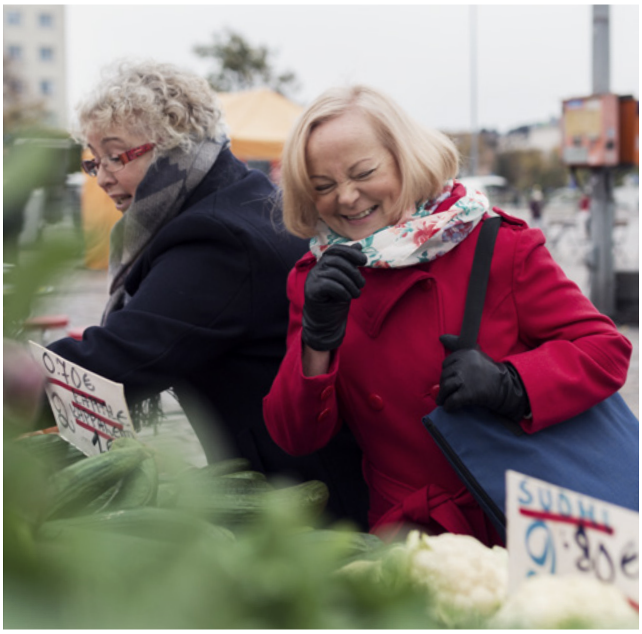
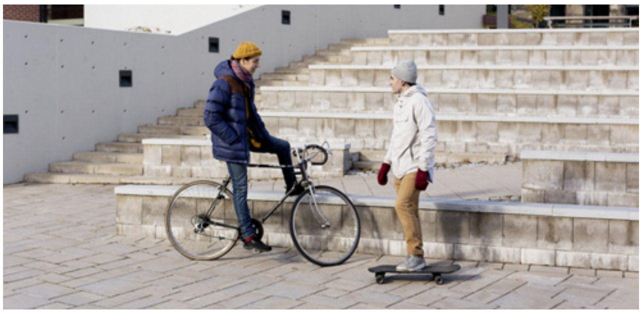
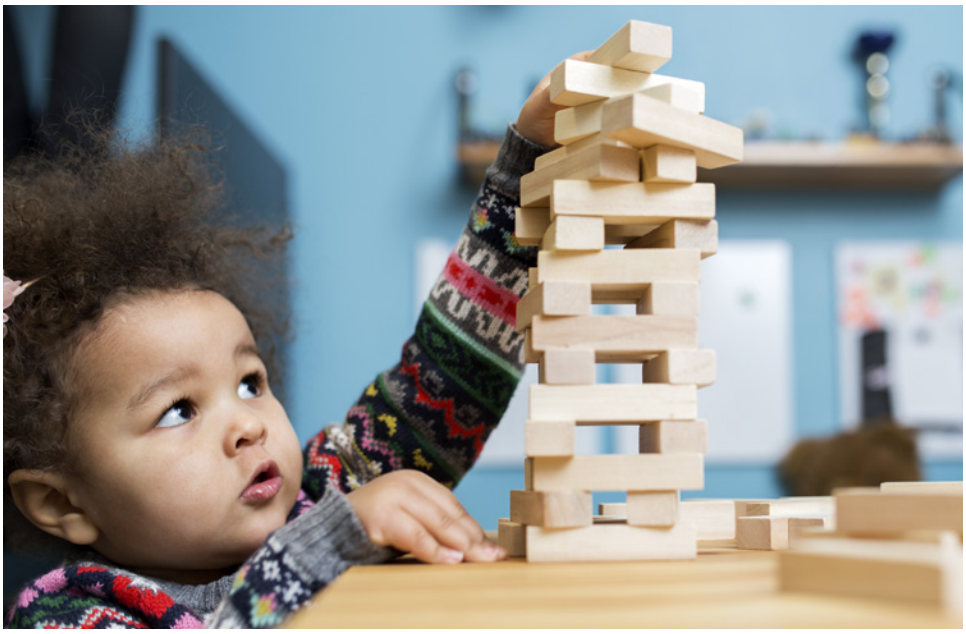
FINANCIAL STATEMENTS

2016







sato

CONTENTS

REPORT OF THE BOARD OF DIRECTORS 1 JANUARY–31 DECEMBER 2016

Operating environment

The Finnish economy has turned to moderate growth. In the near future, growth is expected to be close to one per cent. This growth is mainly based on private consumption and building investments. The outlook for exports seems brighter than in previous years, even though it remains weak due to the slow recovery of global economy. The Finnish competitiveness pact is expected to improve competitiveness with prices, but its impact on economic development will take effect after some delay. The public economy is estimated to remain clearly in the deficit.

Private consumption is expected to grow more slowly than in the year before because there has been no significant increase in income levels and the rate of inflation is estimated to increase. The employment rate continues to improve, but due to the mismatch in vacancies and the available workforce, the rate of unemployment is decreasing slowly.

Interest rates have started to go up in the USA where economic growth has strengthened. In the eurozone and Finland, interest rates are expected to remain low as a result of the financial policy of the European Central Bank and slow general growth. Low interest rates have a positive impact on SATO's results by reducing financing costs.

The success of urbanisation is essential for the competitiveness and growth of Finland. Recently, residential construction has been active and this good pace of construction should continue in growth centres in order to reach a good balance between supply and demand. In 2016, investments were made actively in apartments, with roughly 40 per cent of all major property transactions being housing portfolio deals. For example, real estate funds accounted for one third of all new residential buildings. As the supply of apartments has increased, competition over customers has intensified. SATO's competitive edge is boosted by improving customer service and introducing new services and housing concepts to enrich our broad range of apartments.

In the light of estimates, the market in year 2016 was better than the previous two years in terms of apartment sales. This growth has mostly been affected by the accelerated sales of new apartments. The positive development of apartment prices in SATO's operating areas has increased the fair value of the largest portfolio, evaluated according to the sales comparison method.

Strategy

In the autumn, the Board of Directors adopted the Group's updated strategy, strategic objectives and dividend policy.

Globalisation, digitalisation and sustainable development are accelerating the rate of urbanisation and influencing people's values and actions. Therefore, housing will also need to change. According to our vision, thriving cities will be home to people enjoying a high level of wellbeing. Our task is to revolutionise housing – provide our customers with more than just walls.

We will build a functional partnership network in order to offer diverse housing for different needs and services that produce benefits for our customers. We will allocate our growth investments to the Helsinki Metropolitan Area, Tampere, and Turku, i.e. to areas that show the highest demand for apartments and steady increase in value in the long-term.

The role of financing is emphasised in the creation of the capacities for growth, and we have included a strengthening investment grade rating (currently Moody's Baa3) in our strategic objectives. Our return on equity target for the strategic period will remain unchanged at 12 per cent. In addition, our strategic objective is a constantly improving Net Promoter Score (NPS) among our tenants.

According to the new dividend policy, annual dividends paid will, depending on the market situation, investment level, the development of equity ratio and the solvency ratio, be a maximum of 40 per cent of the cash earnings.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

Net sales, profit and financial position

SATO is engaged in investment activities where profit comes from rental income, sales profits and changes in the fair value of apartments. At the end of the year, capital invested in business operations stood at EUR 3,195.6 (2,669.5) million. When evaluating business profitability, the key indicator is return on investment, which was 9.1 (7.6) per cent.

During the reporting year, the Group's net sales decreased by 1.7 per cent year-on-year and totalled EUR 318.0 (323.4) million. The change in net sales is caused by the previously announced discontinuation of owner-occupied house production. Of the net sales, rental income accounted for EUR 262.7 (249.4) million. The increased number of apartments and focus on small apartments in growing cities improved rental income by 5.4 (2.5) per cent.

Operating profit, including the change in fair value of EUR 124.3 (62.4) million, increased by 36.0 per cent to EUR 267.2 (196.5) million. The change in value is based on the shift of focus to growing cities and to smaller apartments in accordance with our strategy. The operating profit without the change in the fair value was EUR 143.0 (134.0) million, mainly due to an increase in the apartment stock.

Profit before taxes increased by 37.6 per cent to EUR 219.4 (159.4) million. The improvement was mainly based on the positive change in the value of apartments and the increase in the value of the Russian rouble. Earnings per share was EUR 3.22 (2.49). Cash flow from operations (free cash flow after taxes excluding change in fair value) amounted to EUR 86.2 (78.1) million. The improvement in cash flow was affected by low interest rates and good cost management. In 2016, net financing costs totalled EUR 47.8 (37.0) million, comprising 15 per cent of the Group's net sales.

The change in the fair value of apartments included in the profit was EUR 124.3 (62.4) million. This change was affected positively by the development of apartment prices and the expiry of restrictions applicable to certain properties, the revision of yield demands for specific properties on the basis of guidance issued by an external valuation agency, and the increase in the value of the Russian rouble. The agency changed yields according to the changed market situation, which increased the value of apartments.

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

On 31 December 2016, the consolidated balance sheet total stood at EUR 3,562.2 (2,979.7) million. Equity was EUR 1,252.6 (993.2) million. Equity per share was EUR 22.12 (19.53).

The Group's equity ratio was 35.2 (33.3) per cent, which exceeds the new target level of 35 per cent. Through its two share issues completed in June, SATO Corporation strengthened its shareholders' equity by a total of EUR 112.9 million.

In 2016, the return on equity exceeded the target of 12 per cent and was 15.6 (13.5) per cent.

Financing

The Group and the parent company have enjoyed a good financial position throughout the financial period. At the end of the year, the Group had EUR 18.3 (60.7) million in cash and cash equivalents.

Interest-bearing liabilities at the end of the financial period totalled EUR 1,943.0 (1,676.2) million, of which loans subject to market terms accounted for EUR 1,446.2 (1,356.5) million. The loan itemisation is in Note 27 to the Financial Statements.

EUR 381.6 million of new long-term financing was withdrawn during the review period. The solvency ratio was 54.3 (55.3) per cent at the end of the reporting period. The target is a solvency ratio of less than 70 per cent.

SATO's objective is to shift towards an unsecured financing structure, and also to ensure as broad and flexible a financing base as possible and to improve the availability of financing to support the growth of the company. During the reporting year, SATO increased the proportion of financing without real securities to 38.8 per cent of all loans. The proportion of unencumbered assets was 53.1 per cent at the end of the year. In March, we issued a five-year bond of EUR 300 million with a fixed annual rate of 2.375 per cent. In June, SATO signed an agreement on syndicated credit facilities of EUR 400 million to refinance the Group's existing credit facilities. In November, SATO and the European Investment Bank (EIB) signed an agreement on a long-term loan of EUR 150 million. The objective of EIB and SATO is to construct new buildings of nearly zero energy and to carry out repairs that improve the energy efficiency of the Group's current apartments over the next few years. In December, SATO and Aktia Bank plc signed an agreement on a long-term loan without real securities of EUR 50 million.

To stabilise its financing costs and to improve the availability of financing, SATO set a stronger Investment Grade credit rating (currently Moody's Baa3) as its new strategic goal. At the end of the reporting year, the average loan interest rate was 2.5 (2.5) per cent. In accordance with the Group's financing policy, the aim is to ensure that at least 60 per cent of all loans are fixed-rate loans. On the balance sheet date, the proportion was 82.2 (73.2) per cent.

In 2016, net financing costs totalled EUR 47.8 (37.0) million. The average maturity of loans with market terms was 4.9 (5.1) years.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

During the financial period, the calculated impact of changes in the market value of interest hedges on equity was EUR -3.4 (2.9) million.

Group structure

SATO Corporation is the parent company of SATO Group. At the end of the reporting year, the parent company had a total of 21 (19) subsidiaries engaged in business operations.

Housing assets and fair value

On 31 December 2016, SATO owned a total of 25,344 (23,551) apartments. The number of apartments increased by 1,793 during the year. A total of 2,679 (476) apartments were purchased and 702 (708) new apartments were completed, totalling 3,381 (1,184) apartments. The total number of divested apartments and shared ownership apartments redeemed by the owner occupants was 1,588.

At the end of the reporting year, the fair value of apartments was EUR 3,383.2 (2,752.9) million and the change in fair value, including the rental apartments acquired and divested during the year, was EUR 630.3 (224.9) million. In addition to investments and divestments, the change in value was affected by the development of market prices and rental income, changes in the exchange rate of the Russian rouble, changes in yield values on the basis of guidance issued by an external valuation agency, as well as the expiry of restrictions applicable to certain sites.

Of the value of apartments, the commuting area of the Helsinki Metropolitan Area accounted for roughly 79 per cent, Tampere and Turku made up roughly 13 per cent, and Oulu and Jyväskylä roughly 4 per cent. Apartments in St. Petersburg represent roughly 4 per cent of the total value.

Development of housing assets

We develop our housing assets through investments and divestments and through repair activities.

Investment activities create preconditions for growth and modernise the apartment stock. Investments are allocated to the Helsinki Metropolitan Area, Tampere and Turku.

During the reporting year, investments in apartments totalled EUR 572.6 (250.5) million, i.e. nearly double compared to net sales. New apartments accounted for EUR 153.5 (136.7) million, roughly 26.8 per cent of all investments. At the end of the financial year, binding purchase agreements in Finland totalled EUR 121.2 (148.8) million.

During the reporting year, a total of 3,307 (1,037) apartments were acquired in Finland, of which 628 (561) in new buildings. A total of 1,232 (1,204) apartments were under construction in Finland at the end of the year.

The most significant investments were the acquisition of all shares in SVK Yhtymä Oy through a directed issue, as result of which 1,255 apartments were transferred to SATO, and the acquisition of 1,015 apartments from Suomen Laatuasunnot Oy. In December, SATO acquired Patrizia Immobilien KAG Greater Helsinki Oy which has a total of 113 apartments in Helsinki, Espoo and Vantaa.

In total, 1,267 (1,743) apartments with a total value of EUR 67.7 (95.9) million were divested in Finland. The most significant divestment was the sale of 294 apartments to KAS Group in December. The divested apartments are mainly located outside SATO's primary operating area.

In Finland, EUR 45.2 (57.3) million was spent on improving the quality of apartments, including the repair and major renovations of properties.

Property development

Property development offers the basis of and continuity for investments. Our plot reserves create a competitive edge by allowing the development of apartments best matching the future demand.

At the end of the reporting year, the book value of owned plot reserves totalled EUR 62.0 (57.5) million. The value of new plots acquired during the year stood at EUR 13.5 (13.2) million. In addition, we signed preliminary agreements on permitted building rights of 45,000 gross floor square metres to be developed for the construction of more than 700 apartments. The book value of the plot reserves divested during the year or used for producing apartments was EUR 22.4 (23.6) million.

We had ongoing zoning projects in Oulunkylä, Haaga, Patola and Puistola in Helsinki, and in Soukka, Finnoo and Karakallio in Espoo. Of the zoning projects in progress, approximately 120,000 gross floor square metres of permitted building rights are planned for complementary construction on the company's own plots, for approximately 2,000 apartments. Local plans were completed for complementary construction on the company's own plots, totalling approximately 50,500 gross floor square metres of permitted building rights. Complementary construction serves to produce various benefits for people already living in the area, future residents, service providers and society. The permanence of services improves, municipalities do not need to invest in public utility services, and furthermore the image of the area is enhanced.

When we decide to build new buildings, we assess which apartments are suitable for rental activities and which will be sold off as owner-occupied homes. During the financial year, a total of 628 (561) rental apartments and 57 (153) apartments for sale were completed for the Group in Finland.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

At the end of the year, 27 (52) completed and 0 (55) owner-occupied apartments under construction remained unsold at a total purchase value of EUR 16.1 (48.7) million.

Rental activities

Effective rental activities provide home seekers with quick access to an apartment. Rental services are mainly offered by SATO's rental offices. SATO's electronic channels makes finding a home easy for customers.

SATO's economic occupancy rate in Finland was 95.6 (96.4) per cent on average. The occupancy rate improved during every quarter, rising from 94.8 per cent in the first quarter to 96.3 per cent in the fourth quarter. The average tenant turnover rate was 40.5 (41.1) per cent, of which residents changing from one SATO apartment to another accounted for 7.9 (8.5) per cent. The tenant turnover was increased and the occupancy rate decreased by the increased supply of apartments in SATO's operating areas. To increase customer loyalty, we will renew our service which our customers can use to change apartment.

The average rent of SATO's apartments in Finland was EUR 16.47 (16.39) per m^2 per month at the end of the year.

Net rental income from apartments was at the same level as 2015 at EUR 166.2 (151.8) million, corresponding with our current guidance. Net rental income rate was 5.6 (6.0) per cent. Our apartment stock which has been modernised through investments, the moderate development of maintenance fees and the development of rental activities and customer service, contributed to the increase of our net rental income.

Business operations in St. Petersburg

The housing market of St. Petersburg is of the same size as the Finnish housing market. The expansion of investment activities to St. Petersburg from 2007 has increased the opportunities for SATO's growth. Russia is limited to a maximum of 10 per cent of the Group's housing assets.

At the end of the reporting period, the fair value of housing assets in St. Petersburg totalled EUR 128.6 (106.1) million, i.e. 3.8 per cent of all housing assets held by SATO. The change in value amounted to EUR 19.8 (-5.4) million caused by the change in the currency exchange rate. The total value of binding purchase agreements was EUR 0.0 (2.4) million at the end of the year. There were a total of 534 (460) completed apartments and none (74) under construction in St. Petersburg at the end of the year. For the time being, SATO will refrain from making new investment decisions in Russia.

During the reporting year, the average occupancy rate of our apartments in St. Petersburg was 82.2 (82.7) per cent.

The occupancy rate of our existing apartments improved as the year progressed, while it remained below the previous year's level due to the completion of 74 apartments in the middle of the year.

The estimated inflation rate in Russia was 5.8 (12.9) per cent. SATO's rouble-denominated rents changed by -0.7 (3.3) per cent. As a result of the increased value of the rouble, euro-denominated rents increased, being EUR 15.33 (12.54) per m^2 per month at the end of the year.

Customer accounts

The requirement level of customers has increased and their expectations have differentiated in terms of the quality of the apartment and service. We want to develop our operations and our range of products and services to continuously improve the customer experience. We measure the development of the customer experience using the net promoting score NPS, and our objective is to continuously increase this value. The NPS measured by the method used in 2016 improved by two percentage points.

