 |
| Tangible assets | 13 | 1.1 | 0.6 |
| Holdings in Group companies | 14 | 68.5 | 68.5 |
| Holdings in associated companies | 15 | 0.0 | 0.0 |
| Other holdings and shares | 16 | 1.2 | 1.0 |
| | | 71.6 | 70.9 |
| Inventories and financial assets | | | |
| Inventories | 17 | 7.6 | 3.7 |
| Long-term receivables | 18 | 190.6 | 217.4 |
| Short-term receivables | 19 | 34.7 | 23.0 |
| Cash and cash equivalents | | 10.6 | 0.1 |
| | | 243.4 | 244.2 |
| ASSETS, TOTAL | | 315.1 | 315.1 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | 21–22 | | |
| Share capital | | 4.4 | 4.4 |
| Revaluation fund | | | |
| Reserve fund | | 43.7 | 43.7 |
| Other funds | | 45.6 | 45.6 |
| Retained earnings | | 18.0 | 17.7 |
| Profit for the period | | 25.9 | 18.1 |
| | | 137.7 | 129.6 |
| Obligatory reserves | 23 | 0.2 | 0.3 |
| Liabilities | | | |
| Non-current | 24 | 68.8 | 70.7 |
| Current | 25 | 108.4 | 114.6 |
| | | 177.2 | 185.3 |
| SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL | | 315.1 | 315.1 |

# Parent company's cash flow statement, FAS

| MEUR | 2011 | 2010 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit for financial year | 25.9 | 18.1 |
| Adjustments: | | |
| Depreciation | 0.6 | 0.6 |
| Financial income (–) and expenses (+) | –0.2 | –0.9 |
| Income tax | 8.9 | 6.7 |
| Proceeds (–) and losses (+) on sales of fixed assets | –0.0 | –0.0 |
| Other adjustments | –35.5 | –25.7 |
| Cash flow before change in working capital | –0.3 | –1.3 |
| Change in working capital: | | |
| Decrease (+)/increase (–) in current non-interest bearing receivables | 0.0 | 1.9 |
| Decrease (+)/increase (–) in inventories | –3.9 | –0.1 |
| Decrease (–)/increase (+) in current debts | 3.0 | 1.3 |
| Increase (+)/decrease (–) in obligatory reserves | –0.0 | –0.1 |
| Cash flow before financial items and taxes | –1.3 | 1.8 |
| Interest paid and payments of other financial expenses | –4.0 | –2.4 |
| Dividends received | 0.0 | 0.0 |
| Interest received | 4.3 | 3.2 |
| Direct taxes paid | –9.1 | –2.2 |
| Cash flow before extraordinary items | –10.0 | 0.5 |
| Cash flow from operating activities (A) | –10.0 | 0.5 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments in tangible and intangible assets | –1.1 | –0.4 |
| Income from surrender of tangible assets | 0.0 | 0.0 |
| Placements in other investments | –0.3 | –1.1 |
| Proceeds from other investments | 0.2 | 0.1 |
| Loans granted | –26.0 | –83.2 |
| Instalments on notes receivable | 51.0 | 17.3 |
| Cash flow from investing activities (B) | 23.9 | –67.3 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Change in funds | 0.0 | 36.6 |
| Loans taken | 2.0 | 58.1 |
| Payments on loans | –13.2 | –33.7 |
| Group contributions (contribution-based) | 25.5 | 9.2 |
| Dividends paid and other distribution of profit | –17.8 | –10.9 |
| Cash flow from financing (C) | –3.4 | 59.3 |
| Calculated change in cash and cash equivalents (A+B+C) | 10.4 | –7.6 |
| Cash and cash equivalents at start of year | 0.1 | 7.7 |
| Cash and cash equivalents at year-end | 10.6 | 0.1 |

