

journey continues

SATO's annual and sustainability report 2015

*everyday moments
in my city*

#hereitgoes #firstlight #cityawakens #mycity

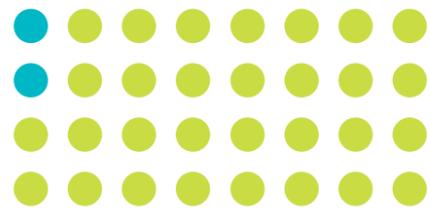
sato

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SATO's report 2015

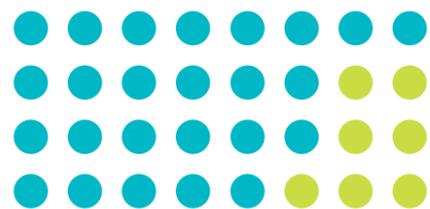
sato

The dawn breaks in the city.
It is still quiet on the streets when people in thousands of SATO homes are waking up for a new day. We at SATO are doing all we can to ensure that our residents enjoy themselves a little more in their homes. At the same time, we are creating new types of housing solutions following modern trends, such as the social StudioHome introduced in 2015.
Welcome to our journey!



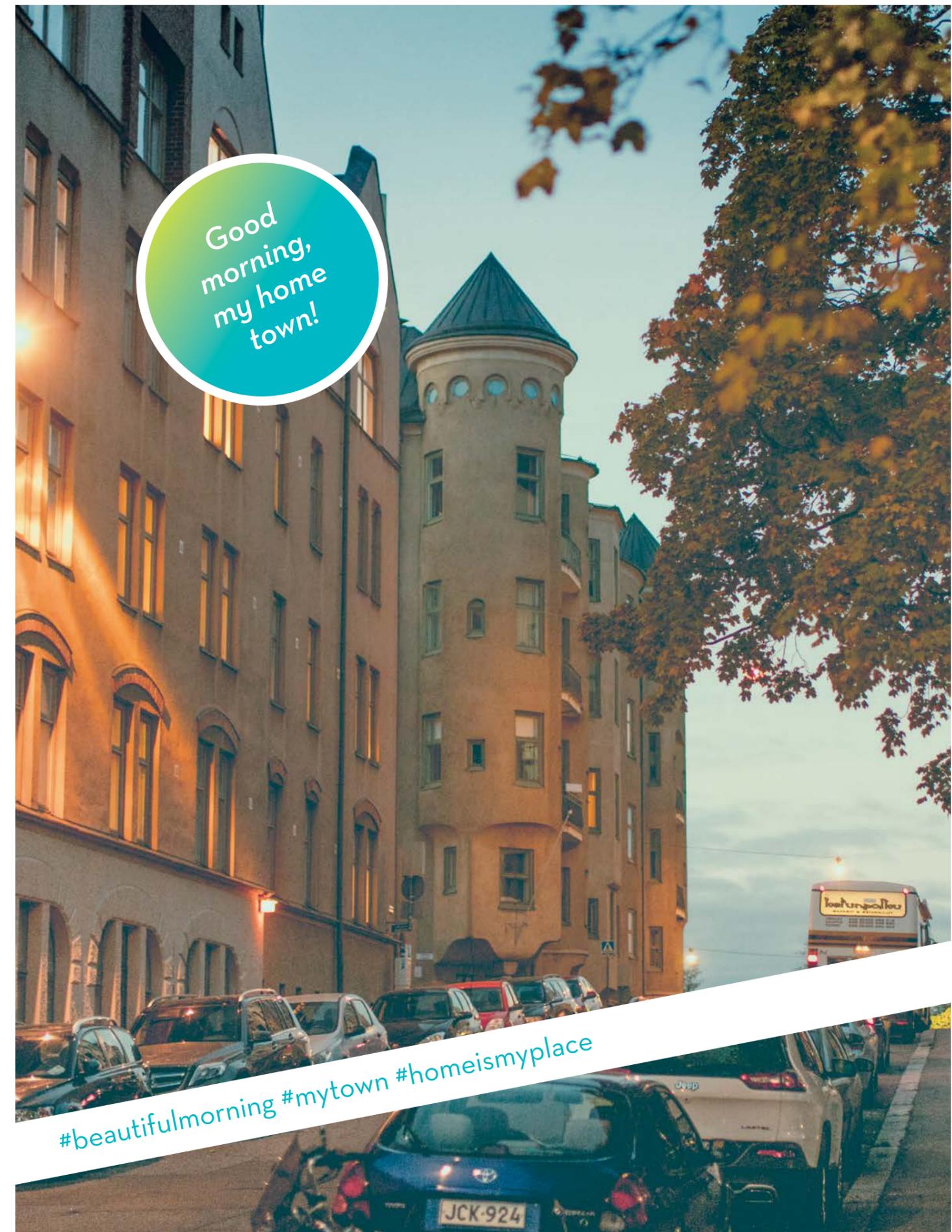
6%

Share of SATO RentHomes from rental homes in the major cities



77%

Share of investments from turnover





the best way
to start a morning
is to have a cup of
coffee in a cosy
home

#morningcoffee #almostseven #bestpartoftheweek #soontowork

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A 75-YEAR-OLD YOUNGSTER

SATO is a reliable lessor which operates in the long term, while taking care of its customers. We are one of the most active housing investors in Finland. We acquire new and old rental homes and maintain and develop them.

We have operated in the housing market for 75 years, and we have acquired know-how concerning the changing customer needs and market dynamics along the way. Some 170 SATO employees are working daily with our partnership network for better housing. We are passionate about what we do and are proud of SATO.

#homelikeyouwantit #everythingworks #besthome #greatservices

FACTS ABOUT US

SATO RentHome

SATO RentHomes offer safe rental housing. We offer a large range of homes, and we help our customers find the perfect home. The rent includes an Internet connection and other variable customer benefits. Living is easy in homes for senior citizens thanks to the correct equipment and the central location. In terms of renovated and new homes, we stand out from the rest because of our good design solutions and material choices.



SATO HotelHome

The internationalization of business life has increased the need for temporary housing. SATO HotelHomes offer home-like housing in stylishly furnished flats as an alternative to the ordinary hotel living. Our service also includes linen and weekly cleaning.