At the end of the year, we launched three strategic development programmes to strengthen our customer satisfaction and permanence. To implement these programmes, we will strengthen our customer resources by recruiting 30 new SATO employees in spring 2017.

Development activities

Development activities were focused on strategy development, the development of digital services and IT systems and the planning of new concepts. A total of EUR 0.9 (1.2) million were spent on development, comprising 0.3 per cent of net sales.

SATO's new mission is to revolutionise housing – to offer more than just walls. We will start this change through three strategic programmes. The objective of the "Customer first" programme is to build a new service culture. Through the "OmaSATO" development programme, we will create new digital services, with a service aimed to make it easier to find a new apartment will be opened in the spring of 2017. The objective of the third programme is to launch new housing options in the market.

Corporate responsibility

Sustainable development is a megatrend which affects people's values and behaviour. For companies, sustainable operating methods have grown in significance, and SATO has continuously revised and changed the guidelines and principles to be followed in its operations. SATO's Code of Conduct, Corporate Governance Statement and Sustainability policy are available at sato.fi.

During the reporting year, SATO participated for the second time in the Global Real Estate Sustainability Benchmark (GRESB) assessment and was again rated in the best category, the Green Star. In its benchmarking group among unlisted housing investors, SATO was the best out of five Nordic investors and the sixth out of 24 European investors. Globally, SATO was ranked ninth of the 65 participating housing investors.

In 2016, SATO prepared its new Code of Conduct together with its personnel. Through the new Code of Conduct, SATO revised its guidelines, for example, on reasonable hospitality and decided to adopt the Whistleblowing channel for its stakeholders and personnel. The new Code of Conduct entered into force on 1 January 2017.

Environmental impact

Curbing energy consumption is a key issue in the prevention of adverse environmental impacts caused by housing. In October, SATO signed the energy efficiency agreement in the real estate industry for 2017–2025. SATO has also been party to preceding energy saving agreements of rental apartment associations, starting from the very first agreement signed in 2002. In addition, SATO is a committed climate partner of the City of Helsinki.

In the new energy efficiency agreement, SATO is committed to reducing the total energy volume of building heat and electricity by 10.5 per cent from the level of 2014 by the end of 2025. These tighter objectives encourage us to continue as a pioneer of sustainability.

During the reporting period, the specific heat consumption decreased by 3.3 per cent and that of electricity decreased by 1.0 per cent from the 2015 level. The specific water consumption decreased by 1.4 per cent.

The objective of the financing agreement signed by EIB and SATO in November is to construct new buildings of nearly zero energy and to carry out repairs that improve the energy efficiency of the Group's current apartments over the next few years.

During the reporting year, the specific emissions from SATO's apartments were 34.7 (33.5) carbon dioxide equivalent kilograms per square metre. The goal is to achieve a 20 per cent reduction in greenhouse gas emissions by 2020 when compared to the 2013 level.

The Group's environmental programme is available at sato.fi/environmentalprogramme.

Events after the review period

In its meeting held on February 1, SATO Corporation's Board of Directors has updated the financial targets to the group. The updated financial targets are:

- equity ratio over 35 per cent (previous target over 30 per cent)
- solvency ratio below 70 per cent
- interest cover ratio over 1.8x
- unencumbered assets ratio 60 per cent or more (previous approximately 50 per cent by the end of 2020)

Risk management

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

SATO's reporting practice was amended from 1 January 2014 so that the change in the value of apartments will be shown in the income statement. Consequently, the development of apartment price levels – as well as currency fluctuations regarding the assets in St. Petersburg – may cause fluctuations in profit.

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

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

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

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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

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

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

Pending legal actions

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

Shares

On 31 December 2016, the share capital of SATO Corporation was EUR 4,442,192.00 and there were 56,783,067 shares. The company has one series of shares. The shares are included in the book-entry securities system maintained by Euroclear Finland Oy.

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

On 31 December 2016, the Board members, CEO and Deputy to the CEO of SATO Corporation owned a total of 179,000 shares in the company.

Personnel

At the end of 2016, the Group had 175 (170) employees. There were 160 (160) permanent employees and 15 (10) employees with a fixed-term contract of employment. During the year, the Group had an average of 170 (172) employees.

To improve the employment of young people, SATO took part in the Vastuullinen kesäduuni (Responsible summer job) campaign and offered summer jobs to 25 young people.

Shareholders' Nomination Committee

The Shareholders' Nomination Committee consists of representatives of SATO's four largest shareholders registered in the book-entry system on October 1, and who accept the task. Its members are Erik Selin (Balder), Hans Spikker (APG), Hanna Hiidenpalo (Elo) and Matti Harjuniemi (Finnish Construction Trade Union).

Members of the Nomination Committee in charge of preparations for the 2016 Annual General Meeting were Erik Selin (Balder), Andrea Attisani (APG), Hanna Hiidenpalo (Elo) and Reima Rytsölä (Varma).

Board of Directors, CEO and auditors

Up to the Annual General Meeting held on 3 March 2016, the Board of Directors of SATO comprised Esa Lager as chairman, Jukka Hienonen as deputy chairman, and Andrea Attisani, Esa Lager, Tarja Pääkkönen, Timo Stenius and Ilkka Tomperi as ordinary members.

The AGM held on 3 March 2016 confirmed that the Board of Directors consists of seven members.

The AGM selected Erik Selin as the chairman of the Board. Andrea Attisani, Jukka Hienonen, Esa Lager, Tarja Pääkkönen and Timo Stenius were selected to continue as members of the Board of Directors. Markus Hansson was elected as a new member. Andrea Attisani stepped down from the Board of Directors of SATO Corporation in July.

The Board of Directors convened 13 times during 2016. The Board of Directors is supported by two committees consisting of members of the Board: the Nomination and Remuneration Committee and the Audit Committee.

Saku Sipola, M.Sc. (Tech.), has acted as the CEO and Tuula Entelä, LL.M, M.Sc. (Econ.), as the deputy CEO.

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

Members of the corporate management group

On 31 December 2016, members of the management group were CEO Saku Sipola, Antti Aarnio (vice president, investments, starting from 17 February 2016), Monica Aro (director of customer relationships and communication until 28 November 2016, vice president of development, starting from 28 November 2016), Antti Asteljoki (vice president, apartments, starting from 16 May 2016), Miia Eloranta (director of customer relationships and communication, starting from 28 November 2016), Tuula Entelä (vice president, business development, until 28 November 2016, member of the Group's management team, until 31 December 2016), and Markku Honkasalo (CFO, starting from 1 December 2016).

Other members of the management group were Pasi Suutari, who acted as vice president in charge of regional activities, new buildings and renovations until 16 February 2016, and Esa Neuvonen, who acted as CFO until 6 November 2016.

Outlook

In the operating environment, SATO's business activities are mainly affected by consumer confidence, the development of purchasing power, the rent and price development for apartments, general competition and interest rates.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

The Finnish economy is expected to continue slow growth, and general confidence is estimated to be higher than on average. Interest rates are expected to remain low in 2017, which will have a positive impact on SATO's financing costs.

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

SATO's net rental income is expected to remain at the 2016 level. Rent increases are expected to be moderate.

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

The Russian economy is expected to develop slowly.

Proposal of the Board of Directors regarding disposal of profit

On 31 December 2016, the parent company's distributable assets amounted to EUR 239,829,144.49 of which the net profit for the financial period was EUR 52,631,635.21. The number of company's outstanding shares entitling to dividends for 2016 is
56,623,067.

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

The Board of Directors proposes to the AGM that no dividend will be paid for the reporting year 2016 (0.50 per share in 2015), and that EUR 52,631,635.21 be transferred to retained earnings.

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

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

Helsinki, 1 February 2017

Erik Selin

Esa Lager

Tarja Pääkkönen

Saku Sipola
CEO

Jukka Hienonen

Marcus Hansson

Timo Stenius

AUDITOR'S NOTE

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

Helsinki, 1 February 2017

KPMG OY AB
Lasse Holopainen APA

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Rental income		262.7	249.4
Sales income, new production		40.2	72.7
Sales income, land stock		14.6	0.7
Sales income, other		0.5	0.6
Net sales		**318.0**	**323.4**
Property maintenance expenses		-93.2	-95.1
Ground rents		-2.5	-2.4
New production expenses		-34.3	-66.5
Carrying value, land stock sold		-13.9	-0.4
Operating expenses		**-143.9**	**-164.5**
Net operating income		**174.1**	**158.9**
Proceeds from disposal of investment properties	4	67.3	95.5
Carrying value of investment properties sold	4 13	-66.5	-87.0
Fair value change of investment properties	13	124.3	62.4
Sales and marketing expenses		-8.8	-8.7
Administrative expenses	6 7 8 9	-21.2	-21.3
Other operating income	5	0.7	2.0
Other expenses	5	-2.6	-5.5
Operating profit		**267.2**	**196.5**
Financial income		0.6	0.9
Financial expenses		-48.4	-37.9
	10	**-47.8**	**-37.0**
Profit before tax		**219.4**	**159.4**
Income tax expenses	11	-44.8	-32.5
Profit for the period		**174.7**	**127.0**
Profit for the period attributable to			
Equity holder of the parent		174.8	126.8
Non-controlling interests		-0.2	0.1
		174.7	**127.0**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

	note		
Earnings per share attributable to equity holders of the parent	12		
Basic, EUR		3.22	2.49
Diluted, EUR		3.22	2.49
Average number of shares, million		54.3	50.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other comprehensive income			
Remeasurement of defined benefit liability, net of tax		-0.1	0.1
Related tax		0.0	0.0
Items that will never be reclassified to income statement	25	**-0.1**	**0.1**
Cash flow hedges		-3.5	6.9
Translation differences		0.1	-0.1
Related tax		0.7	-1.4
Items that may be reclassified subsequently to income statement		**-2.7**	**5.5**
Other comprehensive income, net of tax		**-2.8**	**5.6**
Total comprehensive income		**171.9**	**132.5**
Comprehensive income attributable to			
Equity holders of the parent		172.1	132.4
Non-controlling interest		-0.2	0.1
		171.9	**132.5**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Investment property	13	3,383.2	2,752.9
Tangible assets	14	2.1	2.2
Intangible assets	9 15	1.6	1.8
Investments in associated companies	16	0.0	0.0
Available-for-sale financial assets	17 18	1.7	1.7
Non-current receivables	19 28	13.4	13.0
Deferred tax assets	20	16.1	15.5
Total		**3,418.1**	**2,787.0**
Current assets			
Inventories	21	103.0	111.8
Account and other receivables	22	18.0	13.9
Deferred tax assets		4.9	6.3
Cash and cash equivalents	17 23	18.3	60.7
Total		**144.1**	**192.7**
TOTAL ASSETS		**3,562.2**	**2,979.7**

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity attributable to Equity holders of the parent			
Share Capital		4.4	4.4
Fair value and other reserves		-37.9	-35.1
Reserve fund		43.7	43.7
Reserve for invested non-restricted equity		114.8	1.9
Retained earnings		1,127.6	978.1
Total	24	**1,252.6**	**993.1**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

Non-controlling interests		**0.0**	**0.1**
TOTAL SHAREHOLDERS EQUITY		**1,252.6**	**993.2**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	20	225.9	202.6
Provisions	29	3.0	5.2
Derivatives	17 28	54.4	47.8
Long-term non-interest bearing liabilities	25 26	0.8	0.8
Long-term interest bearing liabilities	17 27	1,794.4	1,488.8
Total		**2,078.5**	**1,745.2**
Current liabilities			
Accounts payable and other liabilities	30	69.9	47.9
Provisions	29	1.9	1.5
Deferred tax liabilities		10.8	4.3
Short-term interest bearing liabilities	17 27	148.5	187.4
Total		**231.1**	**241.2**
TOTAL LIABILITIES		**2,309.6**	**1,986.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,562.2**	**2,979.7**

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Cash flow from operating activities			
Profit for the period		**174.7**	**127.0**
Adjustments:			
Non-cash items included in the profit*	33	-122.5	-55.4
Profit and loss on sales of investment properties and fixed assets		-1.0	-8.6
Other adjustments		0.0	-2.5
Interest expenses and other financial expenses	10	48.4	38.3
Interest income	10	-0.6	-0.8
Dividend income		0.0	0.0
Income taxes	11	44.8	32.5
Cash flow before change in net working capital		**143.7**	**128.8**
Change in net working capital:			
Changes in accounts receivable and other receivables		-1.4	-1.1
Change in inventories		7.0	76.7
Change in accounts payable and other liabilities*		12.1	-20.2
Interest paid		-43.0	-40.9
Interest received		0.5	0.9
Taxes paid		-13.8	-21.0
Net cash flow from operating activities		**105.2**	**124.8**
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash		0.0	0.3
Acquisitions of investment properties		-327.0	-250.4
Acquisitions of tangible and intangible assets		-0.9	-1.3
Repayments of loans receivable		0.9	2.2
Payments of granted loans		-1.9	-3.2
Disposals of investment property		52.1	59.1
Net cash flow from investing activities		**-276.8**	**-193.3**
Cash flow from financing activities			
Repayments (–) / withdrawals (+) of current loans		6.1	1.1
Withdrawals of non-current loans		381.6	483.7
Repayments of non-current loans		-332.9	-355.5
Payments received from the issue of shares		98.7	0.0
Repayment of capital and dividends paid	24	-25.4	-31.5
Net cash flow from financing activities		**128.1**	**97.7**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Change in cash and cash equivalents	**-43.6**	**29.2**
Cash and cash equivalents at the beginning of period	60.7	31.8
Effect of exchange rate fluctuations on cash held	0.4	-0.1
Cash M&A	0.9	-0.3
Cash and cash equivalents at the end of period	18.3	60.7

* SATO has reclassified the adjustment for change in current provisions (EUR 0.4 million in 2016 and EUR 1.5 million in 2015) from change in accounts payable and other liabilities to non-cash items included in the profit.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

	Attributable to owners of the parent							
MEUR	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	2015 Total equity
Shareholders' equity 1 Jan 2015	4.4	-40.6	43.7	23.3	861.4	892.2	0.1	892.3
Comprehensive income:								
Remeasurements of defined benefit liability					0.1	0.1		0.1
Cash flow hedges, net of tax		5.5				5.5		5.5
Translation differences					-0.1	-0.1		-0.1
Profit for the period					126.8	126.8	0.1	127.0
Total comprehensive income	0.0	5.5	0.0	0.0	126.9	132.4	0.1	132.5
Transactions with shareholders:								
Issue of shares						0.0		0.0
Dividend					-10.2	-10.2	0.0	-10.2
Capital repayment				-21.3		-21.3	0.0	-21.3
Transaction with shareholders, total	0.0	0.0	0.0	-21.3	-10.2	-31.5	0.0	-31.5
Other adjustments					0.0	0.0	-0.1	-0.1
Total of equity movements	0.0	5.5	0.0	-21.3	116.7	100.9	0.1	101.0
Shareholders' equity 31 Dec 2015	4.4	-35.1	43.7	1.9	978.1	993.1	0.1	993.2

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. Accounting principles

Basis of presentation

SATO Corporation is a Finnish public limited company domiciled in Helsinki, Finland. SATOs registered address is Panuntie 4, 00600 Helsinki. SATO Corporation and its subsidiaries together form the consolidated SATO Group ("SATO" or "the Group").

The Board of Directors has approved the 2016 financial statements on 1 February 2017. A copy of the company's consolidated financial statements may be obtained from the abovementioned address.

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

SATO's housing investments include both privately financed and state-subsidised housing assets. In respect of the latter SATO's business is affected by special features of non-profit activities, which are the result of restrictions set on the company's business for state-subsidised housing construction. The non-profit restrictions affect owner organisations through, inter alia, restrictions on distribution of the profit, divestment and risk-taking as well as through the prohibition of lending and providing collateral. Housing is also affected by property-specific, fixed-term restrictions, which apply to matters such as the use and handover of apartments, the selection of the residents, and the setting of rent. In respect of non-profit activities, SATO's supervisory authorities are the Housing Fund of Finland (ARA), the State Treasury and the Ministry of the Environment, as well as local authorities in matters concerning the selection of residents.

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

General principles

SATOs consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union observing the standards and interpretations effective on 31 December 2016. The notes to the financial statements are also in compliance with the Finnish accounting principles and corporate legislation.

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

The preparation of IFRS financial statements requires judgement by the management in applying the accounting principles and making certain estimates and assumptions that are subject to uncertainty.

In Note 2, information is given on key areas where management judgements or uncertainty factors in estimates and assumptions may cause the most significant effects on the figures presented.

Principles of consolidation

The consolidated financial statements are a consolidation of the financial statements of the parent company and the subsidiaries. Subsidiaries are companies over which the parent company has control. Control over a subsidiary is presumed to exist when the investor is exposed, or has rights to, variable returns from its involvement with the investee.

Acquired subsidiaries are included in the consolidated financial statements from the date of acquisitions until the control ends. Acquired companies are included in the financial statements using the acquisition cost method. The net assets of the acquired company at the acquisition date are booked at the fair value of the land areas and buildings. Acquisitions of real property are generally treated as acquisitions of asset items.

All intra-group transactions, internal receivables and payables, in addition to profit on internal transactions and the distribution of profit between Group companies are eliminated as part of the consolidation process.

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

In SATO, the housing companies that own so-called shared ownership apartments are treated as structured entities. These are not included in the consolidated

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

financial statements insofar as the companies are considered to be arrangements outside of SATO's operations, the purpose of which is to act on behalf of the people who have invested in shared ownership apartments. Those involved in the ownership arrangements are entitled to purchase the apartment for themselves after an agreed period and thus to benefit from any rise in the apartment's value. SATO handles the governance and building management of the shared ownership properties.

Transactions denominated in foreign currencies

The financial statements of the Group entities are based on their primary functional currencies of the economic environment where the companies are operating. The presentation currency of the financial statements is the euro, which is also the functional currency of the parent company.