# Notes to the parent company's financial statements

| MEUR | 2011 | 2010 |
|---|---|---|
| **NOTES TO THE PROFIT AND LOSS ACCOUNT** | | |
| **1. Turnover** | | |
| Rental income and compensation | 2.3 | 2.2 |
| Other income | 6.6 | 4.6 |
| | 8.9 | 6.7 |
| **2. Other income from business operations** | | |
| Other income from business operations | 0.3 | 0.0 |
| Proceeds from sales of fixed assets | 0.0 | 0.0 |
| Charges for management costs | 3.3 | 3.2 |
| | 3.6 | 3.2 |
| **3. Materials and services** | | |
| Materials and supplies | | |
| Purchases during the period (=procurements) | 6.5 | 0.5 |
| Change in inventories | –4.6 | 0.1 |
| | 1.9 | 0.6 |
| **4. Personnel expenses** | | |
| Salaries and wages | 2.8 | 2.2 |
| Pension expenses | 0.7 | 0.6 |
| Other personnel expenses | 0.1 | 0.1 |
| | 3.6 | 2.9 |
| **5. Management salaries and emoluments** | | |
| Presidents and members of the Board of Directors | 0.8 | 0.7 |
| The President and CEO is entitled to retire at the age of 60. | | |
| **6. Parent company had during the financial year an average number of** | | |
| Employees | 12 | 13 |
| **7. Depreciation** | | |
| Depreciation on tangible and intangible assets | 0.6 | 0.6 |
| | 0.6 | 0.6 |
| **8. Other expenses of business operations** | | |
| Rents | 2.0 | 1.9 |
| Properties' maintenance expenses | 0.4 | 0.4 |
| Other fixed expenses | 4.9 | 5.3 |
| Other expenses of business operations | 0.0 | 0.1 |
| | 7.4 | 7.6 |

| MEUR | 2011 | 2010 |
|---|---|---|
| **9. Financial income and expenses** | | |
| Dividend income | | |
| From others | 0.0 | 0.0 |
| Dividend income, total | 0.0 | 0.0 |
| Interest income on long-term investments | | |
| From Group companies | 4.5 | 4.3 |
| From others | –0.1 | 0.0 |
| | 4.4 | 4.3 |
| Interest expenses and other financing expenses | | |
| To Group companies | 0.6 | 0.4 |
| To others | 3.6 | 3.0 |
| | 4.2 | 3.4 |
| Financial income and expenses, total | 0.2 | 0.9 |
| **10. Extraordinary items** | | |
| Extraordinary income | | |
| Group contributions | 35.5 | 25.7 |
| | 35.5 | 25.7 |
| **11. Income taxes** | | |
| Income taxes on actual business | 8.9 | 6.7 |
| | 8.9 | 6.7 |
| **NOTES TO THE BALANCE SHEET** | | |
| **12. Intangible assets** | | |
| Other long-term expenditure | | |
| Acquisition cost, 1 Jan. | 2.3 | 2.1 |
| Increases | 0.3 | 0.2 |
| Transfers between items | | –0.0 |
| Acquisition cost, 31 Dec. | 2.6 | 2.3 |
| Accumulated depreciation and write-downs, 1 Jan. | 1.5 | 1.2 |
| Accumulated depreciation of transfers | | –0.0 |
| Depreciation for year | 0.3 | 0.4 |
| Accumulated depreciation, 31 Dec. | 1.8 | 1.5 |
| Book value, 31 Dec. | 0.8 | 0.8 |
| Intangible assets, total | 0.8 | 0.8 |
| **13. Tangible assets** | | |
| Land and water areas | | |
| Acquisition cost, 1 Jan. | 0.0 | 0.0 |
| Acquisition cost, 31 Dec. | 0.0 | 0.0 |
| Book value, 31 Dec. | 0.0 | 0.0 |
| Buildings and structures | | |
| Acquisition cost, 1 Jan. | 0.0 | 0.0 |
| Acquisition cost, 31 Dec. | 0.0 | 0.0 |
| Accumulated depreciation and write-downs, 1 Jan. | 0.0 | 0.0 |
| Accumulated depreciation, 31 Dec. | 0.0 | 0.0 |
| Book value, 31 Dec. | 0.0 | 0.0 |

| MEUR | 2011 | 2010 |
|---|---|---|
| **Connection fees** | | |
| Acquisition cost, 1 Jan. | 0.0 | 0.0 |
| Acquisition cost, 31 Dec. | 0,0 | 0,0 |
| **Machinery and equipment** | | |
| Acquisition cost, 1 Jan. | 1.7 | 1.5 |
| Increases | 0.8 | 0.2 |
| Decreases | | –0.0 |
| Transfers between items | –0.0 | –0.0 |
| Acquisition cost, 31 Dec. | 2.5 | 1.7 |
| Accumulated depreciation and write-downs, 1 Jan. | 1.2 | 1.0 |
| Accumulated depreciation of transfers | –0.0 | –0.0 |
| Depreciation for year | 0.3 | 0.2 |
| Accumulated depreciation, 31 Dec. | 1.4 | 1.2 |
| Book value, 31 Dec. | 1.1 | 0.5 |
| **Other tangible assets** | | |
| Acquisition cost, 1 Jan. | 0.1 | 0.1 |
| Increases | | 0.0 |
| Transfers between items | | –0.0 |
| Acquisition cost, 31 Dec. | 0.1 | 0.1 |
| Accumulated depreciation and write-downs, 1 Jan. | 0.0 | 0.0 |
| Accumulated depreciation of transfers | | –0.0 |
| Depreciation for year | 0.0 | 0.0 |
| Accumulated depreciation, 31 Dec. | 0.1 | 0.0 |
| Book value, 31 Dec. | 0.0 | 0.0 |
| Tangible assets, total | 1.1 | 0.6 |