Our vision
best home address - 50,000 happy residents



SATO homes

23,600

Personnel

170

Investments/
year, € million

150-200

Fair value
of investment assets

€2.8 BILLION

Operating areas

Helsinki metropolitan area, Tampere,
Turku, Jyväskylä, Oulu and St. Petersburg

*a home the way
you want it*

TOGETHER TOWARDS NEW OPPORTUNITIES

Dear reader,

For me, the first few months at SATO have been a valuable time of learning. This has been an easy working community to join, and I have been warmly welcomed by competent colleagues who have provided strong support for my familiarisation process. SATO employees have a strong will to develop the company, its methods and services. We also have professional, development-orientated partners. This team makes it easy to start steering SATO, the company that provides increasingly good services.

Significant activity in the rental housing market

An efficient team is particularly important right now, because our business environment is clearly undergoing a change.

In Finland, the housing culture is dominantly based on owner-occupancy. Of the 2.6 million homes in the country, only one-third are rental homes and of these, about half are owned by private individuals. However, the popularity of living in rented accommodation is rapidly gaining ground in major cities. This development is driven by many trends, such as urbanisation and smaller households. The long period of economic gloom and increased immigration also lead to growing demand.

As the demand has increased, new operators, such as Finnish and foreign housing funds, have started offering rental homes. The pension insurance companies have become more active because of the temporary possibility of using borrowed capital leverage.

The customers' purchasing power has been developing sluggishly for a long time. We are concerned that the cost-increasing regulations and their associated interpretations that are applicable to the construction of homes lead to rent levels which in this situation are too high for people in need of homes. This will also limit the mobility of workforce.

The purpose of our SATO StudioHome concept was to introduce an alternative for affordable housing. The homes built in accordance with the concept have low rents, and the homes are clearly bigger and have a more spacious feel than

their floor area of 16 square metres would suggest. The design work for the first site is well under way, and we hope to start its construction during 2016.

A significant change of ownership structure coincides with the start of my work at SATO. The largest pension insurance companies Varma and Ilmarinen have divested their SATO holdings, and the Swedish company Fastighets Ab Balder has become the largest shareholder. Cooperation with the new largest shareholder has begun well and I believe that Balder will provide strong support to the development of SATO.

Aiming high

We will continue the story of SATO – which began 75 years ago – with the same ambition that has carried the company so far. SATO's key strategic areas – growth, profitability, excellent customer experience and inspiring corporate culture – give a good bearing for our work. They also constitute the basis of our corporate responsibility.

In order to succeed in our key areas of focus in a changing environment, we must reform and find ever better solutions. The most important area for development in which we want to aim considerably higher is the service experience of our customers in all encounters. This will require a good control of the entire supply chain and the commitment of our partners towards our goals. We will promote responsible modes of operation in close cooperation.

The values jointly created by SATO employees in 2014, Aiming high, A human to human and Joy and ease of expertise, give a good direction for our goal-seeking development work.

Human to human

Home is very important to everyone, which is why we want to emphasise human orientation in our operations.

We aim to provide an easy and uncomplicated service that creates positive interaction and builds long-lasting customer relationships. We still have some way to go until we reach this

*we have ambitious
goals and the
right spirit*

#newjob #greatcolleagues #excellentpartners #fullsteamahead

goal, but we have taken our first steps with enthusiasm and healthy curiosity. We were delighted to see SATO's customer service being rated the developer of the year in the Customer's Voice competition.

I hope that our resident forum will help us to get our customers to join in creating the best service in the industry.

Joy and ease of expertise

We at SATO invest in strengthening the open and confidential atmosphere. By doing things together, we will learn from each other and achieve the best results. Our will is to build a strong service culture and turn out efficient high-quality work in all main areas of our operations. The courage to seek for new solutions and ideas together with colleagues is just the attitude I want to see.

Power to change, success stories and even challenges

SATO has a strong track record of power to change over its 75 years of operation. As the needs of society have changed, the property development for owner-occupied homes at the early stages has changed into housing investment activities and the provision of rental homes in growth centres. Reform and continuous development are also evidenced by the success stories of 2015.

As a major housing investor, we recognise our responsibility, not only for economic sustainability but also for the environment, as well as our customers, personnel and partners. Our responsibility programme was given the best rating of Green Star in the Global Real Estate Sustainability Benchmark assessment.

Our actions for fighting climate change are primarily based on improving the energy efficiency of our buildings. We take daily actions for reducing the consumption of energy and also embark on more extensive projects for developing new solutions. An example of the latter is our low-energy house in Soukka, Espoo. It received an honorary mention in a competition organised by the Green Building Council Finland. We also sought ideas for developing responsible housing, construction and property maintenance with the architectural competition we organised in celebration of our 75th anniversary.

Throughout its history, SATO has developed several new types of housing concepts, the SATO StudioHome introduced in the spring being the latest example. More than 13,000 visitors to the Housing Fair of summer 2015 took a closer look at the sample home built according to the concept, and 96 percent of people providing feedback felt that this housing solution is exactly what is needed in the Helsinki region.

In addition to many success stories, there were also challenges during the year. The economic occupancy rate of our rental homes fell short of the previous year's level in spite of our several actions aimed at improving the letting out business. As far as we know, many other operators in the business had the same experience as the market situation changed in certain locations. We will turn this trend with a number of actions during the coming year.

The continuity of operations is being taken care of

More rental homes will be required in the future. There are several new housing areas currently under construction in the Helsinki region and other major cities. This may even create temporary situations of excessive supply in some areas. However, urbanisation will in the long run lead to a situation where the number of rental homes available is insufficient to meet the demand. We will absolutely need investments for the construction of homes, as well as other infrastructure in order to ensure the smooth functioning of society.

SATO continued its strong regime of rental housing investments. The investments amounted to EUR 250 million, exceeding the previous year's level. This is in line with our growth target. We also met our profitability target which is necessary for future growth. By looking after our profitability, we are able to continue our rental housing investments in our target areas where housing solutions are an essential element of workforce mobility, and hence also an element of the dynamics of economy. We will use both retained earnings and borrowed capital for increasing the supply of homes; we need one euro for each two euros we borrow.

My work has got under way with speed, and I wish to thank all SATO employees for their support. I also thank my predecessor Erkkä Valkila, who together with competent staff has been building a successful and developing company. I extend my thanks to the owners and the Board of Directors for their trust. And I also take this opportunity to thank our partners and cooperation parties for open cooperation.

Towards a SATO that provides an even better service!

