

Dignified living now and tomorrow



SATO *produces good housing*

Homes will always be needed. SATO, which has been operating as a company in the housing market for more than 70 years, knows Finnish housing needs and the opportunities of housing production. As a sustainably operating housing investor, we are able to develop housing diversely and create extensive well-being.

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SATO in 2013



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Society and SATO's role



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The impact of operations

Growth by investing

SATO grows and supports social well-being by investing in rental housing in Finland's largest growth centres and St. Petersburg. SATO targets most of its investments at new-build housing in order to increase the volume of rental housing.



"Demand for housing is increasing."



"We succeeded in investments."



"I have a meaningful job."



"We are improving energy efficiency."

SATO takes the initiative and operates sustainably and innovatively

SATO's aim is to offer comprehensive alternatives in rental housing and an excellent customer experience. We are bringing our activities closer to the customer and operating with quality in mind.

In our work, we promote sustainable development and encourage initiative. We operate profitably and with a long-term

view. We focus our housing on apartment buildings in urban environments close to public transport connections. We increase the value of our housing property through investments, divestments and repair work. We produce owner-occupied housing in order to achieve synergy benefits in property development. We work in open

interaction with our stakeholders in order to produce added value.

Our competitive edge is based on constant renewal, forecasting the needs of customers and on dedicated personnel.

We are proud of SATO.

Facts about SATO



Number of SATO homes >> **24,000**



Fair value of investment property >> **2.3 billion €**



Investments/year >> **150–200 million €**



Number of personnel >> **156**



Business areas >> Helsinki Metropolitan Area, Tampere, Turku, Jyväskylä, Oulu, St. Petersburg



Major owners >> Finnish pension insurance and insurance companies

A home the way you want it

SATO RentHome

SATO is a pioneer in the rented housing market. We develop our apartments in line with the customers' needs and we make it easy to find a suitable home, for example, with star ratings familiar from the world of hotels. By listening to the customers, we learn to prioritise correctly, not only in maintaining the present housing stock but also in planning future investments in rented housing.

SATO SeniorHome

Seniors' housing needs differ. In SATO SeniorHomes, housing is made easy with the help of the right kind of fittings and the locations of the buildings. When required, we can make home help and care services available to the residents, provided by partners.

SATO HotelHome

The second SATO HotelHome has been opened in Kruununka, Helsinki. We carried out a major renovation of an apartment building to suit short-term housing, furnished the apartments to make them cosy while respecting the era in which the house was built, and we provide hotel-style services. SATO HotelHome operations, started in 2012, have been given an excellent reception by the customers.

SATO OwnerHome

We also aim to progress on the owner-occupied housing market in the direction that our customers want. We have launched ready-built SATO OwnerHomes for sale. The idea is simple and customer-friendly - the home is only sold after it has been completed. In this way, our customers can see their future home in completed form before they decide on buying and they can move in right away after the deal has been made. The apartments are individual, as we put particular effort into their interior design.

Service concepts

SATO RentHome

Star-rated rented homes

SATO SeniorHome

Care services in addition to rented housing

SATO HotelHome

For home comforts in short-term accommodation

SATO OwnerHome

Individual owner-occupied homes ready for moving into

Management reviews



IN THE PHOTO from the left: Chairman of the Board Juha Laaksonen and President and CEO Erkka Valkila

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In the year under review, we reformed SATO's strategy.

CHAIRMAN OF THE BOARD OF DIRECTORS, JUHA LAAKSONEN:

What is SATO's significance in society?

Our operations support society in many ways. In accordance with our mission – a provider of good housing – we develop housing by anticipating needs and we endeavour to influence operating conditions in the sector. SATO's largest owners are Finland's most significant pension insurance and insurance companies, which expect a long-term approach and profitability from SATO's operations. A strong economy – based on the principles of sustainable development – creates extensive well-being and, through that, we can produce more rental housing and thus provide employment opportunities.

What does the creation of well-being mean from a perspective of business and strategy?

In the year under review, we renewed SATO's strategy and combined strategic and sustainability targets. We raised the growth target for housing property. In order to reach this target, SATO will continue the active acquisition of rental housing and the construction of new homes. We will grow profitably in order to ensure the continuity of operations.

The improvement of customer experience is critical from a point of view of future success. In my opinion, we are already at a good level, but we want to make this a factor by which we can create a permanent competitive advantage.

Reducing energy consumption moderates climate change and rises in living costs. In the year under review, we tightened our targets in terms of the use of energy.

Our ambitious strategic targets can be achieved only with the help of dedicated personnel. SATO's personnel consist of the best professionals in the business and they are motivated by the chance to influence the content of their work and common targets. I believe that an inspiring, open and trust-based atmosphere and a customer-centred corporate culture make experts feel that their work is meaningful. This is the direction in which SATO's Board of Directors hopes that the corporate culture will develop.



Juha Laaksonen
Chairman of the Board of Directors

PRESIDENT AND CEO, ERKKA VALKILA:

What were the operating conditions in 2013?

From a point of view of SATO's operations, the business environment was mainly favourable, although general economic activity slowed in Finland. Because the share of loan capital in housing investment companies is large, the low interest rate level has a positive impact on profit. The developing corporate bond market creates opportunities to diversify sources of finance. We launched a €500 million corporate bond programme, which helps the achievement of our growth target.

Demand for rented homes in SATO's business areas was brisk throughout the year, and the rental occupancy rate of our housing was good. Focusing operations

on the Helsinki Metropolitan Area and the largest growth centres together with successful investments have contributed to a rise in the value of our investment property.

In St. Petersburg, economic growth slowed, but was still faster than growth in Finland. Private consumption is active there and rental business has made progress in line with our expectations.

What were the key successes?

Strategic goals guide everything that we do. Rental housing investments followed our growth targets and, in addition to quite strong growth, profitability was good.

I am especially pleased that customer satisfaction improved and was on a higher level than ever before. Changes were greatest in matters where we made the strongest efforts, e.g. the speed of customer service and the level of property management.

What are the situation and measures in terms of the development of corporate responsibility?

In the year under review, the principles of corporate responsibility were recorded as a responsibility policy. Because of this, we studied the expectations of our stakeholders and prioritised measures. In order to put responsible operating methods into practice, we set tighter targets than before to reduce the consumption of heating energy. We set new targets concerning, for example, measurement of waste volumes and carbon footprint and the environmental impact assessments of investments.

How do you see 2014 for SATO?

Investments will continue and we will allocate most of our acquisitions to new-build housing in order to increase the supply of rental housing. We will seek new kinds of solutions by converting into housing facilities premises that have been used for other purposes, like office buildings. We will target more resources at

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The principles of corporate responsibility were recorded as a responsibility policy.

customer relations management. We are making operating practices more standardised and improving communications. We will continue with the corporate culture development project with the aim of fostering a trust-based atmosphere, open interaction and initiative.

SATO has a sound basis for the future. Our financial situation is good, and we have skilled personnel whom I thank warmly for their good work, their activity and new ideas. I would also like to thank SATO's expert Board of Directors, committed shareholders, professional partners and customers through whose supportive co-operation we can improve our operations.

Homes will always be needed.



Erkka Valkila
President and CEO

Year 2013 and financial development 2009-2013

Significant improvement in profit

- Profit before taxes improved by 17% on the previous year, reaching €70.9 (60.6) million.
- The difference in value of investment properties increased by €69.9 (60.6) million to stand at €604.2 (534.3) million.
- The total annual return was 15.5 (13.5)%.
- Proposed dividend and capital repayment is €0.60 per share (dividend for 2012 was €0.55 per share).

A strong year for investment

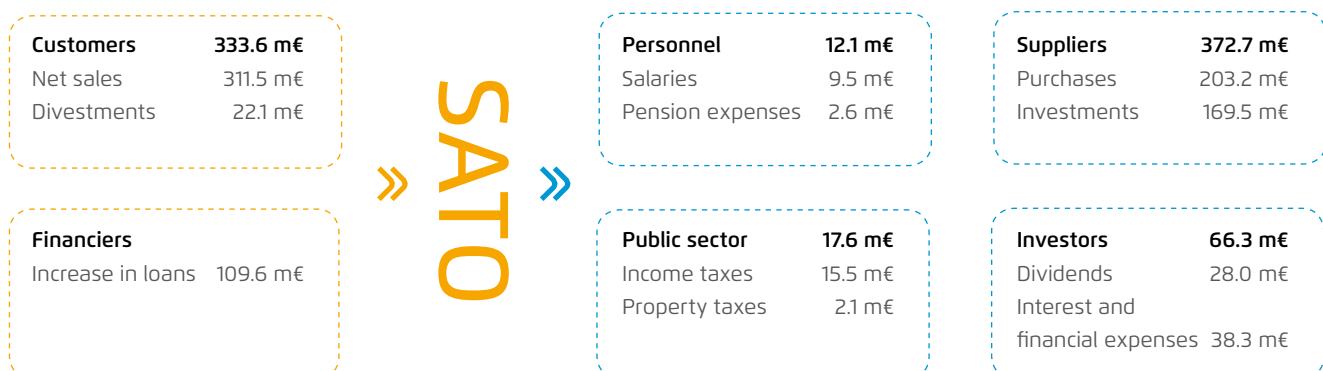
- Investments in housing totalled €191 (160) million.
- At year-end, the fair value of investment properties was €2.3 (2.1) billion.
- At year-end, 1,248 (813) investment properties were under construction.

A good rental occupancy rate

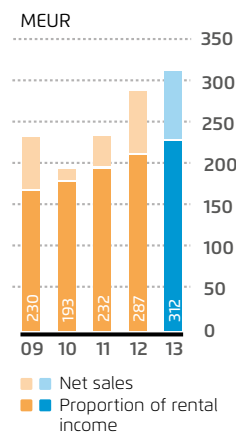
- The rental occupancy rate was 97.7 (98.1)%.
- Rental income grew by roughly 8% to €229.5 (212.7) million.



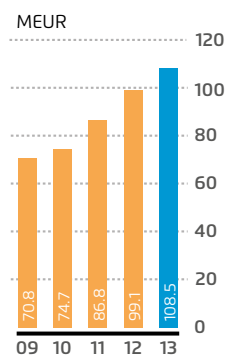
Cash flow diagram 2013



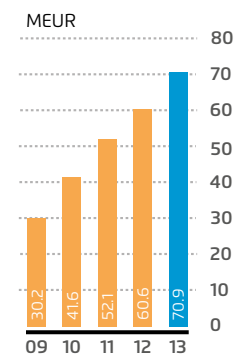
Net sales



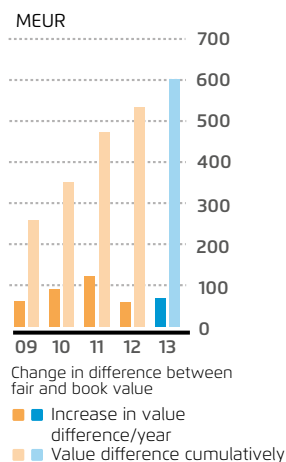
Operating profit



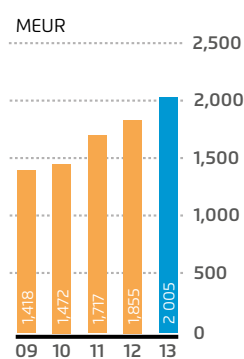
Profit before taxes



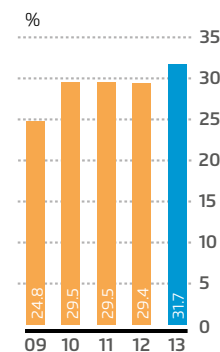
Change in value difference of investment properties



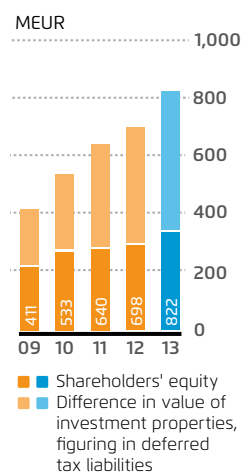
Statement of financial position



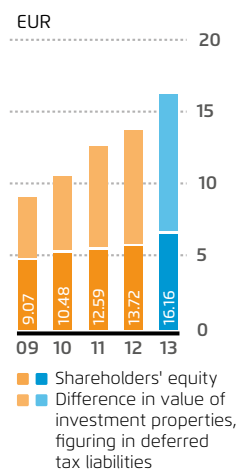
Equity ratio calculated on fair values



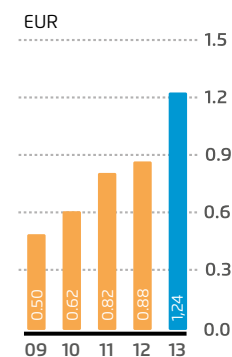
Net worth



Net worth per share

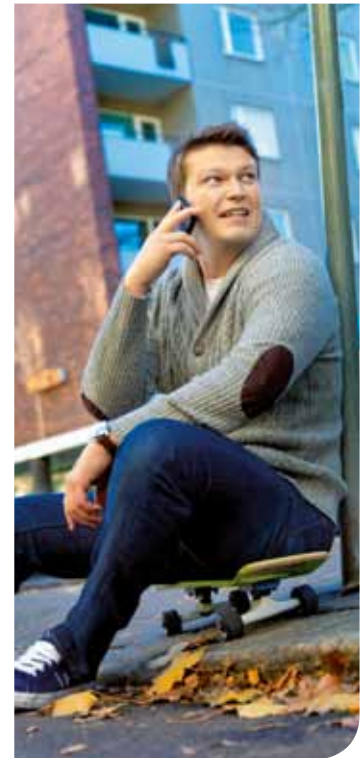


Earnings per share





We are learning from each other and developing



Constant development is important for both SATO and its residents. Customer satisfaction surveys, customer events and each individual customer encounter all increase our understanding of how we can create the best possible home for our customers.

Increasing environmental awareness and interaction amongst residents promote a spirit of neighbourliness. Together with customers, we want to develop responsible operating practices related to housing.

Strategy – value for interest groups

Increasing shareholder value

We build well-being by growing profitably. We implement growth through rental property investments in the Helsinki Metropolitan Area, Tampere, Turku, Jyväskylä, Oulu and St. Petersburg in Russia. The share of housing property in St. Petersburg is limited to 10 per cent of the total value of SATO's investment property. We are renewing our housing stock and increasing the supply of housing by allocating 70 per cent of investments at new-build housing. The financing of growth requires co-operation with banks and active operations in the corporate bond market.

Profitability is ensured through the central locations of investments, high occupancy rate and efficient cost management, as well as by developing operating practices.

Creating value for customers

We are renewing customer relations management models in order to create an excellent customer experience. This requires the deepening of customer insight to support the development of service concepts.

We are increasingly keeping our customer propositions by speeding up service response times and increasing interaction with customers. Interacting with customers is being facilitated by increasing e-services and also providing service in English and Russian. Because of the great demand for small and affordable rental housing, we are developing a new concept aimed at affordable living costs.

Inspiring corporate culture

Corporate culture is developed in order to increase an atmosphere of trust, open inte-

raction and initiative. SATO encourages its personnel to take full responsibility for customer issues. By coaching management skills, we encourage people to work independently. We are continuing with systematic innovation practises that motivate personnel.

Corporate responsibility

We are improving energy efficiency and starting to measure the carbon footprint created by SATO's operations. We are increasing the weight of energy efficiency and customer satisfaction in partner incentives. We communicate transparently about our operations. We take an active stand on social questions concerning housing and, as an expert, we are at society's disposal for identifying new solutions. We invest in preventing the grey economy.

MISSION

SATO provides good housing

SATO

VISION

Best home address
– 50,000 happy residents

Renewal of strategy

In the year under review, SATO's strategy and responsibility-related objectives were extensively examined from the perspective of different stakeholders. The expectations of stakeholders were studied using interviews, surveys and regular feedback. Based on expectations, strategic targets were renewed and target levels specified. To complement strategy, a responsibility policy was drawn up for SATO, and responsibility objectives and indicators were set.

Faster growth

SATO's growth target was raised: according to the new target, the value of investment housing in 2020 will be €4 billion instead of the previous €3 billion. This requires the steady investment activity and positive property value development of recent years. Most investments are targeted at new-build housing.

Focus on customer experience

Our aim is to provide an excellent customer experience and increase customer loyalty. In order to be able to

develop our activities more quickly and to change inefficient practices, we started to measure customer experience at different stages of the customer relationship. As a strategic metric, we adopted NPS (Net Promoter Score), which indicates the desire of customers to recommend.

Emphasising the meaningfulness of work

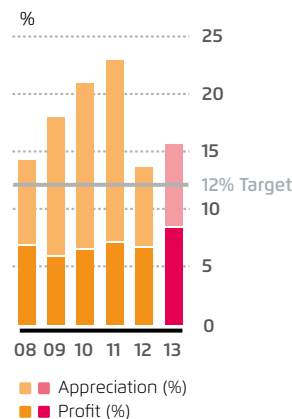
A key factor that promotes occupational well-being is feeling that one's work is meaningful. A prerequisite for this is for employees to know what is expected of them, for work to be worthwhile, and for them to feel that they belong to a community and can make progress in their job. In order to strengthen this, we are increasing internal strategic communication, training supervisors and offering development opportunities, among other things. We are also continuing the mentoring programme and renewing SATO's values. The responsibility principles defined in the year under review are being introduced as part of management by including responsibility targets in action plans.



Change in reporting practices

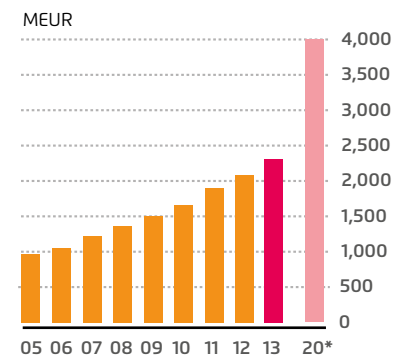
SATO's reporting practices will be changed to be similar to those generally used by European property investors. In 2014, investment properties are going to be valued at fair value on the balance sheet and the change in difference in value is presented in the income statement.

Total annual return



Formula on page 99

Value of the investment property



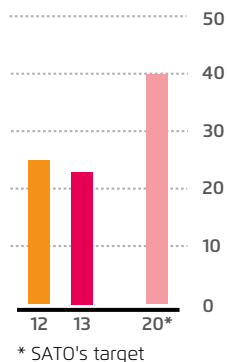
* SATO's target

STRATEGIC GOALS 2020		ACTUAL 2013	TARGETS 2014
Profitability	Total return \geq 12%	15.5%	Total return > 12%
Growth	Total housing portfolio > €4 billion	Value of total housing portfolio €2.3 billion Growth €228 million	Growth in value of housing portfolio > €200 million
Customer experience	NPS 40	23	> 25
Atmosphere at work	Engagement of personnel, index > benchmark + 10%	+ 4%	+ 10%

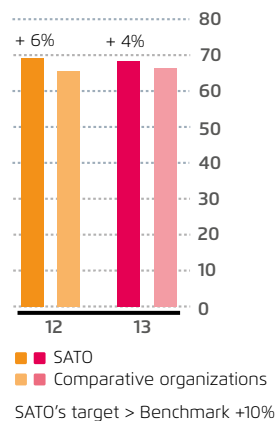
RESPONSIBILITY TARGETS	ACTIONS 2014
Improving image of employer	Corporate culture development project Participation in 'Best Place to Work' competition
Reducing carbon footprint	Monitoring of energy consumption for each building and building automation controls
Reducing the volume of waste	Mapping volumes of waste
Preventing the grey economy	Reform of monitoring practices

TARGETS TO SECURE BUSINESS CONTINUITY, PROFITABILITY AND PROFITABLE GROWTH	
Dividend policy	SATO's aim is to distribute a stable and competitive dividend
Equity ratio calculated on fair values	> 25%
Share of fixed-interest loans	> 60%

Net promoter score NPS



Personnel's satisfaction, index



Risk management

The purpose of risk management

The purpose of risk management is to promote the implementation of SATO's strategy and key business objectives. The job is to constantly assess opportunities and threats that present themselves in business in relation to set targets and in order to ensure the continuity of operations.

Operating practice

Every year in connection with business planning, we study risks that may hinder the achievement of key targets. In order to ensure that strategic and operating risks are extensively covered, key SATO personnel working in different jobs

participate in carrying out a risk survey. To facilitate this, external experts are used to ensure the quality of the process.

Responsibility is allocated for the forecasting and monitoring of the realisation of recognised risks. In order to manage risk, if needed, necessary measures are initiated to prevent the risk from being realised or to boost the monitoring of the subject area. Management can also be strengthened by drawing up operating models as precautions against different risk situations.

At Group level, changes in situation and the sufficiency of management are assessed quarterly, and constantly by the person in charge of the area of risk.

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Effective risk management promotes the implementation of SATO's strategy and key business objectives.



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

Recognised key risks and their management

Risk	Management
Increase in regulation restricting business	We actively monitor planned projects aimed at legislative change and are involved in influencing preparatory work for such change.
Change in the value of housing	We actively develop our housing portfolio by investing and divesting in order to ensure good rental demand and that the portfolio keeps its value.
Customer needs	We increase insight by means of customer feedback and active dialogue with customers. We increase resources for customer care and the planning and implementation of new services.
Availability and price of finance	We regularly monitor the need for finance and ensure the necessary finance in advance. We hedge against interest rate risk in accordance with financial policy.
Russian risk	We monitor the development of the operating environment through local experts. The value of Russian housing property is limited to a maximum of 10 per cent of the value of the Group's total housing property.
Project management risks	We only work with professionally-skilled and responsible partners. We ensure observance of SATO's guidelines, keeping to timetables and cost development through systematic project monitoring.

Further information on risk management is given on pages 51 and 61 of the annual report.



The courtyard is a shared living room



Active people live in SATO homes. They can inspire their neighbours to get involved in shared activity. In summer 2013, our residents found a good channel and easy ways to advertise their flea-markets through piha-kirppis.fi.

In SATO, the home extends outside the four walls. In the courtyard, people meet their neighbours, plant flowers and recount stories – irrespective of age and mother tongue.

Operating environment

The development of the housing market, consumer confidence, purchasing power and the efficiency of the financial markets significantly affect SATO's business and implementation of strategy.

The Finnish economy in recession

In the year under review, the Finnish economy contracted for the second consecutive year, and indicators of the confidence of different sectors were on a weaker level than the long-term average and lower than the EU average. In recent years, expectations about the recovery of economic growth in the eurozone have proven to be optimistic. Now, however, there exist better grounds than before for forecasting the start of growth. The recovery of the eurozone economy is expected to kick-start modest growth in

the Finnish economy too during 2014.

Finnish economic growth is expected to be largely dependent on foreign trade.

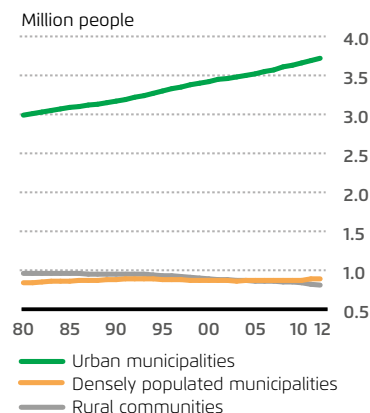
According to a labour market survey, unemployment has not risen very much in relation to the economic conditions. At the end of the year, unemployment stood at 7.9 per cent. The number of jobless registered at job centres has, however, increased strongly. According to a consumer barometer in December by Statistics Finland, employed consumers are concerned about the personal threat of unemployment.

Efficient financial markets

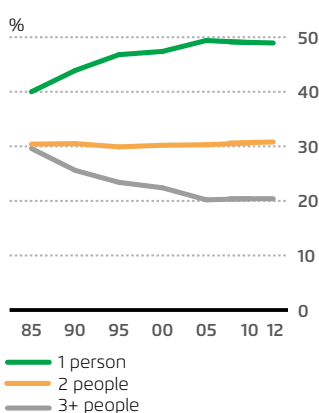
From SATO's perspective, the financial markets worked and the availability of finance was good. Alongside bank finance, SATO has also obtained capital from the corporate bond market.

Weak economic development has kept the interest rate in Finland exceptionally low, even though loan margins have been raised because of the changed profitability requirements of banks. Due to its capital structure, SATO has benefited from low interest rates.

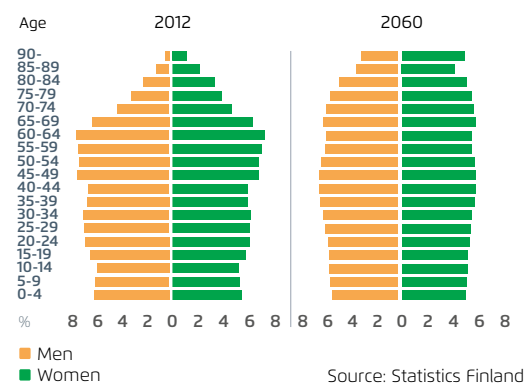
Urbanisation 1980–2012



Distribution of household sizes in Helsinki 1985–2012



Population age structure 2012 and forecast 2060





In honour of recycling

In order to encourage its residents to recycle waste that is more difficult to transport, SATO organised voluntary recycling work at its sites in the Helsinki Region. Over a period of six months, 78 tonnes of waste was collected in recycling containers. That is equivalent to the weight of about ten average elephants!

Consumers prefer saving

According to advance information, the earnings index rose by 2 per cent in 2013. As a result of the weakening of the rate of employment and increasing taxation, real household income did not, however, increase in practice during the year under review. Private consumption is estimated to have fallen by a little less than 1 per cent, and a growth in real income is not yet expected in 2014.

In the year under review, consumer confidence in the economy remained clearly weaker than the long-term average. Consumers' expectations about the development of the Finnish economy and employment were low and, about their own financial circumstances, cautious. Housing loans decreased for the first time in 15 years.

The population grows and internationalises

According to advance information from Statistics Finland, the population of Finland grew during the January–November period by 23,000. The natural increase in population was 7,000 people and 16,000 were added as a result of immigration. Of that immigration about 20 per cent settled in the area of the city of Helsinki, where more than 10 per cent of residents now speak a language other than Finnish or Swedish as their mother tongue.

Urbanisation

In Finland, urbanisation is not yet at the international level, so we expect migration to towns and cities to continue. Most immigration is centred on cities. Internal migration also strengthens the development of urbanisation. In the January–November period, inter-municipal migration was 250,000 according to advance information.

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The subdued economic trend kept interest rates in Finland exceptionally low.

SATO's strategy includes the aim of concentrating investment housing in Finland in the five largest growth centres.







Sustainable development

In general, corporate responsibility is already understood more comprehensively than before. A sustainably operating company looks after its financial ability to operate in order to be able to carry out other dimensions of sustainability.

In the property sector, the significance of environmental responsibility is great, because about 40 per cent of the energy consumed in Finland is used in properties. SATO's key objective in terms of responsibility is to increase energy efficiency in our buildings.

The significance of social responsibility for the success of companies has strengthened. The well-being of personnel and customers and compliance with ethical principles are part of everyday business life.