INVESTMENTS

## 14. Holdings in Group companies

| | | |
|---|---|---|
| Acquisition cost, 1 Jan. | 68.5 | 68.5 |
| Increases | 0.0 | 0.0 |
| Decreases | | |
| Acquisition cost, 31 Dec. | 68.5 | 68.5 |
| Book value, 31 Dec. | 68.5 | 68.5 |

## 15. Holdings in associated companies

| | | |
|---|---|---|
| Acquisition cost, 1 Jan. | 0.0 | 0.0 |
| Acquisition cost, 31 Dec. | 0.0 | 0.0 |
| Book value, 31 Dec. | 0.0 | 0.0 |

## 16. Other stocks and shares

| | | |
|---|---|---|
| Acquisition cost, 1 Jan. | 1.1 | 1.2 |
| Increases | 0.4 | 0.9 |
| Decreases | | –1.1 |
| Acquisition cost, 31 Dec. | 1.5 | 1.1 |
| Accumulated write-downs, 1 Jan. | 0.0 | 0.0 |
| Accumulated write-downs, 31 Dec. | 0.0 | 0.0 |
| Book value, 31 Dec. | 1.5 | 1.0 |
| **Investments, total** | **69.7** | **69.5** |

| MEUR | 2011 | 2010 |
|---|---|---|

## 17. Inventories

| | | |
|---|---|---|
| Completed housing units and commercial space | 0.2 | 0.0 |
| Land areas and land area companies | 7.2 | 3.5 |
| Other inventories | 0.1 | 0.2 |
| Book value, 31 Dec. | 7.6 | 3.7 |

## 18. Non-current receivables

| | | |
|---|---|---|
| **Receivables from Group companies** | | |
| Notes receivable, Group | 190.1 | 216.9 |
| | 190.1 | 216.9 |
| **Receivables from others** | | |
| Notes receivable | 0.5 | 0.5 |
| | 0.5 | 0.5 |
| **Non-current receivables, total** | **190.6** | **217.4** |

## 19. Current receivables

| | | |
|---|---|---|
| **Receivables from Group companies** | | |
| Accounts receivable | 1.5 | 1.5 |
| Notes receivable | 1.6 | 1.6 |
| Other receivables | 28.8 | |
| Accrued assets | 1.8 | 2.0 |
| | 33.8 | 22.1 |
| **Receivables from others** | | |
| Accounts receivable | 0.2 | 0.2 |
| Notes receivable | 0.0 | 0.2 |
| Other receivables | | |
| Accrued assets | 0.7 | 0.5 |
| | 0.9 | 0.9 |
| **Current receivables, total** | 34.7 | 23.0 |
| **Receivables, total** | **225.3** | **240.4** |
| Critical items of accrued assets | | |
| Interest | 2.4 | 2.3 |
| Receivables from construction commissioning | 0.0 | 0.0 |
| Other | 0.1 | 0.1 |
| | 2.5 | 2.5 |