Saku Sipola



Dear partner,

My term of almost thirteen years with SATO has ended, and the time has come to thank you for all the good, industrious moments we have had the pleasure to experience together. The post of President and CEO of SATO has provided an interesting vantage point for the real estate business. During my term of office, the support of our partners and all SATO employees has helped the company grow into one of the most important housing investment companies in Finland, and I am passing the company on to my successor in good shape.

I shall continue working in the Boards of several real estate and construction companies and will hopefully continue to meet many of you in that capacity. I want to express my thanks for everything and wish continued success for SATO.

Erkkä Valkila



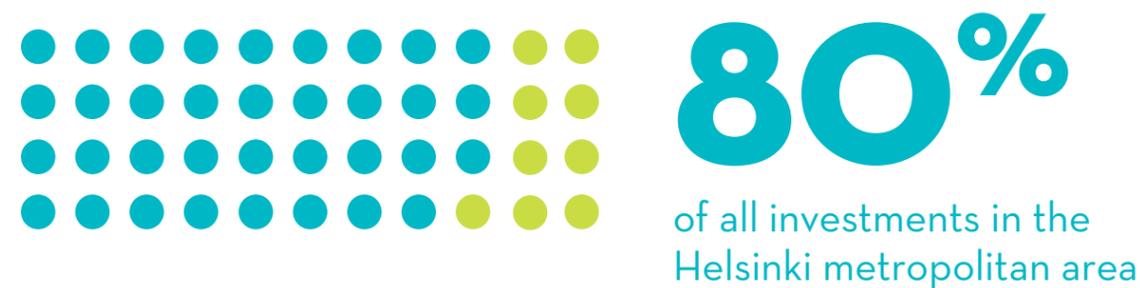
NEW INVESTMENTS

Significant increase in investments

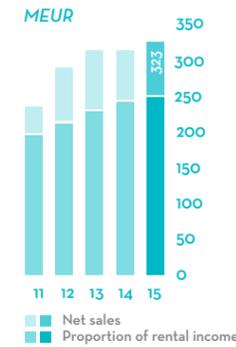
- Investments in rental homes stood at EUR 250.5 (174.1) million.
- Rental income increased by 2.5 (6.0) % to EUR 249.4 (243.2) million.
- The rental occupancy rate in Finland was 96.4 (97.2) %.

Profit enables investments

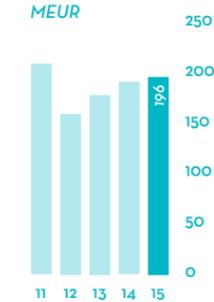
- Profit before taxes improved by 4.7 (8.1) % from the previous year and stood at EUR 159.4 (152.2) million.
- Change in the fair value of rental homes included in the profit was EUR 62.4 (63.8) million.
- Shareholders' equity stood at EUR 993.1 (892.2) million, EUR 19.53 (17.55) per share.
- Return on equity was 13.5 (14.0) %.
- The Board proposes dividends of EUR 0.50 per share.



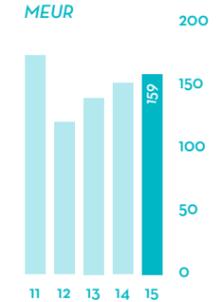
Net sales



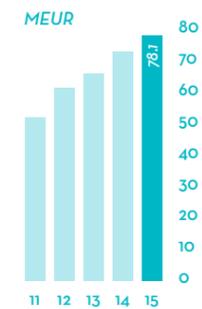
Operating profit



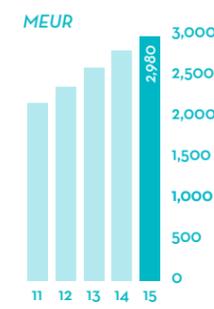
Profit before taxes



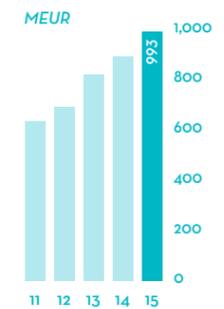
Cash earnings



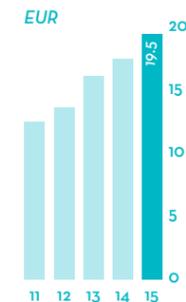
Balance sheet



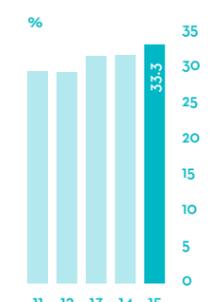
Shareholders' equity



Equity per share



Equity ratio



Earnings per share



STRATEGIC FOCAL POINTS

Long-lasting customer relationships

We aim to provide an easy and uncomplicated service that creates positive interaction and builds long-lasting customer relationships. We will develop easiness to deal with and well functioning customer dialogue into SATO's strengths.

Service culture

We want to build a strong service culture. We will encourage initiative and the courage to seek for new solutions together with colleagues and partners. We will create an inspiring atmosphere with open and appreciative cooperation.

Competitive price-to-quality ratio

We will develop our operating models in order to turn out efficient high-quality work in all main areas of our operations. Alongside with continual development, we will seek to introduce new, innovative housing solutions to the market.

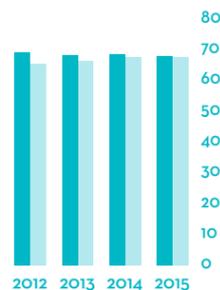
Energy efficiency

We will look for new ways to improve energy efficiency in property maintenance and repairs and in new production, for example, through building automation, by connecting energy efficiency objectives as part of partnership control and by piloting new technologies. What is essential is to have residents engaged in the reduction of consumption.

Growth

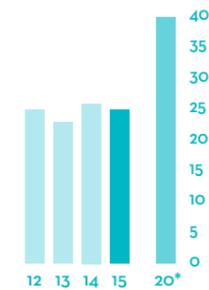
We continue rental housing investments in growth centres. In addition to our own property development, we will seek to acquire housing properties and potential sites for change of purpose. In order to create the prerequisites for future investments, we will develop land areas and other real estate properties, both on our own and in cooperation with other operators in the business. We will discontinue the production of owner-occupied projects, which will open new opportunities for the development of diverse housing areas together with construction companies, for example.