In the year under review, SATO recorded the principles of sustainable development as responsibility policy, and set targets and indicators for different fields of responsibility.

	MEGATREND		IMPACT ON SATO'S OPERATIONS	ACTIONS 2013
	URBANISATION	>>	Investment properties consolidated in centres of urban growth	C. 90 per cent of investments in the Helsinki Metropolitan Area and St. Petersburg
	THE GREYING POPULATION	>>	SATO SeniorHome, a concept combining housing with care	C. 40 new SATO SeniorHomes completed, several group meetings with senior customers
	SMALLER FAMILY SIZES	>>	Proportion of small homes being increased in the housing portfolio	Small homes accounted for over 70 per cent of investments
	INTERNATIONALISATION	>>	Investments in St. Petersburg and the SATO HotelHome concept	A second SATO HotelHome opened in Helsinki, 'Cultures meet' continued as the residents' theme of the year
	VISUALITY	>>	Deployments made in design	Individual interior design for new and renovated sites, the sato.fi website revamped
	SUSTAINABLE DEVELOPMENT	>>	Responsibility as part of the strategy	Responsibility policy set, climate partnership agreement concluded with the City of Helsinki, reduction of energy costs

The housing market

Demand for rented homes

The demand for rented homes in the Helsinki Metropolitan Area and larger growth centres is constant. The growing number of households comprised of one or two people, the ageing of the population and high housing costs will require an increase in the supply of small rented homes.

An imbalance in supply and demand affects the level of rents. During the year under review, rents rose in the market by an average of 3–4 per cent by SATO's estimate. The change in SATO's rents per square metre compared to last year averaged approximately 7 per cent owing to the focus of SATO's housing stock in the Metropolitan Area, central locations and the small average surface areas of homes.

Small changes in the number of rented homes

Since the turn of the millennium, there has been no noticeable change in the number of rented homes. The construction of privately-financed rented homes has been ongoing thanks to low interest rates, but the number of start-ups is not sufficient to cover demand, especially in the Metropolitan Area.

SATO was, however, an active developer of rented homes. At the end of the year under review, SATO had under construction roughly 1,540 homes, of which approximately 1,250 will be its investment properties upon completion.

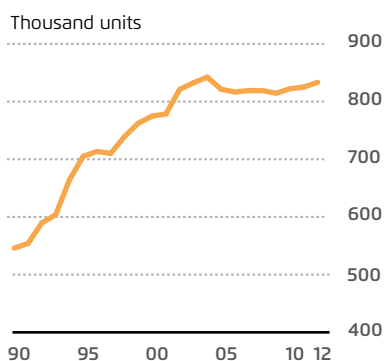
A moderate rise in house prices

According to advance information from Statistics Finland, in the year under review about 68,000 transactions were completed for the purchase of residential property,

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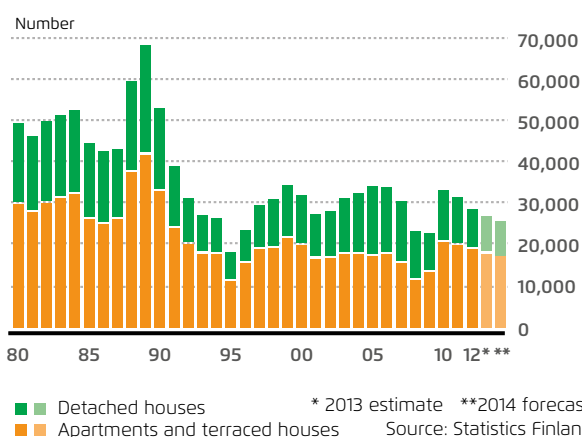
The demand for rented homes in the Helsinki Metropolitan Area and larger growth centres is constant.

The rented housing stock in Finland 1990–2012



Source: Statistics Finland

Housing starts 1980–2013



a fall of more than 10 per cent from the previous year. The average price increase was moderate, and we estimate that house prices rose by a national average of approximately one per cent. The differences in price rises between different regions was great; prices rose most in the Metropolitan Area where the highest rises were recorded in the central districts of Helsinki.

New players on the market

The basic composition of companies in the rental housing market has remained pretty much the same for a long time. Private small investors own roughly 50 per cent of Finland's approximately 800,000 rented homes, municipalities roughly 35 per cent, and housing investment companies some 15 per cent.

Compared to other sectors of property, rental housing has been a steadily developing form of investment, which in

recent years has attracted to the market funds investing in housing. Most of these operate in the Metropolitan Area and some also in other growth centres. The investment period for funds is mainly fixed in advance.

Incentives for private investors are steady returns and the preservation of the value of the investment. There is also a social perspective to housing owned by municipalities. The significance of private housing investment companies that operate professionally has increased on account of their growth and long-term activities.

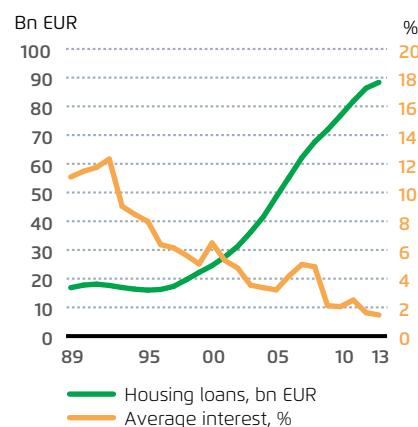
SATO's aim is to distinguish its homes through good location, customer-centred services and fast and flexible operations.



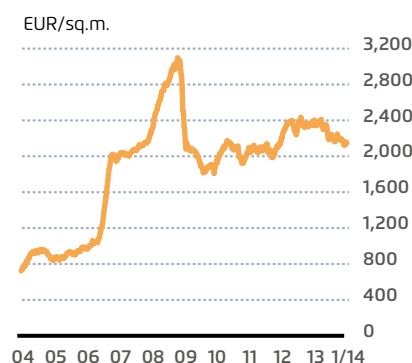
SATO RentHome

SATO RentHome is a safe and carefree choice for a permanent home. We want to promote the continuity of customer relationships by making it easier to change homes as a result of a change in life circumstances. This creates security for customers.

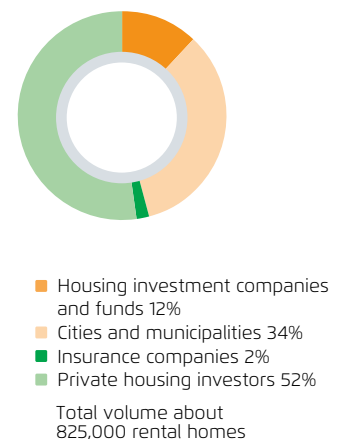
Housing loans and average interest rate 1989–2013



Housing prices in St. Petersburg 2004–1/2014



Parties owning rented housing 2013



More housing needed in the Metropolitan Area

A shortage of small rental homes

The Helsinki Metropolitan Area plays a key role in the development of the Finnish economy. In international metropolises, rental housing is common and the trend is similar in Finland. Of the apartment block housing in the Helsinki Region, more than half is for rental.

The rental housing market throughout Finland is on average in balance. In the Helsinki Metropolitan Area, the demand for rental housing is, however, constantly higher than the supply. Because the share of single- and two-person households is 70-80 per cent of all households in the region, there is a lack of small housing units, above all else.

The management of the Metropolitan Region as a whole would boost the planning of land use, traffic and services and support an increase in the supply of rental housing.

The number of rental homes is growing slowly

Representatives of the state, local government, operators in the sector and businesses and services in the Helsinki Metropolitan Region are all worried about the availability of workforce on account of the lack of small rental homes. Differences in opinions are, however, focused on ways that would most efficiently influence an increase in production.

Actors in the sector have actively proposed that increased regulation targeted at housing production and the use of state funding has been the greatest obstacle to the creation of an adequate volume of construction. Since the turn of the millennium, the construction of housing has been subject to regulations concerning more space for living, accessibility, energy consumption, parking spaces, common facilities, etc, all of which have contributed to elevated construction costs. According to our calculations, the special requirements of the City of Helsinki and general building regulations, for example, are raising the price of housing by about €1,500/m². At the

“ More rented apartments

The Helsinki region is developing, and the demand for apartments is on the rise. The need is greatest for small and medium-sized apartments. The annual need for apartments in the Helsinki Metropolitan Area is more than 12,000 new apartments, but only 10,000 or fewer are completed. Both the total number of apartments and their diversity are important; the supply must respond to different needs.

Managing Director, researcher Seppo Laakso, Kaupunkitutkimus TA Oy, independent research company



Each year,
approximately

2000

apartments too few
are completed in
the Helsinki
Metropolitan Area

beginning of the millennium, state funding became subject to so-called non-profit regulations, which in practice are preventing the use of that form of finance.

The introduction of supportive measures

In SATO's opinion, it is good that a wide range of solutions are being sought for the shortage of rental housing in the Helsinki Region and that regulations putting a brake on production are revised.

It would be important to create an operating environment that enables steady housing production from year to year. In our view, the most effective and quickest way to increase the amount of rental housing would be to revoke legislation that restricts activity and to relax building regulations. This would create more opportunities for companies to

introduce innovative housing solutions to the market.

SATO is increasing its supply of rented homes

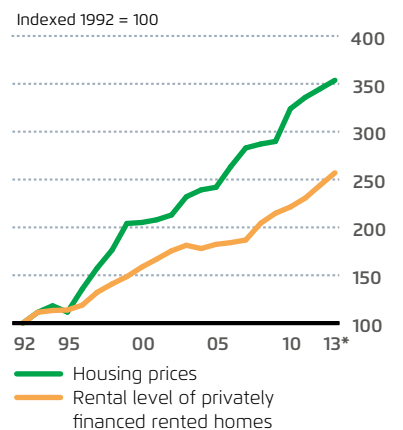
SATO wants to provide solutions to the problem of the great demand for rental housing. In our strategy, we have stated that, on average, 70 per cent of housing investments will be targeted at acquiring new housing. The bulk of all investments is targeted at the Helsinki Metropolitan Area. At the end of the year under review, we had about 1,250 rental homes under construction, 730 of which are being completed in the Metropolitan Region.

We are also planning an affordable rental housing concept, a prerequisite for which is the granting of exemption from regulations that raise price. Our aim is to launch a pilot project no later than 2015.

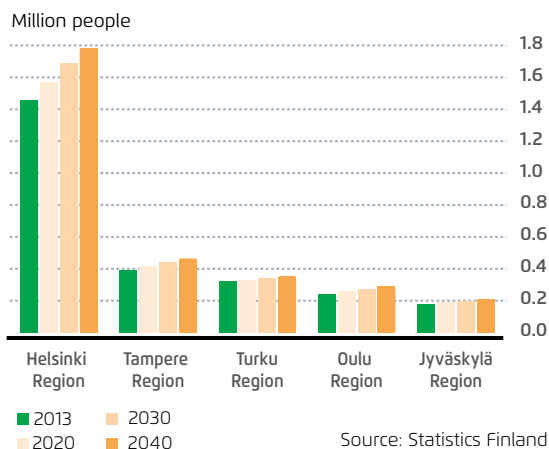
“

The management of the Metropolitan Area as a whole would boost the planning of land use, traffic and services and would assist in increasing the supply of rental housing.

Housing prices and rental levels in the Helsinki Metropolitan Area 1992–2013



Forecast population by region 2013–2040



SATO's role in society

As a well-managed, profitable and responsible company, SATO has the ability to act responsibly for the good of the economy, the environment, residents and society.

A permanent and secure supplier of homes

SATO has been working for the good of Finnish housing for more than 70 years. Our operations form a part of the basic security of our society; we own and produce homes. Homes will always be needed.

Business is based on owning homes and renting them out. SATO operates professionally and communicates openly about its operating methods. At the end of the year under review, SATO owned about 24,000 rental homes with a fair value of about €2.3 billion. Capital is tied for dozens of years in order to safeguard the continuity of rental activity. We ensure the profitability of

investments in order to be able to produce well-being for different stakeholders.

A prerequisite of our success is to offer our residents a safe, good living experience and a long-term customer relationship.

Improving the quality of living

SATO has been an important factor in the post-war reconstruction of Finland, enabling urbanisation and improving the quality of living for Finns. SATO knows about the needs of living and the possibilities of housing construction. Through our expertise, we have developed innovative housing solutions and adapted our supply of housing to the needs of society

prevailing at the time. In order to remain competitive, we are constantly developing service concepts for rental housing.

Refining property

SATO co-operates with local government in order to make land suitable for residential construction. We have respected expertise by which we support urban planning and implementation. SATO also has the competence to convert non-residential property into residential housing. This is a way of countering the scarcity of building land in the Helsinki Metropolitan Area.



tax footprint

SATO's

taxes paid in
financial year

Taxes collected
in financial
year

Corporate income tax
14.6 m€

Property taxes
2.1 m€

VAT
17.7 m€

Employment taxes
2.6 m€

Transfer taxes on
investments
1.9 m€

Payroll taxes
4.5 m€

Increasing the housing stock

During its history, SATO has produced about one in ten Finnish homes. Since the turn of the millennium, we have been the largest housing investor in Finland. We have targeted investments at about 13,500 rental homes, and invested capital totals about €1.7 billion. Purchases have been made by buying homes from the old housing stock, and producing hundreds of new homes every year.

Employing responsibly

SATO's operations are networked and the company creates extensive job opportunities. In addition to work done by our own personnel, in the year under review SATO purchased a total of about 1,240 work years from subcontractors and partners.

In its supplier relations, SATO requires compliance with acts, regulations and SATO's guidelines. The importance of observing social obligations and safety is emphasised in subcontractors' agreements, and methods are monitored at joint meetings and spot checks. Instructions for avoiding the grey economy specify operating practices, requirements and sanctions to be used in all SATO agreements and orders.

SATO's operations also have indirect employment effects. For example, the Helsinki Region needs employees for whom the most flexible form of housing is rented housing. By offering and building more rental housing, we are supporting the growth of well-being.

Influencing operating conditions

SATO influences improvement in the conditions for rental housing production and ownership by offering its expertise to

society's decision-makers, legislators and organisations. In the year under review, SATO actively proposed solutions for increasing the supply of rental housing in the Helsinki Metropolitan Area.

SATO is a member of several organisations in the field. SATO has representatives on the Consultative Committee of RAKLI (the Finnish Association of Building Owners and Construction Clients), the Housing Steering Group and three other committees. SATO also has representation on the Consultative Committee of the Finnish Real Estate and Construction Forum as well as the Boards of Directors of the Finnish Housing Association, the Finnish Housing Reform Association and SFHP Suomi-Finland Housing and Planning.

In order to be involved in boosting the competitiveness of the Helsinki Metropolitan Area, SATO is a member of the Helsinki Region Chamber of Commerce and is represented on the chamber's governing bodies. A representative of SATO is also participating in the Neighbourly Aid Committee, coordinated by the Crime Prevention Council of the Ministry of Justice and associated with preparations for an internal security programme.

A stable target of investment

SATO manages its administration and communications in accordance with rules and guidelines complied by listed companies. Due to good management, its operations have been profitable. Because of this, the procurement of capital for rental property investments has been possible. SATO's long-term owners are mainly the largest pension insurance companies in Finland.

1250



rental homes under construction

about

1200



work years for service providers

over

10



plan development projects ongoing

Stakeholder expectations

Stakeholder expectations mapped

SATO's key stakeholders are customers, personnel, owners, financiers, partners and the authorities. In the year under review, we mapped the expectations for SATO's operations by interviewing representatives of stakeholders and by utilising the feedback received from stakeholder surveys.

Expectations were examined for the setting of policy and targets related to responsibility: through what kind of responsibility-related activity SATO can produce the best value for both its own business and for its stakeholders and society. Based on these expectations, we drew up a so-called materiality matrix. This matrix can be seen on SATO's website, sato.fi.

Quality of living for customers

For our customers, it is important that the price-quality ratio of housing, the provided services and the reliability of the landlord are in order.

Through housing maintenance work and active pricing, we maintain the right price-quality ratio based on the star classification of the apartment in question. The monitoring system for building management and maintenance activity is being developed in order to raise the

level of housing services, and the share of customer satisfaction in the reward criteria is being increased.

Possibilities for personnel to have an influence

Amongst personnel, good management, the chance to make a difference, openness and a community spirit are emerging as key expectations. We are increasing the management skills of supervisors through constant training, by which we are targeting inspiring and coaching management practices. A project aimed at changing company culture launched in the year under review is encouraging an increase in opportunities for people to have their say and to use them. Community spirit is being created through communal events and shared hobbies.

For investors, profitable and responsible asset management

The core of the investment policy of SATO's major shareholders is profitable and safe investment. An increase in shareholder value is expected. The stability of SATO's operations and the right return with respect to the level of risk are essential for investors.



Perkkaa

SATO is developing an urban plan for Perkkaa together with SRV, Ilmarinen and the City of Espoo. In future, the area will be a new district of more than 5,000 residents which, bearing in mind the principles of sustainable development, will be located close to the services at the centre of Leppävaara, efficient public transport and an extensive network of parks and green areas.

Successful business for service and material suppliers

SATO's partners and subcontractors want predictability in business relations and continuity for their own business. As a target, SATO has set a reduction in its number of suppliers to about half of the present level in order to be able to offer continuity in business relations. When inviting suppliers to tender, we have clear and open tendering practices and, in business relations, we organise regular perfor-

mance appraisals. We develop operating practices together with partners so that the business of both benefits.

More housing to promote well-being in society

The authorities and political decision-makers expect SATO to increase the supply of affordable rental housing, especially in the Helsinki Metropolitan Area. According to SATO's strategy, on average 70 per cent of investments are directed at new housing in order to increase supply.

We are also constantly seeking other solutions, for example developing old office buildings into apartments.

Housing that respects the environment

For all stakeholders, implementing environmental values has become an essential expectation. In 2014, our objectives include starting the measurement of the carbon footprint of our operations.

Value for society



Excellent customer experience

SATO's long-term success is based on understanding customer needs. We want to offer our customers not only homes that meet their needs, but also the best possible customer service. With SATO's service concept, we can meet the needs of different customer groups.

Customer loyalty measures experience

In terms of customer experience, SATO wants to be among the very best of service companies. We measure experience using the NPS (Net Promoter Score) customer loyalty metric. We have set ourselves the ambitious long-term target of achieving level 40 on the NPS metric, having been at level 23 in the year under review.

Permanent and safe housing as a product

SATO's housing concepts and extensive range of homes suit different

housing needs. Homes are in key locations and their condition is looked after methodically.

SATO is a permanent landlord that benefits from developing its housing stock competitively and with a view to the long term. Clearly communicated rental principles bring predictability to living and to the costs of living. In order to improve the permanence of our customer relations, we are making it easier for our residents to change homes.

Confidence to strengthen customer relationships

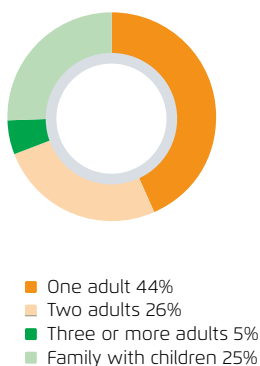
Residents appreciate SATO's reliability and professionalism as a landlord. Through our different channels, we communicate openly about SATO and its operating principles. We observe the Good Rental Practice guidelines drawn up by organisations in the sector. We guide our partners' activity by constantly measuring their level of service.

Interaction with customers made easy

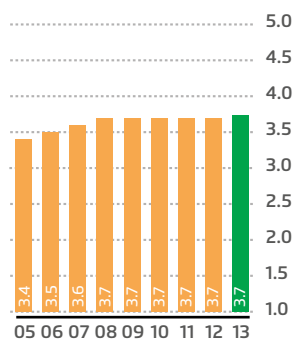
We maintain a diverse range of channels in order to enable for our customers active dialogue with SATO's personnel and our representatives. In Finland, SATO's Customer Service Centre receives all customer phone calls and e-mails, and also serves on Facebook and through the chat function on our website. SATO's customer service offices in Helsinki, Tampere, Turku, Oulu and St. Petersburg help those seeking housing to find a suitable home.

Increasing the possibilities for customers to interact with us electronically is one of our key targets of development. In the year under review, we revamped the sato.fi website and, early in 2014, it is also becoming possible to search for SATO RentHomes using mobile applications.

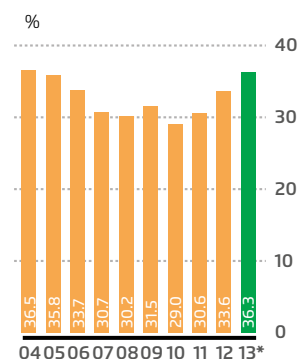
SATO's resident structure
31 Dec. 2013



Customer satisfaction
2005–2013



Tenant turnover



* internal turnover was 8.8%

Shared experiences offered in order to increase well-being

Every year, SATO organises many events for its residents. The highest number of participants gathered for a visit to Heureka in Vantaa, in which both children and adults got to know the exhibitions and attended exciting presentations. In addition to common events, we also encourage co-operation within buildings or areas by supporting its organisation or by organising it ourselves. In the year under review, we organised several events for residents in our SeniorHomes in the Helsinki

Metropolitan Area, so that ideas could be exchanged to improve services for senior citizens.

The benefit of being a SATO customer

In SATO, residents can pay their rent flexibly by choosing between two alternative rent payment dates. Long-term residents are rewarded and are also given priority for the home that they want when moving between homes. Almost all SATO Rent-Homes have free broadband, and our partners grant residents discounts for housing-

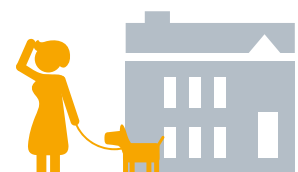
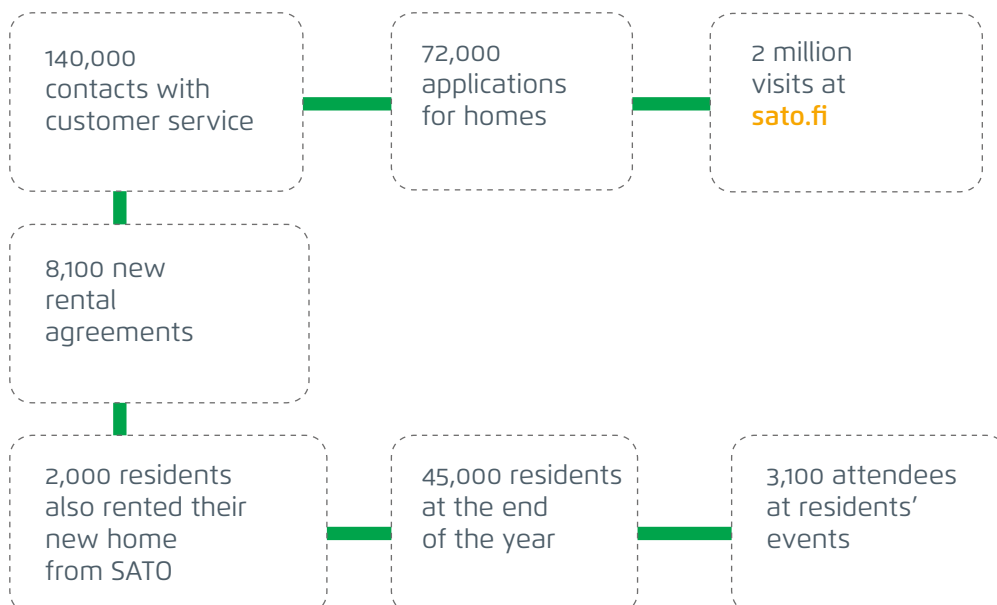
related purchases. Our award-winning customer magazine Kotona is delivered to all residents.

The affordable living concept under development

The aim in 2014 is to develop a solution for rental housing that is more affordable than traditional housing from a cost perspective. This concept will be piloted in order to test its effectiveness.



The customer path





The joy of residents motivates personnel



The overall level of satisfaction of customers improved in the year under review. Particularly positive feedback was obtained by maintenance personnel and cleaners. The maintenance of stairways and other common facilities such as courtyards also improved from last year.

A happy customer is the aim of each and every SATO employee. Feedback received from customers activates staff to think up new ways of operating and put them into practice.

Meaningful work

SATO's strategy is implemented by engaged personnel. The aim of human resources management is to create the prerequisites for success, at personal-, team- and company level.

Corporate culture project helps in renewal

The competitive environment has changed. SATO's strategy has been influenced by globalisation, the rapid increase in digitalisation, the new customer expectations and the development of competitors.

In order to increase its ability to achieve strategic targets, SATO has launched a corporate culture development project. The idea is to give SATO employees the chance to use their skills and resources to their full potential, which will improve their feeling of doing meaningful work.

The company culture is renewed by changing operating practices and the content of work. An entrepreneurial spirit and courage are stimulated by the themes of trust, interaction and initiative. The entire personnel is participating in the project.

Trust creates success

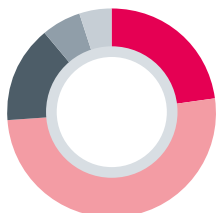
Trust begins with respect. Understanding one's position as a part of the company success is important in increasing respect for one's own work and that of the others. A trusting atmosphere feeds the courage to take responsibility and to work inde-

pendently. Feedback emphasises success, which in turn strengthens trust and increases expertise. We are boosting the ability and desire of SATO employees to take personal responsibility for such things as taking care of customer issues. Respect for the customer improves the level of service.

Open interaction promotes the achievement of goals

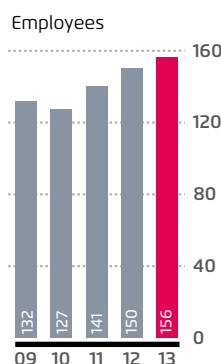
In SATO's business, interaction between people has a great impact. We work both as part of our partner network and with our customers. A well communicated

Personnel educational level
31 Dec. 2013

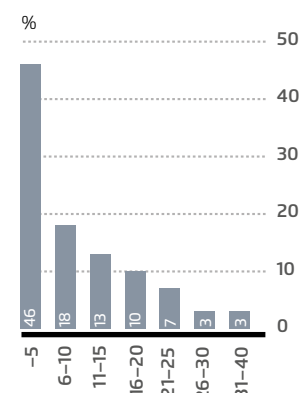


- Tertiary 23%
(university or equivalent)
- Senior upper secondary 51%
(e.g. college or polytechnic)
- Junior upper secondary 15%
(vocational training or matriculation)
- Lower secondary 6%
(e.g. middle school or comprehensive school)
- Students 5%

Personnel at
year-end



Number of years
of service by personnel
31 Dec. 2013



strategy and clear targets show the way, increase motivation and improve the chances of success in all encounters.

We are increasing interaction with customers, both between personnel and other stakeholders. In the year under review, we trained personnel to discover their own strengths and development areas and to identify the needs of different types of personalities in interactive situations.