Transactions in foreign currencies are translated in the functional currency using the exchange rate of the date of transactions. At the end of the accounting period all open balances of assets and liabilities denominated in foreign currencies are translated into euros at the closing date exchange rate.

Receivables and liabilities denominated in a foreign currency are translated using period-end exchange rates. Foreign exchange gains and losses related to the primary business are treated as adjustments to income or expenses. Investment-related foreign exchange gains and losses are treated as adjustments to investments. Financial foreign exchange gains and losses are reported under financial income and expenses. Foreign exchange gains and losses from translation of other assets and liabilities are reported in income statement. Unrealised gains and losses related to cash flow hedges are reported in other comprehensive income.

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

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

Investment Property

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

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

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

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

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

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

- The sales comparison method is used in properties of which apartments can be sold individually without restrictions;
- the properties which can only be sold as entire property and to a restricted group of buyers are valuated using the income value method; and
- the fair values of properties

under construction, interest-subsidised (short term) properties and ARAVA properties are estimated to be same as acquisition cost.

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

Tangible assets

Tangible assets are valued at the original acquisition cost less accumulated depreciation and impairments. They are depreciated with the straight-line method over their estimated economic lives, which are as follows:

Machinery and equipment 5–10 years
Other tangible assets 3–6 years

The economic life and residual value of assets are reassessed at each year-end. Changes in the future economic benefits found in the assessment are taken into account by adjusting the economic life and residual value of the assets. Profits and losses arising from sales and divestments of tangible assets are booked in the profit and loss account and presented as other income and expenses of business operations.

Intangible assets

An intangible asset is recognised in the balance sheet only if its acquisition cost can be determined reliably and it is likely that an expected economic benefit will accrue to the company from it.

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

Impairment

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

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

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

Inventories

Inventories are valued at acquisition cost or expected net realisable value if lower. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are comprised of the following items:

- Homes under construction, comprised of the portion of projects in progress booked at the balance sheet,
- completed homes and commercial premises intended for sale but unsold at the date of closing of the books,
- land areas and land area companies, which include the acquisition costs of unstated 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 IAS 39 *Financial Instruments: Recognition and Measurement* into the following categories: financial assets and liabilities at fair value through profit and loss, financial assets available for sale, loan and other receivables, financial liabilities at amortised cost, and effective cash flow hedges, measured at fair value through other comprehensive income. The instruments are classified at the time of the initial recognition and on the basis of the purpose of the instrument. Sales and purchases of financial instruments other than those associated with derivatives are booked on the clearance date. All derivatives are booked on the balance sheet on the trade date.

Financial assets and liabilities at fair value through profit and loss

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

Loan and other receivables

Loan and other receivables are nonderivative assets, for which the payments are fixed or can be determined. On the balance sheet, they are included in the accounts receivable and other receivables, in either current or non-current assets, according to their terms. Loans and other receivables are valued at amortised acquisition cost less any impairment. The Group books an impairment loss against accounts

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

receivable when there are reasonable indications on the date of closing the books that the receivable will not be collected in full.

Financial assets available for sale

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

An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. 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 of three months or less at the date of initial recognition. Any negative balances of bank accounts with an overdraft facility are included in current liabilities. The cash and cash equivalents of non-profit companies are kept separate from those of companies not subject to non-profit restrictions.

Financial liabilities at amortised cost

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

Derivatives and hedge accounting

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

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

Provisions

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

Principles of income recognition

Principles of income recognition for sales of new homes

Income from sales of newly built homes is recognised in compliance with the IAS 18 Revenue standard and the related IFRIC 15 Agreements for the Construction of Real Estate interpretation at the moment when the risks and benefits of the property have been transferred to the buyer. In respect of the homes sold during construction, the risks and benefits are deemed to be transferred on the completion date of the property, whereas for completed homes, they are transferred on the sale date.

Income from services

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

Lease agreements (SATO as lessor)

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

Lease agreements (SATO as lessee)

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

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

Borrowing costs

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

Public grants

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

Pension arrangements

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

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

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

Income taxes

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

Net operating income

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Operating profit

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

New and amended standards applied in financial year ended

SATO has applied as from 1 January 2016 the following new and amended standards that have come into effect.

- *Annual Improvements to IFRSs* (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): 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 cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.
- *Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items on the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have had a minor impact on presentation in SATO's consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments state that revenue-based methods of depreciation cannot be used for property, plant and equipment and may only be used in limited circumstances to amortise intangible assets if revenue and the consumption of the economic benefits of the intangible assets are highly correlated. The amendments have had no impact on SATO's consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture - Bearer Plants* (effective for financial years beginning on or after 1 January 2016): These amendments allow biological assets that meet the definition of a bearer plant to be measured at cost instead of fair value. However the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41. These amendments have had no impact on SATO's consolidated financial statements.
- Amendments to IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on SATO's consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception** (effective for financial years beginning on or after 1 January 2016): The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for preparing consolidated financial statements when there are investment entities within the group. The amendments also provide relief for non-investment entities for equity accounting of investment entities. The amendments have had no impact on SATO's consolidated financial statements.
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments have had no impact on SATO's consolidated financial statements.

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

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

* = not yet endorsed for use by the European Union as of 31 December 2016.

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

- Amendments to IFRS 15 - *Clarifications to IFRS 15 Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.
- IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impact of IFRS 9 on SATO's consolidated financial statements has been assessed by the management. The implementation of the new standard is not expected to have material impact on the classification or measurement of financial instruments in the consolidated financial statements, including hedge accounting. SATO will apply the new standard from 1 January 2018.
- IFRS 16 *Leases** (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available. These relate to either short term contracts in which the lease term is 12 months or less, or to low value items, i.e., assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group has commenced the preliminary impact assessment of the standard. It is assessed that the new standard will have an impact on the SATO's consolidated financial statements as it concerns the Group as a lessor.
- Amendments to IAS 7 *Statement of Cash Flows - Disclosure Initiative** (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in SATO's consolidated financial statements.
- Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses** (effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on SATO's consolidated financial statements.
- Amendments to IFRS 2 *Share-based payments - Clarification and Measurement of Share-based Payment Transactions** (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments have no impact on SATO's consolidated financial statements.
- Amendments to IFRS 4 *Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** (effective for financial years beginning on or after 1 January 2018).

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The amendments have no impact on SATO's consolidated financial statements.

- Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (the effective date has been postponed indefinitely). The amendments clarify the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments have no impact on SATO's consolidated financial statements.

2. Management judgements and key estimates and assumptions underlying the consolidated financial statements

When the financial statements are prepared, making of judgements, estimates and assumptions is required in certain matters, affecting the amounts of assets, liabilities and conditional liabilities on the consolidated statements of financial position as well as the amount of income and expenses in the income statement. The judgements, estimates and assumptions that have the most significant effects on preparation of the financial statements, are presented in the following.

Management judgements

In the process of applying the Group's accounting principles, management has made the following judgements, which have a significant effect on the amounts recognised in the consolidated financial statements.

- Classification of acquisitions. The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group considers whether the acquisition represents a business as defined in IFRS 3 *Business combinations*, i.e. whether an integrated set of activities and processes is acquired in addition to the property. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.
- Classification of properties. The Group determines whether a property is classified as investment property or inventory property. Investment property comprises land and buildings (primarily housing units) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business. Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this includes land plots and residential property that the Group develops and intends to sell before or on completion of construction.

Key estimates and assumptions

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

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

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

- The amount of provisions booked on property development projects requires estimates of the obligations arising from the projects. The amounts recorded as provisions are based on management's assessment of the specific risks in each project. Key considerations in the management's assessment include technical, contractual and legal aspects related to the project, as well as the Group's prior experience on similar projects.
- The fair value of investment property is determined using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. Due to the fact that market prices for properties are not observable on a quoted market, the fair value measurement for investment property is performed using indirect valuation techniques that require the use of several assumptions my the Group management. The significant methods and assumptions used by the Group in estimating the fair value of investment property are set out in Note 13.

3. Segment information

SATO has one operating segment. Significant operational decisions at SATO are made by the Board of Directors, which reviews the operating results and profitability as a single operating segment.

The Group operates in two geographic regions, Finland and Russia.

SATO does not have any single external customers that would account for 10% or more of SATO's revenues.

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Assets by geographical regions		
Finland	3,425.4	2,867.1
Russia	136.8	112.6
Total	**3,562.2**	**2,979.7**

4. Result on disposal of investment properties

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Profit and loss on sales of investment properties		
Profit on sales	3.7	15.3
Loss on sales	-3.0	-6.7
Total	**0.7**	**8.6**

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Sold investment properties		
Proceeds from disposal of investment properties	67.3	95.5
Carrying value of investment properties sold	-66.5	-87.0
Total	**0.7**	**8.6**

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

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

5. Other operating income and expenses

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other operating income			
Other income		0.7	2.0
Share of result of associated companies		0.0	0.0
Total		**0.7**	**2.0**

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other operating expenses			
Credit losses and uncertain receivables/ other expenses		2.6	1.0
Litigation provision	29	0.0	4.4
Total		**2.6**	**5.5**

6. Personnel expenses

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Personnel expenses			
Salaries and wages		10.9	11.0
Defined contribution pension plans		1.9	2.0
Defined benefit pension plans	25	0.0	0.1
Other personnel expenses		0.3	0.3
Total		**13.2**	**13.3**

Management employee benefits are presented in note 35. Related Party Transactions. Average number of personnel during the period has been 170 (172).

7. Auditors fee

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Auditors fees		
Audit	0.1	0.1
Tax consultancy	0.0	0.0
Other services	0.2	0.1
Total	**0.3**	**0.3**

SATOs Auditor is KPMG Oy Ab, Authorised Public Accountants.

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

8. Depreciation, amortizations and impairment charges

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Depreciation by asset class:			
Tangible assets	14	0.4	0.5
Intangible assets	15	0.8	0.7
Total		**1.1**	**1.2**

No impairment charges have been recognised.

9. Research and development

Research and development expenses during 2016 were EUR 0.7 (0.6) million and capitalised development costs were EUR 0.2 (0.6) million.

10. Financial income and expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Financial income		
Interest income on loans receivable and cash and cash equivalents	0.5	0.7
Dividend income on available-for-sale investments	0.0	0.0
Foreign exchange gain	0.1	0.1
Total	**0.6**	**0.9**

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Financial expenses		
Interest expense on financial liabilities measured at amortised cost	-31.5	-24.5
Interest expense on effective cash flow hedges	-12.5	-11.3
Interest expense on non-hedge accounted derivatives	0.0	-0.4
Change in fair value, non-hedge accounted derivatives	0.0	0.4
Other financial expenses	-4.4	-2.1
Total	**-48.4**	**-37.9**
Financial income and expenses, net	**-47.8**	**-37.0**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

11. Income taxes

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Income taxes recognised in income statement		
Current tax from accounting period	20.7	17.0
Current tax from previous period	0.7	0.4
Deferred taxes	23.4	15.0
Total	**44.8**	**32.5**

Reconciliation between the income tax expense recognised in income statement and tax expense calculated with domestic corporate tax rate (20%) of the parent company:

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Profit before taxes	219.4	159.4
Income tax calculated with domestic corporate tax rate of the parent	43.9	31.9
Non-deductible expenses	0.0	0.1
Tax-exempt income	0.0	0.0
Items to be recognised in income statement in future periods	0.0	0.0
Items that have been recognised in tax calculation in previous periods	0.0	-0.3
Tax from previous periods	0.7	0.4
Other items	0.2	0.3
Total adjustments	**0.9**	**0.6**
Income tax expense in income statement	**44.8**	**32.5**

12. Earnings per share

Undiluted earnings per share are calculated by dividing parent company profit attributable to equity holders with the weighted average number of shares outstanding. The total number of SATO's shares at 31 December 2016 was 56,783,067. At the end of the reporting period, SATO held 160,000 of its own shares.

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Profit attributable to equity holders of the parent	174.8	126.8
Weighted average of shares	54.3	50.8
Earnings per share (EUR)		
Basic	3.22	2.49
Diluted	3.22	2.49

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

13. Investment properties

MEUR	note	31 Dec 2016	31 Dec 2015
Fair value of investment properties at start of period		2,752.9	2,528.0
Acquisitions, new constructions		557.7	218.0
Other investments to properties		10.5	29.1
Disposals of investment properties	4	-66.5	-87.0
Capitalised borrowing costs	36	1.1	1.1
Reclassification from trading properties		3.2	1.3
Gains and losses from changes in fair value *		124.3	62.4
Fair value of investment properties end of period		**3,383.2**	**2,752.9**

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

Significant investments during the period:

In December, SATO acquired 113 apartments located in Espoo, Vantaa and Tampere from a fund managed by Patrizia. In April, SATO purchased 1015 homes that are mainly located in the Helsinki metropolitan area and Turku region, from Suomen Laatuasunnot Oy. In April, SATO also acquired the shares of SVK Yhtymä Oy, and the transaction resulted in the transfer of 1255 rental homes to SATO.

Significant disposals during the period:

In total, 1,267 (1,743) rental apartments were divested in Finland. The most significant divestment was the sale of 294 rental apartments to KAS Group in December. The divested apartments are mainly located outside SATO's primary operating area.

Valuation methods

SATO's investment properties mainly comprises of rental apartments that are located in the largest growth centres. Approximately 78 per cent of the housing property is located in the Helsinki region. Investment property value is taken care of by renovation and repair activity based on their lifecycle and repair plans. Increase in the fair value of SATO's investment property was mainly due to market price levels, reclassifications from measurement group to another when legal restrictions have ended and changes in parameters used in valuation.

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

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

At inception investment properties are booked at acquisition value, which includes transaction costs. Later investment properties are valuated at fair value. Gains and losses from changes in fair value are booked through profit and loss in the period when they are incurred. Fair value is the price at which the property would trade in a competitive auction setting. Fair value of investment properties represents the price in local primary market taking into account the condition and location of the property.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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

– Sales comparison
– Income value
– Acquisition cost

Sales comparison method

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

Income value

The properties which can only be sold as entire property and to a restricted group of buyers are valuated using the income value method. The income value is based on the area specific yield and assumption of the long-term rental use of the buildings. Long term renovation costs and interest subsidies are taken into account in income value method. In 2016, the yields used in estimation of the income value maily varied in the range of 5 to 8 per cent.

Acquisition cost

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

MEUR	31 Dec 2016	31 Dec 2015
Investment property by valuation classes		
Sales comparison method	2,687.6	2,054.1
Income value	540.6	508.5
Acquisition method	155.1	190.3
Total	**3,383.2**	**2,752.9**

Sensitivity analysis of investment properties

	-10%		-5%		5%		10%	
MEUR	**Change**	**Change %**	**Change**	**Change %**	**Change**	**Change %**	**Change**	**Change %**
Properties measured at market values								
Change in market prices	-213.5	-0.1%	-106.8	0.0%	106.8	0.0%	213.5	0.1%
Properties measured at yield value								
Yield requirement	49.5	12.5%	23.4	5.9%	-21.2	-5.4%	-40.5	-10.2%
Lease income	-65.1	-16.5%	-32.6	-8.2%	32.6	8.2%	65.1	16.5%
Maintenance costs	20.6	5.2%	10.3	2.6%	-10.3	-2.6%	-20.6	-5.2%
Utilization rate	-65.1	-16.5%	-32.6	-8.2%	-	-	-	-

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

All SATO's investment properties are classified to hierarchy level 3 under IFRS 13. Items which are included in the hierarchy level 3 are measured using input data which is not based on observable market data.

14. Tangible assets

2016

MEUR	note	Machinery and equipment	Other tangible assets	2016 Total
Acquisition cost, 1 January		4.8	1.4	6.2
Additions		0.4	0.0	0.4
Disposals		-0.5	0.0	-0.5
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		**4.6**	**1.4**	**6.0**
Accumulated depreciation, 1 January		3.6	0.3	3.9
Disposals		-0.4	0.0	-0.4
Depreciation for the period	8	0.4	0.0	0.4
Transfers between items		0.0	0.0	0.0
Accumulated depreciation, 31 December		**3.6**	**0.3**	**3.9**
Carrying value, 1 January		**1.1**	**1.1**	**2.2**
Carrying value, 31 December		**1.0**	**1.1**	**2.1**

2015

MEUR	Machinery and equipment	Other tangible assets	2015 Total
Acquisition cost, 1 January	4.7	1.4	6.1
Additions	0.3	0.0	0.3
Disposals	-0.2	0.0	-0.2
Acquisition cost, 31 December	**4.8**	**1.4**	**6.2**
Accumulated depreciation, 1 January	3.4	0.3	3.7
Disposals	-0.2	0.0	-0.2
Depreciation for the period	0.5	0.0	0.5
Accumulated depreciation, 31 December	**3.6**	**0.3**	**3.9**
Carrying value, 1 January	**1.3**	**1.1**	**2.4**
Carrying value, 31 December	**1.1**	**1.1**	**2.2**

15. Intangible assets

2016

MEUR	note	Intangible rights	Other intangible assets	2016 Total
Acquisition cost, 1 January		0.3	5.4	5.7
Additions		0.0	0.5	0.5
Disposals		0.0	0.0	0.0
Transfers between items		0.0	0.1	0.1
Acquisition cost, 31 December		**0.3**	**6.0**	**6.3**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Accumulated depreciation, 1 January		0.3	3.6	3.9
Disposals		0.0	0.0	0.0
Depreciation for the period	8	0.0	0.8	0.8
Transfers between items		0.0	0.0	0.0
Accumulated depreciation, 31 December		**0.3**	**4.4**	**4.7**
Carrying value, 1 January		0.0	1.8	1.8
Carrying value, 31 December		0.0	1.6	1.6

2015

MEUR	Intangible rights	Other intangible assets	2015 Total
Acquisition cost, 1 January	0.3	4.2	4.5
Additions	0.0	1.0	1.0
Disposals	0.0	0.0	0.0
Transfers between items	0.0	0.2	0.2
Acquisition cost, 31 December	**0.3**	**5.4**	**5.7**
Accumulated depreciation, 1 January	0.3	3.0	3.3
Disposals	0.0	0.0	0.0
Depreciation for the period	0.0	0.7	0.7
Accumulated depreciation, 31 December	**0.3**	**3.6**	**3.9**
Carrying value, 1 January	0.0	1.3	1.3
Carrying value, 31 December	0.0	1.8	1.8

16. Interests in Other Entities

Group composition

SATO has 21 (19) subsidiaries that are individually material to the Group. Subsidiaries are entities over which SATO has control and they are consolidated to the Group. There are no material non-controlling interests in any of the Group's subsidiaries.