Personnel's satisfaction, index



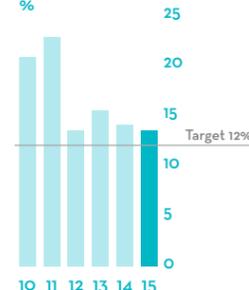
SATO's target: index at least 10% above the reference index

Net promoter score NPS



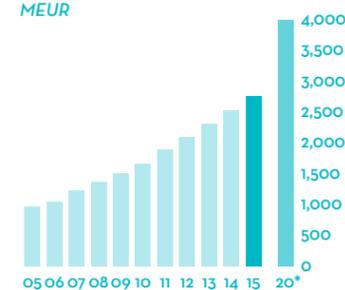
* SATO's target

Return on equity



Target 12%

Value of the investment property



* SATO's target

provider of good housing

VALUES

- Aiming high
- A human to human
- Joy and ease of expertise



WE OFFER TO THE CUSTOMER

- Diverse rental homes in major growth centres
- Easy digital services
- Good customer benefits
- Multilingual customer service
- Convenient home maintenance service

STRATEGIC FOCAL POINTS

- Long-lasting customer relationships
- Competitive price-to-quality ratio
- Service culture
- Energy efficiency
- Growth

MEGATRENDS



HOMES ARE NEEDED AT ALL TIMES

*today, 1280 new
rental homes under
construction*

did you know...

The story of SATO started dramatically in 1940. The company was established to build houses in Finland in place of homes damaged in the war.

During its first 50 years, SATO mainly built owner-occupied houses in various locations. Shareholders of local businesses were private companies and municipalities.

In the early years of the recession in the 1990s, demand for rental homes increased and the company extended its operations to the ownership of rental homes. It acquired rental homes from businesses and industrial companies that exchanged their direct ownership of houses to SATO shares.

Since the early 2000s, Finnish pension and insurance companies decreased their direct ownership of houses in order to acquire units in real estate investment companies. This was also visible in the ownership of SATO where insurance companies emerged as the major shareholders.

International investors started to show increasing interest towards Finland a few years ago and, over the past two years, SATO's shareholders have also become more international. Starting from the end of the reporting year, the company's principal shareholder has been Fastighets AB Balder, a Swedish real estate investment company.



DEMAND INCREASES

Urbanisation and the growing number of small households increase demand for rental homes and enable SATO to increase its operations. We are heavily investing in order to increase our range of homes. We want to actively develop a new kind of urban housing. The Helsinki metropolitan area, in particular, requires a new vision in its housing policy and alternative housing models.

30%

of all Finnish homes
are rental homes



I like a compact home to give me easy access to different places

[#greatfeeling](#) [#mystudiohomerules](#) [#friendscometomyhomecafe](#)

MARKETS PROVIDE OPPORTUNITIES

Rental housing is popular in major cities. According to our strategy we focus new investments in the Helsinki metropolitan area, Tampere and Turku.

The demand for rental homes is driven by urbanisation, population growth, smaller family sizes and the general economic development. In the operating environment, SATO's business operations are mainly affected by consumer confidence, purchasing power, the rental and price development of homes, interest rates and the competitive situation on the housing investment market.

Finland is in a difficult economic situation

The Finnish economy has been in recession for a long time, and growth has clearly lagged behind the eurozone. Growth relies on domestic demand. The state of the public sector economy has not improved significantly.

Inflation has been low

During the reporting year, the consumer prices started to decrease due to various reasons including the decreasing trend of average interest rates on mortgages and the prices of liquid fuels which are lower than in the previous year. The incomes of households have developed relatively steadily during the years of recession. One reason for this is the increasing share of pensions of all incomes. Economic cycles have little effect on the size of pensions.

Only higher prices of services have increased the consumer prices in 2015. Services include rents and other housing-related services. During the period 2007-2015, rents have increased in Finland by an average of 3.2 percent a year, and they represent approximately one-third of all services. Even the pace at which service prices increased slowed down extensively during the reporting year due to the long duration of the weak economic situation and the moderate salary and wage increases.



However, despite the low inflation, consumer prices have risen faster than in the rest of the eurozone after the financial crisis, and Finland is the most expensive country in the eurozone according to the Bank of Finland. The increase of the consumer prices has weakened the purchasing power of consumers.

the growing number of pensioners, increased immigration may bring some relief in the situation where the share of working age population decreases. For the economy, the key question is how the immigrants find employment.

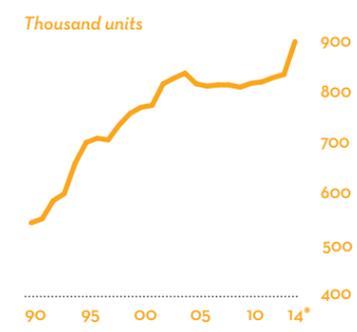
The unemployment rate has increased

The unemployment rate of the reporting year is expected to exceed nine percent. As the dependency ration weakens with

The consumers' confidence is tested

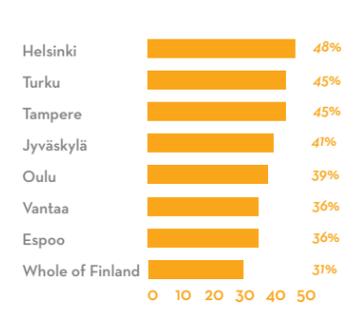
Consumer confidence has been deteriorating almost continuously since May 2015. In December, the confidence indicator was 2.4 when the long-term average is 11.7.

The rented housing stock in Finland 1990-2014



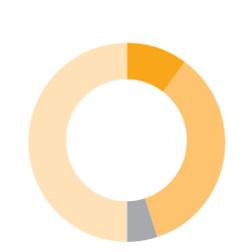
* change in statistics behaviour whereby all vacant rental homes in all rental buildings are to be taken into account
Source: Statistics Finland

Share of rental homes of all permanently occupied homes in 2014



Source: Statistics Finland

Parties that own rental homes in 2015



Total volume approximately 820,000 rental homes
Source: SATO

Urbanisation increases the demand for rental homes

Urbanisation has been a rapid process in Finland; the population in urban areas increased by approximately 640,000 during the period 1990–2014. Within the next ten years, the total population of Helsinki, Espoo and Vantaa is expected to grow by more than 120,000 and by more than 170,000 within the next fifteen years. If the numbers of asylum seekers remain high, these forecasts may be exceeded.

About half of all homes in Helsinki are rental homes. Renting is a popular type of accommodation in large cities. The demand for rental homes continues to increase as a result of urbanisation and increased immigration. SATO makes the new investments in the Helsinki metropolitan area, Tampere and Turku.