Initiative speeds up renewal

SATO has an 'idea bank', to which personnel are encouraged to submit ideas for the improvement of operations, products and services. Ideas submitted to the bank are sent to the persons responsible,

who select from them the ones for immediate adoption, the ones that need refining or further development. An example of an initiative that was immediately implemented was the 'Nuoria kesäksi 2013 vihertöihin' idea (young people for gardening, summer 2013). Based on this initiative, SATO recruited 15 students for gardening and cleaning work on SATO properties. In 2013, SATO had altogether 30 summer trainees.

In the year under review, we built up two groups to develop the idea of increasing the supply of more affordable housing. As a result of the group work well-developed concepts were transferred for further development. Our aim is to

prepare and start the pilot project no later than 2015.

We also support initiative by encouraging people to experiment with new ways of working, which are aimed at improving the customer experience or speeding up decision-making.

Expertise increases the well-being of personnel

Expertise required for the implementation of strategy improves well-being. We support our personnel diversely in the development of their skills.

Every month, we deal with strategic themes at morning coffee- and training events for personnel. For our supervisors,

“ I listen to the customer

Helping customers makes me feel that my job is meaningful. Although things don't always work out the way the customer wishes, they still appreciate the service. By listening to the customer and by asking more questions, I can find the best solutions.

SATO's Customer Advisor, Hanna Rosti



In customer service,

98%

of customer issues are resolved at the first contact

we organise annual training and discussion events in order to clarify strategy and to strengthen their basic and coaching skills. SATO is also conducting a mentoring programme to support personal development and increase expertise.

Sports and culture help people to cope

In the year under review, our personnel had at their disposal sports and culture vouchers subsidised by SATO. The staff sports and recreation club Liivi arranged a variety of broad-based cultural events, sporting opportunities and the personnel Christmas party.

Incentives

The company's senior and middle management are included in a personally determined incentive scheme. Other personnel are paid a bonus for attaining jointly specified goals. The personnel are also encouraged by awarding an annual 'SATO Employee of the Year' certificate as well as commendations for exceptional performance in promoting the values. In the year under review, two SATO Employees of the Year were selected and a total of 10 commendations given based on suggestions by personnel.

“ *An understanding of the position of one's own job as part of the whole increases respect both for one's own work and that of others.*

External training/employee



2.2 days

Internal training/employee



2.4 days

Sickness-related absences as a percentage of the working year



1.7%

Permanent staff recruited



6 people

Summer workers



30 people

Initiatives proposed by personnel



115

Housing that respects the environment

Healthy and safe homes

We provide our customers with healthy and safe homes that are in accordance with sustainable development. SATO's environmental programme includes the principles and responsibilities applied in the design of homes, renovations and construction, investments, as well as in the occupation stage.

We develop our housing stock through investments, repairs based on life-cycle thinking, and by improving maintenance work and energy efficiency. As a client, we require high quality from construction, both in the construction of new homes and renovation.

Investment location decisions affect traffic emissions

SATO's investments are targeted at apartment buildings in urban environments,

which are situated close to good public transport connections. That way, it is possible to encourage the use of public transport rather than private cars, which reduces emissions caused by traffic.

Reducing energy costs

The main environmental impact comes from energy consumption by SATO's residential properties. During the year under review, we tightened our target for saving heat consumption. In a climate partnership agreement concluded with the City of Helsinki, we committed to reducing the specific consumption of heat by 2016 by 15 per cent compared with the level in 2009. The target of reducing the specific consumption of electricity and water is 15 per cent compared to the level in 2004.

In order to ensure the monitoring of the achievement of those targets and to

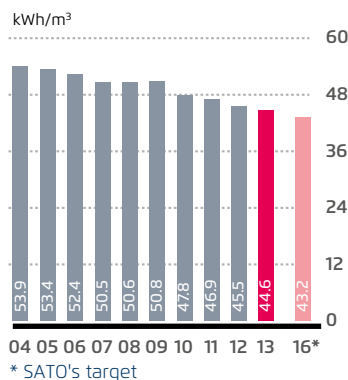
be able to intervene in problems, we have connected all properties to a centralised consumption monitoring and energy management system. During the year under review, we continued energy reviews in our properties, and we carried out the annual inspection of district heating equipment at all sites. We have also increased human resources in order to improve energy efficiency.

At the end of the year under review, the specific consumption of heat had fallen by 12.9 per cent since 2009, of water by 10.4 per cent and of electricity by 18.1 per cent since 2004.

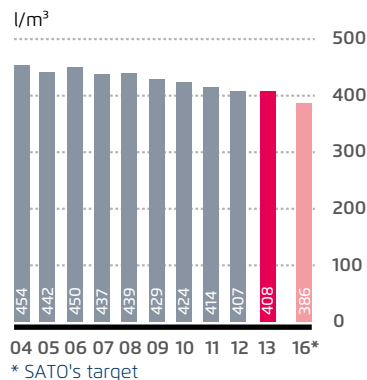
Increasing waste recycling

In the year under review, we organised the opportunity for residents of Helsinki Metropolitan Area to take recyclable waste to a container delivered to their building's

Standardised heating consumption



Water consumption



courtyard based on the good experiences of the previous year. During the summer, a total of 77 tonnes of recyclable waste was collected. SATO also has an agreement with Paperinkeräys Oy for deep collection containers to collect recyclable paper waste.

During 2014, efforts will be made to begin the systematic monitoring of the volume of other waste types and to set a target for their reduction.

Partners committed through agreements

SATO's building management partners for investment properties have committed to agreements aimed at saving energy. In these agreements, which are coming into force in 2014, the importance of reaching energy-saving targets will be increased in bonuses. Targets concerning energy saving will also be set in future maintenance company contracts.

Information about sustainable operating practices for residents

Residents receive tips from SATO's website, customer magazine and other publications on how to promote sustainable development and save energy in their housing. During 2014, we will start to inform residents about energy and water consumption and waste volumes online on their own building's webpage.

Environmental risks controlled

Environmental risk management limits the risks to the properties' structures, to the environment and to people. Condition assessments are carried out on properties scheduled for major renovations to detect structural damage and the toxic content in building components. The working methods employed in the renovation are selected on the basis of the results of the assessments. Renovation and construction contractors are obligated contractually to arrange conditions on their worksites in such a way as to minimise the problems and disruption caused by the worksite to both the natural and the built environment. Low-emission materials are selected as materials.

When buildings are demolished, particular care is taken to sort demolition waste so that toxic materials receive proper treatment and reusable materials and building components can be recycled. By timely communications with occupants and by properly timing exceptional measures during renovations, interference with occupants is prevented and nuisances are minimised.

When acquiring new sites from the existing building stock, we carry out an environmental risk assessment at them.



Climate partnership

We became a climate partner of the City of Helsinki in order to co-operate with a range of companies and the local authority to reduce the harmful effects of climate change. At the same time, we committed to more stringent targets than ever before in the consumption of heating energy.



Heat savings



Electricity savings



Water savings

**TARGETS
2016**



-15% of the
2009 level

-15% of the
2004 level

-15% of the
2004 level

**CONSUMPTION
2013**



-12.9% of the
2009 level

-18.1% of the
2004 level

-10.4% of the
2004 level



Pulling together in the same direction



Partners mean a lot to the customer and to SATO. We ensure an efficient and standardised building management service at all properties by keeping shared targets clearly in mind.

SATO pursues a management model developed together with its key partners. Regular steering group meetings, performance appraisals and shared training events help in reaching targets. A centralised procurement function promotes cost control.

Win-win partnerships

Through partnerships, we aim to take advantage of the best expertise in the sector and to produce added value for stakeholders.

The most significant partnerships

The operations of SATO's own organisation are focused on increasing the value of housing property and on customer relationships. By collaborating with our most significant partners, we can maintain the condition of properties and homes and carry out urban planning and construction co-operation. Some project and support functions are also handled through partnership agreements. Our longest-term partnership is in property and building management.

Choices of supplier

When inviting subcontractors to tender, SATO observes clear and open competition practices. The best experts in the field are selected as suppliers, ones that operate responsibly and take care of their societal duties. An important criterion in selecting

partners is a will to commit to the long-term development and maintenance of a bilateral relationship.

Partnership management

A model has been created for partnership management in which activity is managed and developed together with agreed targets and indicators. The management system includes incentives to encourage people to reach shared goals. Regular interaction and monitoring of the achievement of targets take place in steering groups, at meetings with suppliers, and in performance appraisals.

Aims and measures

Property and building management agreements were put out to tender at the end of the year under review, and the decision was made to focus operations

on one supplier from March 2014, Realia Management Oy, with which co-operation has already been ongoing for ten years. At the same time, the content of the service agreement and collaborative aims will be updated.

By focusing on one supplier in this way, we are targeting cost efficiency as well as harmonising building management practices in customer relations. More than before, we are encouraging energy efficiency and the promotion of customer satisfaction.

In all co-operation with suppliers, we aim to apply operating practices in accordance with the partnership model. In such cases, framework agreements are made with the suppliers, which specify the principles of co-operation.

BUSINESS MODEL

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
- Design

PARTNERSHIPS



- Building management
- Property maintenance
- Construction

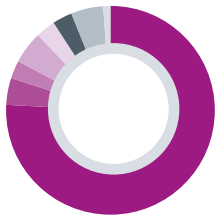
Support functions

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

Business segments

SATO's operations are managed and reported on in two business areas, SATO business and VATRO business.

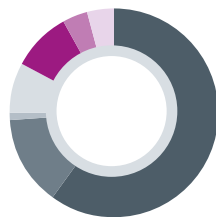
Regional distribution of the investment properties (SATO business) 31 Dec. 2013



- Helsinki Metropolitan Area 76%
- Rest of Helsinki Region 4%
- Turku Region 3%
- Tampere Region 5%
- Jyväskylä Region 3%
- Oulu Region 3%
- St. Petersburg 5%
- Outside the designated focus area 1%

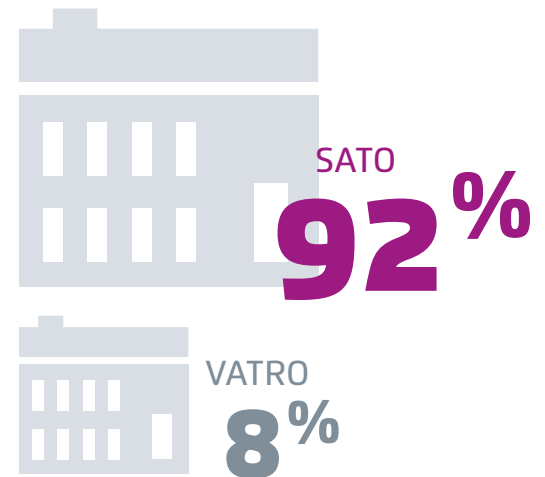
Total housing portfolio, fair value
MEUR 2,120

Regional distribution of the investment properties (VATRO business) 31 Dec. 2013



- Helsinki Metropolitan Area 60%
- Rest of Helsinki Region 14%
- Turku Region 1%
- Tampere Region 8%
- Jyväskylä Region 9%
- Oulu Region 4%
- Outside the designated focus area 4%

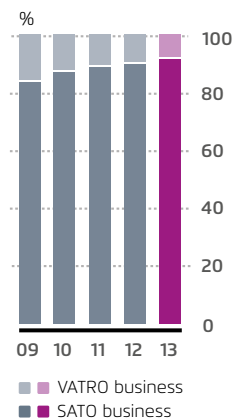
Total housing portfolio, fair value
MEUR 196



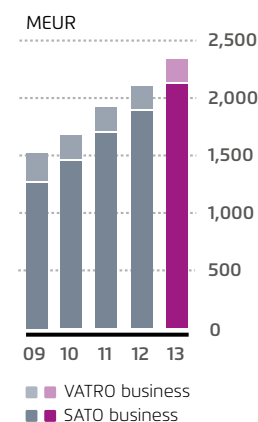
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The relative significance of VATRO business within the Group is declining.

Business segments' shares of the housing portfolio 2009–2013, fair value



Trend in the housing portfolio 2009–2013 at fair values



SATO BUSINESS

- roughly 19,700 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 2.1 billion euros, 92% 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 200 million euros, 8% of the value of the SATO Group's investment properties

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. Such segmentation enhances the transparency of operations and reporting related to state-subsidised housing assets.

SATO business is comprised of privately financed housing as well as those housing units subject to state-subsidised and interest-subsidised credits to which property-specific restrictions end during the period 2013–2025. Business 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 strategy, the new investments are allocated to SATO business, and the relative importance of VATRO business within the Group is declining.

Financial key figures 2013, m€	SATO business	VATRO business	Total
Net sales	272.4	39.1	311.5
Net rental income of the housing portfolio	115.2	22.1	137.3
Profit before taxes	65.3	5.6	70.9
Gross investments in investment properties	190.6	0	190.6
Book value of investment properties	1,516.0	195.8	1,711.8
Fair value of investment properties	2,120.2	195.8	2,316.0
Rented homes, number	18,547	4,087	22,634
Shared ownership apartments, number	1,194	0	1,194
Completed investment properties, number	321	0	321
Completed owner-occupied homes, number	226	0	226

Investment property forms the foundation of business

Central locations

Rental income received from investment property and the positive development in the value of housing assets are creating a foundation for the profitability of SATO's business. In order to achieve a steady cash flow, SATO RentHomes are focused on areas in which the demand for rental homes will grow in the long term.

Small homes in growth centres

Investment properties are located in the largest growth centres, where the demand for rental housing is strongest. Of our housing property, about 80 per cent is located in the Helsinki Region. The rest of the housing property is in the economic zones of Tampere, Turku, Oulu and Jyväskylä as well as in St. Petersburg, Russia.

Demand for rented homes most strongly focuses on small apartments. We have increased the proportion of small apartments in our housing portfolio

through acquisitions and by commissioning their construction.

Star classification helps people to choose

SATO's RentHomes are classified based on their quality, which makes choosing a home easier. There are three classes. The five-star homes are unique in their locations and interior materials. The four-star homes are new or as good as new, and the three-star homes are in a basic condition.

The professional maintenance of investment properties

SATO carries out maintenance procedures with the help of a professionally-skilled network of partners and service-providers. The most significant partnerships concern property and building management. Through competitive tendering for acquisitions, energy-saving measures at properties and methodically executed repairs, we are able to control the upward pressures on costs.

Repair work serves residents

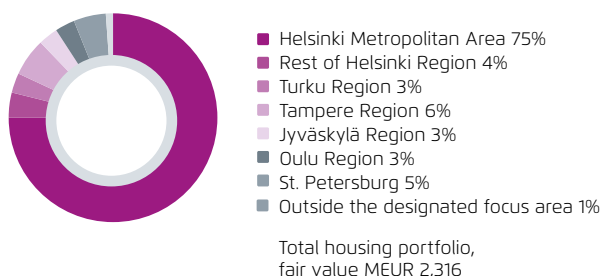
Systematic repairs help to enhance the quality of SATO's housing portfolio. In order to assess needs for repair, the condition of all of SATO's RentHomes is checked at fixed intervals or when there is a change of resident.

In the year under review, repairs were mainly targeted at promoting the rentability of homes being vacated and at the homes of residents who have lived in the same SATO RentHome for more than ten years.

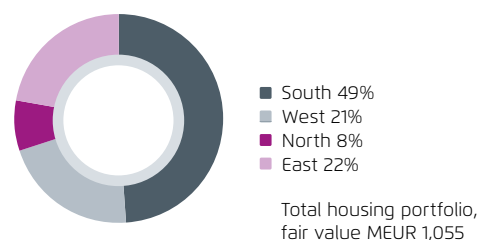
Control of cleaning and maintenance ensures quality

In the year under review, the quality control of building maintenance and cleaning was improved. We increased the number of inspection visits at properties and faults were repaired quickly. As a result of this activity, the satisfaction of residents with cleaning and maintenance increased in comparison to the previous year.

Regional distribution of the investment properties 31 Dec. 2013

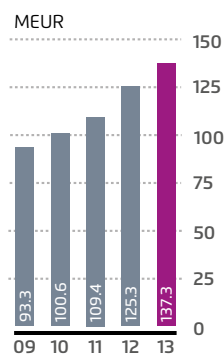


Distribution of housing by area, Helsinki 31 Dec. 2013

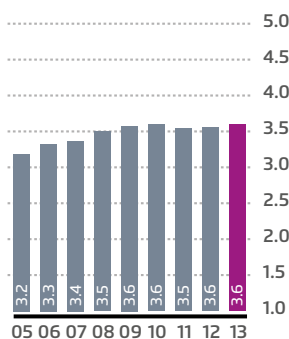


Investment properties	2013	2012
Properties, number	734	733
Number of homes, total	23,828	23,510
- rented	22,634	22,294
- shared ownership	1,194	1,216
Floor area of homes, m ²	1,364,449	1,344,340
Average size of homes, m ²	56.0	56.7
Value of housing		
- book value	1,711.8	1,553.7
- fair value	2,316.0	2,088.0
- increase in difference in value	69.9	60.6
- difference in value, tot.	604.2	534.3
Net rental income of housing portfolio m€	137.3	125.3
- increase in year under review, %	9.6	14.5
Net rental income of rented homes, %		
- on book value	8.9	8.6
- on fair value	6.5	6.4

Net rental income



Overall satisfaction with maintenance and building management



Building management cooperation for over

10 years



“

Service with partnership

Realia Management is SATO's long-term building management partner in the Helsinki Metropolitan Area. We are the link between the occupants and SATO and supervise the properties' maintenance activities. We also cooperate to improve the energy efficiency of apartments.

*Technical building manager
Tiina Knuutinen,
Realia Management Oy*

Good occupancy rate ensures steady cash flow

Efficient rental business

Efficient rental business secures a steady trend in cash flow, and a rapid availability for people who need a home. In the year under review, a total of about 8,100 rental agreements were made. Rental income was up by about 8 per cent on the previous year, totalling €229.5 (212.7) million.

Customer needs to the fore

The basis of a rental is a thorough mapping of the customer's need in order to find a suitable home. During the year under review, the customers who moved to a SATO RentHome gave excellent feedback to our professionally-skilled sales

personnel, and the level of satisfaction from home rentals was 4.3 on a scale of 1-5. We keep constant customer service training going.

An improvement in service availability

SATO serves its customers until 8 pm on weekdays and is also open on Saturdays. The number of personal home presentations has increased. The SATO website that helps people to look for a home was revamped, and its usability improved by i.a. device independence. Information and photos relating to apartments available for renting were increased. In 2014, we will

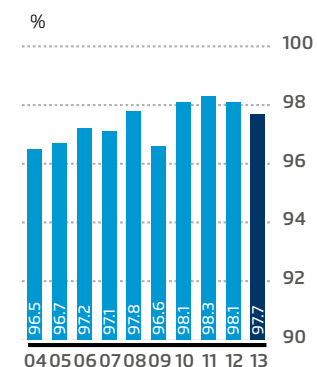
launch the home search service as a mobile application and will develop our e-service to also include the possibility of signing a rental agreement online.

Pricing

Rents for vacated homes are set according to market conditions. Rents for state-subsidised properties comply with the regulations for these. Current leases include rent review criteria and the rents are reviewed annually.

Key Figures	2013	2012
Average rent per sq.m. €/sq.m/month	14.91	13.92
Financial rental occupancy rate, % (Finland)	97.7	98.1
Tenant turnover, %	36.3	33.6
incl. internal turnover, %	8.8	7.5

Financial occupancy rate of rental housing



Growing respect for the environment



In spring 2014, SATO's first building using geothermal heat will be completed in Espoo. In the courtyard will be plant boxes for residents. Customer experiences will be monitored for future projects.

The popularity of cycling and enthusiasm for urban cultivation are growing. Our customers also want SATO to invest in solutions that are sustainable in terms of the environment.

Investments boost growth

Investments consolidated in centres of urban growth

Investment activities create a framework for growth. The aim is to increase the value of SATO's housing property to €4 billion by 2020. We acquire and commission construction of both complete apartment buildings and individual rented apartments, all close to public transport connections.

SATO secures the rental attractiveness of the investment properties and a favourable trend in the value of the housing portfolio by primarily allocating investments on the Helsinki Metropolitan Area and St. Petersburg. In addition to these, we also invest in housing in Tampere, Turku, Jyväskylä and Oulu.

A renewal of the housing stock

The quality of the housing stock is improved by annually allocating an average of 70 per cent of investments on new housing and property renovation, and by divesting property. The share of small homes in the housing stock is being increased by investing in single- and two-room apartments at owner-occupied housing sites developed by SATO. The level of quality and energy efficiency is also improved through repairs carried out in homes.

The most significant agreement in Finland in terms of new housing was made with Skanska, and concerned 370 homes in the Helsinki Metropolitan Area and Tampere over several years. The total value of investment is about €50 million,

and the intended timing is for the years 2013-2015.

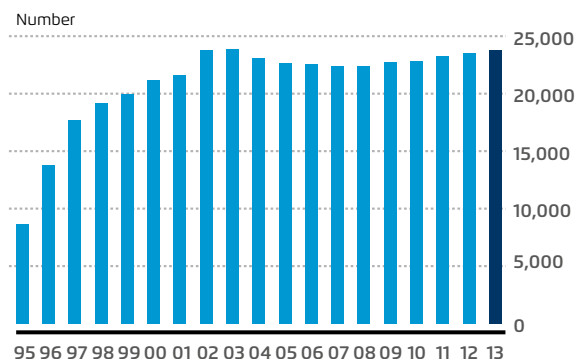
Divestments of housing property were mostly made on the basis of the property's location or condition.

Acquisitions of old stock individually or as portfolios

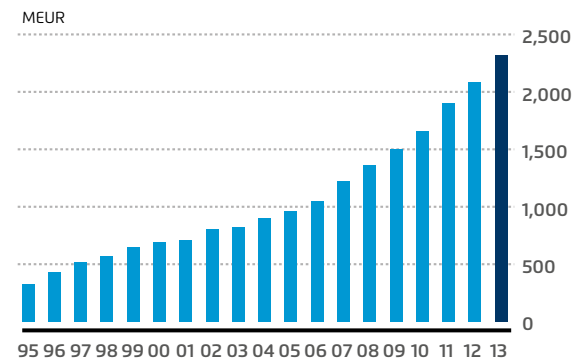
Both individual housing units and housing portfolios containing several properties are acquired from the existing housing stock.

In the year under review, the largest acquisition was the purchase of 423 privately-financed rented homes from Varma Mutual Pension Insurance Company for €41.5 million. About 300 of these are located in the Helsinki Metropolitan Area.

Trend in the housing portfolio



Trend in the housing portfolio, fair values



Investment targets extensively surveyed before a decision is made

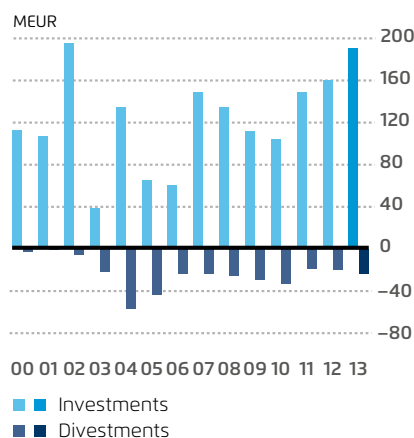
Before its investment decisions, SATO studies the development prospects for the region and the investment property, the population profile and the forecast of maintenance and repair costs as well as the potential for returns. The environmental

impact of properties is assessed based on their location in relation to transport, age, condition, energy and water consumption, materials and building technology and possible soil surveys. Based on the survey, the additional investment needs based on SATO's quality and responsibility requirements are assessed and life-cycle calculations are done.

Investments	2013	2012
Gross Group investments in investment properties m€	190.6	159.9
investments in newbuilds m€	124.6	108.0
Investments in Finland:		
Investments in investment properties m€	170.3	137.3
Investment properties under construction 31 Dec., units	1,029	644

Divestments	2013	2012
Sold investment properties, number	463	390
Divestments of investment properties and land tot. m€	28.9	31.5

Housing investments and divestments



Our investments exceeded

190 m€



“

Active investment operations bore fruit.

We succeeded in our aim to invest in housing that can meet our customers' expectations in the long term, and that has good prospects of increasing its value. The significance of the environmental impact of properties in the selection of properties is growing.

Antti Aarnio, Director of SATO's Investments Unit

Property development creates a basis for investments

Building land inventory used to increase rental housing

SATO's building land inventory is used primarily to build investment properties. During the year under review, building land inventory to a value of €22.4 (18.1) million was brought into production. The construction of 429 (615) apartments was started on the plots, of which 198 (475) will be Group-owned investment properties.

Plan development brings continuity

We participate in urban planning in several residential districts, where we have plots of land or where the land has been reserved for SATO from municipal quarters. At the end of the year under review, ongoing plan development projects included Tali in Helsinki, Perkkää in Espoo, Martinlaakso in Vantaa and the centre of Kirkkonummi.

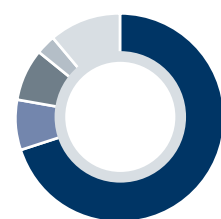
We are also actively mapping properties that are not in residential use, but whose facilities may be converted into apartments. SATO also brings its expertise to these projects at the plan alteration stage.

Renovation work supports the increase in value of investment properties

A financial and technical life-cycle plan is made for SATO's investment properties, based on which the properties for renovation are selected. In the year under review, the renovation of three properties was completed and the renovation of two started. These included a total of 287 homes.

In May, the renovation of an apartment block at Kruununhaka in Helsinki was completed as the second SATO HotelHome.

Regional distribution of the building land inventory (floor area, sq.m.) 31 Dec. 2013



- Helsinki Metropolitan Area 70%
- Tampere 8%
- Turku 8%
- Jyväskylä 3%
- Oulu 11%

Total approx. 334,000 floor area, sq.m., about 3,700 apartments

Building land	2013	2012
Building land inventory m€	88.3	94.8
Building land acquisitions m€	7.5	28.1
Use of building land inventory		
transferred to production from permitted		
building volume (sq.m. floor area)	29,680	42,010
building land transferred to		
production and sold m€	25.1	24.9

New apartments	2013	2012
Total completed units	458	659
investment properties	232	360
owner-occupied properties	226	299
Under construction at year-end, units	1,321	933
investment properties	1,029	644
owner-occupied properties	292	289
Unsold owner-occupied properties at		
year-end, units		
completed	65	50
under construction	235	200

St. Petersburg offers opportunities for growth

Large housing market

The housing market in St. Petersburg is similar in volume to the Finnish housing market. The growing supply of rented housing increases demand. By offering high-quality rental housing, SATO participates in the growth of well-being in the city.

SATO as pioneer supplier of rented homes

As a professional property investor SATO provides an example on the developing housing market in St. Petersburg. SATO's systematic and open operations create trust in its customers and stakeholder groups.

Investing in new apartments

Our investments are placed in properties newly built by Nordic and Russian

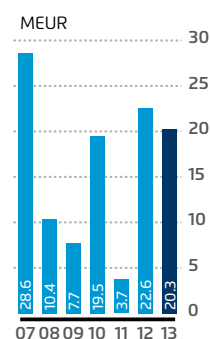
construction builders. SATO does not, itself, commission the construction of homes in St. Petersburg.