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

List of all entities owned by the group or the parent company is presented in note 38.

Significant restrictions

The non-profit subsidiaries are subject to regulatory restrictions limiting distribution of profit from those entities. More information on the restrictions are presented in note 24. Shareholders equity.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

Structured entities

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

There is no significant risk associated to the group's interests in unconsolidated structured entities. More information on the shared ownership apartments is presented in accounting principles and note 34. Collateral, commitments and contingencies.

Immaterial associates and joint ventures

SATO did not have joint ventures or associates that are material to the group in 2016 or 2015.

17. Financial assets and liabilities by category

31 Dec 2016

MEUR	note	Fair value, other comprehensive income	Available -for-sale	Assets and liabilities at amortised cost	2016 Carrying amount total	Fair value hierarchy Level 1	Level 2	Level 3
Non-current financial assets								
Other shares	18		1.7		1.7		1.7	
Loans receivable	19			12.9	12.9		12.9	
Derivative assets	19 28	0.5			0.5		0.5	
Total		**0.5**	**1.7**	**12.9**	**15.1**			
Current financial assets								
Accounts receivable	22			15.1	15.1		15.1	
Cash and cash equivalents	23			18.3	18.3		18.3	
Total		**0.0**	**0.0**	**33.5**	**33.5**			
Non-current financial liabilities								
Corporate bonds	27			844.6	844.6	868.0	24.0	
Other loans	27			949.8	949.8		952.6	
Derivative liabilities	28	54.4			54.4		54.4	
Total		**54.4**	**0.0**	**1,794.4**	**1,848.9**			

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

Current financial liabilities								
Loans	27			148.5	148.5		148.5	
Derivative liabilities	28	1.1			1.1		1.1	
Accounts payable	30			8.5	8.5		8.5	
Total		**1.1**	**0.0**	**157.0**	**158.1**			

31 Dec 2015

MEUR	note	Fair value, other comprehensive income	Available - for-sale	Assets and liabilities at amortised cost	2015 Carrying amount total	Fair value hierarchy Level 1	Level 2	Level 3
Non-current financial assets								
Other shares	18		1.7		1.7		1.7	
Loans receivable	19			11.9	11.9		11.9	
Derivative assets	19 28	1.1			1.1		1.1	
Total		**1.1**	**1.7**	**11.9**	**14.7**			
Current financial assets								
Accounts receivable	22			10.5	10.5		10.5	
Cash and cash equivalents	23			60.7	60.7		60.7	
Total		**0.0**	**0.0**	**71.2**	**71.2**			
Non-current financial liabilities								
Corporate bonds	27			545.5	545.5	537.1	24.0	
Other loans	27			943.4	943.4		944.4	
Derivative liabilities	28	47.8			47.8		47.8	
Total		**47.8**	**0.0**	**1,488.8**	**1,536.6**			
Current financial liabilities								
Loans	27			187.4	187.4		187.4	
Derivative liabilities	28	0.9			0.9		0.9	
Accounts payable	30			6.8	6.8		6.8	
Total		**0.9**	**0.0**	**194.2**	**195.1**			

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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

18. Available-for-sale financial assets

MEUR	31 Dec 2016	31 Dec 2015
Available-for-sale financial assets		
Other holdings	1.7	1.7
Total	**1.7**	**1.7**

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

19. Non-current receivables

MEUR	note	31 Dec 2016	31 Dec 2015
Non-current receivables			
Derivatives	17 28	0.5	1.1
Loans receivable	17	12.9	11.9
Non-current receivables total		**13.4**	**13.0**

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

20. Changes in deferred tax assets and liabilities

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

MEUR	1 Jan 2015	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	Subsidiaries acquired / sold	31 Dec 2015
Deferred tax assets						
Valuation of financial instruments at fair value	10.3	-0.1		-1.4	0.0	8.9
Periodisation and temporary differences	6.9	-0.2				6.6
Total	**17.2**	**-0.3**		**-1.4**	**0.0**	**15.5**
Deferred tax liabilities						
Valuation of investment properties at fair value	122.6	15.5				138.1
Valuation of financial instruments at fair value	0.1	0.6		0.0		0.8
Reclassification of housing provisions and depreciation differences	60.7	1.1			-0.1	61.7
Periodisation and temporary differences	2.5	-2.4				0.0
Other items	2.0	0.0				2.0
Total	**187.9**	**14.7**	**0.0**	**0.0**	**-0.1**	**202.6**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

21. Inventories

MEUR	31 Dec 2016	31 Dec 2015
Inventories		
Buildings under construction	10.3	9.3
Completed apartments and commercial space	22.2	33.5
Land areas	62.0	57.5
Other inventories	8.6	11.5
Total	**103.0**	**111.8**

The carrying value of inventories was written down by EUR 0.0 (1.7) million during the period.

22. Accounts receivable and other receivables

MEUR	note	31 Dec 2016	31 Dec 2015
Accounts receivable and other receivables			
Accounts receivable	17	15.1	10.5
Prepaid expenses and accrued income		1.9	3.4
Other receivables		0.9	0.0
Total		**18.0**	**13.9**

MEUR	31 Dec 2016	31 Dec 2015
Specification of prepaid expenses and accrued income		
Prepaid expenses and accrued income related to rental services	0.4	0.1
Prepaid expenses and accrued income related to new constructions	0.1	0.4
Prepayments	0.4	0.5
Purchase price receivable	0.0	1.8
Interest receivables	0.1	0.1
Other	0.9	0.5
Total	**1.9**	**3.4**

23. Cash and cash equivalents

MEUR	note	31 Dec 2016	31 Dec 2015
Cash and bank balances	17	18.3	60.7
Total		**18.3**	**60.7**

The cash assets of group companies subject to non-profit restrictions are kept separate from other companies' cash assets. At the reporting date, such restricted companies' cash assets totalled EUR 2.2 (46.5) million.

24. Shareholders equity

MEUR	31 Dec 2016	31 Dec 2015
The following dividend and repayment of capital were declared and paid by the company:		
Repayment of capital 0.00 (0.42) per share, EUR	0.0	-21.3
Dividends 0.50 (0.20) per share, EUR	-25.4	-10.2
Total	**-25.4**	**-31.5**

Description of items in shareholders' equity

Shares and share capital

The total number of SATO Corporation's shares as at 31 December 2016 was 56,783,067 and the number of own shares held was 160,000. On 3 March 2016, the Annual General Meeting authorised the Board of Directors to decide on one or more directed, payable share issues so that the combined total number of own shares held by SATO can be at a maximum of 3,000,000. The Board of Directors may use the directed share issue for acquisition of assets relating to the company's business operations or to finance or execute company acquisitions. The Board of Directors was authorised to decide on the other terms of the share issue. The authorisation remains in effect until 28 February 2017. Based on the authorisation, SATO's Board of Directors approved a directed share issue for the acquisition of all the shares in SVK Yhtymä Oy. Shareholders of SVK Yhtymä subscribed for a total of 728,763 shares in SATO at a subscription price of EUR 19.53 per share. The new shares subscribed for in the directed share issue were registered with the Finnish Trade Register in April 2016.

Furthermore, the Board of Directors was authorised by the Annual General Meeting on 3 March 2016 to decide on a share issue of a maximum of 5,200,000 new shares, with subscription rights to be given to shareholders in proportion to their existing shareholdings in the Company. The Board of Directors was authorised to decide on the other terms of the share issue. The authorisation remains in effect until 28 February 2017. Based on the authorisation, on 9 May 2016, the Board of Directors of SATO Corporation decided on a rights issue against payment, whereby a maximum of 5,084,184 new SATO Corporation shares were offered to shareholders at a subscription price of EUR 19.53 per share. A total of 5,052,462 shares were subscribed for in the rights issue and they were registered with the Finnish Trade Register in June 2016.

Reserve fund

The reserve fund includes the share premium fund.

Fair value reserves

Fair value reserves include change in fair value of financial instruments used in cash flow hedge accounting and fair valuation of available-for-sale financial assets.

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes other equity investments and the subscription price of shares, to the extent that it is not recorded in share capital.

Dividends

After the balance sheet date 31 December 2016, the Board of Directors has proposed that no dividend for the current year shall be distributed (2015: dividend of EUR 0.50 per share).

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Restrictions concerning SATO's shareholders equity

SATO's retained earnings at the end of period, EUR 1,127.6 (978.1) million, included distribution-restricted capital totalling EUR 206.6 (219.7) million attributable to subsidised, non-profit businesses. The figure includes the share of the change in the fair value reported in the income statement. Part of the group companies are under statutory, non-profit restrictions according to which the company is allowed to distribute only a regulated amount of capital.

Management of capital structure

The aim of SATO's management of capital structure is to support the growth targets and to secure the ability to pay dividend. Another aim is to ensure SATO's prospects of operating in the equity market. SATO's targeted equity ratio measured at fair value is at least 30%. At year-end, SATO's equity ratio measured at fair value was 35.2 (33.3) %. The Board of Directors reviews and assesses SATO's capital structure regularly.

Some of SATOs interest bearing financial agreements include covenants relating to capital structure and profitability. SATO complied with the capital structure and profitability covenants during the reporting period.

25. Employee benefits

MEUR	31 Dec 2016	31 Dec 2015
Recognised items in statement of financial position		
Defined benefit obligation	0.0	0.1
Fair value of plan assets	0.0	-0.1
Net benefit liability recognised in statement of financial position	**0.0**	**0.0**

SATO's employee benefit plan is an additional pension plan in insurance company fund, which is supplement to statutory pension. The employee benefit plan includes one person (2015: two persons) employed by the Group during the period. In the statement of financial position the item recognised as a liability is an undertaking given to the insured and plan assets include the cover paid by the insurance company. The benefit plan is funded by annual contributions based on actuarial calculations paid to the insurance company.

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

These arrangements are subject to local tax laws and other legislation.

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

MEUR	2016	2015
Defined benefit obligation, 1 Jan	**0.1**	**1.6**
Current service cost	0.0	0.1
Plan amendments	0.0	-0.1
Net interest	0.0	0.0
Actuarial gains (-) /losses (+) on obligation	1.6	-0.3
Benefits paid	-1.8	-1.3
Defined benefit plan obligations, 31 Dec	**0.0**	**0.1**

Change of fair value of plan assets

MEUR	2016	2015
Fair value of plan assets, 1 Jan	**0.1**	**1.2**
Interest income	0.0	0.0
Actuarial gains (+) and losses (-)	1.5	-0.2
Benefits paid	-1.8	-1.3
Employee contributions	0.1	0.4
Fair value of plan assets, 31 Dec	**0.0**	**0.1**

Change in net defined benefit liability

MEUR	2016	2015
Net benefit liability recognised in statement of financial position, 1 Jan	**0.0**	**0.5**
Expenses recognised in income statement	0.0	0.1
Remeasurement	0.1	-0.1
Employee contributions	-0.1	-0.4
Net defined benefit liability, 31 Dec	**0.0**	**0.0**

Expenses recognised in income statement

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Expenses recognised in income statement		
Service cost	0.0	0.1
Net interest expenses	0.0	0.0
Actuarial gains and losses	0.1	-0.1
Total Expenses recognised in income statement	**0.1**	**-0.1**
Expected contributions paid by the employer in 2017 (2016)	0.0	0.0

Classification of defined benefit plan assets is not available.

Assumptions used in calculation

Discount rate	1.20%	1.80%
Rate of salary increase	3.30%	3.50%
Duration of defined benefit obligation, years	0	12

26. Long-term non-interest bearing liabilities

MEUR	note	31 Dec 2016	31 Dec 2015
Non-current			
Accrued expenses related to new constructions		0.8	0.8
Net benefit liability	25	0.0	0.0
Total		**0.8**	**0.8**

27. Financial liabilities

MEUR	31 Dec 2016	31 Dec 2015
Non-current		
Corporate bonds	844.6	545.5
Bank loans	474.1	650.6
Interest-subsidised loans	408.1	208.1
State-subsidised ARAVA loans	67.7	84.7
Total	**1,794.4**	**1,488.8**

MEUR	31 Dec 2016	31 Dec 2015
Current		
Commercial Papers	109.9	103.7
Bank loans	17.6	56.8
Interest-subsidised loans	13.4	18.0
State-subsidised ARAVA loans	7.6	8.9
Total	**148.5**	**187.4**

In March 2016, SATO issued a EUR 300 million unsecured corporate bond for European investors, with a maturity of five years and a coupon rate of 2.375 per cent. The loan was assigned a Baa3 rating by Moody's and is listed in the Irish Stock Exchange.

SATO acquired two housing portfolios in April 2016, and the loans transferred to SATO among these transactions explain the increased amount of interest-subsidised loans.

During the reporting period, a total of EUR 381.6 (483.7) million of new long-term debt was drawn. On 31 December 2016 the average interest on the SATO debt portfolio was 2.5 (2.5) per cent.

For purposes of short-term financing, SATO has a commercial paper programme of EUR 400 (200) million, committed credit limits of EUR 400 (290) million, of which EUR 400 (290) million were unused, and a non-binding current limit of EUR 5 (5) million.

28. Derivatives

Fair values of derivative instruments

MEUR	Positive	Negative	31 Dec 2016 Net	Positive	Negative	31 Dec 2015 Net
Non-current						
Interest rate swaps, cash flow hedge	0.5	-35.9	-35.4	1.1	-34.2	-33.1
Cross-currency and interest rate swaps, cash flow hedge	-	-18.5	-18.5	-	-13.6	-13.6
Non-current derivatives, total	**0.5**	**-54.4**	**-53.9**	**1.1**	**-47.8**	**-46.7**
Current						
Interest rate swaps, cash flow hedge	-	-1.1	-1.1	-	-0.1	-0.1
Foreign exchange forward contracts, cash flow hedge	-	-	-	-	-0.8	-0.8
Current derivatives, total	**0.0**	**-1.1**	**-1.1**	**0.0**	**-0.9**	**-0.9**
Derivatives, Total	**0.5**	**-55.5**	**-55.0**	**1.1**	**-48.7**	**-47.6**

MEUR	31 Dec 2016	31 Dec 2015
Nominal values of derivative instruments		
Interest rate swaps, cash flow hedge	661.3	499.6
Cross-currency and interest rate swaps, cash flow hedge	106.0	108.3
Foreign exchange forward contracts, cash flow hedge	-	1.6
Total	**767.3**	**609.4**

Change in fair value of designated interest rate hedges, booked to hedge reserve in other comprehensive income, totalled EUR -3.4 (2.9) million and that of foreign exchange hedges totalled EUR 0.6 (2.6) 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 1–10 years and forward contracts 1 year. Typically netting agreements are applied to derivative contracts, however the contracts are represented in gross value in financial statements. The method of presentation has no significant impact on figures on reporting or comparative period.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

29. Provisions

MEUR	Provision for refund claim	Provision for litigation claim	Other provisions	Total
Total provision at the end of the period 31 December 2015	4.6	2.2	0.0	6.8
Increases	0.2	0.0	0.5	0.7
Provisions used	-0.5	-2.0	0.0	-2.5
Reversals	-0.1	0.0	0.0	-0.1
Total provision at the end of the period 31 December 2016	**4.2**	**0.2**	**0.5**	**4.9**

MEUR	31 Dec 2016	31 Dec 2015
Non-current provisions	3.0	5.2
Current provisions	1.9	1.5
Total	**4.9**	**6.8**

The provision for refund claim includes guarantees related to new construction business and the 10-year warranty period after the completion of the work. The provision for refund claim is measured on the basis of claims presented and an assessment based on prior experience. The provision for refund claim will be used, if applicable, within ten years from the reporting date.

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

30. Accounts payable and other liabilities

MEUR	note	31 Dec 2016	31 Dec 2015
Accounts payable and other liabilities			
Advances received		16.7	10.9
Accounts payable	17	8.5	6.8
Other liabilities		4.5	6.0
Accrued expenses and prepaid income		40.2	24.3
Total accounts payable and other liabilities		**69.9**	**47.9**

MEUR		31 Dec 2016	31 Dec 2015
Accrued expenses and prepaid income			
Personnel expenses		4.1	3.5
Interest expenses		15.1	9.6
Derivative instruments	28	1.1	0.9
Accrued expenses and prepaid income related to new constructions		14.5	6.0
Accrued expenses and prepaid income related to rental services		4.9	1.5

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Other accrued expenses	0.3	2.4
Other	0.2	0.4
Total accrued expenses and prepaid income	**40.2**	**24.3**

31. Financial risk management

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

Interest rate risk

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

Market-based loans are primarily drawn at floating rates. In accordance with the Treasury Policy, the interest rate risk arising from these contracts is hedged using derivative instruments, mainly interest rate swaps and options, so that when hedging is applied, the fixed rate portion exceeds 60 per cent of the nominal value of the total loan portfolio, excluding ARAVA loans. On 31 December 2016, the fixed rate portion of the loan portfolio after hedging was 82.2 (73.2) per cent, the average maturity excluding ARAVA loans being 5.0 (5.7) years.

The interest rate derivatives are accounted for as designated cash flow hedges. No ineffectiveness has occurred, as the hedged items and the hedging instruments have the same interest periods. The effect of changes in market interest rates on net financial expenses is examined 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 received for the part exceeding the deductible rate, so the risk of increases in interest rates for interest subsidised loans are considerably lower than for market based loans. The deductible rate on interest subsidised loans varies between 2.75 to 3.5 per cent and on the so-called interim model interest subsidy loans, funded in years 2009 to 2011, is 3.40 per cent. A major part of the interest-subsidised loans is tied to long reference rates, ranging 3 to 10 years. Due to the subsidies and long reference rates, the interest rate risk on these loans is not material. In accordance with the Treasury Policy, SATO does not apply hedging to interest-subsidised loans.