Living in rented accommodation is tied to the volume of supply

The number of rental homes has slowly increased, they number approximately 820,000 of the 2.6 million permanently occupied homes in the country. About half of these are owned by private investors. The housing assets of SATO

represent approximately three percent of all rental homes in the country and approximately six percent of all rental homes in major cities.

Relaxation of the housing legislation and building regulations as well as a sufficient supply of building plots are necessary if the production volume of homes is to be increased. For its part, SATO is actively developing its building plot reserves and surveys the possibilities for supplementary building of its existing housing stock. A total of 545 new rental homes were completed for SATO of its own production during the review period, and at the end of 2015 there were over 1,200 apartments under construction.

There is a need for small homes

The prices of homes and rents have continued to increase. There is mainly demand for small affordable homes due to the large share of households with one or two persons in urban population. Decreasing family size and increasing share of elderly population also strengthen the demand for small homes. The continuing shortage of small homes, particularly in the Helsinki metropolitan area, calls for quick measures in order to increase the supply.

The average floor area of SATO's rental homes is 56.2 m², and the focus of new investments is on small homes.

Housing investments are interesting even in a challenging economic situation

The long period of economic uncertainty has reduced the number of stable and profitable investment objects available. The low interest rates increase interest in real estate investments, and the volume of real estate transactions reached a record level in 2015.

Particularly housing investments have increased their popularity, and several new operators specialising in housing investments have entered the market over the past few years. Finnish pension insurance companies have also returned on the market, making direct investments in rental homes when the use of borrowed capital for rental housing investments was permitted by temporary legislation. The increased supply of rental homes applies to new homes with higher rents than in older homes. The supply of affordable homes is still insufficient compared with the demand for them.

SATO is one of the most active operators acquiring rental homes; we invest EUR 150-200 million in rental homes every

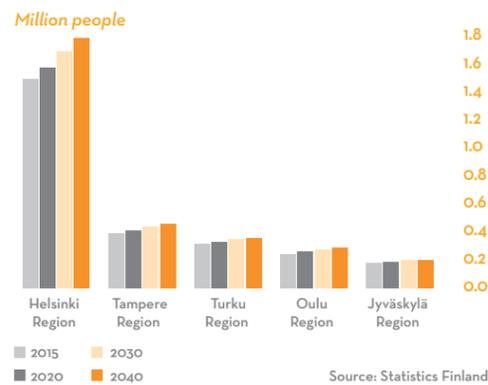
year. SATO has also developed one alternative for affordable housing, the SATO StudioHome (see page 23).

The Russian economy

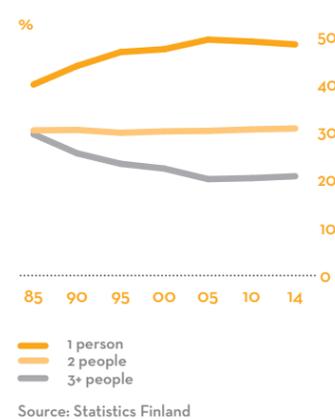
In 2015, the consumer prices in Russia were some 13 percent higher than in 2014. The exchange rate of the rouble weakened considerably during the year when the oil prices sank to their lowest level in more than a decade. Key forecasts expect the national economy to shrink by 0.5–1.0 percent. Private consumption is expected to decrease.

The average size of SATO homes is 56 m²

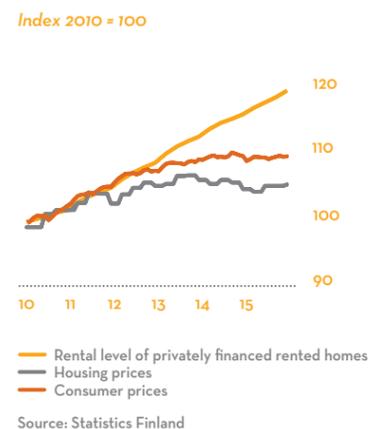
Forecast population by region 2015–2040



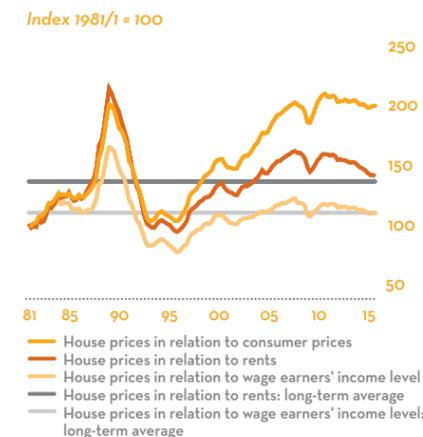
Distribution of household sizes in Helsinki 1985–2014



Housing prices and rental levels 2010–2015



Relative prices of homes 1980–2015



Housing prices in St. Petersburg 2004–1/2016





SATO CREATES WELLBEING

Operations support the development of society
 SATO's operations have extensive impact of housing in Finland and, therefore, on the development of our society. Solutions and actions made during housing investment activities have a long-term impact on the wellbeing of society, the improvement of housing services, the mobility of the workforce, the development of the environment, and national economy.

The Helsinki metropolitan area is the driving force behind all growth and internal migration focuses there. So do SATO's investments in rental homes: approximately 80 percent of the total investments of EUR 250 million in the reporting year focused on the Helsinki metropolitan area.

Our objective is that our homes are healthy and safe, and sustainably managed in the entire procurement chain.

We develop vital residential areas and housing services together with municipalities, our partners and other stakeholders. Examples of our cooperation include zoning development in our areas, housing-related services, climate partnership with the City of Helsinki and VAETS, the energy efficiency agreement between rental home associations.

Sustainable investment objects
 Owning homes ties up significant amounts of capital for decades. Those making investments in our operations expect to receive competitive returns on their investments through interest, dividends and value increases compared with alternative investment objects. We offer regular and transparent communications in order to better monitor the development of our operations.

Our sustainable operating principles are based on legislation and our guidelines. We comply with approved international accounting standards and the corporate governance of listed Finnish companies in general reporting, and the GRI framework as well as our own guidelines and principles in sustainability reporting. The most impor-

living in Sato homes

As the needs for urban housing are becoming more diversified, we need bold solutions. During the reporting year, we presented the compact SATO StudioHome which offers a social environment for affordable housing.



tant of these include the sustainability policy, the environmental programme, the Code of Conduct, instructions for preventing grey economy, procurement, financing, risk management and communication policies, HR management principles, the stakeholder policy and the equality plan.