Our apartments are elite, business and comfort-class homes in the best locations in or near the city centre along the metro lines. The customers are well-to-do Russians and foreign expatriates who have relocated to St. Petersburg. Home leasing is handled by the corporation's own personnel at the St. Petersburg regional office. Homes are mostly leased furnished.

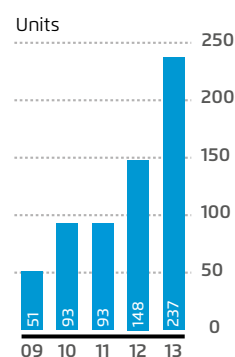
New investments

During the year under review, SATO purchased a total of 139 investment properties under construction with the total value of €32 million. The properties are located in the southern centre of St. Petersburg and on Vasilyevsky Island.

Housing investments in St. Petersburg



Trend in the housing portfolio in St. Petersburg



Investment Properties	2013	2012
Completed at year-end, units	237	148
completed during the year	89	55
Under construction at year-end, units	219	169
Value of housing property at year-end m€	112.4	91.1
Investments m€	20.3	22.6
Binding acquisition agreements m€	23.7	29.0
Average rent per sq.m., furnished €/sq.m./month	23.90	27.01
Financial occupancy rate, % average	90.8	89.5

Ensuring the availability of finance

A strong financial position supports the implementation of strategy

The role of finance is important in the implementation of SATO's strategy and growth targets. Through active, anticipatory and long-term financial planning, profitable investment activity can be enabled. SATO constantly seeks and develops new solutions for funding and for managing risks and securities. SATO's long-term debt financing is almost all secured.

Diversity of sources of finance promotes availability

By using sources of finance diversely, we can expand our financial base and manage the risks of refinancing and counterparties.

In the year under review, we took out new long-term loans to the value of €227 million. The lion's share of this, €149 million, was taken out under the secured notes programme announced on 6 March 2013. Furthermore, liabilities applied to shares in housing companies increased by €21 million through investment activity. SATO also operates actively in financial markets within the €100 million commercial paper programme.

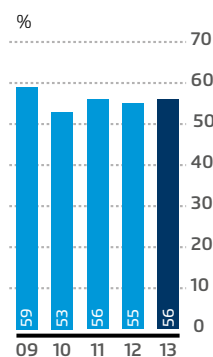
Open investor dialogue supports development

In bank relations, our keystone is open co-operation and partnership, which promotes the construction of sustainable and effective financing solutions. We meet

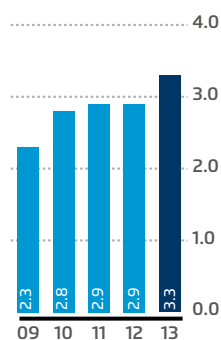
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SATO constantly develops new solutions for funding and for managing securities.

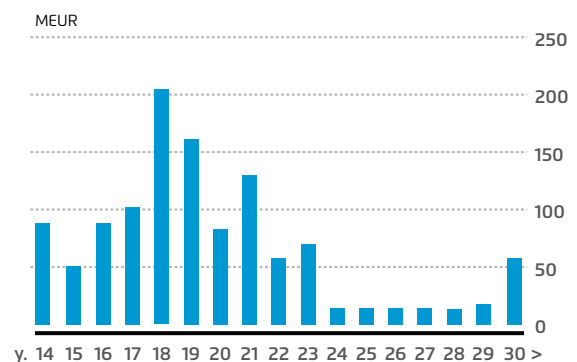
LTV (Loan to Value)



Interest coverage ratio



Maturity profile of long term debt



investors regularly and maintain constant and open dialogue. We develop our reporting, taking into account the needs of investors as well as other stakeholders.

Management of market risks safeguards profitability

For SATO, the key element of financial risks is the effect of changes in the level of market interest on interest expenses. We manage interest risk by balancing the

relationship between fixed and floating interest-bearing debt with fixed-interest loan arrangements and interest rate swaps. SATO's aim is to keep the share of fixed interest of the debt portfolio after hedging at over 60 per cent.

St. Petersburg business also entails currency risk. SATO hedges all currency-denominated binding cash flows with forward contracts.

Key Figures	2013	2012
Average maturity, years	6.7	6.5
Average interest duration, years	3.0	3.2
Average interest at end of period %	2.9	2.9
Fixed rate liabilities, % of total portfolio*	67.4	69.5

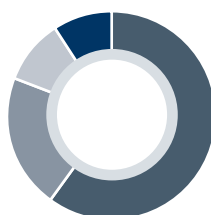
*) after hedging, excluding ARAVA loans

Debt portfolio
Nominal values
31 Dec. 2013,
total MEUR 1,503



- Commercial Papers 73
- Corporate bonds 249
- Loans from financial institutions 717
- Housing company liabilities 218
- Interest subsidised 89
- State subsidised (ARAVA) 157

New long-term debt 2013,
total MEUR 248.8



- Corporate bonds 60%
- Bilateral bank loans 21%
- Syndicate bank loans 10%
- Housing company liabilities 9%



Secured notes programme

In the year under review, SATO launched a €500 million secured notes programme. The aim is to diversify sources of finance to ensure the continuity of growth. The security for the issued notes is housing property.

Report on the governance and resource management system 2013

Share of women on the Board



Participation in Board meetings



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. SATO Corporation shares are not publicly listed. Recommendation 51 of section 9 on the management of insiders is complied with in respect of parties issuing listed bonds. The Corporate Governance Code is available publicly at the website www.cgfinland.fi.

SATO Corporation has issued secured corporate bonds, which are listed for public trading by NASDAQ OMX Helsinki Ltd, and the company complies with its rules and regulations for listed bonds as well as the Securities Markets Act and the regulations of the Financial Supervisory Authority.

The company's Board of Directors approved guidelines on 13 February 2008 for trading in SATO Corporation shares and other securities.

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. Jones Lang LaSalle gives a statement about the values of SATO's housing portfolio and building land inventory and the appropriateness of the methods used to assess them.

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

Meetings of SATO Oyj's Board of Directors and Committees in 2013

	January	February	March	April	May
Board of Directors	29.1.		5.3. 6.3.	24.4.	
Audit Committee	25.1.				
Nomination and Remuneration Committee	24.1.				
Annual General Meeting			5.3		

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. An extraordinary general meeting is held when the Board of Directors considers it necessary or one must otherwise be held in accordance with the Finnish Companies Act.

The annual general meeting decides on the matters due to it under the 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 05 March 2013, elected to the Board of Directors Juha Laaksonen as Chairman of the Board and, as ordinary

members, Timo Hukka, Vesa Immonen, Jorma Kuokkanen, Tarja Pääkkönen and Niina Rajakoski. The Board of Directors elected Jorma Kuokkanen as its Deputy Chairman. In 2013, the Board of Directors convened on 13 occasions. An average of 90 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 can be found on the company's website, www.sato.fi.

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. These rules of procedures 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

	June	July	August	September	October	November	December
	14.6.	9.7.	2.8.	19.9.	24.10.	12.11. 21.11.	18.12.
		31.7.					11.12.
	5.6						2.12.

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 control as well as supervising the effectiveness of the internal audit.

The Board of Directors also appoints the company's President and CEO and his 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-evaluation of its activities and its working methods. The purpose of the self-evaluation 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 Remuneration Committee. The Audit Committee and the Nomination and Remuneration Committee are comprised of between three and five members, chosen by the Board of Directors, one of whom serves 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 Remuneration Committee convened three times during the financial year. An average of 100 per cent of the members of the Committees attended the meetings.

Serving on the Audit Committee in 2013 were Chairman Vesa Immonen and members Tarja Pääkkönen and Niina Rajakoski. All the members are independent of the company and one is also independent of the major shareholders.

Serving on the Nomination and Remuneration Committee in 2013 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 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 Erkkä Valkila, B.Sc. (Eng.). The deputy to the President is Tuula Entelä, LL.M., B.Sc. (Econ.). Information about the President and CEO and his deputy as well as their holdings is on the company's website, www.sato.fi.

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.

Briefing

SATO's website is used to make public the main information on the company's administration. All of the company's communication 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.

SATO makes disclosures with stock exchange bulletins and it makes sufficient information available to shareholders on its website www.sato.fi on the value of its issued bonds or on matters of significant bearing on SATO's liquidity.

SATO publishes an annual report each financial year and interim reports three times a year.

Internal control

The aim of the internal control is to help to verify the efficiency, productiveness and reliability of the Group's operations, and to confirm the compliance of operations with the law and other regulations. The Group's internal control systems serve to verify that the financial reports issued by the company give essentially correct information on the financial standing of the Group. The Group has determined for

the key spheres of its operations Group-wide principles which form the basis for internal control.

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

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

The interpretation and application of accounting standards has been consolidated in the hands of the Group's financial administration, which maintains operating guidelines on financial reporting, process descriptions, calculation manuals and control mechanism descriptions, and which attends to the associated in-house communications. The Group's financial administration also oversees compliance with these instructions and procedures. The monitoring of the budgeting and reporting processes is based on the Group's

reporting principles, for which the definition and centralised maintenance is the responsibility of the Group's financial administration. The principles are applied uniformly throughout the Group and a standardised Group reporting system is in use.

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 Ernst & Young Oy. A review of the internal audit is sent once or twice a year to the Audit Committee and company management. The internal audit reports are sent not only to the executive management but also to the chairmen of the Board of Directors and Audit Committee. The Audit Committee deals with the annual plan for internal auditing and the Board of Directors approves it. 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 operative risks as well as financing and market risks. The controls on the financial reporting process are specified on the basis of a separate survey of reporting process risks.

Responsibility for the arrangement of risk management is held by the company's Board of Directors and the CEO. The internal audit and internal

control 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.

Audit

The annual general meeting elects a single auditor for the company, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term in office is the financial year and 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 to 31 December 2013 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.

Insider administration

SATO Corporation's rules concerning insider trading are based on the Finnish Securities Markets Act and they comply with the standards of the Financial Supervisory Authority and the guidelines of NASDAQ OMX Helsinki Oy where these apply to a party issuing listed bonds.

SATO Corporation maintains a company-specific (non-public) register on insiders. Insider information is information that concerns the ability of SATO Corporation and the SATO Group to fulfill its commitments in respect of the bond issue. The Finnish Financial Supervisory Authority is entitled to receive information on the contents of the company-specific register on insiders.

A project-specific register on insiders may be started by a decision of the company, the President and CEO or the Corporate Management Group.

Report on salaries and remuneration

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 05 March 2013 decided that the chairman of the Board of Directors was to be paid €36,000, the deputy chairman was to be paid €22,000 and the members of the Board of Directors were to be paid €18,000 for their term in office. It was also decided to pay the chairman of the Board of Directors and the members €500 per meeting. It was decided to pay the chairmen of the committees and the members €500 per meeting.

The fees for the members of the Board of Directors in 2013 totalled €174,000. 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 2013 amounted to €102,980 and fees for non-auditing services were €64,480.

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. 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.

The salary and other perquisites of the President and CEO in 2013 amounted to €794,635, of which €312,429 was fixed salary and the variable component was €482,205. The salary and other perquisites of the President and CEO's deputy amounted to €495,191, of which €198,276 was fixed salary and the variable component was €296,914. The variable component includes bonuses based on long- and short-term incentive systems.

The President and CEO and the Vice President acting as his deputy are covered by a supplementary pension insurance. Based on their supplementary pension, their retirement age is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary. The Board of Directors decided on 18 December 2012 to continue the President and CEO's indefinite appointment after he reaches pensionable age, until 31 December 2015. The President and CEO's service contract has been renewed and the period of notice is six months. The President and CEO's supplementary pension insurance ended on 31 December 2013.

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 other key measurable targets. The Board of Directors approves the criteria for and payment of bonuses.

The purposes of the long-term incentive scheme are to combine the goals of the management with those of the

shareholders in order to increase company value, improve competitiveness, and promote long-term financial success. The Board of Directors has decided to start a new long-term incentive scheme from the beginning of 2013. A bonus will be based on an increase in the Group's net assets. The scheme includes three 3-year earnings periods and a bonus cap. The commitment effect for each earnings period will continue for about 18 months after the earnings period. The scheme encompasses 16 key personnel in the Group.

Growing number of senior citizens



SATO SeniorHome residents gave us new ideas for improvement in our mutual coffee events. Co-operation in SeniorHomes has started very well.

For active senior citizens, good health, the availability of services and the chance to live life to the full are at the top of the wish list. The choice of home has an impact on all these things.

Board of Directors



BOARD OF DIRECTORS FROM THE LEFT: Juha Laaksonen, Tarja Pääkkönen, Timo Hukka, Jorma Kuokkanen, Niina Rajakoski

Juha Laaksonen

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

Primary working experience:

Fortum Corporation: CFO 2000–2012,
Fortum Corporation: Corporate Vice President,
M&A and Executive Vice President,
Finance & Planning, Oil and Gas Division
1999–2000, Neste Oy: 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 positions of trust:

Kemira Oy: member of the Board of Directors,
Sponda Oy: member of the Board of Directors,
Taaleritehdas Oy: Vice Chairman of the Board of Directors,
Association of Finnish Fine Arts Foundations: Chairman of the Board of Directors,
Fortum Art Foundation: Chairman of the Board of Directors

Tarja Pääkkönen

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

Primary working experience:

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

Main positions of trust:

Wulff Group Plc: member of the Board of Directors,
Panostaja/Flexim Security Oy: member of the Board of Directors,
Idean Oy: member of the Board of Directors,

Spinverse Oy: member of the Board of Directors,
OLVI Plc: member of the Board of Directors,
Mobile software company Sunduka Oy: founder and Chairman of the Board of Directors,
HYY Group: member of the Board of Directors,
Member of the Marketing Executives' Group and the Directors' Institute of Finland

Timo Hukka

born 1952, economist, Chief Investment Officer,
Investment Operations, Suomi Mutual Life Assurance Company,
Board member 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.

The Board of Directors actively discussed the content of strategy and the reform of targets. The wide-ranging expertise of members ensured that the viewpoints of different stakeholders were all taken into account.



Vesa Immonen

Main 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

Jorma Kuokkanen

born 1953, LL.M., M.Sc.(Econ.), Board member since 2005, independent of the company, not independent of the main shareholders

Primary working experience:

Varma Mutual Pension Insurance Company: Director, Investments 1998–2013, since 1981 in various investment-related posts for Sampo, Pension Sampo and Varma Mutual Pension Insurance Company

Niina Rajakoski

born 1970, M.Sc.(Tech.), Master Builder, Construction Manager, Ilmarinen Mutual Pension Insurance Company, Board member since 2013, independent of the company, not independent of the main shareholders

Primary working experience:

Ilmarinen Mutual Pension Insurance Company: Construction Manager (responsible for construction work) 2010–, Ilmarinen Mutual Pension Insurance Company: Property Manager (responsible for maintenance work) 1999–2010, YIT Service Oy: Key Accounts Manager 1999, YIT Construction Ltd: Sales Manager 1998, Haka Oy: 1993–1994

Main positions of trust:

The Construction Quality Association: member of the Board of Directors, RAKLI – the Finnish Association of Building Owners and Construction Clients: Chair of the construction and procurement committee, Chair of the KJs certification group

Vesa Immonen

born 1965, M.Sc.(Tech.), Managing Director, LocalTapiola Real Estate Asset Management Ltd, Board member since 2010, independent of the company, not independent of the main shareholders

Primary working experience:

LocalTapiola Real Estate Asset Management Ltd: Managing Director 2008–, Tapiola Real Estate Ltd's Property Investment Director since 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 positions of trust:

RAKLI – the Finnish Association of Building Owners and Construction Clients: member of the Board of Directors, Tapiolan Alueen Kehitys Oy: Chairman of the Board of Directors

Corporate Management Group



CORPORATE MANAGEMENT GROUP FROM THE LEFT: Erkka Valkila, Monica Aro, Esa Neuvonen

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, Kiinteistösolari Oy: Managing Director 1988–1991

Main 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, Duuri Oy: Chairman of the Board of Directors, HYY Group: member of the Board of Directors, Suomen Talokeskus Oy: member of the Board of Directors, The Finnish Fair Foundation: member of the Board of Directors, The Finnish Housing Reform Association: Deputy

Chairman of the Board, SFHP Suomi-Finland Housing and Planning: member of the Board of Directors

Shareholding in SATO: 372,000 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

Shareholding in SATO: 42,700 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, Finance and Business Development 2007–2008, TeliaSonera Finland: CFO, 2005–2006, Vice President, Finance and Business Control 2003–2005, Sonera Corporation: Vice President, Finance and Business Control of Mobile Messaging 2002, Quam GmbH: Vice President, 2001, Sonera Corporation: Vice President, Finance for Mobile Messaging 1998–2000, Business Controller, Mobile Messaging Services 1997, Helsingin Energia: Manager, Financial Department 1993–1996

Main positions of trust:

Member of the Board for several SATO Group companies, Suomen Asumisoikeus Oy, member of the Board of Directors

Shareholding in SATO: 30,000 shares

Pasi Suutari

born 1969, M.Sc.(Constr. Eng.)
Vice President/Regional Business, Home



Pasi Suutari and Tuula Entelä

Constructions and Major Renovations,
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 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 Construction Client Committee

Shareholding in SATO: 1,000 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 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, Helsinki Deaconess Institute: member of the Board of Directors, The Finnish Housing Association: Deputy Chairman of the Board, RAKLI – the Finnish Association of Building Owners and Construction Clients: Chairman of the Management Group of the Housing division

Shareholding in SATO: 165,812 shares

The Corporate Management Group studied changes in the operating environment as part of business development. The accelerating pace of digitisation is reforming SATO's service models.

Annual Report of the Board

Operating environment

Uncertainty in the European economy continued. In Finland, the economy took a downturn and unemployment increased. Interest rates remained exceptionally low. The low interest rates had a positive impact on the trend in SATO's earnings.

The demand for rented homes in SATO's business areas exceeded supply, especially in the Helsinki Metropolitan Area. The financial rental occupancy rate for SATO's homes remained high, averaging 97.7 per cent.

Urban development, the ageing of the population and growth in the number of small households is increasing demand for rental property in growth centres.

SATO found financing readily available. In addition to new bank finance, we also obtained capital from the corporate bond market. The prospects promised by the demand for rental property and the financial situation of the Group created preconditions for further investment activities. Investments exceeded the level of the previous year at €191 million.

Consumer confidence in the economy remained weaker than the long-term average. Home-purchasing intentions were below average. In 2013, the number of transactions for owner-occupied homes were more than 10 per cent down on the previous year, which reduced new housing starts. SATO made slightly fewer transactions than the previous year.

In the markets, interest in housing investment increased, which was particularly evident in the growing number of housing-based funds.

In Russia, economic uncertainty increased and growth slowed. In St. Peters-

burg, however, the supply of new homes is insufficient to meet needs, which was also evident as an increase in demand for SATO rental property. SATO continued housing investments in key districts of the city.

Setting strategic targets

SATO supports the growth of society by offering homes in areas where the demand for rental property is greatest. Profitable and long-term activity creates a basis to produce well-being for shareholders, customers, personnel and partners.

In order to ensure future success, the Board of Directors renewed the Group's strategic objectives up to 2020. As a result of the good development of SATO's operations and a favourable operating environment, growth targets were raised: according to the new target, the value of investment properties in 2020 will be €4 billion instead of the previous €3 billion. The profitability target is on average 12 per cent total annual return per year. In addition to the profit, the total annual return comprises the appreciation on investment properties.

SATO is seeking a competitive edge through excellent customer experience. Instead of customer satisfaction, NPS (net promoter score) indicating this experience was adopted as a strategic metric, and the target figure for 2020 is 40. The new strategic target for the job satisfaction and commitment of personnel is measured annually using an index calculated on the basis of a personnel survey. The aim is to exceed the index for expert companies by 10 per cent.

A change in reporting practice in 2014

SATO's strategic targets require ensuring the availability of finance. SATO will accomplish this by diversifying its sources of finance and developing its investor communications.

The internationality of the investor field is introducing new requirements for reporting. In its accounting, in accordance with present practice, SATO applies the acquisition cost model to investment properties. The change in the value difference of investment properties is not posted to the income statement or the statements of financial position; it is given in the notes. The aim is to change SATO's reporting practices to be similar to those generally used by European property investor companies. This will improve the comparability of figures with other companies operating in the sector.

The decision has been made to reform financial statement practice so that, starting from the Jan-Mar 2014 interim report, investment properties are valued at fair value in the statements of financial position and the change in difference in value is presented in the income statement. The effects of the change in accounting practice are presented in the reconciliation calculation in conjunction with the accounting principles on the page 96.

Segment division

In financial reporting, the Group's investment properties are categorised into two segments - SATO business and VATRO business. The segmentation increases the transparency of operations and reporting related to state-subsidised housing assets.

SATO business includes investment housing free of restrictions and entailing a shorter period of restriction, as well as the construction of owner-occupied housing. VATRO business deals with investment housing with longer periods of restriction.

In accordance with Group strategy, new investments are being targeted at SATO business, and the relative importance of VATRO business within the Group is declining.

Net sales and profit

In the year under review, Group net sales increased by 8.6 per cent (23.7 per cent in 2012) reaching €311.5 (286.9) million. The increase in net sales was mainly due to a rise in rental and sales income. Of the net sales, €272.4 (250.0) million was SATO business net sales and €39.1 (36.9) million was due to VATRO business.

An increase in the number of investment properties, efficient rental business and the development in the level of rents improved rental income by 7.9 (8.6) per cent. Its share of the net sales was €229.5 (212.7) million. The increase in rental income has a positive effect on cash flow.

The Group's operating profit was €108.5 (99.1) million.

The Group's profit before taxes grew by 17.0 (16.3) per cent to €70.9 (60.6) million. The improvement in profit was a result of increased rental and divestment income, stable financing costs and good cost management. The result includes sales profits from divestment activity of €15.9 (14.4) million and a sales margin of €67.9 (61.6) million on owner-occupied apartments. The share of profit before taxes of the SATO business was €65.3 (56.3) million and from the VATRO business it was €5.6 (4.3) million.

The Group's return on equity was 19.9 (15.5) per cent and the return on investment was 6.2 (6.3) per cent.

Financial position

The consolidated statement of financial position on 31 Dec 2013 was €2,005.2 (1,854.6) million. Interest-bearing liabilities

were €1,501.3 (1,375.3) million.

The Group's equity ratio measured at the book value of investment properties was 17.1 (16.0) per cent and measured at fair value it was 31.7 (29.4) per cent. The target is an equity ratio of at least 25 per cent calculated on the fair value of investment properties.

The total annual return for 2013 exceeded the level of 12 per cent, which was the minimum target and was 15.5 (13.5) per cent. The total return is calculated on net assets at fair value. The total annual return comprises the result and appreciation on investment properties.

Finance

The financial situation of the Group and parent company was good throughout the financial year. The Group's cash assets at year-end were €46.4 (33.7) million.

Interest-bearing liabilities at year-end were €1,501.3 (1,375.3) million, of which market based loans totalled €1,036.7 (882.7) million. An itemisation of loans is given in section 24 of the notes to the financial statements.

The market based loans include corporate bonds, with total nominal amount of €249 million. Of this, a total of €149 million were issued under the €500 million note programme started during reporting period. The bonds are secured and have maturities of 5-10 years. They are listed for public trading on the NASDAQ OMX Helsinki Stock Exchange.

During the financial year, new long-term financing was acquired in the amount of €227.4 million in all. In addition to this, liabilities applied to shares in housing companies increased by €21.4 million.

Net financing expenses for the year under review were €37.6 (38.5) million in total.

The average maturity of the loan portfolio was 6.7 (6.5) years and the average interest at the end of the review period 2.9 (2.9) per cent. SATO's target for the share of fixed-interest loans, after hedging, is to exceed 60 per cent of the entire loan portfolio, excluding state-subsidised ARAVA

loans. At the end of the reporting period, the share was 67.4 (69.5) per cent.

The effect of changes in market value of the hedges on shareholders' equity was €10.2 (-8.4) million and the effect on the profit before taxes was €0.8 (1.6) million.

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 €9.4 million.

Group structure

SATO Corporation is the parent company of the SATO Group. At year-end, the parent company had a total of 7 (7) subsidiaries engaged in business.

Investment properties

On 31 Dec 2013, the Group held a total of 23,828 (23,510) housing units.

The book value of the investment properties was €1,711.8 (1,553.7) million and the fair value was €2,316.0 (2,088.0) million. About 80 per cent of the value of investment properties comprises homes in the Helsinki Metropolitan Area.

The positive difference between book value and fair value was €604.2 (534.3) million and the difference in value increased during the year under review by €69.9 (60.6) million. The increase in value difference was due to a rise in housing prices and rents as well as the ending of state-subsidy restrictions on some properties. There is further information on the assessment of value in section 1 of the notes.

Investments in investment properties and divestments

Investment activities create growth. Investments are mainly targeted at the Helsinki Metropolitan Area and St. Petersburg, where demand for rented homes and prospects for appreciation are seen to be best.

In the year under review, gross investments totalled €190.6 (159.9) million, which is about 8 per cent of the value of investment properties. The target for the renewal of the housing stock has been set at an average of 70 per cent of investments

in new housing. In the year under review, the share of new housing was €124.6 (108.0) million, which was about 65 (68) per cent of investments.

At the end of the financial year, Finland also had binding contracts for acquisitions worth €103.5 (66.2) million.

During the year under review, the number of rented homes acquired in Finland was 685 (548). At year-end, 1,029 (644) new rental housing units were under construction in Finland for ownership by the Group.

The most significant acquisition of ready-built housing was the purchase of 423 rented homes from Varma Mutual Pension Insurance Company for €41.5 million. Of these properties, more than 70 per cent are in the Helsinki Metropolitan Area. The most significant acquisition in Finland in terms of new housing was made from Skanska, and concerned the implementation of 370 homes in the Helsinki Metropolitan Area and Tampere.

The sum used for renovating the housing stock and improving the quality of apartments was €41.6 (46.0) million.

During the financial year, 463 (390) homes were divested in Finland for a total of €22.8 (19.5) million. The divested homes were for the most part located outside SATO's targeted business area.

Rental business

Efficient rental business secures rapid availability for people who need a home and a steady trend in cash flow for the Group. The rental service is mainly taken care of by SATO.

The financial rental occupancy rate in Finland was on a good level, averaging 97.7 (98.1) per cent, and occupant turnover averaged 36.3 (33.6) per cent. The average rent per square metre for rented homes during the review period was €14.91 (13.92)/m²/month.

As stated in the forecast issued by SATO, the net rental income of rented housing improved on the previous year's figure, being €137.3 (125.3) million. Continued good demand, an increased number of homes, cost efficient maintenance work and improvements in rental

business and customer service supported the increase in net rental income.

The net rental income percentage of rented housing was 8.9 (8.6) on book value and 6.5 (6.4) per cent on fair value.

Property development

Property development creates future investment opportunities to implement long-term growth. Building land inventory is used primarily to build rental housing. The quality and value of owned rental housing is being developed through renovation activity.