In operations financed with state subsidies, rents are based on absorption cost, and hence any interest risk can be transferred to the rents. The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. The ARAVA rate is fixed in advance for the following financial period and hence there is no uncertainty of the following period interest expense. Some state-subsidised loans have 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 is exposed to both transaction and translation risks due to investments in St. Petersburg. Transaction risk arises mainly from rouble denominated purchase agreements. Committed agreements are fully hedged with currency forward contracts. On 31 December 2016 SATO had EUR 0.0 (2.4) million in rouble-denominated commitments related to the investments. The translation risk, i.e., the consolidation of foreign currency denominated subsidiary accounts, arises due to the investment properties in St. Petersburg. The fair values of the properties are translated to euros in consolidated financial statements using the closing exchange rate on the reporting date.

Price risk

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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 25,000 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 1.0 (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 arises from investment activities.

Liquidity is managed with the commercial paper programme of EUR 400 (200) million, committed credit limits EUR 400 (290) million, and non-committed credit limits, EUR 5 (5) million. On 31 December 2016, the commercial papers issued amounted to EUR 110.0 (104.0) million in nominal value. The committed credit facilities were unused (EUR 0 in use on 31 December 2015). In liquidity management, it is taken into account that the assets of Group companies subject to non-profit restrictions due to interest subsidies or state subsidised ARAVA loans, are kept separately and allocated to those non-profit operations.

In May 2015, Moody's assigned SATO with a Baa3 credit rating with a stable outlook. With the investment grade credit rating, SATO aims to widen the investor base and to further limit dependence on any single financing counterparty.

SATO's funding agreements contain covenant clauses relating to the Group capital structure and interest payment capacity. These clauses require the ratio of unencumbered assets to total assets to be at least 35 per cent by the end of 2016, at least 40 per cent by the end of 2017 and at least 42.5 per cent by the end of 2018 and at any time thereafter, the solvency ratio to be no more than 70 per cent and the interest coverage ratio to be at least 1.8. On the reporting date, the ratio of unencumbered assets was 53.1 (42.4) per cent, the solvency ratio was 54.3 (55.3) per cent, and the interest coverage ratio was 4.4 (4.1).

Sensitivity analysis, interest rate risk	**2016**				**2015**			
	Profit and Loss		Equity		Profit and Loss		Equity	
MEUR	**1%**	**-0.1%**	**1%**	**-0.1%**	**1%**	**-0.1%**	**1%**	**-0.1%**
Floating rate loans	-7.2	0.5	-	-	-8.3	0.5	-	-
Cross-currency and interest rate swaps	0.8	-0.1	3.5	-0.4	0.8	-0.1	4.4	-0.5
Interest rate swaps	3.9	-0.4	27.1	-2.8	3.7	-0.4	21.4	-2.2
Total	**-2.4**	**-0.1**	**30.6**	**-3.2**	**-3.8**	**0.0**	**25.8**	**-2.7**

Sensitivity analysis, currency risk	**2016**				**2015**			
	Profit and Loss		Equity		Profit and Loss		Equity	
MEUR	**10%**	**-10%**	**10%**	**-10%**	**10%**	**-10%**	**10%**	**-10%**
Foreign-currency denominated loans	-10.0	10.0	-	-	-10.6	10.6	-	-
Cross-currency and interest rate swaps	9.9	-9.9	-	-	10.5	-10.5	-	-
Foreign exchange forward contracts	-	-	-	-	-	-	0.2	-0.2
Total	**-0.1**	**0.1**	**0.0**	**0.0**	**-0.1**	**0.1**	**0.2**	**-0.2**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Maturity analysis on financial instruments

31 Dec 2016

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

31 Dec 2015

MEUR	within 1 year	2–5 years	6–10 years	11–15 years	after 15 years	2015 Total
Financial liabilities						
Market-based loans	-183.4	-794.2	-411.5	-73.2	-104.9	-1,567.1
Interest-subsidised loans	-20.6	-149.3	-63.7			-233.6
State-subsidised ARAVA loans	-10.7	-34.9	-28.7	-20.1	-6.3	-100.7
Accounts payable	-6.8					-6.8
Financial liabilities total	**-221.5**	**-978.4**	**-503.9**	**-93.3**	**-111.2**	**-1,908.2**
Financial instruments						
Foreign exchange forward contracts, inflow	1.6					1.6
Foreign exchange forward contracts, outflow	-2.3					-2.3
Interest rate derivatives	-10.6	-29.5	-3.5			-43.6
Financial Instruments total	**-11.4**	**-29.5**	**-3.5**	**0.0**	**0.0**	**-44.4**
Total	**-232.9**	**-1,007.9**	**-507.3**	**-93.3**	**-111.2**	**-1,952.6**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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

32. Other lease agreements

Group as a lessee

MEUR	31 Dec 2016	31 Dec 2015
Minimum rents to be paid on the basis of other lease agreements:		
Within one year	2.3	2.2
Within two to five years	7.2	7.8
Over six years	1.8	3.4
Total	**11.3**	**13.5**

SATO has sublet office premises in Panuntie, Helsinki. The future minimum rent payments from these agreements is EUR 0.8 (2.1) million. In the current period, rental income recognised in income statement amounted to EUR 0.8 (0.9) million.

33. Notes to the cash flow statement

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Non-cash items included in the profit			
Depreciation	8	1.1	1.2
Gains and losses from changes in fair value of investment properties	13	-124.3	-62.4
Unrealised gains and losses measured at fair value, interest rate swaps		0.0	-0.4
Increases and reversals of provisions*	29	0.6	6.3
Total		**-122.5**	**-55.4**

* SATO has reclassified the adjustment for change in current provisions (EUR 0.4 million in 2016 and EUR 1.5 million in 2015) from change in accounts payable and other liabilities to non-cash items included in the profit.

34. Collateral, commitments and contingencies

MEUR	31 Dec 2016	31 Dec 2015
Mortgages and pledges for secured borrowings		
Secured borrowings	1,183.1	1,232.5
Pledges and mortgages provided, fair value	1,669.1	1,715.9

Guarantees for others

Shared ownership apartment purchase commitments	14.9	31.0
Rs-guarantees	3.9	4.1

Mortgages provided to secure payment of rent and street maintenance

Property mortgages provided	5.8	5.8

Binding purchase agreements

For acquisitions of investment properties	121.2	151.2
Pledges for land use payments on zoned plots	4.2	7.3
Commitments to cleaning and removal charges	0.0	2.5
Letters of intent on land for which there is a zoning condition	34.0	5.2

Housing companies which hold so-called shared ownership apartments are treated as structured entities, which are established for a fixed period, and are not included in the consolidation. On the reporting date, the loans of such housing companies included in the shared ownership systems, totalled EUR 47.4 (68.2) million.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

35. Related party transactions

SATO's related parties include the parent company SATO Corporation, its subsidiaries and associated companies. In addition, SATO's related parties include shareholders that have control or joint control over, or significant influence on, the reporting entity, as well as persons who are members of the key management personnel of the reporting entity or a parent of the reporting entity. Shareholders with holdings of 20% or more are automatically considered related parties. Shareholders whose ownership is less than 20% are considered related parties when they have significant influence on the reporting entity through, for example, a position on the Board of Directors.

Shareholders that are considered as SATO's related parties in 2016 are Balder Finska Otas AB (owner: Fastighets Ab Balder, 100%), Stichting Depositary APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95%; manager: APG Asset Management NV) and Elo Mutual Pension Insurance Company.

The members of the Board of Directors of SATO, CEO and the members of the Corporate Management Group and the entities controlled or jointly controlled by them are considered as SATO's related parties. Also close members of their family are considered as related parties. The Corporate Management Group comprises of SATO Corporation's President and CEO, Vice Presidents, Director of Marketing and Communications and Chief Financial Officer.

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

The following transactions were made with related parties:

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Transactions with related parties		
Rental agreements	0.0	0.2
Insurance payments	0.0	1.0
Total	**0.0**	**1.1**

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Management employee benefits		
Salaries and other short-term employee benefits	1.8	1.5
Other long-term employee benefits	0.9	0.9
Total	**2.7**	**2.4**

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Salaries and remuneration paid		
President and CEO	0.3	0.5
Deputy to President and CEO	0.4	0.3
Members of the Board of Directors	0.2	0.2
Total	**0.9**	**1.0**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents. To view the report in full, please visit reports.sato.fi/Annualreport2016.

Thousand EUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Compensation paid to the members of the Board of Directors and the President & CEO		
Saku Sipola	304	38
Erik Selin	40	4
Jukka Hienonen	29	25
Esa Lager	29	40
Tarja Pääkkönen	27	25
Timo Stenius	26	19
Marcus Hansson	20	0
Andrea Attisani	16	24
Ilkka Tomperi	6	24
Erkka Valkila	0	442
Niina Rajakoski	0	19
Juha Laaksonen	0	7
Vesa Immonen	0	5
Timo Hukka	0	4
Total	***496***	***676***

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.

Acting Deputy Managing Director was covered by the supplementary pension insurance, which has ended on 31 December 2015. The supplementary pension insurance entitles the covered person to retirement at the age of 60 and to a pension equal to 60% of the pensionable salary. The retirement took place in late 2016.

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

The Board of Directors have decided on a long-term incentive scheme with a maximum limit for the periods 2014–2016, 2015–2017 and 2016–2018. The incentive scheme applies to 15 people working in management positions in SATO. The purpose of the incentive scheme is to align the goals of the management with those of the shareholders, engaging key people, improvement of competitiveness and promotion of long-term financial success.

36. Borrowing costs

		31 Dec 2016	31 Dec 2015
Capitalised expenses of borrowing costs during the period, MEUR	13	1.1	1.1
Financial expense index, %		1.0	1.0

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

37. Subsequent events

In its meeting held on 1 February 2017, SATO Corporation's Board of Directors has updated the financial targets of the Group. The updated financial targets are:
• Equity ratio over 35 per cent (previous target over 30 per cent);
• solvency ratio below 70 per cent;
• interest cover ratio over 1.8x; and
• unencumbered assets ratio 60 per cent or more (previous approximately 50 per cent by the end of 2020).

38. Subsidiaries owned by the Group and parent company

	Group's holding. %	Parent company's holding. %
Holding percentages are the same as voting rights.		
Subsidiaries held by SATO Corporation		
Sato-Asunnot Oy	100.0	100.0
SATOkoti Oy	100.0	100.0
SATOkoti 3 Oy	100.0	100.0
Sato-Rakennuttajat Oy	100.0	100.0
SATO VK Oy	100.0	100.0
SATO VK 15 Oy	100.0	100.0
SATO VK 16 Oy	100.0	100.0
SATO VK 17 Oy	100.0	100.0
Suomen Satokodit Oy	100.0	100.0
Vatrotalot 2 Oy	100.0	100.0
Vatrotalot 3 Oy	100.0	100.0
Vatrotalot 4 Oy	100.0	100.0
Vatrotalot 5 Oy	100.0	100.0
SATO HotelliKoti Oy	100.0	100.0
SVK Yhtymä Oy	100.0	100.0
Unconsolidated subsidiaries and associated companies		
Keskus-Sato Oy toimimaton	100.0	100.0
SV-Asunnot Oy	50.0	50.0
Other shares		
Outakessa Koy	100.0	100.0
Espoon Aallonrivi As Oy	100.0	100.0
Jyväskylän Lyseonlinna As Oy	102.2	2.2
Companies held by subsidiaries		
Sato-Asunnot Oy		
Agricolankuja 3 As Oy	3.0	3.0
Agricolankuja 8 As Oy	80.7	80.7
Agricolankulma As Oy	0.8	0.8
Albertus As Oy	1.1	1.1
Amos As Oy	0.5	0.5
Arabian Valo, Helsinki As Oy	52.2	52.2
Asunto Oy Kalasataman Fregatti, Helsinki	25.3	25.3

Björneborgsvägen 5 Bost. Ab	0.5	0.5
Bostads Ab Munksnäs N:o 25 Asunto Oy	14.1	14.1
Erkintalo As Oy	1.1	1.1
Espoon Elosalama As Oy	100.0	100.0
Espoon Hassel As Oy	4.4	4.4
Espoon Heinjoenpolku As Oy	100.0	100.0
Espoon Henttaan puistokatu 6 As Oy	100.0	100.0
Espoon Henttaan puistokatu 8 As Oy	100.0	100.0
Espoon Honkavaarantie 5 As Oy	16.4	16.4
Espoon Interior As Oy	11.4	11.4
Espoon Jousenkaari 5 As Oy	100.0	100.0
Espoon Kala-Maija 4 As Oy	100.0	100.0
Espoon Kaupinkalliontie 5 As Oy	48.7	48.7
Espoon Kilvoituksentie 1 Asunto Oy	100.0	100.0
Espoon Kiskottajankuja 4 As Oy	100.0	100.0
Espoon Kivenhakkaajankuja 3 As Oy	2.3	2.3
Espoon Kuunkierros 2 As Oy	26.3	26.3
Espoon Kuunsirppi As Oy	100.0	100.0
Espoon Kyyhkysmäki 16 As Oy	100.0	100.0
Espoon Lansantie 3 As Oy	100.0	100.0
Espoon Lounaismeri As Oy	100.0	100.0
Espoon Magneettikatu 8 As Oy	100.0	100.0
Espoon Malmiportti 4 A–B As Oy	100.0	100.0
Espoon Malmiportti 4 C–D As Oy	100.0	100.0
Espoon Matinniitynkuja 8 As Oy	100.0	100.0
Espoon Myötätuulenmäki As Oy	8.5	8.5
Espoon Niittymaantie 1 As Oy	100.0	100.0
Espoon Niittymaantie 3 As Oy	100.0	100.0
Espoon Numersinkatu 11 As Oy	18.8	18.8
Espoon Omenapuu As Oy	16.0	16.0
Espoon Paratiisiomena As Oy	18.3	18.3
Espoon Perkkaankuja 3 As Oy	100.0	100.0
Espoon Porarinkatu 2 D–E As Oy	100.0	100.0
Espoon Porarinkatu 2 F As Oy	100.0	100.0
Espoon Puikkarinmäki As Oy	100.0	100.0
Espoon Punatulkuntie 5 As Oy	6.0	6.0
Espoon Pyhäjärventie 1 As Oy	100.0	100.0
Espoon Rastaspuistonpolku As Oy	22.6	22.6
Espoon Rastaspuistontie 8 As Oy	7.3	7.3
Espoon Rummunlyöjänkatu 11 D–E As Oy	100.0	100.0
Espoon Ruorikuja 4 As Oy	3.8	3.8
Espoon Ruusulinna As Oy	100.0	100.0
Espoon Satokallio As Oy	11.6	11.6
Espoon Saunalyhty As Oy	6.8	6.8
Espoon Sepetlahdentie 6 As Oy	100.0	100.0
Espoon Soukanniementie 1 As Oy	100.0	100.0
Espoon Suvikäytävä As Oy	29.9	29.9

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Espoon Taivalmäki 5 As Oy	100.0	100.0
Espoon Taivalpolku As Oy	3.6	3.6
Espoon Taivalrinne As Oy	100.0	100.0
Espoon Tähtimötie As Oy	100.0	100.0
Espoon Vanharaide As Oy	90.1	90.1
Espoon Vasaratörmä As Oy	5.2	5.2
Espoon Viherlaaksonranta 3–5 As Oy	100.0	100.0
Espoon Viherlaaksonranta 7 As Oy	100.0	100.0
Espoon Yläkartanonpiha As Oy	10.9	10.9
Espoon Zanseninkuja 6 As Oy	100.0	100.0
Etelä-Hämeen Talo Oy	81.3	56.3
Eura III As Oy	100.0	100.0
Fredrikinkatu 38 As Oy	2.7	2.7
Haagan Pappilantie 13 As Oy	2.6	2.6
Haagan Talontie 4 As Oy	3.1	3.1
Hakaniemenranta As Oy	2.5	2.5
Hannanpiha As Oy	19.1	19.1
Harjulehmus As Oy	19.4	19.4
Helkalax As Oy	1.3	1.3
Helsingin Akaasia As Oy	13.9	13.9
Helsingin Aleksis Kiven katu 52–54 As Oy	0.5	0.5
Helsingin Ansaritie 1 As Oy	100.0	100.0
Helsingin Ansaritie 2–4 As Oy	100.0	100.0
Helsingin Ansaritie 3 As Oy	100.0	100.0
Helsingin Apollonkatu 19 As Oy	38.2	38.2
Helsingin Arabian Kotiranta As Oy	4.2	4.2
Helsingin Arabiankatu 3 As Oy	13.4	13.4
Helsingin Aurinkotuulenkatu 6 As Oy	100.0	100.0
Helsingin Casa Canal As Oy	13.3	13.3
Helsingin Castreninkatu 3 As Oy	100.0	100.0
Helsingin Cirrus As Oy	1.7	1.7
Helsingin Corona As Oy	17.0	17.0
Helsingin Eiranrannan Estella As Oy	30.8	30.8
Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1
Helsingin Gerbera As Oy	12.7	12.7
Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0
Helsingin Happiness As Oy	22.2	22.2
Helsingin Hildankulma As Oy	80.1	80.1
Helsingin Hämeenpenger As Oy	100.0	100.0
Helsingin Isopurje As Oy	3.2	3.2
Helsingin Juhani Ahon tie 12–14 As Oy	100.0	100.0
Helsingin Junonkatu 4 As Oy	100.0	100.0
Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Helsingin Kalevankatu 53 As Oy	30.5	30.5
Helsingin Kalliolinna As Oy	0.8	0.8
Helsingin Kanavaranta As Oy	8.8	8.8