More than just walls

SATO homes have approximately 45,500 residents. We want to offer them a good housing option through all the twists and turns of their life's journey. We aim to anticipate any changes in housing needs and also to develop our homes for future generations. We want to be an understanding and reliable partner for our customers.

Housing plays a significant part when it comes to the wellbeing of individuals, and we are monitoring customer experiences during different service situations and in different phases of the housing life cycle. We collect feedback and encourage our customers to engage in cooperation in order to improve living comfort and to develop our operations. Cooperation forms include building-specific resident meetings, meetings of the SATO resident forum and joint resident events.

With regard to rental relationships, we comply with the Good rental practice guideline prepared in cooperation between Finnish Tenants, the Finnish Landlord Association, the Finnish Real Estate Federation and RAKLI ry.

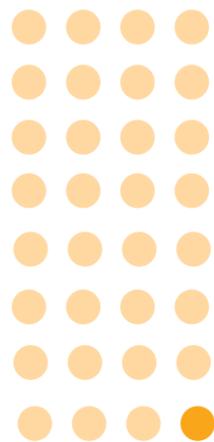
An inspiring corporate culture has a positive impact on wellbeing at work

The wellbeing at work and competence of SATO's personnel have an impact on the quality of work, both within SATO and in our operations with our customers and partners. We believe that by offering meaningful work, a respective atmosphere and a supporting working community, we can achieve better results together. Customers will see this as a better service and true understanding of their situation. We are building our corporate culture on the basis of values that our personnel defined in 2014.

SATO offers extensive employment

Being a major operator, SATO has a significant impact on the development of the service range in the real estate industry. In addition to its own employees, SATO gives jobs to a significant number of service providers and partners. SATO's employment effect in 2015 was, in addition to its 170 own employees, approxi-

SPECIFIC HEAT CONSUMPTION fell in SATO homes



▼
1.6%

mately 1,300 person-work years among its partners. Together with our partners, we are continuously improving our operating methods, including in terms of the environment and other areas of sustainability.

Savings through a lower environmental load

We aim to reduce our housing-related environmental load by improving energy efficiency in our current properties and by investing in environmentally friendly technologies in new acquisitions and repairs. When developing new residential areas, the locations selected help control climate change. In the reporting year, our energy efficiency procedures produced savings, corresponding with the heating costs of approximately 230 detached houses.

Expertise has an impact on operational prerequisites

SATO has an impact on the production of rental homes and the improvement of the prerequisites of ownership by offering its expertise to social decision-makers, legislators and organisations. During the reporting year, SATO was actively looking for solutions, for example, for the new interest subsidy model in rental home production.

SATO is also involved in the development of housing and the real estate industry through various associations. SATO has representatives in the Board of Directors and different committees of RAKLI ry. SATO is also represented in the Boards of Directors of Suomen Asuntoliitto ry (Finnish Housing Association), Asuntoreformiyhdistys ry (Finnish Housing Reform Association) and SFHP Suomi-Finland Housing and



Planning. Being a member of the Helsinki region chamber of commerce and being represented in its various bodies, SATO is identifying the needs of business life in the Helsinki metropolitan area for housing and is involved in the improvement of construction preconditions for new rental homes.

Offering support to those in need

SATO supports charity by donating funds. In 2015, we supported the activities of the Finnish Red Cross to help refugees and, together with our personnel, produced joy for underprivileged children during Christmas through Hope ry. In addition, we donated 130 gift packages to underprivileged families through our social media campaign.

Recognition for our sustainable work

During the reporting year, we took part for the first time in the Global Real Estate Sustainability Benchmark (GRESB) which evaluates the sustainability of operations in the real estate industry. We achieved the best possible level, i.e. Green Star. In our reference group (European housing investors), we came in third place.

CASH FLOW 2015, M€

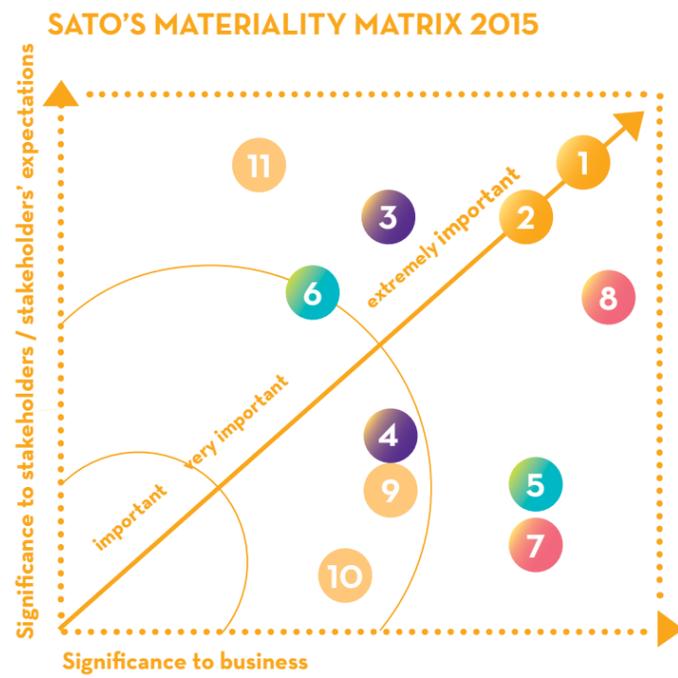
Customers	382.5	▶ SATO ▶	Suppliers	375.2	Personnel	13.1
Net sales	323.4		Purchases	124.7	Salaries	10.8
Divestments	59.1		Investments	250.5	Pension expenses	2.3
Financiers	129.3	▶ SATO ▶	Investors	71.5	Public sector	23.7
Net increase in loans	129.3		Dividends and capital repayment	31.5	Income tax	21.0
			Interest and financing costs	40.0	Property tax	2.7

WE HAVE A SUSTAINABLE IMPACT

Major stakeholders

SATO's stakeholders include parties affected by our operations, as well as parties whose operations affect the company directly or indirectly. Interaction with stakeholders promotes the identification of material aspects to business and corporate responsibility, the definition of goals and their attainment. Our strategic goals regarding growth, profitability, excellent customer experience and inspiring corporate culture support the well-being and goals of our stakeholders.

Identification of stakeholder groups, development of stakeholder work and assessment of operations are included in strategy work, management and plans of operations. The main stakeholders were identified on the basis of internal analysis. The analysis took into account the impacts of cooperation on implementation of the strategy and on achieving the goals, as well as on the ability to produce together added value for both parties and other stakeholders.