From the production of owner-occupied homes, synergy benefits are gained in the development of whole areas and for the purchase of small rental homes. In the rental housing market, the greatest demand is focused on these, so smaller homes on owner-occupied housing sites are being built as Group investment properties.

The book value of the Group's building land inventory at the end of the review period was €88.3 (94.8) million. During the period under review, new plots were acquired to a value of €7.5 (28.1) million. The book value of the building land inventory sold and transferred to housing construction during the year was €25.1 (24.9) million.

Future area development projects include Perkkää and Niittykumpu in Espoo and Sarvvik in Kirkkonummi.

During the financial year, in all 232 (360) investment properties and 226 (299) homes intended for sale were completed. Under construction on 31 Dec 2013 were 1,029 (644) investment properties and 292 (289) owner-occupied homes intended for sale.

At year-end, the completed owner-occupied homes unsold numbered 65 (50) and those under construction numbered 235 (200), with a total acquisition value of €120.6 (89.3) million. SATO's owner-occupied homes are mostly not sold until after completion in accordance with the SATO OwnerHome concept.

Business in St. Petersburg

SATO has operated as a housing investor in St. Petersburg since 2007. According to

its strategy, the share of housing property in St. Petersburg is limited to 10 per cent of the value of all SATO's investment property.

On 31 Dec 2013, SATO had in St. Petersburg a total of 237 (148) completed apartments and 219 (169) under construction.

The book value of housing property in St. Petersburg totalled €111.0 (91.1) million and the fair value was €112.4 (91.1) million, which is about 5 per cent of the value of SATO's investment property. The difference in value was €1.4 million. During the year under review, the negative impact of changes in exchange rates on the fair value of homes was about €11 million.

Investments in the year under review were €20.3 (22.6) million. New investments were placed with the acquisition of 139 (80) apartments under construction in the centre of St. Petersburg and Vasilyevsky Island. At year-end, binding contracts for acquisitions totalled €23.7 (29.0) million in value.

A total of 89 homes for rental were completed. The rental occupancy rate for rented homes averaged 90.8 (89.5) per cent during the year under review.

Customer relationships

In order to create a competitive edge, SATO is putting efforts in improving its customer relationships. In the year under review, customer satisfaction was measured using a customer satisfaction survey. The overall satisfaction of rental customers improved and was 3.74 on a scale of 1-5.

A metric related to customer relationships, NPS (net promoter score) indicates the development of the customer experience. The NPS score is calculated by deducting the share of critical customers from the share of committed customers. In the year under review, the NPS score was 23 (25).

During the year under review, customer service was improved by such means as revamping SATO's website and increasing the monitoring of the quality of property maintenance measures. The decision was also made to strengthen resources related to customer relations management, and

to change the content of tasks in order to keep the customer propositions. The possibilities for e-services are being increased by developing online and mobile applications.

Environmental impact

The control of energy costs plays a key role in the prevention of harmful environment impact created by housing. Most of SATO's energy consumption comes from the heating of investment properties. During the year under review, we tightened the target for saving on heat consumption, and committed to reducing by 15 per cent the specific consumption of heat by 2016 compared to the level in 2009. At the end of the year under review, the reduction in specific consumption since 2009 was about 13 per cent.

During the year under review, specific consumption of electricity was reduced by roughly one per cent and that of water stayed the same. The Group's environmental programme can be read in its entirety in Finnish on the website www.sato.fi.

In order to support the achievement of the government's and the City of Helsinki's climate targets, SATO is committed to the property sector's energy-efficiency agreement included in the state's action programme for rented home communities (VAETS) and to a climate partnership agreement with the City of Helsinki.

Sustainability

In the year under review, a responsibility policy was drawn up for SATO, as well as responsibility objectives and monitoring indicators. The responsibility objectives are included in the operating plans. The responsibility policy can be read in Finnish on the website www.sato.fi.

Research and development

Development work was targeted at increasing the understanding of customers and developing product concepts, improving electronic services and renewing financial administration data systems. During the year under review, SATO spent a total of €1.8 (1.3) million on research and development, which is equivalent to 0.6 per cent of net sales.

Risk management

SATO's risk management is based on guidelines for corporate governance, on the systematic risk assessment embodied in the strategic and annual planning process, and on risk management and monitoring measures carried out based on assessment. 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.

Up-to-date information about legal and regulatory changes affecting SATO's operating environment is ensured through regular contact with the authorities. SATO endeavours to participate in the preparation of legislation in different expert roles.

In order to ensure the availability of finance, the financier base is being actively widened and financial needs are being safeguarded through forecasting and regular planning. Interest rate risks are hedged by keeping the number of fixed-interest loans in accordance with financial policy.

Changes affecting the Russian operating environment are monitored using a local network of experts. Changes are prepared for by reserving adequate local resources for activities. Business in St. Petersburg involves risks related to the operating environment as well as a currency risk. In order to guard against risks possibly being realised, in SATO the maximum value of housing property in St. Petersburg is limited to 10 per cent of the value of the Group's total housing property.

Risks related to project work are managed through a choice of partners. SATO works with professionally-skilled and responsible partners. SATO's observance of guidelines concerning its operations and the prevention of grey economy, keeping to timetables and the cost development are ensured through systematic project monitoring.

SATO manages risks related to changes in the price of housing by developing its investment housing stock. Through the company's investment-, divestment- and repair activity, an increase in the value

of property and the suitability for rental purposes are ensured.

The development of customer requirements is monitored by being in active dialogue with customers. SATO has increased resources for customer care, the planning of services and the development of e-services.

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 pages 13 and 51 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. Also, a ruling has been applied for from the Supreme Administrative Court concerning the subvention of one SATO Group company.

Shares

The share capital of SATO Corporation as at 31 Dec 2013 was €4,442,192.02 and the number of shares was 51,001,842. The company has a single series of shares. The shares are in 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.

The members of SATO Corporation's Board of Directors, the President and CEO and his deputy held a total of 537,812 shares on 31 Dec 2013.

Personnel

At the end of 2013, the Group had 156 (150) employees. There were 145 (144) employees on permanent contracts and 11 (6) on fixed-term contracts. The number of Group personnel averaged 156 (152) during the year.

In order to improve the chances of youth employment, a total of thirty 15-28 year-olds were employed in summer work.

Board of Directors, President and CEO and auditors

Serving on SATO's Board of Directors until the annual general meeting of 5 March 2013 were Juha Laaksonen (chairman), Raimo Lind (deputy chairman), and ordinary members Timo Hukka, Vesa Immonen, Jorma Kuokkanen and Esko Torsti.

The annual general meeting confirmed the number of members on SATO Corporation's Board of Directors as six. Juha Laaksonen was re-elected as Chairman of the Board, Timo Hukka, Vesa Immonen and Jorma Kuokkanen were re-elected as members of the Board and Tarja Pääkkönen and Niina Rajakoski were elected as new members.

The Board of Directors elected Jorma Kuokkanen as its Deputy Chairman.

In 2013, the Board of Directors convened on 13 occasions. The work of the Board is supported by two committees: the Nomination and Remuneration Committee and the Audit Committee.

Erkka Valkila, B.Sc. (Eng.), has 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 Lasse Holopainen, APA, as the auditor in charge.

The members of the Corporate Management Group

The Corporate Management Group comprised 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

The economic situation in Europe is expected to recover on average better than in Finland, but economic uncertainty will continue. According to forecasts, the Finnish economy will start to grow in 2014 as a result of increased exports, but growth will be slight. Interest rates are expected to remain exceptionally low.

The demand for rental housing is expected to continue to be good on SATO's areas of operation. SATO's net rental income is forecast to improve. Demand for rented homes is creating good prospects for investments, particularly in the Helsinki Metropolitan Area and St. Petersburg.

Uncertainty in the financial markets and weak consumer confidence may have an impact on divestments and trade in owner-occupied housing.

Board's proposal for capital repayment and the disposal of profits

The parent company's distributable assets on 31 Dec 2013 were €106,841,362.01, of which the net profit for the financial year was €35,514,490.66. The number of issued shares in the company in 2013 conferring entitlement to dividend for 2013 is 50,841,842.

The Group's distributable profit was €44,031,302.79, €0.87/share. According to dividend policy, the aim is to distribute at least 60 per cent of distributable profit as dividends.

The Board of Directors proposes to the annual general meeting that as capital repayment and dividend, €0.60 per share be paid, in total €30,505,105.20.

The Board of Directors proposes to the annual general meeting that, based on the statements of financial position of 31 Dec 2013 confirmed by the meeting, capital repayment of €0.42 per share be paid. The capital repayment will be paid from the reserve for invested non-restricted equity. The Board of Directors will also propose to the annual general meeting that dividend be paid on the profit for the financial year of €0.18 (0.55) per share, being a total of €9,151,531.56, and that €25,362,959.10 be posted to retained profits.

Capital repayment and dividend will be payable to a shareholder who, on the date of record for payment, 10 March 2014, has been entered in the register of the company's shareholders maintained by Euroclear Finland Ltd. According to the proposal, capital repayment and dividend payment will take place on Friday 21 March 2014.

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 2014

Juha Laaksonen

Timo Hukka

Vesa Immonen

Jorma Kuokkanen

Tarja Pääkkönen

Niina Rajakoski

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 2014
KPMG OY AB
Lasse Holopainen, APA



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Consolidated income statement, IFRS

MEUR	Notes	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
Net sales	2, 3	311.5	286.9
Profit on sales of Investment properties	4	13.2	8.9
Share of results of associated companies	14	0.0	0.0
Other operating income	4	0.2	0.4
Materials and services		-73.7	-63.0
Personnel expenses	5	-12.1	-12.7
Depreciation, amortization and impairment charges	6	-22.6	-21.8
Loss on sales of Investment properties	4	-0.1	-0.1
Other operating expenses	4	-107.9	-99.6
OPERATING PROFIT		108.5	99.1
Financial income	8	0.9	1.1
Financial expenses	8	-38.5	-39.7
		-37.6	-38.5
PROFIT BEFORE TAXES		70.9	60.6
Income taxes	9	-7.8	-15.8
PROFIT FOR THE PERIOD		63.0	44.8
Attributable to			
Equity holders of the parent		63.0	44.8
Non-controlling interests		0.1	0.0
		63.0	44.8
Earnings per share attributable to Equity holders of the parent			
Basic		1.24	0.88
Diluted		1.24	0.88
Average number of shares (million shares)		50.84	50.84

Consolidated statement of comprehensive income, IFRS

MEUR	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
Other comprehensive income		
Items that may be reclassified subsequently to income statement		
Cash flow hedges	12.7	-11.0
Available for sale investments	0.2	0.1
Translation differences	0.0	0.0
Income taxes related to items of other comprehensive income/expenses	-2.6	2.7
Other comprehensive income, net of tax	10.3	-8.2
Total comprehensive income	73.3	36.5
Comprehensive income attributable to		
Equity holders of the parent	73.2	36.5
Non-controlling interests	0.1	0.0
	73.3	36.5

Consolidated statements of financial position, IFRS

MEUR	Notes	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets	11	1,711.8	1,553.7
Investment properties	12	2.4	2.1
Property, plant and equipment	13	1.3	1.0
Intangible assets	14	0.2	0.2
Investments in associated companies	16	2.6	2.6
Available-for-sale financial assets	15,17	9.1	9.5
Receivables	18	26.1	32.7
Deferred tax assets		1,753.5	1,601.6
Current assets	19	190.1	167.7
Inventories	15,20	12.0	49.6
Accounts receivable and other receivables		3.2	1.9
Deferred tax assets	21	46.4	33.7
Cash and cash equivalents		251.7	252.9
Total assets		2,005.2	1,854.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the parent	22		
Share Capital		4.4	4.4
Fair value reserves		-22.3	-32.7
Reserve fund		43.7	43.7
Other reserves		45.0	45.0
Retained earnings		267.6	233.7
		338.4	294.2
Non-controlling interests		1.0	1.0
TOTAL SHAREHOLDERS' EQUITY		339.4	295.2
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18	66.6	74.9
Provisions	26	3.1	3.4
Other non-current liabilities		29.5	45.9
Long term interest bearing liabilities	15,24	1,339.0	1,249.0
		1,438.2	1,373.2
Current liabilities			
Accounts payable and other liabilities	27	61.5	56.4
Deferred tax liabilities		3.8	3.4
Short term interest bearing liabilities	15,24	162.3	126.3
		227.5	186.2
TOTAL LIABILITIES		1,665.7	1,559.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,005.2	1,854.6

Consolidated statements of cash flows, IFRS

MEUR

Notes 1 Jan–31 Dec 2013 11 Jan–31 Dec 2012

Cash flow from operating activities			
Profit for the period		63.0	44.8
Adjustments:			
Business activities not involving payment	30	21.9	20.3
Profit and loss on on sales of investment properties		-13.1	-8.9
Interest expenses and other financial expenses		39.3	41.2
Interest income		-0.8	-1.1
Dividend income		-0.1	-0.1
Income taxes		7.8	15.8
Cash flow before change in working capital		118.0	112.2
Change in net working capital:			
Changes in accounts receivable and other receivables		8.4	1.0
Change in inventories		-21.6	-13.0
Change in accounts payable and other liabilities		3.1	-8.3
Change in reserves		-0.4	-0.5
Interest paid		-39.1	-39.8
Interest received		0.8	1.6
Taxes paid		-15.5	-13.6
Net cash flow from operating activities		53.7	39.7
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash		0.4	-0.7
Acquisitions of Investment properties and PPE		-170.2	-136.8
Repayments of loans receivable		0.3	0.5
Payments of granted loans		0.0	-1.9
Increase (-)/decrease (+) in short-term investments		25.0	25.0
Disposals of Property, plant and equipment		22.0	19.0
Net cash flow from investing activities		-122.6	-94.9
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of short-term loans		3.1	-23.4
Withdrawals of long-term loans		279.8	188.3
Repayments of long-term loans		-173.3	-74.7
Dividends paid		-28.0	-24.9
Net cash flow from financing activities		81.6	65.3
Change in cash and cash equivalents		12.8	10.1
Cash and cash equivalents at the beginning of period	21	33.7	23.6
Cash and cash equivalents at the end of period	21	46.4	33.7

Consolidated statements of changes in shareholders' equity, IFRS

MEUR	Shareholders' equity attributable to Equity holders of the parent								Total
	Share capital	Fair value reserves	Reserve fund	Reserve for invested non-restricted equity	Other funds	Retained earnings	Before non-controlling interests	Non-controlling interests	
Shareholder's equity 1 Jan 2012	4.4	-24.4	43.7	44.5	0.4	213.9	282.6	1.0	283.5
Comprehensive income									
Cash flow hedges, net of tax		-8.3					-8.3		-8.3
Available for sale investments, net of tax		0.1					0.1		0.1
Translation differences						0.0	0.0		0.0
Profit for the period						44.8	44.8	0.0	44.8
Total comprehensive income	0.0	-8.3	0.0	0.0	0.0	44.8	36.5	0.0	36.5
Transaction with shareholders									
Dividend						-24.9	-24.9	0.0	-24.9
Transaction with shareholders, total	0.0	0.0	0.0	0.0	0.0	-24.9	-24.9	0.0	-24.9
Other adjustments						-0.0	0.0		0.0
	0.0	-8.3	0.0	0.0	0.0	19.8	11.6	0.0	11.6
Shareholders' equity 31 Dec 2012	4.4	-32.7	43.7	44.5	0.4	233.7	294.2	1.0	295.2

MEUR	Shareholders' equity attributable to Equity holders of the parent								Total
	Share capital	Fair value reserves	Reserve fund	Reserve for invested non-restricted equity	Other funds	Retained earnings	Before non-controlling interests	Non-controlling interests	
Shareholders' equity 1 Jan 2013	4.4	-32.7	43.7	44.5	0.4	233.7	294.2	1.0	295.2
Application of revised IAS 19						-1.0	-1.0		-1.0
Adjusted Shareholder's equity 1 Jan 2013	4.4	-32.7	43.7	44.5	0.4	232.7	293.2	1.0	294.2
Comprehensive income									
Cash flow hedges, net of tax		10.2					10.2		10.2
Available for sale investments, net of tax		0.1					0.1		0.1
Translation differences						0.1	0.1		0.1
Profit for the period				0.0		62.8	62.8	0.1	62.8
Total comprehensive income	0.0	10.3	0.0	0.0	0.0	62.8	73.2	0.1	73.3
Transaction with shareholders									
Dividend						-28.0	-28.0	0.0	-28.0
Transaction with shareholders, total	0.0	0.0	0.0	0.0	0.0	-28.0	-28.0	0.0	-28.0
Other adjustments							0.0		0.0
	0.0	10.3	0.00	0.0	0.0	34.9	45.3	0.1	45.3
Shareholders' equity 31 Dec 2013	4.4	-22.3	43.7	44.5	0.4	267.6	338.4	1.0	339.4

Notes to the consolidated financial statements, IFRS

1. Accounting principles

Basis of presentation

SATO 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 30 January 2014. A copy of the company's consolidated financial statements may be obtained from the abovementioned address.

SATO is a corporation providing housing solutions, consisting of investments in housing properties and development of housing. 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 Housing investments include both privately financed and state-subsidised housing assets. In respect of the latter, SATO's business is affected by special features of non-profit activities, which are the result of restrictions set on the company's business for state-subsidised housing construction. The non-profit restrictions affect owner organisations through, 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 comply with the IFRS norms in force on 31 December 2012, 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 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 available for sale investments, 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 application of judgement by 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, liabilities and conditional liabilities on the consolidated statements of financial position as well as the amount of income and expenses in the income statement. The 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 liabilities which cannot be obtained from other sources. The actuality may differ from the estimates made.

The estimates and the related assumptions are constantly revised. Revisions of

accounting estimates are booked for the period in which the estimate is revised if the change in the estimate affects only to 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 over an subsidiary is presumed to exist when the Group, directly or indirectly, has the power to govern the subsidiary's operating and financing principles with the aim of benefiting from its operations. Acquired subsidiaries are included in the consolidated financial statements from the date of acquisitions until the control ends. Acquired companies are included in the financial statements using the acquisition cost method. The net assets of the acquired company at the acquisition date are booked at the fair value of the land areas and buildings. Acquisitions of real property are generally treated as acquisitions of asset items.

All intra-Group transactions, internal receivables and payables, in addition profit on internal transactions and the distribution of profit between Group

companies, are eliminated as part of the consolidation process.

Mutual property companies and housing companies are treated as 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 currencies

The financial statements of Group companies are measured using functional currency of economic environment where the companies are operating. Consolidated financial statements are presented in euros, which is the functional currency of parent company SATO Oyj.

Transactions in foreign currencies are translated into euros using exchange rate of the date of transactions. At the end of the accounting period all open balances of assets and liabilities denominated in foreign currencies are translated into euros using exchange rate of end of accounting period. Foreign exchange gains and losses from translation of assets and liabilities are reported in income statement. Unrealised gains and losses related to cash flow hedges are reported in other comprehensive income.

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.

Property, plant and equipment

Assets in property, plant and equipment are valued at the original acquisition price less accumulated depreciation and impairments. Property, plant and equipment 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 property, plant and equipment 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 booked on the balance sheet,
- 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 liabilities are classified in accordance with the IAS 39 into the following categories: financial assets and liabilities at fair value through profit and loss, financial assets available for sale, loan and other receivables, financial liabilities at amortised cost, and effective cash flow hedges, measured at fair value through other comprehensive income. The instruments are classified at the time of the original acquisition and on the basis of the purpose of the acquisition. Sales and purchases of financial instruments other than those associated with derivatives are booked on the clearance date. All derivatives are booked on the balance sheet on the trade date.

Financial assets and liabilities at fair value through profit and loss

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

Loan and other receivables

Loan and other receivables are non-derivative assets, for which the payments are fixed or can be determined. In balance sheet, they are included in the accounts receivable and other receivables, in either current or non-current assets, according to their terms.

Loans and other receivables are valued at amortised acquisition cost less any impairment. The Group books an impairment loss against accounts receivable when there are reasonable indications on the date of closing the books that the receivable will not be collected in full.

Financial assets available for sale

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

Unrealised changes in value of financial assets available for sale are booked in the other comprehensive income, with allowance for the deferred tax. Accumulated changes in fair value are not booked from the value adjustment fund to the profit and loss account until the investment is sold or its value has declined to such an extent that an impairment loss is to be booked against the investment.

A significant and prolonged impairment of share investments in which the fair

value is lower than the acquisition price is an indication of impairment in a share available for sale. An impairment loss on equity investments classified as available for sale is not cancelled through the profit and loss account.

Cash and cash equivalents

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

Financial liabilities at amortised cost

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

Derivatives and hedge accounting

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

The fair value of derivatives is calculated by discounting the contractual cash flows. The fair value of interest-rate options is calculated by using the market prices at the

balance sheet date and option valuation models.

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

Changes in value of derivatives for which hedge accounting is not applied are booked in the financial items in income statement.

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 trans-

ferred 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 have not been 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 investment properties and from financial instruments measured at fair value through hedge reserve in other comprehensive income.

A deferred tax credit is booked up to the amount at which it is likely that there will be taxable income in the future against which the temporary difference can be used.

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.

New and amended standards applied in financial year ended

SATO has applied as from 1 January 2013 the following new and amended standards that have come into effect.

- Amendments to IAS 1 *Presentation of Financial Statements*: The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have only had an impact on the presentation of SATO's other comprehensive income.
- Amendment to IAS 19 *Employee Benefits*: The major changes are as follows: all actuarial gains and losses are immediately recognized in other comprehensive income, i.e. the corridor approach is no longer applied, and finance costs are calculated on a net funding basis. The amended standard has been applied retrospectively as required under the transitional provisions. The unrecog-

nized actuarial gains and losses have been recorded in the opening statement of financial position as of 1 January 2012 of the comparative year. The comparative information for the financial year 2012 has been adjusted in accordance with the amended standard. The amendments have effected to SATOs presentation of employee benefits but the amendment was not significant.

- **IFRS 13 *Fair Value Measurement*:** IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 has expanded some notes to SATOs consolidated financial statements.
- ***Annual Improvements to IFRSs 2009-2011*** (May 2012): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards. Their impact has not been significant.
- **Amendments to IFRS 7 *Financial Instruments*:** Disclosures: The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amended standard has not had a significant impact on SATOs consolidated financial statements.

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

Voluntarily adoption of IAS 40 Investment property standard

SATO will adopt IAS 40 Investment Property standard in measurement of SATOs investment properties as of 1

Jan 2014. According to IAS 8 standard voluntary adoption is possible only in case the change will give more reliable and significant information about the circumstances related to business transactions, other events and conditions, which have an effect to entity's financial position, financial profit and cash flows. Adoption of standard will be done retrospectively, so that comparative financials (2013) and opening balance of comparative financial year will be adjusted to be in accordance with the standard. (See note 33 in Notes to financial statements)

According to IAS 40 investment properties are initially booked at acquisition cost, which will include transaction costs. In subsequent periods investment properties are measured at fair value when all gains and losses from valuation are reported in the income statement during accounting period when they arise. Fair value means price, which would be received if the property would be sold or paid when transferring liability between market counterparties at the date of the valuation in the real transaction.

Adoption of IAS 40 Investment property standard has been presented in reconciliation table (see note 33 in Notes to financial statements). Comparatives according to IFRS of quarterly reports will be presented in relation of quarterly reports. Intention of presentation of all figures in the reconciliation calculation in Notes to financial statements is only to inform about most significant changes due to adoption of IAS 40 in measurement and calculation of deferred tax liabilities. Adoption of IAS 40 has no effect in Statement of cash flows.

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

* = not yet endorsed for use by the European Union as of 31 December 2013.

- **IFRS 10 *Consolidated Financial Statements*** and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not assessed to have a material impact on SATOs consolidated financial statements.
- **IFRS 11 *Joint Arrangements*** and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not assessed to have a material impact on SATOs consolidated financial statements.
- **IFRS 12 *Disclosures of Interests in Other Entities*** and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities. The new standard is not assessed to have a material impact on SATOs consolidated financial statements.
- **IAS 27 *Separate Financial Statements*** (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after 1 January

2014): The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard will not have an impact on SATOs consolidated financial statements.

- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not assessed to have a significant impact on SATOs consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments are not assessed to have a significant impact on SATOs consolidated financial statements.
- Amendments to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard is not assessed to have a significant impact on SATOs consolidated financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative,

which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments are not assessed to have an impact on SATOs consolidated financial statements.

- IFRIC 21 *Levies** (effective for financial years beginning on or after 1 December 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation is not assessed to have a significant impact on SATOs consolidated financial statements.
- Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions** (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on SATOs consolidated financial statements.
- *Annual Improvements to IFRSs (2011-2013 cycle** and *2011-2012 cycle**, December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- IFRS 9 *Financial Instruments** and subsequent amendments (the effective date (previously 1 January 2015) has been postponed and will be determined

in due course): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. Amendments dealing with general hedge accounting were issued in November 2013. The unfinished part of IFRS 9, impairment of financial assets, is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

2. Segment information

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.

Income 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 operational items which 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 income statement 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.

Segment information 1 Jan–31 Dec 2013

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
Net sales	272.4	39.1	0.0	311.5
Profit on sales of Investment properties	13.0	0.2		13.2
Depreciation, amortizations and impairment charges	-18.9	-3.7	0.0	-22.6
Operating profit	97.1	11.4	0.0	108.5
Interest income	0.7	0.2		0.9
Interest expenses	-32.5	-6.0		-38.5
Profit before taxes	65.3	5.6	0.0	70.9
Net rental income of Investment properties	115.2	22.1		137.3
Net rental income of Investment properties, % of book value	8.6%	11.2%		8.9%
Investments	190.6	0.0		190.6
Increase in inventory, land areas	7.5			7.5
Depreciation and amortization	-18.9	-3.7		-22.6
Assets and eliminations allocated to segments	1,780.5	215.2	-15.3	1,980.4
Investment Properties	1,516.0	195.8		1,711.8
Cash and cash equivalents	42.4	5.3		47.7
Other assets	222.2	13.8	-15.3	220.7
Investments in associated companies	-0.1	0.3		0.2
Unallocated assets				24.8
Total Assets				2,005.2
Liabilities and eliminations allocated to segments	1,429.4	185.0	-15.3	1,599.1
Interest bearing liabilities	1,323.2	178.1		1,501.3
Other liabilities	106.2	6.9	-15.3	97.8
Unallocated liabilities				66.6
Total Liabilities				1,665.7

Segment information 1 Jan–31 Dec 2012

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
Net sales	250.0	36.9	0.0	286.9
Profit on sales of Investment properties	8.8	0.0		8.8
Depreciation, amortizations and impairment charges	–18.0	–3.8	0.0	–21.8
Operating profit	87.5	11.6	0.0	99.1
Interest income	1.1	0.0		1.1
Interest expenses	–32.4	–7.3		–39.7
Profit before taxes	56.3	4.3	0.0	60.6
Net rental income of Investment properties	106.7	18.6		125.3
Net rental income of Investment properties, % of book value	8.5 %	9.2 %		8.6 %
Investments	159.9	0.0		159.9
Increase in inventory, land areas	28.1			28.1
Depreciation	–18.0	–3.8		–21.8
Assets and eliminations allocated to segments	1,620.9	212.9	–14.1	1,819.7
Investment Properties	1,353.8	199.9		1,553.7
Cash and cash equivalents	32.0	–0.5		31.5
Other assets	235.2	13.2	–14.1	234.3
Investments in associated companies	–0.1	0.3		0.2
Unallocated assets				34.9
Total Assets				1,854.6
Liabilities and eliminations allocated to segments	1,307.8	190.8	–14.1	1,484.5
Interest bearing liabilities	1,192.3	183.0		1,375.3
Other liabilities	115.5	7.8	–14.1	109.2
Unallocated liabilities				74.9
Total Liabilities				1,559.4

SATO did not have any specific customer which would bring minimum of 10% of SATOs net profit.