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Helsingin Kangaspellontie 1–5 As Oy	100.0	100.0
Helsingin Kangaspellontie 4 As Oy	10.0	10.0
Helsingin Kaustisenpolku 1 As Oy	100.0	100.0
Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Helsingin Kirjala As Oy	100.0	100.0
Helsingin Klaavuntie 8–10 As Oy	100.0	100.0
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Helsingin Koralli As Oy	4.1	4.1
Helsingin Koroistentie As Oy	9.4	9.4
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Helsingin Kristianinkatu 11–13 As Oy	100.0	100.0
Helsingin Kultareuna 1 As Oy	39.0	39.0
Helsingin Kutomotie 10 A KOy	75.5	75.5
Helsingin Kutomotie 12 A As Oy	100.0	100.0
Helsingin Kutomotie 14 A As Oy	100.0	100.0
Helsingin Kutomotie 8 A As Oy	100.0	100.0
Helsingin Kuusihovi As Oy	25.4	25.4
Helsingin Kyläkirkontie 13 As Oy	68.5	68.5
Helsingin Köysikuja 2 As Oy	9.5	9.5
Helsingin Lapponia As Oy	100.0	100.0
Helsingin Lauttasaarentie 19 KOy	58.3	58.3
Helsingin Leikopiha As Oy	9.6	9.6
Helsingin Leikosaarentie 31 As Oy	18.7	18.7
Helsingin Leikovuo As Oy	9.1	9.1
Helsingin Lontoonkatu 9 As Oy	100.0	100.0
Helsingin Lönnrotinkatu 32 As Oy	56.1	56.1
Helsingin Malagankatu 7 As Oy	100.0	100.0
Helsingin Mariankatu 19 As Oy	1.0	1.0
Helsingin Mechelininkatu 12–14 As Oy	100.0	100.0
Helsingin Merenkävijä As Oy	5.1	5.1
Helsingin Meripellonhovi KOy	98.3	98.3
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1
Helsingin Mylläri As Oy	2.3	2.3
Helsingin Nautilus As Oy	26.0	26.0
Helsingin Navigatortalo KOy	44.7	44.7
Helsingin Nils Westermarckin kuja 18 As Oy	100.0	100.0
Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5
Helsingin Näkinkuja 6 As Oy	100.0	100.0
Helsingin Pajamäentie 7 As Oy	100.0	100.0
Helsingin Pakilantie 17 As Oy	100.0	100.0
Helsingin Pasilantornit As Oy	56.5	56.5
Helsingin Perustie 16 As Oy	56.0	56.0
Helsingin Piispantie 3 As Oy	100.0	100.0
Helsingin Piispantie 5 As Oy	100.0	100.0
Helsingin Piispantie 7 As Oy	100.0	100.0
Helsingin Piispantie 8 As Oy	100.0	100.0

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Helsingin Pirta As Oy	17.1	17.1
Helsingin Porthaninkatu 4 As Oy	0.7	0.7
Helsingin Puuskarinne 1 As Oy	98.2	98.2
Helsingin Päivöläntie 72 As Oy	16.2	16.2
Helsingin Pääskylänrinne As Oy	100.0	100.0
Helsingin Reginankuja 4 As Oy	11.8	11.8
Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0
Helsingin Riontähti As Oy	100.0	100.0
Helsingin Rosas As Oy	9.6	9.6
Helsingin Rumpupolun palvelutalo As Oy	1.5	1.5
Helsingin Ruusutarhantie 2–4 As Oy	30.7	30.7
Helsingin Ruusutarhantie 7 As Oy	39.3	39.3
Helsingin Satoaalto As Oy	8.6	8.6
Helsingin Satorinne As Oy	8.5	8.5
Helsingin Serica As Oy	3.8	3.8
Helsingin Siltavoudintie 20 As Oy	100.0	100.0
Helsingin Snellmaninkatu 23 As Oy	100.0	100.0
Helsingin Solarus As Oy	5.9	5.9
Helsingin Solnantie 22 As Oy	98.0	98.0
Helsingin Stenbäckinkatu 5 KOy	60.0	60.0
Helsingin Ståhlbergintie 4 As Oy	93.5	93.5
Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0
Helsingin Tapaninkulo As Oy	4.7	4.7
Helsingin Tila As Oy	13.1	13.1
Helsingin Tilkankatu 15 As Oy	100.0	100.0
Helsingin Tilkankatu 2 As Oy	100.0	100.0
Helsingin Tilkankatu 6 As Oy	100.0	100.0
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6
Helsingin Tunturinlinna As Oy	9.5	9.5
Helsingin Töölön Oscar As Oy	25.3	25.3
Helsingin Vanha viertotie 16 As Oy	68.8	68.8
Helsingin Vanha viertotie 18 As Oy	42.8	42.8
Helsingin Vanha viertotie 6 As Oy	100.0	100.0
Helsingin Vanha Viertotie 8 As Oy	100.0	100.0
Helsingin Venemestarintie 4 As Oy	100.0	100.0
Helsingin Vervi As Oy	100.0	100.0
Helsingin Vetelintie 5 As Oy	100.0	100.0
Helsingin Villa Kuohu As Oy	25.6	25.6
Helsingin Viulutie 1 As Oy	100.0	100.0
Helsingin Vuosaaren Helmi As Oy	100.0	100.0
Helsingin Välskärinkatu 4 KOy	85.7	85.7
Hervannan Juhani As Oy	14.9	14.9
Hiihtomäentie 34 As Oy	3.7	3.7
Humalniementie 3–5 As Oy	1.1	1.1
Hämeenlinnan Aaponkuja 3 As Oy	33.4	33.4
Jukolanniitty As Oy	30.9	30.9
Jukolantanner As Oy	31.9	31.9

Jussinhovi As Oy	3.5	3.5
Jyväskylän Ailakinraitti As Oy	100.0	100.0
Jyväskylän Harjukartano As Oy	23.0	23.0
Jyväskylän Harjunportti As Oy	18.7	18.7
Jyväskylän Lyseonlinna As Oy	6.8	4.6
Jyväskylän Taitoniekansato As Oy	17.4	17.4
Jyväskylän Tanhurinne As Oy	24.1	24.1
Jyväskylän Torihovi As Oy	2.7	2.7
Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0
Järvenpään Alhonrinne As Oy	18.4	18.4
Järvenpään Kotokartano As Oy	100.0	100.0
Kaarenkunnas As Oy	100.0	100.0
Kaarinan Auranpihat As Oy	100.0	100.0
Kaidanpääty As Oy	100.0	100.0
Kajaneborg Bost. Ab	7.3	7.3
Kangasalan Kukkapuisto As Oy	6.3	6.3
Kasarmikatu 14 As Oy	12.2	12.2
Kasarminkatu 10 As Oy	26.7	26.7
Kastevuoren Palvelutalo As Oy	100.0	100.0
Kaukotie 10–12 As Oy	3.1	3.1
Kauniaisten Ersintie 9–11 As Oy	5.5	5.5
Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4
Keravan Papintie 1 As Oy	100.0	100.0
Ketturinne As Oy	1.3	1.3
Kevätesikko As Oy	3.4	3.4
Kilonkallionkuja 5 As Oy	100.0	100.0
Kirkkonummen Sarvvikinrinne 4 As Oy	100.0	100.0
Kirkkosalmentie 3 As Oy	0.9	0.9
Kivisaarentie As Oy	2.7	2.7
Kolehmaisentori As Oy	16.6	16.6
Kotipiennar As Oy	2.8	2.8
Kristianinkatu 2 As Oy	1.7	1.7
Kuhakartano As Oy	1.3	1.3
Kukkolan Koivu As Oy	4.3	4.3
Kulmakatu 12 As Oy	2.1	2.1
Kulmavuorenpiha As Oy	100.0	100.0
Kulmavuorenrinne As Oy	1.0	1.0
Kuopion Keilankanta As Oy	72.7	72.7
Kupittaan Kotka, Turku As Oy	10.9	10.9
Kupittaan Kurki, Turku As Oy	6.1	6.1
Kupittaan Satakieli As Oy	6.1	6.1
Kuuselanpuisto As Oy	23.0	23.0
Kuusihalme As Oy	2.3	2.3
Kuusitie 15 As Oy	1.5	1.5
Kuusitie 3 As Oy	1.8	1.8
Kuusitie 9 As Oy	2.3	2.3
Kvarnhyddan Bost. Ab	1.8	1.8

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Laajalahdentie 26 As Oy	6.5	6.5
Lahden Jyrkkärinteenpuisto As Oy	41.2	41.2
Lahden Nuolikatu 9 As Oy	100.0	100.0
Lahden Roopenkuja As Oy	44.4	44.4
Lapinniemen Pallopurje As Oy	1.9	1.9
Lapintalo As Oy	1.0	1.0
Lauttasaarentie 11 As Oy	1.6	1.6
Lielahdentie 10 As Oy	9.1	9.1
Linjala 14 As Oy	4.2	4.2
Läntinen Brahenkatu 8 As Oy	0.8	0.8
Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6
Malmeken Ömsesidiga Fastighet	12.8	12.8
Mannerheimintie 100 As Oy	0.9	0.9
Mannerheimintie 108 As Oy	3.0	3.0
Mannerheimintie 148 As Oy	2.5	2.5
Mannerheimintie 170 KOy	40.0	40.0
Mannerheimintie 77 As Oy	1.2	1.2
Mannerheimintie 83–85 As Oy	0.7	0.7
Mannerheimintie 93 As Oy	0.3	0.3
Mariankatu 21 As Oy	1.3	1.3
Matinkylän Poutapilvi As Oy	100.0	100.0
Matinraitti 14 As Oy	1.0	1.0
Mellunsusi As Oy	1.5	1.5
Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Messeniuksenkatu 8 As Oy	2.0	2.0
Messilä As Oy	70.0	70.0
Minna Canthin katu 22 As Oy	2.4	2.4
Muotialantie 31 As Oy	7.0	7.0
Mursu As Oy	0.5	0.5
Myllysalama As Oy	61.9	61.9
Myyrinhaukka As Oy	100.0	100.0
Naantalin Kastovuorenrinne As Oy	25.6	25.6
Nekalanpuisto KOy	2.9	2.9
Nervanderinkatu 9 As Oy	2.6	2.6
Neulapadontie 4 As Oy	1.2	1.2
Niittaajankadun Klaava As Oy	100.0	100.0
Nokian Miharintie 38–40 As Oy	51.7	51.7
Nordenskiöldinkatu 8 As Oy	2.5	2.5
Näkinkuja 2 As Oy	2.5	2.5
Näsinlaine As Oy	1.0	1.0
Näyttelijäntien Pistetalot As Oy	1.4	1.4
Oskelantie 5 As Oy	4.1	4.1
Oskelantie 8 As Oy	2.1	2.1
Otavantie 3 As Oy	0.6	0.6
Otavantie 4 As Oy	1.8	1.8
Oulun Aleksinranta As Oy	100.0	100.0
Oulun Arvolankartano As Oy	2.1	2.1

Oulun Arvolanpuisto As Oy	9.0	9.0
Oulun Kalevalantie As Oy	100.0	100.0
Oulun Laamannintie 1 As Oy	12.8	12.8
Oulun Laanila I As Oy	100.0	100.0
Oulun Laanila IV As Oy	100.0	100.0
Oulun Laaniranta As Oy	6.0	6.0
Oulun Marsalkka As Oy	5.7	5.7
Oulun 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 Paalikatu 23 As Oy	100.0	100.0
Oulun Peltolantie 18 B As Oy	100.0	100.0
Oulun Rautatienkatu 74 As Oy	100.0	100.0
Oulun Rautatienkatu 78 Asunto Oy	100.0	100.0
Oulun Tullikartano As Oy	17.0	17.0
Oulun Tulliveräjä As Oy	40.7	40.7
Peltohuhta As Oy	1.2	1.2
Pengerkatu 27 As Oy	2.6	2.6
Pihlajatie N:o 23 As Oy	3.0	3.0
Pirilänportti As Oy	14.5	14.5
Pohjankartano As Oy	22.8	22.8
Pohjanpoika As Oy	8.0	8.0
Poutuntie 2 As Oy	3.7	3.7
Puistokaari 13 As Oy	1.9	1.9
Puolukkasato As Oy	5.9	5.9
Puolukkavarikko As Oy	33.9	33.9
Raikukuja II As Oy	100.0	100.0
Raikurinne 1 As Oy	1.3	1.3
Raision Tasontorni As Oy	45.3	45.3
Rantasentteri As Oy	1.5	1.5
Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5
Ristolantie 7 As Oy	2.5	2.5
Riviuhkola As Oy	31.6	31.6
Ryytikuja 5 As Oy	0.8	0.8
Saarenkeskus As Oy	0.4	0.4
Salon Valhojanrivi As Oy	10.6	10.6
Salpakolmio As Oy	31.3	31.3
Satakallio As Oy	0.2	0.2
Satokaunokki As Oy	7.5	7.5
Satosyppi As Oy	37.1	37.1
Savilankatu 1 B As Oy	33.3	33.3
Solnantie 32 As Oy	0.9	0.9
Spargäddan Bost. Ab As Oy	1.3	1.3
Sulkapolku 6 As Oy	0.4	0.4
Säästökartano As Oy	0.3	0.3
Taapuri As Oy	2.5	2.5
Tallbergin puistotie 1 As Oy	2.0	2.0

Tammitie 21 As Oy	0.9	0.9
Tampereen Aitolahdentie 22 As Oy	100.0	100.0
Tampereen Atanväylä 4 A As Oy	100.0	100.0
Tampereen Charlotta As Oy	2.0	2.0
Tampereen Hervannan Puistokallio As Oy	100.0	100.0
Tampereen Härmälänrannan Sisu As Oy	100.0	100.0
Tampereen Jankanpuisto As Oy	100.0	100.0
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3
Tampereen Kauppa-aukio As Oy	100.0	100.0
Tampereen Kokinpellonrinne 2 As Oy	86.9	86.9
Tampereen Kristiina As Oy	19.1	19.1
Tampereen Kuikankatu 2 As Oy	9.7	9.7
Tampereen Linnanherra As Oy	100.0	100.0
Tampereen Pappilan Herra As Oy	100.0	100.0
Tampereen Puistofasaani As Oy	100.0	100.0
Tampereen Rotkonraitti 6 As Oy	48.2	48.2
Tampereen Ruovedenkatu 11 As Oy	100.0	100.0
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6
Tampereen Strada As Oy	46.6	46.6
Tampereen Tarmonkatu 6 As Oy	100.0	100.0
Tampereen Tieteenkatu 14 As Oy	100.0	100.0
Tampereen Waltteri As Oy	23.9	23.9
Tapiolan Itäkartano, Espoo As Oy	53.6	53.6
Tapiolan Tuuliniitty, Espoo As Oy	6.8	6.8
Tarkkampujankatu 14 As Oy	44.1	44.1
Tasatuomo As Oy	1.3	1.3
Terhokuja 3 As Oy	100.0	100.0
Terhokuja 6 As Oy	11.3	11.3
Tikkamatti As Oy	9.8	9.8
Tohlopinkontu Koy	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 Fregatinranta As Oy	4.7	4.7
Turun Förinranta II As Oy	1.0	1.0
Turun Gränsbackankuja 3 As Oy	100.0	100.0
Turun Ipnoksenrinne As Oy	6.7	6.7
Turun Joutsenpuisto 7 As Oy	100.0	100.0
Turun Kaivokatu 10 As Oy	100.0	100.0
Turun Kivimaanrivi As Oy	13.1	13.1
Turun Kiviniemenpuisto As Oy	30.1	30.1
Turun Kupittaan Peippo, As Oy	34.6	34.6
Turun Linnankatu 37 A As Oy	1.7	1.7
Turun Marmoririnne 2 As Oy	100.0	100.0
Turun Mietoistenkuja As Oy	22.5	22.5
Turun Pernon Kartanonlaakso As Oy	68.8	68.8

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Turun Pulmussuonpuisto As Oy	22.7	22.7
Turun Puutarhakatu 50 As Oy	13.1	13.1
Turun Ratavahdinrinne As Oy	100.0	100.0
Turun Sato-Koto As Oy	100.0	100.0
Turun Sipimetsä As Oy	17.8	17.8
Turun Sukkulakoti As Oy	100.0	100.0
Turun Tallgreninkartano As Oy	37.1	37.1
Turun Uudenmaanlinna As Oy	100.0	100.0
Turun Veistämöntori As Oy	100.0	100.0
Turuntie 112 As Oy	1.4	1.4
Turuntie 63 As Oy	1.6	1.6
Tykkikuja 7 As Oy	100.0	100.0
Työväen Asunto-osakeyhtiö Rauha	10.2	10.2
Töölön Estradi, Helsinki As Oy	63.2	63.2
Ulpukkaniemi As Oy	25.4	25.4
Ulvilantie 11 B As Oy	0.6	0.6
Urheilukatu 38 As Oy	56.0	56.0
Vaasankatu 15 As Oy	0.8	0.8
Vallikallionpolku KOy	100.0	100.0
Vallinkyyhky As Oy	6.0	6.0
Valtapolku As Oy	1.2	1.2
Vantaan Aapramintie 4 As Oy	100.0	100.0
Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0
Vantaan Heporinne 4 As Oy	100.0	100.0
Vantaan Horsmakuja 4 A As Oy	100.0	100.0
Vantaan Kaarenlehmus As Oy	100.0	100.0
Vantaan Kilterinpuisto As Oy	76.6	76.6
Vantaan Kivivuorentie 8 A–B As Oy	100.0	100.0
Vantaan Kivivuorentie 8 C As Oy	100.0	100.0
Vantaan Krassipuisto As Oy	100.0	100.0
Vantaan Käräjäkuja 3 As Oy	19.8	19.8
Vantaan Leksankuja 3 As Oy	100.0	100.0
Vantaan Liesitorin palvelutalo As Oy	2.5	2.5
Vantaan Lummepiha As. Oy	100.0	100.0
Vantaan Maarinrinne As Oy	12.0	12.0
Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Vantaan Martinpääsky As Oy	100.0	100.0
Vantaan Minkkikuja As Oy	49.0	49.0
Vantaan Myyrinmutka As Oy	100.0	100.0
Vantaan Oritie 1 As Oy	100.0	100.0
Vantaan Orvokkikuja 1 As Oy	100.0	100.0
Vantaan Pakkalanportti As Oy	100.0	100.0
Vantaan Pakkalanrinne 3 As Oy	41.8	41.8
Vantaan Pakkalanrinne 5–7 As Oy	100.0	100.0
Vantaan Pakkalanruusu As Oy	3.1	3.1
Vantaan Pronssikuja 1 As Oy	100.0	100.0