| MEUR | 2011 | 2010 |
|---|---|---|
| **20. Shareholders' equity** | | |
| 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. | 45.6 | 10.1 |
| For payment share issue | | 36.6 |
| Share buyback | | −1.0 |
| Other funds, 31 Dec. | 45.6 | 45.6 |
| Retained earnings, 1 Jan. | 35.8 | 28.6 |
| Dividend payment | −17.8 | −10.9 |
| Retained earnings, 31 Dec. | 18.0 | 17.7 |
| Profit for the period | 25.9 | 18.1 |
| Shareholders' equity, total, 31 Dec. | 137.7 | 129.6 |
| **21. Calculation of distributable assets** | | |
| Other funds | 45.6 | 45.6 |
| Retained earnings | 18.0 | 17.7 |
| Profit for the period | 25.9 | 18.1 |
| Distributable assets, 31 Dec. | 89.6 | 81.5 |
| **22. The parent company's share capital is divided into shares as follows:** | | |
| Number of shares | 51,001,842 | 51,001,842 |
| Combined par value of shares | 160,000 | 160,000 |
| | 50,841,842 | 50,841,842 |
| **23. Obligatory reserves** | | |
| Refund claim expense reserve | 0.2 | 0.3 |
| | 0.2 | 0.3 |
| **24. Long-term liabilities** | | |
| Debts to Group companies | | |
| Loans, Group | 26.4 | 24.4 |
| | 26.4 | 24.4 |
| Debts to others | 42.4 | 46.3 |
| | 42.4 | 46.3 |
| Long-term liabilities, total | 68.8 | 70.7 |
| Debts maturing in more than five years | 2.0 | 0.5 |
| | 2.0 | 0.5 |

| MEUR | 2011 | 2010 |
|---|---|---|
| **25. Current liabilities** | | |
| Debts to Group companies | | |
| Loans | | 0.3 |
| Advance payments | 0.2 | |
| Accounts payable | 0.9 | 0.4 |
| Deferred liabilities | 0.9 | 0.4 |
| | 2.0 | 1.1 |
| Debts to others | | |
| Loans from financial institutions | 97.1 | 101.8 |
| Advances received | 0.0 | 0.1 |
| Accounts payable | 0.2 | 0.6 |
| Other debts | 0.1 | 4.4 |
| Deferred liabilities | 9.0 | 6.6 |
| | 106.4 | 113.5 |
| Current liabilities, total | 108.4 | 114.6 |
| Liabilities, total | 177.2 | 185.3 |
| Critical items of deferred liabilities | | |
| Wages and salaries with employee benefits | 2.3 | 1.2 |
| Interest | 2.7 | 2.5 |
| Taxes | 2.7 | 2.8 |
| Municipal engineering debts | 1.8 | |
| Others | 0.4 | 0.5 |
| | 9.9 | 7.0 |
| **26. Collateral, contingent liabilities and other commitments** | | |
| For own debt | | |
| Pledged shares | 0.0 | 0.0 |
| Mortgages on land areas and buildings | 0.5 | 0.5 |
| | 0.5 | 0.5 |
| For Group company debts | | |
| Pledges | | 0.4 |
| Mortgages on land areas and buildings | | 4.5 |
| Guarantees | 481.5 | 377.0 |
| | 481.5 | 381.8 |
| For others | | |
| Guarantees | 12.7 | 11.6 |
| Other own commitments | | |
| Leasing commitments | | |
| To be paid in the next financial year | 0.0 | 0.0 |
| To be paid in subsequent financial years | | 0.0 |
| | 0.0 | 0.0 |
| Total | | |
| Pledges | 0.0 | 0.4 |
| Mortgages on land areas and buildings | 0.5 | 5.0 |
| Guarantees | 494.2 | 388.5 |
| Other commitments | 0.0 | 0.0 |
| Pledges and contingent liabilities, total | 494.7 | 393.9 |

# Auditor's report

### To the Annual General Meeting of SATO Corporation

To the Annual General Meeting of SATO Corporation
We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SATO Corporation for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

### 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 is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 30 January 2012