- Excellent customer experience**
 - Price-quality ratio 1
 - Fluent customer services 2
- Well-being at work**
 - Inspiring company culture 3
 - Skills development 4
- Environmental sustainability and supply chain**
 - Energy efficiency 5
 - Sustainable supply chain 6
- Sustainable business**
 - Growth 7
 - Profitability 8
- Active stakeholder relations**
 - Customer engagement in development activities 9
 - Stakeholder dialogue 10
 - Transparent practices 11

Material aspects / definition of the report

The contents of the 2015 responsibility report were defined on the basis of materiality analysis results and the requirements of GRI G4 reporting guidelines. The materiality analysis results helped identify 11 themes included in this report. The impacts of material aspects are described in the descriptions of the ways in which each aspect is managed. The material aspects and their calculation limits are described on page 65.

The main stakeholders include customers, personnel, owners and financiers, partners and service providers as well as the society.

Materiality analysis

Update of the materiality matrix, scheduled for 2015, was implemented using a method new to us. We carried out an extensive survey among our stakeholders, asking them to express their views on what aspects of our business should be linked to corporate responsibility and how important these aspects are. The dialogue was implemented as an online think tank, and a total of 630 persons from all major stakeholder groups participated. The themes identified in the stakeholder dialogue were assessed by the management on the basis of their impacts on business, after which a new materiality matrix regarding corporate responsibility was drawn up. On the basis of the dialogue participants, the updated materiality matrix puts more emphasis than before on the views of customers, partners and the personnel (e.g. fluent services, price-to-quality ratio, competence development).

Stakeholder policy

Our aim is to develop our operations in different areas of corporate responsibility in line with the expectations of main stakeholders. The objectives and methods of stakeholder work and their monitoring were recorded in the stakeholder policy during the reporting year.

Responsibility actions were assessed

We participated for the first time in the Global Real Estate Sustainability Benchmark (GRESB), where SATO achieved the best grade of Green Star. The purpose of the Benchmark is

to provide stakeholders with comparable information of the standard of corporate responsibility in the company's business operations when compared with other real estate investment companies.

In addition, the quality of responsibility work and the actions related to it were assessed in SATO's internal audit carried out by Ernst & Young Oy. The audit focused on life cycle management and supply chain management. The audit report indicates that responsibility work at SATO is at a developing level and includes several good practices and ongoing development actions. The areas for development found in the audit were included in the action plans for 2016.

Objectives for 2016

Our aim is to work towards slowing down the climate change and produce added value to our stakeholders.

Energy saving is the most important measure for curbing climate change, and that is why we will continue our actions for reducing energy consumption and particularly water consumption. In order to motivate the residents to save water, we will show the water charge separately in new tenancy agreements from 1 January 2016. Consumption will be monitored on a site-specific basis, and the consumption figures will be taken into account in the annual revisions of water charges.

We will work together with residents in order to increase actions for improving the customer experience and for extending the duration of the customer relationships. We will also have more dialogue with our different stakeholders and present SATO in a more diverse manner in different channels.

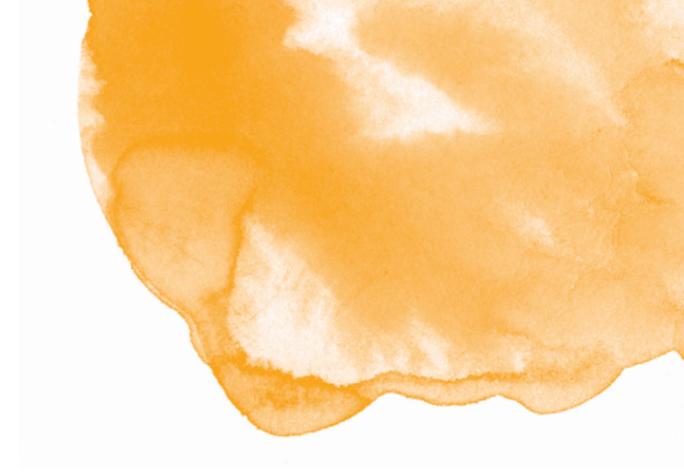
In addition, we will continue developing the sustainability work together with our supply chain. The aim is to further define the sustainability criteria used when selecting suppliers and to start the audits of major suppliers and construction sites.

SATO'S TAX FOOTPRINT 2015



INTERACTION PER STAKEHOLDER

Key themes for stakeholders	Impact on SATO's operations	Stakeholder engagement and channels for interaction	Level of impact
Customers			
Correct price-quality ratio for homes	Home-specific pricing, maintaining the condition of properties and homes, continuous market benchmarking, service development	Customer surveys and feedback, social media, sato.fi, tenant meetings, resident forum	•••
Fluent services to customers	Digital services, diverse service channels	Customer service, sato.fi, social media, resident forum	•••
Financiers			
Sustainable investment	Maintaining profitability, growth, sustainable operating methods, equity ratio, liquidity, interest margin	Investor and financier meetings, financial reports, bulletins, GRI reporting, GRESB	•
Transparent operations	Good and transparent governance and communications	Meetings, website, reviews	•
Shareholders			
Sustainable investment	Maintaining profitability, value increase, sustainable operating methods	Strategic work, shareholder meetings, annual general meeting, board meetings, financial reports, bulletins, GRI reporting, GRESB	•
Transparent operations	Good and transparent governance and communications	Meetings, website, reviews	•
Good management	Development of the management system, supervisory work and corporate culture	Board work, strategic work, supervisory work, performance appraisals, personnel surveys, cooperation teams between the personnel and employer	•