MEUR

2013

2012

3. Distribution of Net sales

Net sales on sales of new constructions	67.9	61.6
Rental income	229.5	212.7
Other income	14.2	12.6
Total	311.5	286.9

4. Profit on sales of investment properties and other operating income and expenses

Profit on sales of investment properties		
Profit on sales	13.2	8.9
Loss on sales	-0.1	-0.1
Total	13.0	8.8

Other operating income	0.2	0.4
Total	0.2	0.4

Other operating expenses		
Maintenance expenses of investment properties	61.8	57.0
Rental expenses	35.8	33.2
Other fixed expenses	9.5	7.8
Other expenses	0.8	1.5
Total	107.9	99.6

Auditors fees		
Audit	0.1	0.2
Tax consultancy	0.0	0.1
Other services	0.1	0.0
Total	0.2	0.3

5. Personnel expenses

Salaries and wages	9.5	10.3
Defined contribution pension plans	1.7	1.9
Defined benefit pension plans	0.5	0.3
Other personnel expenses	0.4	0.3
Total	12.1	12.7

Management employee benefits are presented in note 32, Related Party Transactions

Average number of personnel		
Total	156	152

6. Depreciation, amortizations and impairment charges

Depreciation by asset class:		
Investment Properties	21.7	21.0
PPE	0.6	0.5
Other intangible assets	0.3	0.3
Total	22.6	21.8

MEUR

2013

2012

7. Research and development

Research and development expenses during 2013 were 1,1 million euros (2012: 0,8 million euros) and deferred to balance sheet 0,7 million euros (2012: 0,5 million euros).

8. Financial income and expenses

Interest income on loans receivable and cash and cash equivalents	0.6	0.9
Dividend income on available-for-sale investments	0.1	0.1
Foreign exchange gain	0.2	0.2
Financial income, total	0.9	1.1
Interest expense on financial liabilities measured at amortized cost	-27.2	-30.1
Interest expense on effective cash flow hedges	-9.7	-8.9
Interest expense on non-hedge accounted derivatives	-0.8	-0.6
Change in fair value, non-hedge accounted derivatives	0.8	1.6
Foreign exchange loss	-0.1	-0.2
Other financial expenses	-1.4	-1.3
Financial expenses, total	-38.5	-39.7
Financial income and expenses, net	-37.6	-38.5

9. Income taxes

Income taxes recognized in income statement		
Current tax from accounting period	14.1	12.9
Current tax from previous period	0.5	0.0
Deferred taxes	-6.8	2.9
Total	7.8	15.8

Reconciliation between the income tax expense recognized in income statement and tax expense calculated with domestic corporate tax rate (24,5%) of the parent company.

Profit before taxes	70.9	60.6
Income tax calculated with domestic corporate tax rate of the parent	17.4	14.8
Non-deductable expenses	1.1	0.3
Tax exempt income	0.0	0.0
Recognition of previously recognized taxable losses	0.0	-0.1
Tax from previous periods	-0.5	0.0
Losses/profits on merger	-10.4	0.0
Other items	0.3	0.8
Total adjustments	-9.5	1.0
Income tax expense in income statement	7.8	15.8

MEUR

2013

2012

10. Earnings per share

Undiluted earnings per share is calculated by dividing parent company profit attributable to equity holders with weighted average number of shares outstanding. At 31.12.2013 amount of SATO's shares was 51 001 842. At the end of the reporting period SATO hold 160 000 own shares.

Profit attributable to equity holders of the parent	63.0	44.8
Weighted average of shares	50.8	50.8
Earnings per share (€)		
Basic	1.24	0.88
Diluted	1.24	0.88

11. Investment properties

Acquisition cost 1 Jan	1,711.6	1,561.9
Acquisitions, new constructions	179.6	149.7
Additions, other investments	11.0	10.2
Disposals	-9.9	-10.7
Reclassifications	-0.9	0.5
Total acquisition cost 31 Dec	1,891.5	1,711.6
Accumulated depreciations and impairments 1 Jan	-158.0	-137.0
Depreciation	-21.7	-21.0
Impairments	0.0	0.0
Accumulated depreciations and impairments 31 Dec	-179.7	-158.0
Carrying value	1,711.8	1,553.7
Fair value	2,316.0	2,088.0
Difference between fair and carrying value	604.2	534.3
Change in fair value	69.9	60.6

Increase in fair value was mainly due to increase in rent levels, prices of apartments and transferring investment properties out from subsidized restrictions. SATO presents in Notes to financial statements fair values of investment properties, which were assessed by external party at 31 Dec 2013.

Fair values of SATOs investment properties are based on market value, yield value and acquisition cost and these properties are classified to 3 category of IFRS 13. Market values are assessed based on location and area of the property. Yield value is based on the area specific yield and assumption of long-term lease usage.

Part of SATOs investment properties are under statutory, non-profit restrictions, which effect to disposal and utilization of investment properties. These restrictions and assesment of fair value are described in Accounting principles in sections Basis of presentation and Investement properties.

Rental income of investment properties	229.5	212.7
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SATOs lease agreements of investment properties are usually valid until further notice. Approximately 8.100 new lease agreements are made annually. Turnover of the lessees in 2013 was 36,3% (2012: 33,6%). Average validation of lease agreement was 3,0 years (2012: 3,0 years).

12. Property, plant and equipment

2013	Machinery and equipment	Other tangible assets	Total
MEUR			
Acquisition cost 1 Jan	3.4	0.7	4.2
Increases	0.4	0.6	1.0
Decreases	-0.7	0.0	-0.7
Acquisition cost 31 Dec	3.1	1.3	4.4
Accumulated depreciation and impairments 1 Jan	2.0	0.0	2.1
Accumulated depreciation	-0.7	0.0	-0.7
Depreciation for the period	0.6	0.1	0.7
Accumulated depreciation and impairment 31 Dec	1.9	0.1	2.0
Carrying value 1 Jan 2013	1.4	0.6	2.1
Carrying value 31 Dec 2013	1.2	1.1	2.4

2012	Machinery and equipment	Other tangible assets	Total
MEUR			
Acquisition cost 1 Jan	2.6	0.1	2.8
Increases	0.8	0.6	1.4
Decreases	3.4	0.7	4.2
Accumulated depreciation and impairments 1 Jan	1.5	0.1	1.6
Depreciation for the period	0.5	0.0	0.5
Accumulated depreciation and impairment 31 Dec	2.0	0.0	2.1
Carrying value 1 Jan 2012	1.1	0.0	1.2
Carrying value 31 Dec 2012	1.4	0.6	2.1

Property, plant and equipment includes assets acquired with financial lease agreements as follows:

Milj. €	Machinery and equipment	Machinery and equipment
	2013	2012
Acquisition cost 1 Jan	0.7	0.8
Decreases	-0.7	-0.1
Acquisition cost 31 Dec	0.0	0.7
Accumulated depreciation and impairments 1 Jan	0.7	0.6
Accumulated depreciation	-0.7	0.0
Accumulated depreciation 31 Dec	0.0	0.7
Carrying value 31 Dec	0.0	0.0

13. Intangible assets

2013	Intangible rights	Other intangible assets	Total
MEUR.			
Acquisition cost 1 Jan	0.3	3.1	3.4
Increases	0.0	0.8	0.8
Acquisition cost 31 Dec	0.3	3.8	4.1
Accumulated depreciation and impairments 1 Jan	0.3	2.1	2.4
Depreciation for the period	0.0	0.3	0.3
Accumulated depreciation and impairments 31 Dec	0.3	2.5	2.8
Carrying value 1 Jan 2013	0.0	1.0	1.0
Carrying value 31 Dec 2013	0.0	1.3	1.3

2012	Intangible rightst	Other intangible assets	Total
MEUR			
Acquisition cost, 1 Jan.	0.3	2.6	2.9
Increases	0.0	0.5	0.5
Acquisition cost, 31 Dec.	0.3	3.1	3.4
Accumulated depreciation and impairments 1 Jan	0.3	1.8	2.1
Depreciation for the period	0.0	0.3	0.3
Accumulated depreciation and impairments 31 Dec	0.3	2.1	2.4
Carrying value 1 Jan 2012	0.0	0.8	0.8
Carrying value 31 Dec 2012	0.0	1.0	1.0

14. Investments in associated companies

MEUR	2013	2012
Acquisition cost 1 Jan	0,2	0,2
Decreases	0,0	0,0
Acquisition cost 31 Dec	0,2	0,2
Adjustments to shares, 1 Jan.	0,0	0,0
Share of profit	0,0	0,0
Dividends received	0,0	0,0
At the end of the period	0,2	0,2

Information about joint ventures and associated companies:

2013	Domicile	Assets	Liabilities	Net sales	Profit/loss	Ownership (%)
Suomen Asumisoikeus Ltd (*)	Helsinki	1 164,3	992,9	131,6	1,9	50,0
Real estate Ltd Salpalohi	Kerava	0,8	0,6	0,2	0,0	33,3
Piipunjuuri Ltd	Oulu	0,1	0,0	0,4	0,0	50,0
SV-Asunnot Ltd	Helsinki	0,3	0,3	0,0	0,0	50,0
2012	Domicile	Assets	Liabilities	Net sales	Profit/loss	Ownership (%)
Suomen Asumisoikeus Ltd (*)	Helsinki	1 176,4	1 004,1	128,9	0,9	50,0
Real estate Ltd Salpalohi	Kerava	0,9	0,7	0,2	0,0	33,3
Piipunjuuri Ltd	Oulu	0,1	0,1	0,5	-0,1	50,0
SV-Asunnot Ltd	Helsinki	0,3	0,3	0,0	0,0	50,0

(* Suomen Asumisoikeus Ltd has been consolidated according to the law of Right of Residence Act in respect of dividend distribution (8% on invested assets).

15. Carrying amounts of financial assets and liabilities by category

MEUR	Note	Fair value, other com- prehensive through profit and loss	Fair value Available-for- sale	Assets and liabilities at amortised cost	Carrying amount total	Fair value hierarchy		
						Level 1	Level 2	Level 3
2013								
Non-current financial assets								
Shares at fair value	16		0.8		0.8	0.8		
Other shares	16		1.8		1.8			
Loans receivable	17			9.1	9.1			
Derivative assets	25	0.2			0.2		0.2	
Current financial assets								
Accounts receivable	20			8.8	8.8			
Loans receivable	20			0.0	0.0			
Cash and cash equivalents	21			46.4	46.4			
Non-current financial liabilities								
Corporate bonds	24			247.5	247.5	198.1	49.0	
Other loans	24			1,091.5	1,091.5		1,090.6	
Derivative liabilities	25	27.4	1.1		28.6		28.6	
Current financial liabilities								
Loans	24			162.3	162.3		162.3	
Derivative liabilities	25	0.6			0.6		0.6	
Accounts payable	27			5.6	5.6			

MEUR	Note	Fair value, other com- prehensive through profit and loss	Fair value Available-for- sale	Assets and liabilities at amortised cost	Carrying amount total	Fair value hierarchy		
						Level 1	Level 2	Taso 3
2012								
Non-current financial assets								
Shares at fair value	16		0.6		0.6	0.6		
Other shares	16		2.0		2.0			
Loans receivable	17			9.1	9.1			
Current financial assets								
Accounts receivable	20			13.3	13.3			
Loans receivable	20			25.3	25.3			
Derivative assets	25	1.3					1.3	
Cash and cash equivalents	21			33.7	33.7			
Non-current financial liabilities								
Corporate bonds				99.5	99.5		99.7	
Other loans	24			1,149.2	1,149.2		1,163.4	
Derivative liabilities	25	40.6	1.9		42.5		42.5	
Current financial liabilities								
Loans	24			126.5	126.5		126.5	
Derivative liabilities	25	0.0			0.0		0.0	
Accounts payable	27			7.7	7.7			

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

MEUR	2013	2012
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16. Available-for-sale financial assets

Shares	0.8	0.6
Other holdings	1.8	2.0
Total	2.6	2.6

Shares include quoted shares, valued at the closing price on the report date. During the period or comparison period, no charges have been booked through profit and loss due to available-for-sale financial assets. Changes in market value are recognised fair value reserves in other comprehensive income, net of tax. Other holdings include shares in unlisted companies, and are valued at the acquisition cost as their fair value cannot be reliably determined.

17. Non-current receivables

Loans receivable	9.1	9.1
Other receivables	0.0	0.3
Total	9.1	9.5

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

18. Deferred tax assets and liabilities

Changes in deferred taxes in 2013

MEUR	1 Jan 2013	Recognized through profit or loss	Change in corporate tax rate in Finland	Recognized through other comprehensive income	Subsidiaries acquired/sold	31 Dec 2013
Deferred tax assets:						
Valuation of financial instruments at fair value	11.1	-0.2	0.0	-5.1	0.0	5.9
Periodization and temporary differences	21.5	3.2	-4.5	0.0	0.0	20.2
Total	32.7	3.0	-4.5	-5.1	0.0	26.1
Deferred tax liabilities:						
Valuation of financial instruments at fair value	0.4	0.4	-0.1	0.0	0.0	0.7
Reclassification of housing provisions and depreciation differences	67.4	4.9	-13.3	0.0	0.0	59.0
Periodization and temporary differences	4.5	1.4	-1.1	0.0	0.0	4.8
Other items	2.7	-0.1	-0.5	0.0	0.0	2.1
Total	74.9	6.6	-14.9	0.0	0.0	66.6

Changes in deferred taxes in 2012

MEUR	1 Jan 2012	Recognized through profit or loss	Change in corporate tax rate in Finland	Recognized through other comprehensive income	Subsidiaries acquired/sold	31 Dec 2012
Deferred tax assets:						
Valuation of financial instruments at fair value	8.8	-0.4	0.0	2.7	0.0	11.1
Periodization and temporary differences	18.1	3.4	0.0	0.0	0.0	21.5
Total	26.9	3.1	0.0	2.7	0.0	32.7
Deferred tax liabilities:						
Valuation of financial instruments at fair value	0.2	0.2	0.0	0.0	0.0	0.4
Reclassification of housing provisions and depreciation differences	62.6	4.9	0.0	0.0	-0.2	67.4
Periodization and temporary differences	3.6	0.8	0.0	0.0	0.0	4.5
Other items	2.7	0.0	0.0	0.0	0.0	2.7
Total	69.1	5.9	0.0	0.0	-0.2	74.9

MEUR	2013	2012
------	------	------

19. Inventories

Buildings under construction	59.3	46.4
Completed apartments and commercial space	34.0	18.0
Land areas	88.3	94.8
Other inventories	8.6	8.4
Total	190.1	167.7

Impairment of architectural design cost recognized in inventory value was MEUR 0,8 million euros (2012: 0,3 million euros).

20. Accounts receivable and other receivables

Accounts receivable	8.8	13.3
Prepaid expenses and accrued income	2.8	10.7
Loan receivables	0.0	25.3
Other receivables	0.3	0.3
Total	12.0	49.6

Specification of prepaid expenses and accrued income

Prepaid expenses and accrued income related to rental services	0.7	6.8
Prepaid expenses and accrued income related to new constructions	0.2	3.0
Hedge accounting	0.8	0.0
Interest receivables	0.3	0.3
Other	0.8	0.6
Total	2.8	10.7

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.

21. Cash and cash equivalents

Cash and bank balances	46,4	33,7
Deposits	0,0	0,0
Total	46,4	33,7

The cash assets of Group companies subject to restrictions due to interest or state subsidised loans are kept separately from those of companies not subject to such restrictions. On the report date such cash assets totalled EUR 10.9 (22.5) million.

22. Shareholders' equity

ber of shares	Number of shares (1,000)	Share capital	Reserve fund	Reserve for invested non-restricted equity	Total
	50,842	4.4	43.7	44.5	92.6
	50,842	4.4	43.7	44.5	92.6
	50,842	4.4	43.7	44.5	92.6
	50,842	4.4	43.7	44.5	92.6

Shareholders' equity

Share capital

SATO share as at 31 Dec 2013 was 51 001 60 000 own share at 31 Dec 2013.

At the annual general meeting authorized Board of Directors to decide about one or more direct, payable share of the total number of own shares held by SATO 60 000. The proposed maximum is equal to the number of SATO shares.

The Board of Directors was authorized to decide on the terms of the share issue on which criteria on which issue price is based on and

The Board of Directors authorized Board of Directors to decide on the share issue more than in ownership proportion of existing shares where insignificant economic reasons for the share issue are valid until 28 Feb 2016.

The share premium fund.

The change in fair value of financial instruments is recognized in the profit and loss account through hedge accounting and fair valuation of financial assets.

Non-restricted equity

Non-restricted equity includes other equity components such as the subscription price of the shares, which is not included in the share capital.

Dividends

After the balance sheet date 31 Dec 2013, the Board of Directors has proposed dividend distribution of 0,18 euros per share (2012: 0,55 euros per share) and return of capital 0,42 euros per share.

Restrictions concerning SATOs shareholders equity

In 2013 SATOs retained earnings 267,6 million euros (2012: 233,7 million euros) included distribution restricted capital related to subsidized, non-profit businesses totalling to 91,2 million euros (2012: 72,2 million euros). Part of the group companies are under statutory, non-profit restrictions according to which company is allowed to distribute only the regulated amount of capital.

Management of capital structure

The aim of SATOs management of capital structure is to support the growth targets and to secure the ability to pay dividend. Another aim is to ensure SATOs prospects of operating in the equity market. SATOs targeted equity ratio measured at fair value is at least 25%. SATOs equity ratio measured at fair value was 31,7 % (2012: 29,4 %). The Board of Directors reviews and assesses SATOs capital structure regularly.

Some of SATOs interest bearing financial agreements include special pricing conditions relating to capital structure and profitability. According to managements assessment these terms did not imply significant risk. In 2013 SATOs capital structure and profitability met the set terms.

Million €

2013

2012

23. Employee benefits

Recognised items in statement of financial position

Defined benefit obligation	3,1	2,6
Fair value of plan assets	-2,7	-2,0
Net benefit liability recognized in statement of financial position	0,4	0,7

SATOs employee benefit plan is additional pension plan in insurance company fund, which is supplement to statutory pension. Employee benefit plan is including three persons. In statement of financial position item recognized as a liability is a undertaking given to the insured and plan assets include the cover paid by the insurance company.

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

Following tables show changes in SATOs plan obligations and plan assets

Defined benefit plan obligations 1 Jan	2.6	1.5
Current service cost	0.2	0.2
Net interest	0.1	0.1
Remeasurements	0.2	0.8
Defined benefit plan obligations 31 Dec	3.1	2.6
Changes of fair value of plan assets		
Fair value of plan assets 1 Jan	2.0	1.4
Interest income	0.1	0.1
Actuarial gains and losses	-0.1	0.0
Employee contributions	0.7	0.5
Fair value of plan assets 31 Dec	2.7	2.0
Changes in net defined benefit liability		
Net benefit liability recognized in statement of financial position 1 Jan	0.7	0.1
Expenses recognised in income statement	0.2	0.2
Remeasurements	0.2	0.9
Employee contributions	-0.7	-0.5
Net defined benefit liability 31.12.	0.4	0.7
Expenses recognized in income statement		
Employee contributions	0.2	0.2
Net interest expenses	0.0	0.0
Actuarial gains and losses	0.2	0.9
Total Expenses recognized in income statement	0.5	1.1
Expected contributions paid by the employer in 2014)	0.4	0.5

Classification of asset classes of defined benefit plan assets is not available.

Assumptions used in calculation

Discount rate	3.00 %	3.00 %
Rate of salary increase	3.00 %	3.00 %
Duration of defined benefit obligation	12 years	

MEUR

2013

2012

24. Financial liabilities

Non-current

Corporate bonds	247.5	99.5
Market-based loans	654.9	714.0
Interest-subsidised loans	75.2	89.5
State-subsidised ARAVA loans	145.5	157.2
Liabilities due to shares in housing companies and mutual building management companies	215.9	188.8
Total	1,339.0	1,249.0

Current

Market-based loans	134.3	100.9
Interest-subsidised loans	14.2	6.7
State-subsidised ARAVA loans	11.7	10.9
Liabilities due to shares in housing companies and mutual building management companies	2.0	7.8
Financial leasing liabilities	0.0	0.0
Total	162.3	126.3

During the reporting period, a total of €227.4 million of new longterm debt was funded. Additionally, liabilities due to housing company shares increased by €21.4 million. On March 11, 2013 SATO published a €500 million secured note programme. Under the programme, corporate bonds totalling €149 million in nominal value were issued during the reporting period.

On December 31, 2013, the average interest on the SATO debt portfolio was 2.9 (2.9) per cent.
Fair values of debt is presented in note 15.

25. Derivatives

Fair values of derivative instruments

MEUR	2013			2012		
	Positive	Negative	Net	Positive	Negative	Net
Non-current						
Interest rate swaps, cash flow hedge	-	-22.0	-22.0	-	-33.9	-33.9
Interest rate swaps, non-hedge accounted	-	-1.1	-1.1	-	-1.9	-1.9
Cross-currency and interest rate swaps, cash flow hedge	0.2	-5.3	-5.0	1.1	-6.7	-5.5
Foreign exchange forward contracts, cash flow hedge	-	-0.1	-0.1	0.1	-	0.1
Non-current derivatives, total	0.2	-28.6	-28.3	1.2	-42.5	-41.3
Current						
Interest rate swaps, cash flow hedge	-	-0.4	-0.4	-	-	-
Foreign exchange forward contracts, cash flow hedge	-	-0.3	-0.3	0.1	0.0	0.1
Current derivatives, total	0.0	-0.6	-0.6	0.1	0.0	0.1
Total	0.2	-29.2	-29.0	1.3	-42.5	-41.2

Nominal values of derivative instruments

MEUR	2013	2012
Interest rate swaps, cash flow hedge	432.1	418.6
Cross-currency and interest rate swaps, cash flow hedge	112.8	115.0
Foreign exchange forward contracts, cash flow hedge	23.4	14.3
Interest rate swaps, non-hedge accounted	20.0	20.0
Total	588.3	568.0

Change in fair value of designated cash flow hedges, booked to hedge reserve in other comprehensive income, totalled €11.5 (-8.4) million. Interest rate swaps are used to hedge interest cash flows against fluctuation in market interest rates. Cross-currency and interest rates swaps additionally hedge the currency risks of interest and repayment cash flows of loan contracts denominated in foreign currency. Currency forward contracts are used to hedge contractual cash flow relating to binding purchase agreements denominated in foreign currency. Interest rate hedges have maturities ranging between 1-7 years and forward contracts 1-2 years. Typically netting agreements are applied to derivative contracts, however the contracts are represented in gross value in financial statements. The method of presentation has no significant impact on figures on reporting or comparative period.

26. Provisions

MEUR	2013	2012
Provision for refund claim 1.1	3.4	3.9
Increases	2.9	0.6
Used provisions	-2.9	-0.8
Cancellations	-0.4	-0.2
Provision for refund claim 31.12.	3.1	3.4

Provision for refund claim includes guarantees related to new construction business and 10 year warranty period after completion of the work. Provision for refund claim is measured based on previous claims and assessment of previous experience.

27. Accounts payable and other liabilities

Milj. €	2013	2012
Advances received	16.4	12.4
Accounts payable	5.6	7.7
Other liabilities	4.6	0.8
Accrued expenses and prepaid income	34.8	35.6
Total accounts payable and other liabilities	61.5	56.4
Specification of accrued expenses and prepaid income		
Personnel expenses	5.6	6.7
Interest expenses	9.6	8.3
Accrued expenses and prepaid income related to new constructions	15.4	17.2
Accrued expenses and prepaid income related to rental services	2.9	2.8
Other	1.3	0.6
Total accrued expenses and prepaid income	34.8	35.6

28. Financial risk management

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

Interest rate risk

The most significant of SATO market risks is the impact of market interest rate fluctuation on interest cash flows. To manage interest rate risk, the proportions of fixed and floating rate instruments are balanced in such a way that the risk of a rise in interest expenses is on an acceptable level and liquidity is secured. Interest rate risk mostly results from market-based loans from financial institutions, but the interest rate risk on other types of financial liabilities is also monitored.

Market-based loans are primarily drawn at floating rates. In accordance with the Treasury Policy, the interest rate risk arising from these contracts is hedged using derivative instruments, mainly interest rate swaps and options, so that after hedging fixed rate portion exceeds 60 per cent of the nominal value of the total loan portfolio, excluding ARAVA loans. On 31 December 2013, the fixed rate portion of the loan portfolio after hedging is 67.4 (69.5) percent, the average maturity being 6.7 (6.5) years. The interest rate derivatives are accounted as designated cash flow hedges. No ineffectiveness has occurred, as 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 expense on interest-subsidised loans. However, 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 based loans. The deductible rate is 2.75–3.5 per cent and the average subsidy on the interest exceeding the deductible rate was 34.3 (35.4) per cent. Deductible rate on the so-called interim model loans, funded in years 2009 to 2011, is 3.40 per cent and the interest subsidy on the exceeding interest is 75 per cent. A large part of the interest-subsidised loans is tied to long reference rates, ranging 3 to 10 years. Due to the subsidy and long reference rates, the interest rate risk on these loans is not material. In accordance with the Treasury Policy, SATO does not apply hedging to interest-subsidised loans.

In operations financed with state subsidies, absorption cost based 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. The ARAVA rate is fixed in advance for the following financial period and hence there is no uncertainty of the following period interest expense. Some state-subsidised loans have interest rate cap, the level of which is based on the interest rate of government 10-year bonds. A risk in state-subsidised ARAVA loans is a substantial increase in interest, which would be difficult to transfer in its entirety to rents without delay. In accordance with the Treasury Policy, SATO does not apply hedging to state-subsidised ARAVA loans.

Currency risk

SATO's main currency risks have been rouble-denominated commitments related to the investments in St. Petersburg.

Currency risks of binding purchase contracts are hedged with currency forward contracts. On 31 December 2013, SATO had MEUR 23.3 (15.3) in rouble-denominated commitments related to the investments. Foreign currency denominated cash flows related to operational business constitute an opposite exposure that has not had material effect on net position during the period.