KPMG OY AB
Lasse Holopainen
Authorized Public Accountant

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

# Key indicators

| FIVE-YEAR REVIEW | 2007 | 2008* | 2009* | 2010* | 2011* |
|---|---|---|---|---|---|
| **KEY INDICATORS FOR FINANCIAL TREND** | | | | | |
| Turnover, MEUR | 256 | 290 | 230 | 193 | 232 |
| Operating profit, MEUR | 66 | 74 | 71 | 75 | 87 |
| as percentage of turnover | 25.9 | 25.6 | 30.7 | 38.7 | 37.4 |
| Net financing expenses, MEUR | −32 | −43 | −41 | −33 | −35 |
| Profit before taxes, MEUR | 35 | 32 | 30 | 42 | 52 |
| as percentage of turnover | 13.5 | 10.8 | 13.1 | 21.6 | 22.5 |
| Balance sheet total, MEUR | 1,264 | 1,390 | 1,418 | 1,472 | 1,717 |
| Shareholders' equity and minority interest, MEUR | 210 | 204 | 221 | 274 | 284 |
| Liabilities, MEUR | 1,053 | 1,185 | 1,197 | 1,198 | 1,433 |
| Return on equity, % (ROE) | 12.5 | 11.5 | 10.7 | 12.4 | 14.9 |
| Return on investment, % (ROI) | 6.3 | 6.3 | 5.6 | 5.7 | 6.1 |
| Equity ratio, % | 16.8 | 14.8 | 15.7 | 18.8 | 16.7 |
| Equity ratio, % at fair values | 23.5 | 22.3 | 24.8 | 29.5 | 29.5 |
| Investment assets at fair values, MEUR | 1,225 | 1,361 | 1,503 | 1,657 | 1,899 |
| Gross investments in fixed assets, MEUR | 149 | 134 | 112 | 104 | 150 |
| as percentage of turnover | 58.2 | 46.1 | 48.6 | 54.1 | 64.7 |
| Personnel, average | 176 | 160 | 141 | 129 | 137 |
| **KEY INDICATORS FOR SHARES** | | | | | |
| Earnings per share, EUR | 0.57 | 0.53 | 0.50 | 0.62 | 0.82 |
| Equity per share, EUR | 4.70 | 4.57 | 4.83 | 5.36 | 5.56 |
| Net worth per share, EUR at fair values | 7.44 | 7.86 | 9.07 | 10.48 | 12.59 |
| Dividend per share, EUR **) | 0.36 | 0.24 | 0.24 | 0.35 | 0.49** |
| Dividend, MEUR | 16.0 | 10.7 | 10.9 | 17.8 | 24.9** |
| Adjusted number of shares, average | 44,421,920 | 44,421,920 | 45,269,689 | 50,841,842 | 50,841,842 |

*) Income-recognition as per IFRIC15 interpretation
**) Based on the Board of Directors' proposed dividend for 2011

**FORMULAS FOR KEY INDICATORS**

| | | | |
|---|---|---|---|
| Return on investment (%) | = | (Profit or loss before taxes + interest expense and other financing expenses) / Balance sheet total – non-interest-bearing debts (average during the financial year) | x100 |
| Return on equity (%) | = | (Profit or loss after taxes) / Shareholders' equity (average during the financial year) | x100 |
| Equity ratio (%) | = | Shareholders' equity / Balance sheet total – advances received | x100 |
| Earnings per share (EUR) | = | Net profit for year due to owners of parent company / Adjusted number of shares (average during the financial year) | |
| Net worth per share (EUR) | = | Net worth at balance sheet value – liabilities / Adjusted number of shares at year-end | |
| Dividend per share (EUR) | = | Dividend paid for year / Adjusted number of shares at year-end | |
| Total return (%) | = | (Profit or loss after taxes + return on appreciation after taxes) / Shareholders' equity at fair value (average for the financial year) | x100 |
| Disposable profit | = | Disposable profit means that part of the SATO Group's profits which can be remitted to the shareholders without hindrance from the so-called non-profit regulations on remittances of profit contained in legislation on state-subsidised and interest-subsidised housing. | |

# Information for shareholders

### Summons to the annual general meeting
The annual general meeting of SATO Corporation will be held at 11.00 a.m. on Thursday 1 March 2012 at SATO Corporation's premises, address Panuntie 4, FI-00610 Helsinki, Finland.

### Right to attend and enrolment
Entitlement to attend the annual general meeting is held by a shareholder who on 20 February 2012 has been entered as a shareholder in the company's register of shareholders maintained by Euroclear Finland Ltd. A shareholder whose shares have been entered in a personal, Finnish book-entry securities account for him or her, is entered in the company's register of shareholders.

Shareholders who wish to attend the annual general meeting must give notice thereof no later than 4 PM (Finnish time) on Monday 27 February 2012, by which time the notice must have been delivered. The notification may be made as follows:

- in writing to the address SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki
- by phone (+358 201 34 4002/Kati Laakso) Mon–Fri 8 AM – 4 PM or
- by e-mail to kati.laakso@sato.fi.

Personal information on shareholders given to SATO Corporation shall be used only in connection with the annual general meeting and the registrations required for it.

A shareholder or representative or agent thereof coming to the meeting must be able, when so required, to prove his/her identity and/or authorisation.