Vantaan Ravurinmäki As Oy	38.7	38.7
Vantaan Ruostekuja 3 As Oy	100.0	100.0
Vantaan Sompakuja 2–4 As Oy	100.0	100.0
Vantaan Tammiston Tringa As Oy	8.3	8.3
Vantaan Tammistonkatu 29 As Oy	29.1	29.1
Vantaan Tuurakuja 4 As Oy	34.1	34.1
Vantaan Tykkikuja 11 As Oy	100.0	100.0
Vantaan Tähkiö As Oy	33.2	33.2
Vantaan Uomarinne 5 As Oy	100.0	100.0
Viides linja 16 As Oy	1.1	1.1
Viikinkisankari As Oy	35.4	35.4
Vilhonvuorenkatu 8 As Oy	1.1	1.1
Vuomeren-Salpa As Oy	2.7	2.7
Vuorastila As Oy	99.0	99.0
Vuoreksen Vega, Tampere As Oy	88.8	88.8
Vuosaaren Meripihka As Oy, Helsinki	42.7	42.7
Välkynkallio As Oy	0.8	0.8
Yläaitankatu 4 As Oy	1.7	1.7
Ylöjärven Soppeenkataja As Oy	100.0	100.0
Sato-Pietari Oy	100.0	100.0
Sato-Neva Oy	100.0	100.0
OOO SATO RUSS	100.0	100.0
SATOkoti Oy		
Ida Aalbergintie 1 KOy	100.0	100.0
Tohlopinkontu Koy	100.0	40.0
SATOkoti 3 Oy		
Espoon Jousenkaari 7 As Oy	100.0	100.0
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0
Helsingin Keinulaudantie 7 As Oy	100.0	100.0
Helsingin Kiillekuja 4 As Oy	100.0	100.0
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0
Helsingin Pajamäentie 6 As Oy	100.0	100.0
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0
Oulun Hoikantie 14–22 As Oy	100.0	100.0
Vantaan Hiekkaharjuntie 16 As Oy	100.0	100.0
SATOkoti 113 Oy	100.0	100.0
Sato-Rakennuttajat Oy		
Helsingin Tila As Oy	11.4	11.4
Helsinki, Kalasataman Huvilat As Oy	8.4	8.4
Läntinen Pitkäkatu 31	17.1	17.1
Oulun Peltokerttu As Oy	100.0	100.0
Puutorin Pysäköinti KOy	51.6	51.6
SATO VK Oy		
Espoon Numersinkatu 6 As Oy	82.0	9.2
Espoon Ristiniementie 22 As Oy	78.4	5.4
Espoon Säterinkatu 10 As Oy	79.0	6.1

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Espoon Zanseninkuja 4 As Oy	82.0	17.4
Helsingin Lintulahdenpuisto As Oy	100.0	100.0
Helsingin Mustankivenraitti 5 As Oy	94.6	94.6
Helsingin Paciuksenkaari 19 As Oy	73.3	1.6
Helsingin Pasuunatie 8 As Oy	74.9	9.1
Helsingin Taimistontie 9 As Oy	12.3	12.3
Helsingin Tulisuontie 20 As Oy	100.0	100.0
Helsingin Vanhanlinnantie 10 As Oy	82.7	10.2
Jyväskylän mlk:n Kirkkotie 3 As Oy	91.4	12.1
Jyväskylän Vaneritori 4 As Oy	88.0	19.8
Kaarinan Katariinankallio As Oy	87.6	23.5
Kaarinan Kiurunpuisto As Oy	90.9	29.6
Kaarinan Kultarinta As Oy	83.5	26.5
Kaarinan Mattelpiha As Oy	94.2	36.0
Kuovi As Oy	100.0	100.0
Oulun Laamannintie 14 ja 17 As Oy	95.9	61.9
Oulun Laamannintie As Oy	95.2	43.5
Tampereen Haapalinnan Antintalo As Oy	92.0	50.7
Tampereen Kyläleni As Oy	96.4	70.7
Tampereen Rantatie 13 E–G As Oy	88.4	41.6
Turun Maarianportti As Oy	100.0	100.0
Turun Merenneito As Oy	77.2	14.6
Turun Meripoika As Oy	89.3	26.0
Turun Unikkoniitty As Oy	88.1	13.9
Tuusulan Naavankierto 10 As Oy	87.8	5.3
Vantaan Herttuantie 3 As Oy	88.6	31.2
SATO VK 15 Oy		
Espoon Puropuisto As Oy	58.4	55.8
Etelä-Hämeen Talo Oy	81.3	25.0
Iidesranta 42 Tampere As Oy	9.9	6.6
Satulaparkki KOy	53.3	0.0
Turun Metallikatu As Oy	100.0	100.0
SATO VK 16 Oy		
Espoon Sokerilinnantie 1 As Oy	5.8	4.3
Helsingin Finniläntalo As Oy	80.2	80.2
Helsingin Paciuksenkaari 13 As Oy	2.8	2.8
Lahden Kauppakatu 36 As Oy	7.9	3.6
Lappeenrannan Kanavansato 2 As Oy	44.3	25.0
Raision Toripuisto As Oy	56.9	20.8
Tampereen Kyyhky As Oy	11.1	8.1
SATO VK 17 Oy		
Helsingin Myllypellonpolku 4 As Oy	76.6	6.9
Helsingin Otto Brandtin polku 4 As Oy	76.8	5.9
Helsingin Tulvaniitynpolku 5 As Oy	10.2	10.2
Kaarinan Katariinanrinne As Oy	81.5	12.6
Kaarinan Verkapatruuna As Oy	77.6	11.7
Oulun Aleksanteri As Oy	100.0	100.0

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Turun Hehtokatu As Oy	82.5	19.1
Turun Seiskarinkulma As Oy	84.4	14.0
Turun Tervaporvari As Oy	100.0	100.0
Vantaan Orvokkitie 17 As Oy	14.3	14.3
Sato-Osaomistus Oy		
Espoon Nostoväenkuja 1 As Oy	3.5	3.5
Espoon Numersinkatu 6 As Oy	82.0	72.8
Espoon Puropuisto As Oy	58.4	2.5
Espoon Ristiniementie 22 As Oy	78.4	73.0
Espoon Sokerilinnantie 1 As Oy	5.8	1.6
Espoon Säterinkatu 10 As Oy	79.0	72.9
Espoon Zanseninkuja 4 As Oy	82.0	64.6
Helsingin Myllypellonpolku 4 As Oy	76.6	69.8
Helsingin Otto Brandtin polku 4 As Oy	76.8	70.9
Helsingin Paciuksenkaari 19 As Oy	73.3	71.7
Helsingin Pasuunatie 8 As Oy	74.9	65.9
Helsingin Taavetinaukio 4 As Oy 1	7.8	7.8
Helsingin Vanhanlinnantie 10 As Oy	82.7	72.5
Iidesranta 42 Tampere As Oy	9.9	3.4
Jyväskylän mlk:n Kirkkotie 3 As Oy	91.4	79.3
Jyväskylän Vaneritori 4 As Oy	88.0	68.2
Kaarinan Katariinankallio As Oy	87.6	64.1
Kaarinan Katariinanrinne As Oy	81.5	68.8
Kaarinan Kiurunpuisto As Oy	90.9	61.2
Kaarinan Kultarinta As Oy	83.5	57.0
Kaarinan Mattelpiha As Oy	94.2	58.1
Kaarinan Verkapatruuna As Oy	77.6	66.0
Lahden Kauppakatu 36 As Oy	7.9	4.3
Lappeenrannan Kanavansato 2 As Oy	44.3	19.3
Oulun Laamannintie 14 ja 17 As Oy	95.9	34.0
Oulun Laamannintie As Oy	95.2	51.7
Raision Siirinsopukka As Oy	82.9	82.9
Raision Toripuisto As Oy	56.9	36.2
Tampereen Haapalinnan Antintalo As Oy	92.0	41.3
Tampereen Kyläleni As Oy	96.4	25.7
Tampereen Kyyhky As Oy	11.1	3.0
Tampereen Rantatie 13 E–G As Oy	88.4	46.7
Turun Hehtokatu As Oy	82.5	63.4
Turun Merenneito As Oy	77.2	62.6
Turun Meripoika As Oy	89.3	63.3
Turun Pakanpoika As Oy	88.3	88.3
Turun Pakantyttö As Oy	74.3	74.3
Turun Seiskarinkulma As Oy	84.4	70.4
Turun Unikkoniitty As Oy	88.1	74.3
Tuusulan Naavankierto 10 As Oy	87.8	82.5
Vantaan Herttuantie 3 As Oy	88.6	57.4
Suomen Satokodit Oy		

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Espoon Kaskenkaatajantie 5 As Oy	100.0	100.0
Helsingin Arhotie 22 As Oy	100.0	100.0
Helsingin Myllymatkantie 1 As Oy	100.0	100.0
Meiramikuja As Oy	4.7	4.7
Pellervon Pysäköinti KOy	16.0	16.0
Satosorsa As Oy	19.9	19.9
Vantaan Kortteeri As Oy	6.4	6.4
Suomen Vuokrakodit Oy		
Espoon Hopeavillakko As Oy	100.0	100.0
Espoon Likusterikatu 1 D As Oy	100.0	100.0
Espoon Siniheinä As Oy	100.0	100.0
Helsingin Mestari As Oy	100.0	100.0
Helsingin Sateenkaari As Oy	100.0	100.0
Jyväskylän Äijälänrannan Ansaritie 4 As Oy	100.0	100.0
Kangasalan Unikkoniitty KOy	100.0	100.0
Kapellimestarinparkki KOy	9.1	9.1
Lahden Mesisurri As Oy	100.0	100.0
Lempäälän Moisionaukea 25 As Oy	100.0	100.0
Nokian Virran Ritari As Oy	100.0	100.0
Tampereen Aitolahdentie 24 As Oy	100.0	100.0
Tampereen Härmälänrannan Aurinkokallio KOy	100.0	100.0
Tampereen Sammon Kalervo As Oy	100.0	100.0
Turun Westparkin Eeben As Oy	100.0	100.0
Turun Westparkin Tuija As Oy	100.0	100.0
Vantaan Kesäniitty As Oy	100.0	100.0
Vantaan Kevätpuro As Oy	100.0	100.0
Vantaan Piparminttu As Oy	100.0	100.0
Vantaan Rubiinikehä 1 B As Oy	100.0	100.0
Vantaan Tempo Koy	100.0	100.0
Vantaan Teodora KOy	100.0	100.0
Ylöjärven Viljavainio As Oy	100.0	100.0
Vatrotalot 2 Oy		
SATO-Osaomistus	100.0	100.0
Vatrotalot 3 Oy		
Kirkkonummen Riihipolku As Oy	100.0	100.0
Kylänpäänpelto As Oy	43.8	43.8
Nurmijärven Kylänpäänkaari As Oy	45.0	45.0
Nurmijärven Kylänpäänniitty As Oy	35.2	35.2
Vatrotalot 5 Oy		
Helsingin Laivalahdenportti 5 As Oy	75.5	75.5
Helsingin Toini Muonan katu 8 As Oy	13.2	13.2
Laakavuorentie 4 As Oy	39.1	39.1
Meriramsi As Oy	25.6	25.6
Meri-Rastilan tie 5 As Oy	23.5	23.5
Meri-Rastilan tie 9 As Oy	9.1	9.1
Raudikkokuja 3 KOy	100.0	100.0
Vantaan Omaksi As Oy	2.8	2.8

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Vantaan Ravurinpuisto As Oy	61.1	61.1
SVK yhtymä Oy		
Suomen Vuokrakodit Oy	100.0	100.0

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

PARENT COMPANY INCOME STATEMENT

MEUR	note	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Net sales	1	7.3	4.9
Other operating income	2	6.0	5.4
Materials and services	3	-2.7	-0.8
Personnel expenses	4 5 6	-3.0	-3.8
Depreciation, amortization and impairment charges	7	-1.1	-1.0
Other operating expenses	8	-12.1	-10.8
Operating profit		**-5.5**	**-6.2**
Financial income and expenses	9	-39.0	-26.5
Profit/loss before appropriations and taxes		**-44.4**	**-32.7**
Group contribution	10	110.2	68.7
Income taxes	11	-13.2	-7.2
Profit for the period		**52.6**	**28.7**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

PARENT COMPANY BALANCE SHEET, FAS

MEUR	note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	12	1.9	1.9
Tangible assets	13	1.7	1.9
Holdings in Group companies	14	1,081.2	816.7
Holdings in associated companies	15	0.0	0.0
Other holdings and shares	16	1.0	1.0
Total		**1,085.7**	**821.5**
Current assets			
Inventories	17	4.7	6.5
Long-term receivables	18	8.1	8.1
Short-term receivables	19	297.6	71.2
Cash and cash equivalents		12.6	11.2
Total		**323.0**	**97.0**
TOTAL ASSETS		**1,408.7**	**918.5**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

SHAREHOLDER'S EQUITY AND LIABILITIES

Shareholder's equity	21 22		
Share capital		4.4	4.4
Reserve fund		43.7	43.7
Other funds		116.1	3.1
Retained earnings		71.2	67.9
Profit for the period		52.6	28.7
Total		**288.0**	**147.8**
Obligatory reserves	23	**0.0**	**0.0**
Liabilities			
Non-current	24	901.1	592.9
Current	25	219.6	177.8
Total		**1,120.7**	**770.7**
SHAREHOLDER'S EQUITY AND LIABILITIES, TOTAL		**1,408.7**	**918.5**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

PARENT COMPANY'S CASH FLOW STATEMENT, FAS

Milj. €	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for financial year	52.6	28.7
Adjustments:		
Depreciation	1.1	1.0
Financial income (-) and expenses (+)	39.0	26.5
Income tax	13.2	7.2
Proceeds (-) and losses (+) on sales of tangible assets	-0.2	-0.1
Group contribution	-110.2	-68.7
Change in reserves	0.5	0.0
Cash flow before change in working capital	**-4.1**	**-5.3**
Change in working capital:		
Decrease (+)/increase(-) in current non-interest bearing receivables	0.3	-1.4
Decrease (+)/increase(-) in inventories	1.7	-1.0
Decrease (-)/increase(+) in current loans	-2.4	-3.0
Cash flow before financial items and taxes	**-4.5**	**-10.7**
Interest paid and payment of other financial expenses	-18.3	-19.1
Interest received	1.7	5.2
Other financial expenses	-11.4	-11.3
Direct taxes paid	-4.6	-6.6
Cash flow from operating activities (A)	**-37.1**	**-42.4**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-0.9	-1.3
Income from disposals of tangible assets	0.3	0.1
Other investments to subsidiaries	-250.3	-320.0
Placements in other investments	0.0	0.0
Proceeds from other investments	0.0	0.0
Loans granted	0.0	-4.0
Instalments on loan receivable	3.4	0.7
Cash flow from investing activities (B)	**-247.5**	**-324.5**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

CASH FLOW FROM FINANCING ACTIVITIES		
Loans withdrawn	428.1	404.3
Payments on loans	-103.7	-71.8
Changes in short-term cash pool liabilities and receivables	-163.7	1.7
Group contributions (contribution-based)	52.0	72.3
Dividends paid and other distribution of profit	-25.4	-31.5
Payments received from the issue of shares	98.7	0.0
Cash flow from financing (C)	**286.0**	**375.0**
Cash and cash equivalents at the beginning of the year	**11.2**	**3.1**
Cash and cash equivalents at the end of the year	**12.6**	**11.2**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

NOTES TO INCOME STATEMENT

1. Net Sales

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Rental income and compensation	2.5	2.5
Other income	4.8	2.3
Total	**7.3**	**4.9**

2. Other operating income

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Other operating income	0.0	0.0
Profit on sales of fixed assets	0.2	0.1
Management service charges	5.8	5.3
Total	**6.0**	**5.4**

3. Materials and services

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Materials and services		
Purchases	0.9	0.5
Change in inventories	1.8	0.3
Total	**2.7**	**0.8**

4. Personnel expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Salaries and wages	2.5	3.0
Pension expenses	0.5	0.8
Other personnel expenses	0.0	0.0
Total	**3.0**	**3.8**

5. Management salaries and compensations

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Presidents and members of the Board of Directors	0.9	1.0
The President and CEO is entitled to retire at the age of 60.		