The translation risk, i.e. the consolidation of foreign currency denominated subsidiary accounts, is deemed not to have significant effects on the Group's consolidated equity or 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

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

A small proportion of accounts receivable involve rent receivables. SATO has over 24,000 tenants, so the risk entailed in a single receivable is insignificant. Additionally, most lease agreements have security for the rent receivable. SATO's actual credit losses have averaged the equivalent of 0.7 per cent of rental income.

In addition, treasury functions, such as liquidity investments and derivative instruments, involve a counterparty risk, which is reduced by careful selection of counterparties and by diversification of contracts among a number of counterparties.

Liquidity risk

The Group constantly monitors the amount of financing demanded for business operations so that the adequacy of financing will be assured in all circumstances. The cash flow of operative business is steady and fluctuation mainly arise from investment activities.

Liquidity is managed with the commercial paper programme of €100 million, committed credit limits €130 million, and non-committed credit limits, €5 million. On 31 December 2013, the commercial papers issued amounted to €72.5 (69.5) million and €25.0 (0.0) million of the committed credit facility was in use. In liquidity management, it is taken into

account that the assets of Group companies subject to non-profit restrictions due to interest subsidies or state subsidized ARAVA loans, are kept separately and allocated to those non-profit operations.

Sensitivity analysis, interest rate risk

31.12.2013

	Profit and Loss		Equity	
	+1 %	-0.1 %	+1 %	-0.1 %
Floating rate loans	-6.9	0.7		
Cross-currency and interest rate swaps	0.9	-0.1	5.6	-0.6
Interest rate swaps	3.9	-0.4	17.0	-1.8
Total	-2.1	0.2	22.7	-2.3

31.12.2012

	Profit and Loss		Equity	
	+1 %	-0.1 %	+1 %	-0.1 %
Floating rate loans	-6.5	0.7		
Cross-currency and interest rate swaps	1.0	-0.1	6.6	-0.7
Interest rate swaps	4.4	-0.4	17.1	-1.8
Total	-1.2	0.1	23.7	-2.5

Sensitivity analysis, currency risk

31.12.2013

	Profit and Loss		Equity	
	+ 10 %	-10 %	+ 10 %	-10 %
Foreign currency denominated loans	-11.4	11.4		
Cross-currency and interest rate swaps	11.4	-11.4		
Foreign exchange forward contracts			1.9	-1.9
Total	0.0	0.0	1.9	-1.9

31.12.2012

	+ 10 %	-10 %	+ 10 %	-10 %
Foreign currency denominated loans	-12.0	12.0		
Cross-currency and interest rate swaps	12.0	-12.0		
Foreign exchange forward contracts			1.5	-1.5
Total	0.0	0.0	1.5	-1.5

Maturity analysis on financial instruments

31.12.2013

MEUR	within 1 year	2-5 years	6-10 years	11-15 years	after 15 years	Total
Market-based loans	-151.9	-432.9	-475.6	-51.4	-65.9	-1,177.6
Interest-subsidised loans	-16.1	-44.6	-36.3			-97.0
State-subsidised ARAVA loans	-16.7	-61.8	-55.5	-30.0	-27.6	-191.5
Accounts payable	-5.6					-5.6
	-190.2	-539.3	-567.4	-81.4	-93.5	-1,471.8
Foreign exchange forward contracts, inflow	19.4	4.1				23.4
Foreign exchange forward contracts, outflow	-19.3	-3.9				-23.2
Interest rate derivatives	-10.8	-28.6	-8.1			-47.4
	-10.7	-28.4	-8.1	0.0	0.0	-47.2
Total	-200.7	-567.7	-575.4	-81.4	-93.5	-1,519.2

31.12.2012

MEUR	within 1 year	2-5 years	6-10 years	11-15 years	after 15 years	Total
Market-based loans	-113.5	-270.2	-313.1	-69.9	-72.4	-839.1
Interest-subsidised loans	-8.9	-48.1	-51.1			-108.1
State-subsidised ARAVA loans	-16.5	-64.5	-65.8	-47.4	-19.8	-214.0
Accounts payable	-7.7					-7.7
	-146.6	-382.8	-430.0	-117.3	-92.2	-1,168.9
Foreign exchange forward contracts, inflow	8.9	6.3				15.3
Foreign exchange forward contracts, outflow	-8.7	-5.7				-14.3
Interest rate derivatives	-10.4	-33.4	-0.3			-44.1
	-10.1	-32.7	-0.3	0.0	0.0	-43.2
Total	-156.7	-415.5	-430.3	-117.3	-92.2	-1,212.1

Above figures represent contractual, non-discounted cash flows, including interest payments. The liabilities for debt of housing and mutual property holding companies are not included.

MEUR	2013	2012
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29. Other lease agreements

SATO as lessee

Minimum rents to be paid on the basis of other lease agreements:

Within one year	2.2	2.3
Within two to five years	6.9	7.5
Over six years	6.7	8.4
Total	15.8	18.1

SATO has sublet office premises in Panuntie, Helsinki. The amount of minimum rent income of these premises is 2,5 million euros (3,1 million euros in 2012).

In 2013 rent income recognized in income statement were 0,5 million euros (2012: 1,0 million euros).

MEUR

2013

2012

30. Notes to the cash flow statement

Business actions not involving a payment

Depreciation	22.6	21.8
Other changes	-0.8	-1.5
Total	21.9	20.3

31. Collateral, commitments and contingencies

Loans for which mortgages and pledges have been given as collateral

Market loans	939.4	845.6
Mortgages provided	203.9	157.0
Book value of pledged shares	824.9	663.5
Value of deposits pledged	0.1	25.1

State-subsidised ARAVA loans

	157.2	168.1
Mortgages provided	335.1	336.5
Book value of pledged shares	23.8	23.8

Interest-subsidised loans

	89.5	96.2
Mortgages provided	117.2	127.2

Loans of housing and mutual property holding companies, secured by mortgages on properties

Loans from financial institutions	217.9	196.6
Mortgages provided	327.1	272.5

Guarantees for others

Owner-occupier home purchase commitments	19.4	19.3
Rs-guarantees	8.0	10.3

Mortgages provided to secure payment of rent and street maintenance

Property mortgages provided	6.0	5.9
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Binding purchase agreements

For acquisitions of investment properties	127.2	95.2
Pledges for land use payments on zoned plots	4.8	5.4
Commitments to cleaning and removal charges	0.9	0.9
Letters of intent on land for which there is a zoning condition	6.0	3.8

Housing companies which hold so-called owner-occupied apartment are treated as special purpose entities, established for a fixed period, which are not included in the consolidation. On the report date, the loans of such housing companies included in the shared ownership systems, totalled €87.0 (89.5) million.

MEUR

2013

2012

32. Related party transactions

Parent company SATO Plc and her subsidiaries and associated companies belong to SATO's related parties. Shareholders are also related parties when they have direct or indirect influence, meaning that these shareholders' ownership is 20% or more. When ownership falls below 20% shareholder is considered a related party when he/she has considerable influence in other ways for example through position in the Board of Directors. In 2013 the related party shareholders were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and LocalTapiola Group. In 2012 related party shareholders were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and Wärtsilä Group.

Related parties are also members of Board of Directors, President and CEO and members of management group including their families and companies managed by them. Members of management group of SATO belong President and CEO, Chief Financial Officer, Director of Customer Relationships and Communications and Vice Presidents.

Following transactions were made with related parties:

MEUR	2013	2012
Open balances with shareholders		
Receivables	0.0	0.0
Liabilities	28.1	31.7

The terms applied in business transactions with related parties were same as in business transactions between independent parties.

Management employee benefits		
Salaries and other short-term employee benefits	2.4	1.6
Other long-term employee benefits	0.4	1.1
Total	2.8	2.7
Salaries and fees		
President and CEO	0.8	0.9
Deputy to President and CEO	0.5	0.3
Members of the Board of Directors	0.2	0.2
Total	1.5	1.4

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.

Retirement 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.

Notice period of 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 of the notice period.

The members of SATO's Corporate Management Group are covered by an annual incentive scheme based on the SATO's profit and fulfilment of the key targets for their respective area 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. In the spring 2013 the Board of Directors decided on a long-term share based incentive scheme for the period 2013-2015 with a maximum limit. The incentive scheme applies to 15 people working in management positions in SATO. The purposes of the incentive schemes are to combine the goals of the management with those of the shareholders, commitment of the key people, improvement of competitiveness, and promotion of long-term financial success.

33. Voluntary adoption of IAS 40 Investment properties standard

SATO will adopt fair value model of IAS 40 Investment Property standard in measurement of SATOs investment properties as of 1 Jan 2014. Adoption of standard will be done retrospectively, so that comparative financials (2013) and opening balance of comparative financial year will be adjusted to be in accordance with the standard.

Below table shows adjustments made due to adoption of IAS 40 fair value model to SATOs income statement.

	Income statement 1 Jan-31 Dec	IAS 40 adjustment	Adjusted income statement 1 Jan-31 Dec
Net sales	311.5		311.5
Profit on sales of investemnt properties	13.2	-11.4	1.8
Valuation of investement properties	0.0	59.6	59.6
Share of results of associated companies	0.0		0.0
Other operating income	0.2		0.2
Materials and services	-73.7		-73.7
Personnel expenses	-12.1		-12.1
Depreciation, amortization and impairment charges	-22.6	21.7	-0.9
Loss on sales of Investment properties	-0.1		-0.1
Other operating expenses	-107.9		-107.9
Operating profit	108.5	69.9	178.4
Financial income	0.9		0.9
Financial expenses	-38.5		-38.5
	-37.6		-37.6
Profit before taxed	70.9	69.9	140.8
Income taxes	-7.8	-14.0	-21.8
Profit	63.0	55.9	118.9

Below table shows adjustments related to adoption of IAS 40 fair value model to SATOs statement of financial position.

	Statement of financial position 31 Dec	IAS 40 adjustment	Adjusted statment of financial position 31 Dec
ASSETS			
Non-current assets			
Investment properties	1,711.8	604.2	2,316.0
Property, plant and equipment	2.4		2.4
Intangible assets	1.3		1.3
Investments in associated companies	0.2		0.2
Available-for-sale financial assets	2.6		2.6
Receivables	9.1		9.1
Deferred tax assets	26.1		26.1
	1,753.5	604.2	2,357.6
Current assets			
Inventories	190.1		190.1
Accounts receivable and other receivables	12.0		12.0
Deferred tax assets	3.2		3.2
Cash and cash equivalents	46.4		46.4
	251.7	0.0	251.7
Total assets	2,005.2	604.2	2,609.4

	Statement of financial position 31 Dec	IAS 40 adjustment	Adjusted state- ment of financial position 31 Dec
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the parent			
Share capital	4.4		4.4
Fair value reserves	-22.3		-22.3
Reserve fund	43.7		43.7
Other funds	45.0		45.0
Retained earnings	267.6	483.4	751.0
	338.4	483.4	821.7
Non-controlling interests	1.0		1.0
TOTAL SHAREHOLDERS' EQUITY	339.4	483.4	822.8
LIABILITIES			
Non-current liabilities	66.6	120.8	187.4
Deferred tax liabilities	3.1		3.1
Provisions	29.5		29.5
Other non-current liabilities	1,339.0		1,339.0
Long term interest bearing liabilities	1,438.2	120.8	1,559.0
Current liabilities	61.5		61.5
Accounts payable and other liabilities	3.8		3.8
Deferred tax liabilities	162.3		162.3
Short term interest bearing liabilities	227.5		227.5
TOTAL LIABILITIES	1,665.7	120.8	1,786.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,005.2	604.2	2,609.4

34. Subsidiaries owned by the Group and parent company

	Group's holding. %	Parent company's holding. %		Group's holding. %	Parent company's holding. %
Holding percentages are the same as voting rights.			Other shares		
Subsidiaries held by SATO Corporation			Companies held by subsidiaries		
Sato-Asunnot Oy	100.0	100.0	Sato-Asunnot Oy		
SATOKoti Oy	100.0	100.0	Agricolankuja 3 As Oy	3.0	3.0
Sato-Rakennuttajat Oy	100.0	100.0	Agricolankuja 8 As Oy	80.7	80.7
Sato Vuokrakodit Oy	100.0	100.0	Agricolankulma As Oy	0.8	0.8
Suomen Satokodit Oy	100.0	100.0	Albertus As Oy	1.1	1.1
Vatrotalot Oy	100.0	100.0	Amos As Oy	0.5	0.5
SATO HotelliKoti Oy	100.0	100.0	Björneborgsvägen 5 Bost. Ab	0.5	0.5
Unconsolidated subsidiaries and asso- ciated companies			Bostads Ab Munksnäs N:o 25 Asunto Oy	14.1	14.1
Keskus-Sato Oy	100.0	100.0	Erkintalo As Oy	1.1	1.1
SV-Asunnot Oy	50.0	50.0	Espoon Elosalama As Oy	100.0	100.0

	Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %
Espeen Hassel As Oy	4.4	4.4	Helsingin Ansaritie 2-4 As Oy	100.0	100.0
Espeen Heinjoenpolku As Oy	100.0	100.0	Helsingin Ansaritie 3 As Oy	100.0	100.0
Espeen Honkavaarantie 5 As Oy	34.7	34.7	Helsingin Apollonkatu 19 As Oy	38.2	38.2
Espeen Interior As Oy	11.4	11.4	Helsingin Arabian Kotiranta As Oy	4.2	4.2
Espeen Kaupinkalliontie 5 As Oy	48.7	48.7	Helsingin Arabiankatu 3 As Oy	13.4	13.4
Espeen Kiskottajankuja 4 As Oy	100.0	100.0	Helsingin Aurinkotuulenkatu 6 As Oy	100.0	100.0
Espeen Kivenhakkaajankuja 3 As Oy	2.3	2.3	Helsingin Casa Canal As Oy	13.3	13.3
Espeen Lounaismeri As Oy	100.0	100.0	Helsingin Castreninkatu 3 As Oy	100.0	100.0
Espeen Malmiportti 4 A - B As Oy	100.0	100.0	Helsingin Cirrus As Oy	1.7	1.7
Espeen Malmiportti 4 C - D As Oy	100.0	100.0	Helsingin Corona As Oy	17.0	17.0
Espeen Myötätuulenmäki As Oy	8.5	8.5	Helsingin Eiranrannan Estella As Oy	30.8	30.8
Espeen Niittymaantie 1 As Oy	100.0	100.0	Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1
Espeen Niittymaantie 3 As Oy	100.0	100.0	Helsingin Gerbera As Oy	12.7	12.7
Espeen Numersinkatu 11 As Oy	18.8	18.8	Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0
Espeen Omenapuu As Oy	16.0	16.0	Helsingin Happiness As Oy	22.2	22.2
Espeen Paratiisiomena As Oy	18.3	18.3	Helsingin Hildankulma As Oy	80.1	80.1
Espeen Perkkajankuja 3 As Oy	100.0	100.0	Helsingin Isopurje As Oy	3.2	3.2
Espeen Porarinkatu 2 D - E As Oy	100.0	100.0	Helsingin Juhani Ahon tie 12-14 As Oy	100.0	100.0
Espeen Porarinkatu 2 F As Oy	100.0	100.0	Helsingin Junonkatu 4 As Oy	100.0	100.0
Espeen Puikkarimäki As Oy	100.0	100.0	Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Espeen Puntatulkuntie 5 As Oy	12.0	12.0	Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Espeen Pyhäjärventie 1 As Oy	100.0	100.0	Helsingin Kalevankatu 53 As Oy	30.5	30.5
Espeen Rastaspuiistonpolku As Oy	22.6	22.6	Helsingin Kallioliina As Oy	0.8	0.8
Espeen Rastaspuiiston tie 8 As Oy	7.3	7.3	Helsingin Kanavaranta As Oy	8.8	8.8
Espeen Rummunlyöjäkatu 11 D - E As Oy	100.0	100.0	Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0
Espeen Ruorikuja 4 As Oy	3.8	3.8	Helsingin Kangaspellontie 4 As Oy	20.1	20.1
Espeen Ruusulinnat As Oy	100.0	100.0	Helsingin Kangaspellontie 6 KOy	100.0	100.0
Espeen Satokallio As Oy	11.6	11.6	Helsingin Kangaspellontie 8 As Oy	16.4	16.4
Espeen Saunalyhty As Oy	6.8	6.8	Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Espeen Soukanniementie 1 As Oy	100.0	100.0	Helsingin Kirjala As Oy	100.0	100.0
Espeen Suurpellon Maininki As Oy	100.0	100.0	Helsingin Kilaavuntie 8-10 As Oy	100.0	100.0
Espeen Suurpellon Poukama As Oy	100.0	100.0	Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Espeen Taivalpolku As Oy	3.6	3.6	Helsingin Koralli As Oy	4.1	4.1
Espeen Vanharaide As Oy	90.1	90.1	Helsingin Koroistentie As Oy	9.4	9.4
Espeen Vasaratörmä As Oy	5.2	5.2	Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Espeen Viherlaaksonranta 3-5 As Oy	100.0	100.0	Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Espeen Viherlaaksonranta 7 As Oy	100.0	100.0	Helsingin Korppaanmäentie 8 As Oy	49.8	49.8
Espeen Yläkartanonpiha As Oy	10.9	10.9	Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0
Espeen Zanseninkuja 6 As Oy	100.0	100.0	Helsingin Kultareuna 1 As Oy	39.0	39.0
Etelä-Hämeen Talo Oy	81.3	56.3	Helsingin Kutomotie 8a As Oy	100.0	100.0
Eura III As Oy	100.0	100.0	Helsingin Kutomotie 10a As Oy	75.5	75.5
Fredrikinkatu 38 As Oy	2.7	2.7	Helsingin Kutomotie 12a As Oy	100.0	100.0
Haagan Pappilantie 13 As Oy	2.6	2.6	Helsingin Kyläkirkontie 13 As Oy	68.5	68.5
Haagan Talontie 4 As Oy	3.1	3.1	Helsingin Köysikuja 2 As Oy	9.5	9.5
Hakaniemenranta As Oy	2.5	2.5	Helsingin Lauttasaarentie 19 KOy	58.3	58.3
Helsingin Akaasia As Oy	13.9	13.9	Helsingin Leikopiha As Oy	9.6	9.6
Helsingin Aleksis Kiven katu 52-54 As Oy	0.5	0.5	Helsingin Leikosaarentie 31 As Oy	18.7	18.7
Helsingin Ansaritie 1 As Oy	100.0	100.0	Helsingin Leikovuori As Oy	9.1	9.1
			Helsingin Lontoonkatu 9 As Oy	100.0	100.0

	Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %
Helsingin Lönnrotinkatu 32 As Oy	57.5	57.5	Helsingin Vanha viertotie 18 As Oy	47.5	47.5
Helsingin Mariankatu 19 As Oy	1.0	1.0	Helsingin Vanha viertotie 6 As Oy	100.0	100.0
Helsingin Mechelininkatu 12-14 As Oy	100.0	100.0	Helsingin Vanha Viertotie 8 As Oy	100.0	100.0
Helsingin Merenkävijä As Oy	5.1	5.1	Helsingin Venemestarintie 4 As Oy	100.0	100.0
Helsingin Meripellonhovi KOy	98.3	98.3	Helsingin Vervi As Oy	100.0	100.0
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1	Helsingin Villa Kuohu As Oy	25.6	25.6
Helsingin Mylläri As Oy	2.3	2.3	Helsingin Vuosaaren Helmi As Oy	100.0	100.0
Helsingin Nautilus As Oy	26.0	26.0	Helsingin Välskärinkatu 4 KOy	85.7	85.7
Helsingin Navigatortalo KOy	44.7	44.7	Hiihtomäentie 34 As Oy	3.7	3.7
Helsingin Nils Westermarckin kuja 18 As Oy	100.0	100.0	Humalniementie 3-5 As Oy	1.1	1.1
Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5	Hyvinkään Joutsenlaulu As Oy	28.2	28.2
Helsingin Pakilantie 17 As Oy	100.0	100.0	Hämeenlinnan Aronitunkuja 7 As Oy	100.0	100.0
Helsingin Perustie 16 As Oy	56.0	56.0	Jussinhovi As Oy	3.5	3.5
Helsingin Piispantie 3 As Oy	100.0	100.0	Jyväskylän Ailakinraitti As Oy	100.0	100.0
Helsingin Piispantie 5 As Oy	100.0	100.0	Jyväskylän Harjunportti As Oy	18.7	18.7
Helsingin Piispantie 7 As Oy	100.0	100.0	Jyväskylän Lyseonlinna As Oy	6.8	4.6
Helsingin Piispantie 8 As Oy	100.0	100.0	Jyväskylän Taitoniekansato As Oy	17.4	17.4
Helsingin Pirta As Oy	17.1	17.1	Jyväskylän Torihovi As Oy	2.7	2.7
Helsingin Porthaninkatu 4 As Oy	0.7	0.7	Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0
Helsingin Puuskarinne 1 As Oy	98.2	98.2	Järvenpään Alhonrinne As Oy	18.4	18.4
Helsingin Päivöläntie 72 As Oy	40.8	40.8	Kaarenkunnas As Oy	100.0	100.0
Helsingin Reginankuja 4 As Oy	11.8	11.8	Kajaneborg Bost. Ab	7.3	7.3
Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0	Kasarmikatu 14 As Oy	12.2	12.2
Helsingin Riontähti As Oy	100.0	100.0	Kasarmikatu 10 As Oy	26.7	26.7
Helsingin Rosas As Oy	9.6	9.6	Kauniaisten Ersintie 9-11 As Oy	5.5	5.5
Helsingin Rumpupolun palvelutalo As Oy	4.6	4.6	Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4
Helsingin Ruusutarhantie 2-4 As Oy	35.6	35.6	Keravan Papintie 1 As Oy	100.0	100.0
Helsingin Ruusutarhantie 7 As Oy	39.3	39.3	Ketturinne As Oy	1.3	1.3
Helsingin Satoaalto As Oy	8.6	8.6	Kirkkosalmentie 3 As Oy	0.9	0.9
Helsingin Satorinne As Oy	8.5	8.5	Kivisaarentie 2-6 As Oy	2.7	2.7
Helsingin Serica As Oy	3.8	3.8	Kristianinkatu 2 As Oy	1.7	1.7
Helsingin Siltavoudintie 20 As Oy	100.0	100.0	Kulmakatu 12 As Oy	2.1	2.1
Helsingin Snellmaninkatu 23 As Oy	100.0	100.0	Kulmavuorenpiha As Oy	100.0	100.0
Helsingin Solarus As Oy	5.9	5.9	Kulmavuorenrinne As Oy	1.0	1.0
Helsingin Solnantie 22 As Oy	98.0	98.0	Kupittaa Kurki As Oy	6.1	6.1
Helsingin Stenbäckinkatu 5 KOy	60.0	60.0	Kupittaa Satakieli As Oy	6.1	6.1
Helsingin Ståhlbergintie 4 As Oy	93.5	93.5	Kuuselanpuisto As Oy	23.0	23.0
Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0	Kuusitie 15 As Oy	1.5	1.5
Helsingin Tapaninkulo As Oy	4.7	4.7	Kuusitie 3 As Oy	1.8	1.8
Helsingin Tila As Oy	24.5	13.1	Kuusitie 9 As Oy	2.3	2.3
Helsingin Tilkankatu 15 As Oy	100.0	100.0	Kvarnhyddan Bost. Ab	1.8	1.8
Helsingin Tilkankatu 2 As Oy	100.0	100.0	Laajalahdentie 26 As Oy	6.5	6.5
Helsingin Tilkankatu 6 As Oy	100.0	100.0	Lahden Nuolikatu 9 As Oy	100.0	100.0
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6	Lapinniemen Pallopurje As Oy	1.9	1.9
Helsingin Tunturinlinna As Oy	9.5	9.5	Lapintalo As Oy	1.0	1.0
Helsingin Tuohiaukio As Oy	1.9	1.9	Lauttasaarentie 11 As Oy	1.6	1.6
Helsingin Töölön Oscar As Oy	25.3	25.3	Lielahdentie 10 As Oy	9.1	9.1
Helsingin Vanha viertotie 16 As Oy	76.7	76.7	Linjala 14 As Oy	4.2	4.2

	Group's holding, %	Parent company's holding, %
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
Matinniitynkuja 8 As Oy	100.0	100.0
Mellunsusi As Oy	1.5	1.5
Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Messeniuksenkatu 8 As Oy	2.0	2.0
Messilä As Oy	70.0	70.0
Minna Canthin katu 22 As Oy	2.4	2.4
Mursu As Oy	0.5	0.5
Myllysalama As Oy	72.4	72.4
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
Näkinukuja 2 As Oy	2.5	2.5
Näsinkeskus KOy	11.3	11.3
Näyttelijäntien Pistetalot As Oy	1.4	1.4
Oskelantie 5 As Oy	4.1	4.1
Oskelantie 8 As Oy	2.1	2.1
Otavantie 3 As Oy	0.6	0.6
Otavantie 4 As Oy	1.8	1.8
Oulun Aleksinranta As Oy	100.0	100.0
Oulun Arvolankartano As Oy	2.1	2.1
Oulun Arvolanpiha As Oy	0.0	0.0
Oulun Arvolanpuisto As Oy	9.0	9.0
Oulun Kalevalantie As Oy	100.0	100.0
Oulun Laamannintie 1 As Oy	12.8	12.8
Oulun Laanila I As Oy	100.0	100.0
Oulun Laanila IV As Oy	100.0	100.0
Oulun Laaniranta As Oy	6.0	6.0
Oulun Marsalkka As Oy	5.7	5.7
Oulun Mastolinna As Oy	2.2	2.2
Oulun Notaarintie 1 As Oy	24.4	24.4
Oulun Notaarintie 3 As Oy	5.0	5.0
Oulun Paalikatku 23 As Oy	100.0	100.0
Oulun Peltolantie 18 B As Oy	100.0	100.0
Oulun Rautatienkatu 74 As Oy	100.0	100.0
Oulun Tullikartano As Oy	17.0	17.0
Oulun Tulliveräjä As Oy	40.7	40.7

	Group's holding, %	Parent company's holding, %
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
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
Rovaniemen Väliakka As Oy	100.0	100.0
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 Härmälänrannan Sisu As Oy	100.0	100.0
Tampereen Jankanpuisto As Oy	100.0	100.0
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3
Tampereen Kauppa-aukio As Oy	100.0	100.0
Tampereen Kristiina As Oy	19.1	19.1
Tampereen Kuikankatu 2 As Oy	9.7	9.7
Tampereen Linnanhera As Oy	100.0	100.0
Tampereen Pappilan Herra As Oy	100.0	100.0
Tampereen Rotkonraitti 6 As Oy	54.7	54.7
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6
Tampereen Strada As Oy	46.7	46.7
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
Tarkkampusjankatu 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 Asemanlinna As Oy	20.9	20.9
Turun Eteläranta II As Oy	3.2	3.2
Turun Eteläranta III As Oy	2.9	2.9
Turun Eteläranta IV As Oy	3.0	3.0
Turun Förinranta II As Oy	1.0	1.0
Turun Ipnoksenrinne As Oy	6.7	6.7
Turun Linnankatu 37 a As Oy	1.7	1.7