### Holders of nominee-registered shares
Nominee-registered shareholders are entitled to attend the annual general meeting on the strength of the shares on the basis of which he or she is entitled to be entered in the register of shareholders maintained by Euroclear Finland Ltd on 20 February 2012. A further requirement for attendance is that the shareholder has, on the strength of these shares, been temporarily entered in the register of shareholders maintained by Euroclear Finland Ltd no later than 10 AM (Finnish time) on Monday 27 February 2012. For shares entered in the nominee register, this will be deemed enrolment for the annual general meeting.

In respect of a nominee-registered share, the holder is advised to request in good time instructions from his or her asset manager for entry on the interim register of shareholders, the provision of proxies and enrolment for the annual general meeting. The asset manager's accounting firm must notify the holder of the nominee-registered share wishing to attend the annual general meeting for temporary entry in the company's register of shareholders no later than the above deadline.

### The use of agents and proxies
A shareholder may attend the annual general meeting and exercise there his or her rights by means of an agent. The shareholder's agent must present a dated proxy or be able to prove in some other reliable way that she/he is entitled to represent the shareholder. In the event that a shareholder attends the annual general meeting by means of more than one agent, who represent the shareholder with shares in different securities accounts, the shares on the basis of which each agent represents the shareholder must be declared at the time of enrolment. The originals of proxies, if any, should be sent to SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki by the end of the announcement period.

### Other regulations and information
A shareholder attending the annual general meeting has the entitlement to ask questions concerning the meeting's agenda pursuant to chapter 5 section 25 of the Finnish Companies Act.

SATO Corporation had a total of 51,001,842 shares and votes on the date of the summons to the meeting, 8 February 2012.

### Payment of dividend
The Board of Directors will propose to the annual general meeting that the company will pay EUR 0.49 per share in dividend for the year ending on 31 December 2011. Dividend would be payable to a shareholder who, on the date of record for the dividend payment, 6 March 2012, has been entered in the register of the company's shareholders maintained by Euroclear Finland Ltd. The Board of Directors will propose to the annual general meeting that the dividend be paid on Friday, 16 March 2012.

### Financial disclosures
The issue dates for interim reports are as follows:

| | |
|---|---|
| January–March | 24 April 2012 |
| January–June | 3 August 2012 |
| January–September | 25 October 2012 |

The annual report for the financial year and interim reports will be issued in Finnish and English. They will be available on the website www.sato.fi. Further information may be obtained from viestinta@sato.fi.

### Distribution of shares, 26 January 2012

| | |
|---|---|
| Varma Mutual Pension Insurance Company | 39.9% |
| Ilmarinen Mutual Pension Insurance Company | 16.0% |
| Suomi Mutual Life Assurance Company | 14.8% |
| Tapiola Mutual Pension Insurance Company | 7.5% |
| Mutual Insurance Company Pension Fennia | 5.4% |
| Tapiola Insurance Group | 4.8% |
| Wärtsilä Corporation | 3.9% |
| Pohjola Insurance Ltd | 2.7% |
| Notalar Oy | 2.0% |
| Other | 3.0% |

On 26 January 2012, the Group had 29 shareholders entered in the book-entry securities register. The turnover of SATO shares during the year under review amounted to 0.65%.

## Articles of association and shares
SATO Corporation's current articles of association were registered on 15 March 2011. The articles of association do not include provisions on share buybacks.

The company's share capital as at 31 December 2011 was EUR 4,442,192.00. The company had 51,001,842 shares. The share has no par value.

The company has a single series of shares. The shares are in a book entry securities system maintained by Euroclear Finland Ltd.




CONTACT DETAILS: • Helsinki: Panuntie 4, PO Box 401, FI-00601 Helsinki, Home renting and housing sales: Mikonkatu 7, PO Box 890, FI-00100 Helsinki • Tampere: Satakunnankatu 18 B, FI-33210 Tampere • Turku: Brahenkatu 20, PO Box 669, FI-20101 Turku • Oulu:Uusikatu 58 B 18, PO Box 15, FI-90101 Oulu • St. Petersburg: Ul. Professora Popova 37, Building A, Office 101, 197376 St. Petersburg • Nationwide switchboard: +358 201 344 000 • Customer Service: +358 201 344 344

FOR ORDERS OF PUBLICATIONS: SATO Corporation, Communications, tel. + 358 201 34 4338, viestinta@sato.fi

SATO Corporation, Panuntie 4,
PO Box 401, FI-00601 Helsinki, Finland
Tel. +358 201 34 4000
www.sato.fi

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