6. Average number of personnel

	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Employees	16	17

7. Depreciation

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Depreciation of tangible and intangible assets	1.1	1.0
Total	**1.1**	**1.0**

8. Other operating expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Rents	1.7	1.7
Maintenance expenses	0.5	0.8
Other fixed expenses	9.7	8.3
Other operating expenses	0.0	0.0
Total	**12.1**	**10.8**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

9. Financial income and expenses

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Interest income on long-term investments		
From Group companies	1.7	5.2
From others	0.0	0.0
Total	**1.7**	**5.2**

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Interest expenses and other financing expenses		
To Group companies	-7.0	-6.8
To others	-33.6	-24.9
Total	**-40.6**	**-31.7**
Financial income and expenses, total	**-39.0**	**-26.5**

10. Group contributions

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Group contributions	110.2	68.7
Total	**110.2**	**68.7**

11. Income taxes

MEUR	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015
Income taxes	13.2	7.2
Total	**13.2**	**7.2**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

NOTES TO BALANCE SHEET

12. Intangible assets

MEUR	2016	2015
Other long-term expenditure		
Acquisition cost, 1 Jan	5.2	4.2
Increases	0.5	1.0
Acquisition cost, 31 Dec	5.7	5.2
Accumulated depreciation and write-downs, 1 Jan	3.2	2.7
Depreciation for year	0.6	0.5
Accumulated depreciation, 31 Dec	3.8	3.2
Book value, 31 Dec	**1.9**	**1.9**
Intangible assets, total	**1.9**	**1.9**

13. Tangible assets

MEUR	2016	2015
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**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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	3.7	3.6
Increases	0.4	0.3
Decreases	-0.5	-0.2
Acquisition cost, 31 Dec	3.5	3.7
Accumulated depreciation and write-downs, 1 Jan	2.6	2.4
Accumulated depreciation of transfers	-0.4	-0.2
Depreciation for year	0.4	0.4
Accumulated depreciation, 31 Dec	2.5	2.6
Book value, 31 Dec	**1.0**	**1.1**

Other tangible assets

Acquisition cost, 1 Jan	1.3	1.3
Increases	0.0	0.0
Acquisition cost, 31 Dec	1.3	1.3
Accumulated depreciation and write-downs, 1 Jan	0.4	0.3
Depreciation for year	0.1	0.1
Accumulated depreciation, 31 Dec	0.5	0.4
Book value, 31 Dec	**0.7**	**0.9**
Tangible assets, total	**1.7**	**1.9**

14. Holdings in Group companies

MEUR	2016	2015
Acquisition cost, 1 Jan	816.6	496.6
Increases	264.5	320.0
Acquisition cost, 31 Dec	1,081.2	816.7
Book value, 31 Dec	**1,081.2**	**816.7**

15. Holdings in associated companies

MEUR	2016	2015
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

MEUR	2016	2015
Acquisition cost, 1 Jan	1.0	1.0
Acquisition cost, 31 Dec	1.0	1.0
Accumulated depreciation and write-downs, 1 Jan	0.0	0.0
Accumulated depreciation, 31 Dec	0.0	0.0
Book value, 31 Dec	**1.0**	**1.0**
Investments, total	**1082.1**	**817.6**

17. Inventories

MEUR	31 Dec 2016	31 Dec 2015
Completed housing units and commercial space	0.2	0.2
Land areas and land area companies	4.0	5.8
Other inventories	0.5	0.5
Book value	**4.7**	**6.5**

18. Non-current receivables

MEUR	31 Dec 2016	31 Dec 2015
Receivables from Group companies		
Notes receivable, Group	7.8	7.8
Total	**7.8**	**7.8**

MEUR	31 Dec 2016	31 Dec 2015
Receivables from others		
Notes receivable	0.4	0.4
Total	**0.4**	**0.4**
Non-current receivables, total	**8.1**	**8.1**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

19. Current receivables

MEUR	31 Dec 2016	31 Dec 2015
Receivables from Group companies		
Accounts receivable	1.3	0.0
Loan receivable	0.0	3.4
Other receivables	295.5	65.1
Prepaid expenses and accrued income	0.1	0.2
Total	**296.9**	**68.8**

Receivables from others

Accounts receivable	0.3	0.3
Loan receivables	0.0	0.0
Prepaid expenses and accrued income	0.3	2.2
Total	**0.7**	**2.5**
Current receivables, total	**297.6**	**71.2**
Receivables total	**305.7**	**79.4**

Specification of prepaid expenses and accrued income

Interest receivables	0.0	0.0
Current tax receivables	0.0	2.0
Other	0.4	0.4
Total	**0.4**	**2.4**

20. Shareholders' equity

MEUR	2016	2015
Increase in share capital	4.4	4.4
Share capital, 1 Jan	4.4	4.4
Reserve fund, 1 Jan	43.7	43.7
Reserve fund, 31 Dec	43.7	43.7

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Other funds, 1 Jan	1.1	1.1
Other funds, 31 Dec	1.1	1.1
Invested unrestrited equity fund, 1 Jan	1.9	23.3
Increases	112.9	0.0
Decreases	0.0	-21.4
Invested unrestrited equity fund, 31 Dec	114.8	1.9
Retained earnings, 1 Jan	96.6	78.1
Dividend payment	-25.4	-10.2
Retained earnings, 31 Dec	71.2	67.9
Profit for the period	**52.6**	**28.7**
Shareholders' equity, total, 31 Dec	**288.0**	**147.8**

21. Calculation of distributable assets

MEUR	2016	2015
Other funds	1.1	1.1
Invested unrestrited equity fund	114.8	1.9
Retained earnings	71.2	67.9
Profit for the period	52.6	28.7
Distributable assets, 31 Dec	**239.8**	**99.7**

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

	31 Dec 2016	31 Dec 2015
Total number of shares	56,783,067	51,001,842

SATO Corporation has only one series of shares.

The company holds 160,000 of its own shares.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

23. Obligatory reserves

MEUR	31 Dec 2016	31 Dec 2015
Refund claim expense reserve	0.0	0.0
Total	**0.0**	**0.0**

24. Long-term liabilities

MEUR	31 Dec 2016	31 Dec 2015
Loans to Group companies		
Loans, Group	3.9	3.9
Total	**3.9**	**3.9**

MEUR	31 Dec 2016	31 Dec 2015
Loans from financial institutions		
Bonds	847.3	549.0
Loans from financial institutions	50.0	40.0
Total	**897.3**	**589.0**
Long-term liabilities, total	**901.1**	**592.9**
Loans maturing in more than five years	**77.9**	**52.9**

Derivatives

MEUR	31 Dec 2016	31 Dec 2015
Nominal values of derivative instruments		
Interest rate swaps	538.4	499.6

MEUR	31 Dec 2016	31 Dec 2015
Fair values of derivative instruments		
Interst rate swaps		
Positive	0.0	1.1
Negative	-30.7	-34.3
Total	**-30.7**	**-33.2**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Interest rate risk arising from floating rate loans of Group companies is hedged using derivative instruments in accordance with the Treasury Policy. Hedge ratio complies with the Treasury Policy: fixed rate ratio to whole loan portfolio (excluding ARAVA loans) is kept above 60 per cent. SATO´s objective is to keep interest fixing period between 3 to 5 years.

25. Current liabilities

MEUR	31 Dec 2016	31 Dec 2015
Loans to Group companies		
Accounts payable	0.4	0.4
Other liabilities	68.1	59.6
Accrued expenses and prepaid income	16.9	1.9
Total	**85.4**	**62.0**

MEUR	31 Dec 2016	31 Dec 2015
Loans to others		
Loans from financial institutions	109.9	103.7
Advances received	0.1	0.5
Accounts payable	0.9	0.4
Other liabilities	0.3	0.3
Accrued expenses and prepaid income	22.9	10.9
Total	**134.2**	**115.8**
Current liabilities, total	**219.6**	**177.8**
Liabilities, total	**1120.7**	**770.7**

MEUR	31 Dec 2016	31 Dec 2015
Specifiaction of accrued expenses and prepaid income		
Wages and salaries including employee benefits	2.0	1.9
Interest payable	30.0	7.8
Municipal engineering liabilities	0.5	1.9
Current tax liabilities	6.6	0.0
Others	0.8	1.2
Total	**39.8**	**12.8**

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

26. Collaterals, contingent liabilities and other commitments

MEUR	31 Dec 2016	31 Dec 2015
Contingent liabilities on behalf of Group companies		
Guarantees	314.8	510.5
Total	**314.8**	**510.5**

MEUR	31 Dec 2016	31 Dec 2015
Other commitments		
Lease agreements for premises in Panuntie, amounts due (incl.VAT)		
Within one year	1.7	1.7
Later than one year but within five years	7.1	6.9
Later than five years	1.8	3.4
Pledges and contingent liabilities, total	**10.6**	**12.0**

SATO has sublet office premises in Panuntie, Helsinki. The future minimum rent payments from these agreements is EUR 0.8 (2.1) million. In the current period, rental income recognised in income statement amounted to EUR 0.8 (0.9) million.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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

AUDITOR'S REPORT

To the Annual General Meeting of SATO Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SATO Oyj (business identity code 0201470-5) for the year ended 31 December 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Materiality

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Why

— SATO applies fair value accounting (IAS 40). Investment properties measured at fair value (EUR 3,383.2 million) comprise 95.0 per cent of the consolidated total in the statement of financial position as at 31 December 2016. The resulting change in fair values has a significant impact on the consolidated equity and profit for the year.

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

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

How the matter was addressed in the audit

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

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

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

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

Why

— Rental income comprises a significant part of the consolidated net sales and cash flows. Rental income from investment properties is recognised in equal instalments over the lease term.

— Net sales consist of a significant number of invoicing transactions. The industry is marked by a large number of lease agreements effective until further notice.

How the matter was addressed in the audit

— We assessed the internal controls over rental income and tested the effectiveness of the key controls over the accuracy of the invoicing process.

— Our audit focused on testing the key controls to assess the completeness, accuracy and existence of consolidated net sales.

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

Why

— SATO acquires and disposes of apartments and investment property portfolios annually. The acquisitions of investment properties in 2016 amounted to EUR 557.7 million and proceeds from disposal of investment properties EUR 67.3 million.

— The sale and purchase agreements for property acquisitions and disposals may have complexity such as deferred consideration arrangements and include other rights and obligations. These circumstances may require management judgement when assessing the appropriate accounting treatment in relation to the relevant accounting standards applied.

How the matter was addressed in the audit

— We assessed the internal controls of the Group and tested the controls over the approval and authorisation processes to acquire and dispose of investment properties.

— We considered the sale and purchase agreements for property acquisitions and disposals and other documentation on the transactions. We assessed the definition, classification and recognition of the transactions in relation to the relevant accounting standards and the accounting principles for the consolidated financial statements applied.

— Furthermore, we assessed the appropriateness of the disclosures on the transactions presented in the consolidated financial statements.

Accounting for borrowings and derivative instruments
(Refer to notes 17, 26, 27, 28 and 31 to the consolidated financial statements)

Why

— The interest-bearing liabilities amount to EUR 1,943.0 million which account for 54.5 per cent of the consolidated total in the statement of financial position as at 31 December 2016.

— The Group has derivative instruments that are accounted for at fair value. The nominal value of the derivatives is EUR 767.3 million as at 31 December 2016. SATO uses both interest rate and currency derivatives to hedge its interest rate and currency risk exposures. The Group applies hedge accounting to a part of its derivative instruments.

How the matter was addressed in the audit

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

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

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

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

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

Helsinki, 1 February 2017

KPMG OY AB

LASSE HOLOPAINEN
Authorised Public Accountant, KHT

FIVE YEAR INDICATORS

Key financial indicators	2016	2015	2014	2013**	2012**
Net sales, MEUR	318	323	312	312	287
Operating profit, MEUR	267	196	191	178	160
Net financing expenses, MEUR	-48	-37	-39	-38	-39
Profit before taxes, MEUR	219	159	152	141	121
Balance sheet total, MEUR	3,562	2,980	2,802	2,596	2,360
Shareholders' equity, MEUR	1,253	993	892	823	693
Liabilities, MEUR	2,310	1,986	1,909	1,773	1,696
Intrest bearing liabilities, MEUR	1,943	1,676	1,585	1,501	1,375
Return on invested capital, % (ROI)	9.1%	7.6%	7.7%	7.7%	7.7%
Return on equity, % (ROE)	15.6%	13.5%	14.0%	15.5%	13.5%
Equity ratio, %	35.2%	33.3%	31.8%	31.7%	29.4%
Investment property, MEUR	3,383	2,753	2,528	2,316	2,088
Gross investments, MEUR	573	250	174	191	160
as percentage of net sales	180.1%	77.4%	55.7%	61.2%	55.7%
Personnel, average***	170	172	165	156	152
Personnel at the end of period	175	170	169	156	150
Key indicators per share					
Earnings per share, EUR	3.22	2.49	2.37	2.34	1.78
Equity per share, EUR ****	22.12	19.53	17.55	16.16	13.72
Number of shares, million *	56.6	50.8	50.8	50.8	50.8
Key figures according to EPRA recommendations and operational cash earnings					
EPRA Earnings, MEUR	69.5	64.5	65.1	62.7	44.4
EPRA Earnings per share, EUR	1.28	1.27	1.28	1.23	0.87
EPRA Net Asset Value, MEUR*****	1,517.5	1,227.8	1,120.3	1,006.9	900.5
EPRA Net Asset Value per share, EUR*****	26.80	24.15	22.04	19.80	17.71
Cash earnings, MEUR	86.2	78.1	72.9	66.1	61.6
Cash earnings per share, EUR	1.59	1.54	1.43	1.30	1.21

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

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

*** Including summer trainees

**** Equity excluding non-controlling interests

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

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Formulas used in calculation

Return on investment, %

$$= \frac{\text{(Profit or loss before taxes + interest expense and other financing expenses)}}{\text{Balance sheet total – non-interest-bearing debts (average during the financial year)}} \times 100$$

Return on equity, %

$$= \frac{\text{(Profit or loss after taxes)}}{\text{Shareholders' equity (average during the financial year)}} \times 100$$

Equity ratio, %

$$= \frac{\text{Shareholders' equity}}{\text{Balance sheet total – advances received}} \times 100$$

Earnings per share, EUR

$$= \frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$$

Equity per share, EUR

$$= \frac{\text{Shareholders' equity}}{\text{Adjusted number of shares (at the end of the reporting period)}}$$

EPRA Earnings

Profit for the period, IFRS
-/+ Gains and losses from valuation of investment properties
- Profit on sales of investment properties
+ Loss on sales of investment properties
-/+ Profit on sales of new apartments adjusted with sales and marketing expenses
-/+ Profit on sales of land areas
-/+ Fair value change of financial instruments
-/+ Deferred taxed of above items
- Non-controlling interests

EPRA Net Asset Value

Net asset value
-/+ Fair value of financial instruments (net), net of tax
-/+ Deferred tax assets and liabilities (net)

Cash Earnings

Operating profit
+/- Gains and losses from valuation of investment properties
+ Depreciations
+/- Change of provisions
+/- Defined benefit plans
- Cash based financial income and expenses
- Cash taxed
+/- Other items

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

INFORMATION FOR SHAREHOLDERS

Notice to annual general meeting of SATO Corporation

Notice is given to the shareholders of SATO Corporation to the Annual General Meeting to be held on Wednesday 8 March 2017 at 12:00 pm in the SATO building auditorium at the address Panuntie 4, FI-00610 Helsinki. The reception of registered participants and the distribution of voting tickets will commence at 11:30 am.

Documents of the General Meeting

The notice to the meeting and the agenda with the draft resolutions, SATO Corporation's financial statements, report of the Board of Directors and the auditor's report will be available on the SATO Corporation's website www.sato.fi no later than on 10 February 2017. The draft resolutions and the other above-mentioned documents will also be available at the General Meeting. The minutes of the General Meeting will be available on the said website on 22 March 2017 at the latest.

Instructions for participants of the General Meeting

Right to attend and registration

Each shareholder who is on 24 February 2017 registered in the shareholders register of the company maintained by Euroclear Finland Ltd has the right to attend the General Meeting. A shareholder whose shares have been entered into his/her personal Finnish book-entry account, is registered in the shareholders register of the company.

A shareholder who is entered into the shareholders register and who wish to attend the General Meeting shall register for the meeting no later than 4:00 pm (EET) on 3 March 2017, by which time the registration shall be received by the company. The registration may be made as follows:

- by regular mail to the address SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki
- by telephone (+358 201 34 4002 / Kati Laakso) Mon-Fri 8:00 am - 4:00 pm, or
- by e-mail to kati.laakso (at) sato.fi

Personal information given by the shareholders to SATO Corporation shall be used only in connection with the General Meeting and the registrations required for it.

If required, the shareholder, his/her authorized representative or proxy representative shall prove his/her identity and/or the right of representation at the meeting.

Holders of nominee registered shares

A holder of nominee registered shares is entitled to attend the General Meeting by virtue of shares on the basis of which he/she on the record date of General Meeting, i.e. 24 February 2017 would be entitled to be registered in the shareholders register of the company maintained by Euroclear Finland Ltd. The attendance also requires that the shareholder is temporarily entered into the shareholders register maintained by Euroclear Finland Oy on the basis of such shares no later than at 10:00 am 3 March 2017. For shares entered in the nominee register, this will be deemed as registration for the General Meeting.

With regard to the nominee registered shares, the holder of such shares is advised to request from his/her custodian bank in time instructions for entry on the temporary shareholders register, the issuing of proxy documents and registration for the General Meeting. The account management organisation of the custodian bank shall request temporary entry of the holder of the nominee registered shares wishing to attend the General Meeting into the company's shareholders register no later than the above mentioned time.

Representatives and powers of attorney

A shareholder may attend the General Meeting and exercise his/her rights by way of a representative. The shareholder's representative shall present a dated power of attorney or otherwise in a reliable manner prove his/her right to represent the shareholder. In case a shareholder participates the General Meeting by means of several representatives, representing the shareholder with shares entered into different book-entry accounts, the shares on the basis of which each representative represents the shareholder shall be identified in connection with the registration for the General Meeting.

Proxy documents, if any, should be delivered to SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki by the expiry of the registration period.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.

Other instructions and information

Pursuant to Chapter 5 Section 25 of the Finnish Limited Liability Companies Act a shareholder attending the General Meeting is entitled to request information concerning the issues on the Meeting agenda

On the date of this notice to the Annual General Meeting, 2 February 2017, SATO Corporation has a total of 56,783,067 shares and votes.

Proposal on distribution of dividends

The Board of Directors proposes to the AGM that no dividend will be paid for the reporting year 2016.

Financial publications

Publication dates for interim reports:
January–March on 27 April 2017
January–June on 16 August 2017
January–September on 31 October 2017

The annual report for the financial period and interim reports are issued in Finnish and in English. They are available at the company's website www.sato.fi. Further information is available from viestinta (at) sato.fi.

Distribution of shares on 2 January 2017

Shareholder	Holding %
Balder Finska Otas AB (owner: Fastighets Ab Balder, 100%)	53.6
Stichting Depositary APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95 %; manager: APG Asset Management NV)	22.6
Elo Mutual Pension Insurance Company	12.7
The State Pension Fund	4.9
The Finnish Construction Trade Union	1.1
Others (84 shareholders)	5.1

On 2 January 2017, the Group had 89 shareholders entered in the book-entry register. The turnover of SATO Corporation's shares was 1.2 per cent during the reporting year.

Articles of Association and shares

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

On 31 December 2016, the company's share capital was EUR 4,442,192. The company has 56,783,067 shares. The share has no par value.

The company has one series of shares. The shares are included in the book-entry system maintained by Euroclear Finland Oy.

This pdf is composed of selected elements from SATO's Annual Report and may deviate from other generated documents.
To view the report in full, please visit reports.sato.fi/Annualreport2016.