	Group's holding, %	Parent company's holding, %
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
Vaasankatu 15 As Oy	0.8	0.8
Vallikallionpolku KOy	100.0	100.0
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 Kilterinpuisto 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
Vantaan Kärjäläkuja 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 Pakkalanrinne 5-7 As Oy	100.0	100.0
Vantaan Pronssikuja 1 As Oy	100.0	100.0
Vantaan Ruostekuja 3 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 Tähtiö As Oy	33.2	33.2
Viides linja 16 As Oy	1.1	1.1
Viikinkisankari As Oy	35.4	35.4
Vilhonvuorenkatu 8 As Oy - Bost. Ab		
Vilhelmsbergsgatan 8	1.1	1.1
Vuomeren-Salpa As Oy	2.7	2.7
Vuorastila As Oy	99.0	99.0
Vuoreksen Vega As Oy	52.2	52.2
Vuosaaren Meripihka As Oy, Helsinki	42.7	42.7
OOO SATO-Rus	100.0	100.0
Sato-Pietari Oy	100.0	100.0
OOO Sato Park	100.0	99.0
Sato-Neva Oy	100.0	100.0
Sato-Pietari Oy		
OOO Sato Park	100.0	1.0
SATOkoti Oy		
Espoon Jousenkaari 5 As Oy	100.0	100.0
Espoon Jousenkaari 7 As Oy	100.0	100.0
Espoon Kuunkierros 2 As Oy	100.0	100.0
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0

	Group's holding, %	Parent company's holding, %
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0
Helsingin Keinulaudantie 7 As Oy	100.0	100.0
Helsingin Kiillekuja 4 As Oy	100.0	100.0
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0
Helsingin Pajamäentie 6 As Oy	100.0	100.0
Helsingin Pajamäentie 7 As Oy	100.0	100.0
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0
Hiirakkokuja 4 KOy	100.0	100.0
Hiirakkotie 3 KOy	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 Hiekkaharjuntie 16 As Oy	100.0	100.0
Vihdin Niittytie 1 KOy	100.0	100.0
Vihdin Peltotie 2 KOy	100.0	100.0
SATOhousing Oy	100.0	100.0
SATOhousing Oy		
Espoon Kuunsirppi As Oy	100.0	100.0
Espoon Sepetlahdentie 6 As Oy	100.0	100.0
Hannanpiha As Oy	19.1	19.1
Helkalax As Oy	1.3	1.3
Helsingin Hämeenpengeri As Oy	100.0	100.0
Helsingin Lapponia As Oy	100.0	100.0
Helsingin Pasilantornit As Oy	62.8	62.8
Helsingin Vetelintie 5 As Oy	100.0	100.0
Helsingin Viulutie 1 As Oy	100.0	100.0
Hervannan Juhani As Oy	14.9	14.9
Jyväskylän Karsikkotie 3 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	1.3	1.3
Kukkolan Koivu As Oy	4.3	4.3
Kuusihalme As Oy	2.3	2.3
Majalanraitti 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
Muotialantie 31 As Oy	7.0	7.0
Näsinlaive As Oy	1.0	1.0
Oulun Utelias-Salpa As Oy	100.0	100.0
Peltohuhta As Oy	1.2	1.2

	Group's holding, %	Parent company's holding, %
Pohjankartano As Oy	22.8	22.8
Puolukkasato As Oy	5.9	5.9
Rantasentteri As Oy	1.5	1.5
Satokaunokki As Oy	7.5	7.5
Satulapuisto As Oy	6.9	6.9
Tampereen Hervannan Puistokallio As Oy	100.0	100.0
Tasatuomo As Oy	1.3	1.3
Tikkamatti As Oy	19.6	19.6
Turun Uudenmaanlinna As Oy	100.0	100.0
Turun Veistämöntori As Oy	100.0	100.0
Ulpukaniemi As Oy	25.4	25.4
Valtapolku As Oy	1.2	1.2
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0
Vantaan Martinpääsky As Oy	100.0	100.0
Välkynkallio As Oy	0.8	0.8
Yläaitankatu 4 As Oy	1.7	1.7

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 Vuokratodit Oy

Espoon Numersinkatu 6 As Oy	11.2	9.2
Espoon Puropuisto As Oy	55.8	55.8
Espoon Ristinieementie 22 As Oy	5.4	5.4
Espoon Sokerilinnantie 1 As Oy	4.3	4.3
Espoon Säterinkatu 10 As Oy	6.1	6.1
Espoon Zanseninkuja 4 As Oy	17.4	17.4
Etelä-Hämeen Talo Oy	81.3	25.0
Helsingin Fenniläntalo 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	9.1	9.1
Helsingin Taimistontie 9 As Oy	12.3	12.3
Helsingin Tulisuoontie 20 As Oy	100.0	100.0
Helsingin Tulvaniitynpolku 5 As Oy	10.2	10.2
Helsingin Vanhanlinnantie 10 As Oy	10.2	10.2
Idesranta 42 Tampere As Oy	6.6	6.6
Jyväskylän mlk:n Kirkkotie 3 As Oy	12.1	12.1
Jyväskylän Vaneritori 4 As Oy	23.2	19.8
Kaarinan Katariinankallio As Oy	29.2	23.5
Kaarinan Katariinanjärvi As Oy	12.6	12.6
Kaarinan Kiurunpuisto As Oy	31.7	29.6

Kaarinan Kultarinta As Oy	26.5	26.5
Kaarinan Mattelpiha As Oy	42.5	36.0
Kaarinan Verkapatruuna As Oy	11.7	11.7
Kuovi As Oy	100.0	100.0
Lahden Kauppakatu 36 As Oy	7.9	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	63.6	61.9
Oulun Laamannintie As Oy	49.7	43.5
Raisio Toripuisto As Oy	23.0	20.8
Satulaparkki K Oy	53.3	53.3
Tampereen Haapalinnan Antintalo As Oy	55.0	50.7
Tampereen Kyläleni As Oy	73.6	70.7
Tampereen Kyyhky As Oy	8.1	8.1
Tampereen Rantatie 13 E-G As Oy	41.6	41.6
Turun Hehtokatu As Oy	41.0	19.1
Turun Maarianportti As Oy	100.0	100.0
Turun Merenneito As Oy	14.6	14.6
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	13.9	13.9
Tuusulan Naavankierro As Oy	5.3	5.3
Vantaan Herttuantie 3 As Oy	31.2	31.2
Vantaan Orvokkitie 17 As Oy	14.3	14.3

Sato-Osaomistus Oy

Espoon Numersinkatu 6 As Oy	11.2	2.0
Jyväskylän Vaneritori As Oy	23.2	3.4
Kaarinan Katariinankallio As Oy	29.2	5.7
Kaarinan Kiurunpuisto As Oy	31.7	2.1
Kaarinan Mattelpiha As Oy	42.5	6.5
Lahden Kauppakatu 36 As Oy	7.9	4.3
Oulun Laamannintie 14 ja 17 As Oy	63.6	1.7
Oulun Laamannintie As Oy	49.7	6.2
Raisio Toripuisto As Oy	23.0	2.2
Tampereen Haapalinnan Antintalo As Oy	55.0	4.3
Tampereen Kyläleni As Oy	73.6	2.9
Turun Hehtokatu As Oy	41.0	21.9

Suomen Satokodit Oy

Arhotie 22 As Oy	100.0	100.0
Karpalopolku K Oy	100.0	100.0
Kaskenkaatajantie As Oy	100.0	100.0
Meiramikuja As Oy	4.7	4.7
Myllymatkantie 1 As Oy	100.0	100.0
Pellervon Pysäköinti K Oy	68.9	25.8

	Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %
Satosorsa As Oy	19.9	19.9	Pirilänportti As Oy	14.5	14.5
Vantaan Kortteeri As Oy	6.4	6.4	Pohjanpoika As Oy	24.5	24.5
Vihdin Kirkkoniementie 2 KOy	100.0	100.0	Puolukkavarikko As Oy	33.9	33.9
Vatrotalot Oy			Raudikkokuja 3 KOy	100.0	100.0
Harjulehmus As Oy	41.0	41.0	Rivihkola As Oy	49.9	49.9
Helsingin Laivalahdenportti 5 As Oy	75.5	75.5	Salpalohi KOy	33.3	33.3
Helsingin Toini Muonan katu 8 As Oy	15.6	15.6	Satosyppi As Oy	50.0	50.0
Hämeenlinnan Aaponkuja 3 As Oy	47.7	47.7	Satotaival As Oy	46.4	46.4
Jukolanniitty As Oy	52.6	52.6	Turun Kivimaanrivi As Oy	13.1	13.1
Jukolantanner As Oy	52.3	52.3	Turun Mietoistenkuja As Oy	22.5	22.5
Jyväskylän Kakkospesä As Oy	18.2	18.2	Turun Pernon Kartanonlaakso As Oy	68.8	68.8
Kangasalan Kukkapuisto As Oy	6.3	6.3	Turun Sipimetsä As Oy	19.8	19.8
Kaukotie 10-12 As Oy	3.1	3.1	Vantaan Minkkikuja As Oy	74.9	74.9
Kavilanniitty As Oy	1.9	1.9	Vantaan Omaksi As Oy	2.8	2.8
Kirkkonummen Riihipolku As Oy	100.0	100.0	Vantaan Ravurinmäki As Oy	47.8	47.8
Kukkaropohja KOy	100.0	100.0	Vantaan Ravurinpuisto As Oy	62.9	62.9
Kylänpäänpelto As Oy	48.3	48.3	SATO-Osaomistus	100.0	100.0
Laakavuorentie 4 As Oy	39.1	39.1	Suomen Asumisoikeus Oy	50.0	50.0
Lahden Roopenkuja As Oy	57.7	57.7	VATROhousing Oy	100.0	100.0
Marolinnankoti As Oy	15.4	15.4	VATROhousing Oy		
Meriramsi As Oy	25.6	25.6	Naantalin Kastovuorenrinne As Oy	25.6	25.6
Meri-Rastilan tie 5 As Oy	23.5	23.5	Nastolan Moreeniraitti As Oy	14.0	14.0
Meri-Rastilan tie 9 As Oy	9.1	9.1	Nokian Miharintie 38-40 As Oy	76.7	76.7
Nurmijärven Kylänpäänkaari As Oy	45.0	45.0	Salon Valhojanrivi As Oy	10.6	10.6
Nurmijärven Kylänpäänniitty As Oy	43.2	43.2	Tasakuusi As Oy	3.7	3.7

35. IAS 23 Borrowing costs

MEUR	2013	2012
Changeover date 1.1.2007		
Capitalised expenses of borrowing costs during the period	1.0	0.6
Financial expense index	1.27	2.43

Parent company income statement, FAS

MEUR	Note	1 Jan.-31 Dec. 2013	1 Jan.-31 Dec. 2012
Net sales	1	10.2	12.5
Other operating income	2	4.5	4.6
Materials and services	3	-1.5	-4.4
Personnel expenses	4-6	-3.6	-3.7
Depreciation, amortization and impairment charges	7	-0.8	-0.7
Other operating expenses	8	-9.4	-7.8
OPERATING PROFIT		-0.4	0.4
Financial income and expenses	9	-6.9	13.1
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		-7.3	13.5
Extraordinary items	10	53.1	28.9
PROFIT BEFORE TAXES		45.8	42.3
Income taxes	11	-11.2	-6.7
PROFIT FOR THE PERIOD		34.5	35.6

Parent company balance sheet, FAS

MEUR	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Intangible assets	12	1.3	0.8
Tangible assets	13	2.2	1.8
Holdings in Group companies	14	68.7	68.7
Holdings in associated companies	15	0.0	0.0
Other holdings and shares	16	1.0	1.2
		73.2	72.5
Current assets			
Inventories	17	5.9	3.9
Long-term receivables	18	421.2	266.0
Short-term receivables	19	59.6	27.9
Cash and cash equivalents		0.6	3.6
		487.3	301.4
ASSETS, TOTAL		560.5	373.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	21–22		
Share capital		4.4	4.4
Reserve fund		43.7	43.7
Other funds		45.0	45.0
Retained earnings		26.7	19.0
Profit for the period		34.5	35.6
		155.0	148.4
Obligatory reserves	23	0.0	0.0
Liabilities			
Non-current	24	288.4	142.3
Current	25	117.1	83.1
		405.5	225.4
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		560.5	373.9

Parent company's cash flow statement, FAS

MEUR	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for financial year	34.5	35.6
Adjustments:		
Depreciation	0.8	0.7
Financial income (-) and expenses (+)	6.9	-13.0
Income tax	11.2	6.7
Proceeds (-) and losses (+) on sales of tangible assets	0.0	-0.0
Other adjustments	-53.1	-28.9
Cash flow before change in working capital	0.4	1.1
Change in working capital:		
Decrease (+)/increase (-) in current non-interest bearing receivables	2.4	3.8
Decrease (+)/increase (-) in inventories	-2.0	-1.6
Decrease (-)/increase (+) in current loans	2.3	-0.7
Increase (+)/decrease (-) in obligatory reserves	-0.0	-0.2
Cash flow before financial items and taxes	3.1	2.3
Interest paid and payments of other financial expenses	-9.3	-4.6
Dividends received	0.0	15.0
Interest received	4.4	5.5
Direct taxes paid	-6.7	-11.1
Cash flow from operating activities (A)	-8.6	7.2
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1.7	-1.4
Income from disposals of tangible assets	0.0	0.0
Placements in other investments	-0.0	-0.2
Proceeds from other investments	0.2	0.0
Loans granted	-155.0	-107.4
Instalments on loans receivable	1.7	32.7
Cash flow from investing activities(B)	-154.9	-76.2
CASH FLOW FROM FINANCING ACTIVITIES		
Loans taken	211.5	103.9
Payments on loans	-38.3	-53.5
Group contributions (contribution-based)	15.2	36.6
Dividends paid and other distribution of profit	-28.0	-24.9
Cash flow from financing (C)	160.4	62.1
Calculated change in cash and cash equivalents (A+B+C)	-3.0	-6.9
Cash and cash equivalents at the beginning of year	3.6	10.6
Cash and cash equivalents at the end of year	0.6	3.6

Notes to the parent company's financial statements

MEUR

2013

2012

NOTES TO INCOME STATEMENT

1. Net sales

Rental income and compensation	2.3	2.4
Other income	8.0	10.0
Total	10.2	12.5

2. Other operating income

Other operating income	0.2	0.4
Profit on sales of fixed assets	0.0	0.0
Management service charges	4.4	4.1
Total	4.5	4.6

3. Materials and services

Materials and services		
Purchases	2.7	-0.1
Change in inventories	-1.3	4.4
	1.5	4.4

4. Personnel expenses

Salaries and wages	2.4	2.6
Pension expenses	1.2	1.0
Other personnel expenses	0.1	0.1
	3.6	3.7

5. Management salaries and compensations

Presidents and members of the Board of Directors	1.4	0.8
The President and CEO is entitled to retire at the age of 60.		

6. Average number of personnel

Employees	15	13
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7. Depreciation

Depreciation of tangible and intangible assets	0.8	0.7
	0.8	0.7

8. Other operating expenses

Rents	1.7	1.8
Maintenance expenses	0.5	0.4
Other fixed expenses	7.2	5.6
Other operating expenses	0.0	0.0
	9.4	7.8

Milj. € 2013 2012

9. Financial income and expenses

Dividend income

From Group companies	0.0	15.0
From others	0.0	0.0
Dividend income, total	0.0	15.0

Interest income on long-term investments

From Group companies	3.5	4.7
From others	0.6	0.1
	4.1	4.8

Interest expenses and other financing expenses

To Group companies	0.7	0.5
To others	10.3	6.2
	11.1	6.7

Financial income and expenses, total

–6.9 13.1

10. Extraordinary items

Extraordinary income

Group contributions	53.1	28.9
	53.1	28.9

11. Income taxes

Income taxes	11.2	6.7
	11.2	6.7

NOTES TO BALANCE SHEET

12. Intangible assets

Other long-term expenditure

Acquisition cost, 1 Jan.	2.9	2.6
Increases	0.8	0.3
Acquisition cost, 31 Dec.	3.6	2.9
Accumulated depreciation and write-downs, 1 Jan.	2.1	1.8
Depreciation for year	0.3	0.3
Accumulated depreciation, 31 Dec.	2.4	2.1
Book value, 31 Dec.	1.3	0.8
Intangible assets, total	1.3	0.8

MEUR

2013

2012

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

Connection fees

Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0

Machinery and equipment

Acquisition cost, 1 Jan.	3.0	2.5
Increases	0.4	0.5
Decreases	-0.1	0.0
Acquisition cost, 31 Dec.	3.3	3.0
Accumulated depreciation and write-downs, 1 Jan.	1.8	1.4
Accumulated depreciation of transfers	0.0	0.0
Depreciation for year	0.4	0.4
Accumulated depreciation, 31 Dec.	2.2	1.8
Book value, 31 Dec.	1.0	1.1

Other tangible assets

Acquisition cost, 1 Jan.	0.7	0.1
Increases	0.6	0.6
Acquisition cost, 31 Dec.	1.3	0.7
Accumulated depreciation and write-downs, 1 Jan.	0.1	0.1
Depreciation for year	0.1	0.0
Accumulated depreciation, 31 Dec.	0.2	0.1
Book value, 31 Dec.	1.1	0.6

Tangible assets, total

2.2	1.8
-----	-----

MEUR	2013	2012
INVESTMENTS		
14. Holdings in Group companies		
Acquisition cost, 1 Jan.	68.7	68.5
Increases	0.0	0.2
Acquisition cost, 31 Dec.	68.7	68.7
Book value, 31 Dec.	68.7	68.7
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.	1.3	1.3
Decreases	-0.3	0.0
Acquisition cost, 31 Dec.	1.0	1.3
Accumulated write-downs, 1 Jan.	0.0	0.0
Accumulated write-downs, 31 Dec.	0.0	0.0
Book value, 31 Dec.	1.0	1.2
Investments, total	69.7	70.0
17. Inventories		
Completed housing units and commercial space	0.2	0.2
Land areas and land area companies	5.3	3.2
Other inventories	0.4	0.4
Book value, 31 Dec.	5.9	3.9
18. Non-current receivables		
Receivables from Group companies		
Notes receivable, Group	420.7	265.7
	420.7	265.7
Receivables from others		
Notes receivable	0.5	0.3
	0.5	0.3
Non-current receivables, total	421.2	266.0

MEUR

2013

2012

19. Current receivables

Receivables from Group companies

Accounts receivable	0.0	1.5
Loan receivable	0.0	1.6
Other receivables	57.2	19.3
Prepaid expenses and accrued income	1.3	1.4
	58.5	23.8

Receivables from others

Accounts receivable	0.3	0.3
Loan receivables	0.0	0.2
Prepaid expenses and accrued income	0.6	3.5
	0.9	4.0

Current receivables, total

59.4

27.9

Receivables, total

480.6

293.9

Specification of prepaid expenses and accrued income

Interest	1.4	1.7
Taxes	0.0	1.7
Receivables from construction commissioning	0.0	0.9
Bonds related receivables	0.0	0.3
VAT receivables	0.3	0.2
Other	0.1	0.1
	1.9	5.0

20. Shareholders' equity

Increase in share capital	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.	45.7	45.6
Increases	0.0	0.0
Other funds, 31 Dec.	45.7	45.7
Retained earnings, 1 Jan.	54.6	43.9
Dividend payment	-28.0	-24.9
Retained earnings, 31 Dec.	26.7	19.0
Profit for the period	34.5	35.6
Shareholders' equity, total, 31 Dec.	155.0	148.4

MEUR	2013	2012
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21. Calculation of distributable assets

Other funds	45.7	45.7
Retained earnings	26.7	19.0
Profit for the period	34.5	35.6
Distributable assets, 31 Dec.	106.8	100.3

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

Total number of shares	51,001,842	51,001,842
Own shares held by SATO Oyj	160,000	160,000
Combined number of shares	50,841,842	50,841,842

23. Obligatory reserves

Refund claim expense reserve	0.0	0.0
	0.0	0.0

24. Long-term liabilities

Loans to Group companies		
Loans, Group	3.9	3.9
	3.9	3.9
Loans from financial institutions		
Bonds	249.0	100.0
Loans from financial institutions	35.5	38.5
	284.5	138.5
Long-term liabilities, total	288.4	142.3
Loans maturing in more than five years	152.9	103.9
	152.9	103.9

25. Current liabilities

Loans to Group companies		
Advance payments	0.0	0.0
Accounts payable	0.4	0.4
Accrued expenses and prepaid income	1.1	0.2
	1.5	0.6
Loans to others		
Loans from financial institutions	100.3	73.1
Advances received	0.1	0.0
Accounts payable	0.3	0.4
Other liabilities	1.6	0.1
Accrued expenses and prepaid income	13.4	8.9
	115.6	82.5
Current liabilities, total	117.1	83.1
Liabilities, total	405.5	225.4

MEUR	2013	2012
Specification of accrued expenses and prepaid income		
Wages and salaries including employee benefits	2.8	3.2
Interest	6.6	4.8
Taxes	2.8	0.0
Municipal engineering liabilities	1.0	0.7
Others	1.3	0.3
	14.4	9.1

26. Collaterals, contingent liabilities and other commitments

Collateral of own commitments		
Shares pledged	0.0	0.0
	0.0	0.0
Contingent liabilities on behalf of Group companies		
Mortgages on land areas and buildings	0.5	0.5
Guarantees	615.6	659.5
	616.1	660.0
Contingent liabilities on behalf of others		
Guarantees	0.0	0.0
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	0.0
Total		
Pledges		
Mortgages on land areas and buildings	0.5	0.5
Guarantees	615.6	659.5
Other commitments	0.0	0.0
Pledges and contingent liabilities, total	616.1	660.0

Auditor's report

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 December 31, 2013. 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 and the distribution of other unrestricted equity is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 30 January 2014

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	2009	2010	2011	2012	2013
KEY FINANCIAL INDICATORS					
Net sales, MEUR	230	193	232	287	312
Operating profit, MEUR	71	75	87	99	109
as percentage of net sales	30.7	38.7	37.4	34.5	34.8
Net financing expenses, MEUR	-41	-33	-35	-39	-38
Profit before taxes, MEUR	30	42	52	61	71
as percentage of net sales	13.1	21.6	22.5	21.1	22.8
Balance sheet total, MEUR	1,418	1,472	1,717	1,855	2,005
Shareholders' Equity and non-controlling interest, MEUR	221	274	284	295	339
Liabilities, MEUR	1,197	1,198	1,433	1,559	1,666
Return on Equity (%) (ROE)	10.7	12.4	14.9	15.5	19.9
Return on invested capital (%) (ROI)	5.6	5.7	6.1	6.3	6.2
Equity ratio (%)	15.7	18.8	16.7	16.0	17.1
Equity ratio (%) at fair value	24.8	29.5	29.5	29.4	31.7
Investment property at fair value, MEUR	1,503	1,657	1,899	2,088	2,316
Gross investments, MEUR	112	104	150	160	191
as percentage of net sales	48.6	54.1	64.7	55.7	61.2
Average number of personnel	141	129	137	152	156
KEY INDICATORS PER SHARE					
Earnings per share, EUR	0.50	0.62	0.82	0.88	1.24
Equity per share, EUR	4.83	5.36	5.56	5.79	6.66
Net worth per share, EUR	9.07	10.48	12.59	13.72	16.16
Dividend per share, EUR	0.24	0.35	0.49	0.55	0.18*
Dividend, MEUR	10.9	17.8	24.9	28.0	9.2*
Total return (%)	17.9	20.8	22.8	13.5	15.5
Adjusted number of shares, average	45,269,689	50,841,842	50,841,842	50,841,842	50,841,842

* Dividend proposed by the Board of Directors for 2013 and return of capital 0.42 euros per share.

FORMULAS USED IN CALCULATION

Return on investment (%)	=	$\frac{(\text{Profit/loss before taxes} + \text{financial income and expenses})}{\text{Total assets} - \text{non-interest bearing liabilities (average)}} \times 100$
Return on equity (%)	=	$\frac{(\text{Profit/loss after taxes})}{\text{Shareholders' equity (average)}} \times 100$
Equity ratio (%)	=	$\frac{\text{Shareholders' Equity}}{\text{Total assets} - \text{advances received}} \times 100$
Earnings per share (EUR)	=	$\frac{\text{Profit for the period attributable to Equity holders}}{\text{Adjusted number of shares (average)}}$
Net worth per share (EUR)	=	$\frac{\text{Net worth at balance sheet value} - \text{liabilities}}{\text{Adjusted number of shares at year-end}}$
Dividend per share (EUR)	=	$\frac{\text{Dividend for the period}}{\text{Adjusted number of shares at year-end}}$
Total return (%)	=	$\frac{(\text{Profit/loss after taxes} + \text{return on appreciation after taxes})}{\text{Shareholders' Equity at fair value (average)}} \times 100$
Distributable profit	=	Distributable profit means that part of the SATOs profits which can be distributed to the shareholders without hindrance from the so-called non-profit regulations on distribution of profit contained in legislation on state-subsidised and interest-subsidised housing.

Information for shareholders

Summons to the annual general meeting of SATO Corporation

The annual general meeting of SATO Corporation will be held at 11.00 AM on Wednesday 5 March 2014 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 21 February 2014 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 4.00 PM (Finnish time) on Friday 28 February 2014, 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 8.00 AM to 4.00 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 the date of record for the annual general meeting, 21 February 2014. 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 at 10.00 AM (Finnish time) on Friday 28 February 2014. 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 or 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 enrolment 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, 11 February 2014.

Capital repayment and payment of dividend

The Board of Directors will propose to the annual general meeting that, for the financial year ending on 31 December 2013, a total of €0.60 per share be paid as dividend and capital repayment as follows:

According to the proposal, dividend of €0.18 and capital repayment of €0.42 per share would be paid. The capital repayment

would be paid from the invested unrestricted equity fund.

Dividend and capital repayment would be payable to a shareholder who, on the date of record, 10 March 2014, 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 and capital repayment be paid on Friday 21 March 2014.

Financial disclosures

The issue dates for interim reports are as follows:

January–March	24 April 2014
January–June	1 August 2014
January–September	23 October 2014

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

Distribution of shares, 5 February 2014

Varma Mutual Pension Insurance

Company	45.7 %
Ilmarinen Mutual Pension Insurance Company	16.1 %
Suomi Mutual Life Assurance Company	14.8 %
Elo Mutual Pension Insurance Company	12.9 %
LocalTapiola Group	4.8 %
Pohjola Insurance Ltd	2.7 %
Others	3.0 %

On 5 February 2014, the Group had 27 shareholders entered in the book-entry securities register. The turnover of SATO shares during the year under review amounted to 6.0%.

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 2013 was €4,442,192.02. 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.



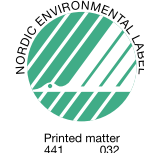
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