Key themes for stakeholders	Impact on SATO's operations	Stakeholder engagement and channels for interaction	Level of impact
Personnel			
Wellbeing at work	Extensive healthcare services for all SATO employees in Finland, early intervention model, support for exercise and recreational activities, occupational safety	Personnel events, performance appraisals, interaction with supervisors, cooperation teams between the personnel and employer, engagement in exercise and recreational activities, activities of the labour protection committee and industrial safety delegates	•
Management and supervisory work	Training for supervisors, training in self-management and interaction skills	Performance appraisals, personnel surveys, measurement of management behaviour, rewarding of personnel	•
Competence development	Training opportunities, coaching, mentoring, job rotation	Performance appraisals, personnel surveys, SATO's work and development groups, engagement of the personnel in strategic work and operational planning, training sessions	•
Partners and service providers			
Sustainable procurement principles	Centralised procurement, long-term partnership and service agreements, purchasing guidelines and criteria, quality control, instructions for preventing the grey economy	Bidding processes, negotiations, agreements and guidelines, steering and work groups for cooperation with partners, general development projects in the real estate industry, supplier audits	•
Society			
Development of rental housing	Provision and development of high-quality homes and associated services, planning development, active interaction with different stakeholders, activities in industrial associations	Cooperation with authorities, partners and residents, engagement of the personnel in innovation activities and process development, participation in general projects in the real estate industry	••
Reduction of adverse impact caused by climate change	Energy efficiency objectives and actions, commitments with the state and the City of Helsinki	Cooperation with partners and residents, participation in general projects in the real estate industry	••

• Group level •• Group and property level ••• Group, property and home level

OUR SUPPLY CHAIN CREATES VALUE



Land acquisition and local planning

We invest resources in land acquisition and local plan development, particularly in the Helsinki metropolitan area where the biggest need for homes exists. We also investigate possibilities for supplementary construction in our current property stock. The cities are responsible for local plans, and SATO participates in the local plan development process in the capacity of an expert and uses the services of a consultant in the local plan process, when required. The objective of local plan development is to ensure the prerequisites for the construction of homes to meet the long-term needs.



Rental housing investments

SATO increases its supply of housing by having new buildings constructed and by acquiring completed homes. We work with architects and special design consultants in housing design and order construction work from contractors. We purchase completed homes from construction companies and other property owners. We implement the investments ourselves and analyse the connection with the attainment of SATO's strategic and financial goals, as well as other matters including the environmental efficiency of investments and compliance of the investment process with good governance practices.



Marketing and renting



Customer cooperation



Management



Maintenance



Repairs



Goods and service supplies



Housing

We aim to provide housing that meets the occupants' needs, comfortable and safe living environments as well as housing-related services. We mainly handle letting and marketing ourselves. A total of some 45,500 people live in SATO homes, and SATO looks after their well-being in cooperation with housing managers. We have concluded long-term partnership agreements for the management and maintenance services of the housing sites.



Development of real estate properties

We renovate our homes in line with life cycle principles. We commission the design work to architects, special design work to consultants, construction work to contractors and the supervision of construction work to supervisory consultants. SATO controls the design work and inspects the completed homes or has them inspected. The objective is to improve the energy efficiency of properties and to develop the distribution of housing stock to meet both present and future demand.



*In this home,
all of my
important stuff
is in the right place*

#allegosonthefloor #myownroom #outdoorgameswaiting

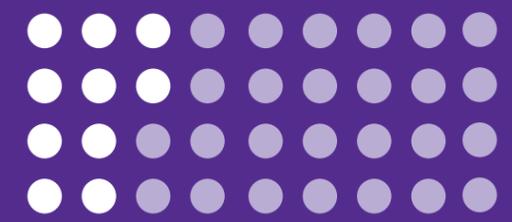
WHEN THE FAMILY GROWS

SATO's strategy is based on creating added value. The great significance of homes on the quality of life and society requires sustainable activities. We want to produce added value to our residents through an excellent customer experience. Our customers can quickly move into their new SATO homes, and we will always help them find a new home for them when their needs change.

27%

of all residents are families with children

SATO residents 2015



WE CONCENTRATE ON THE ESSENTIAL

SATO's long-term success is based on its understanding of customer needs. We want to provide our customers with homes and services that make them happy. The core of our operations is formed by the ownership of rental homes, the development of our housing stock and the provision of meaningful services for our customers.

Expertise supplemented by partnerships

We aim to utilise the best expertise in our business field through partnerships in order to produce added value. Our key partnerships are associated with building management and maintenance, as well as construction and repair operations.

BUSINESS MODEL

Housing portfolio

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

Customer relationships

- Marketing
- Renting
- Sales
- Customer Service
- Enhancing customer relationships
- Design

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

Partnerships

Building management • Property maintenance • Construction



SATO RENTHOMES FOR EVERY TASTE

Rental homes form the basis of SATO's operations. Rental income from homes and the development of the value of homes are prerequisites for profitable business operations. Our apartments are the homes of our customers, and we want to be a reliable lessor which listens to the customer.

Location as a selection criterion

The world is changing, as are the values of people looking for a new home. However, the location of a rental home is still one of, if not the most important criterion. What is more, the value of homes improves the most in desirable locations. Of SATO's rental homes, roughly 80 percent are located in the Helsinki region, while the remaining housing assets are located in Tampere, Turku, Oulu and Jyväskylä in Finland and in St. Petersburg in Russia. We acquire our homes close to public transport routes and services according to the expectations of our customers. In this way, we can also have an impact on the carbon footprint left by SATO's operations.

In more than 20,000 SATO RentHomes, a fast broadband connection is included in the rent.

SATO's rental homes are smoke-free, which is important for more and more customers. In addition, smoking is also prohibited on balconies and in outdoor areas in new and newly renovated buildings.

Demand for small rental homes

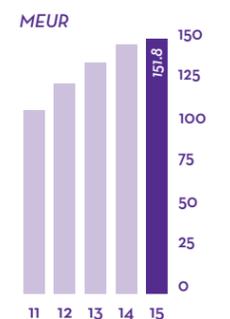
In growth centres, the trend of home sizes is following the way paved by major cities. In the largest towns of Finland, households of one or two people account for 70-80 percent of all households. Instead of space, people appreciate functional solutions, a balcony and high-quality surface materials.

At the end of the period under review, the average surface area of SATO's rental homes was 56.2 m².

Housing portfolio

	2015	2014
Number of properties	712	745
Total number of homes	23,551	24,173
rental homes	22,461	22,996
shared-ownership homes	1,090	1,177
Floor area of homes, m ²	1,334,595	1,381,090
Average size of homes, m ²	56.7	57.1
Fair value of homes, m€	2,752.9	2,528.0
Net rental income of homes, m€	151.8	148.2
increase during the reporting year, %	2.4	8.4

Net rental income



Taking care of quality

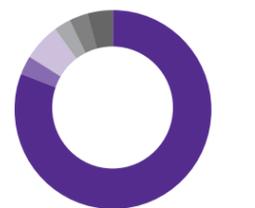
Qualitative properties of homes in relation to rent are receiving more emphasis when selecting a new home. SATO offers an extensive range of homes differing in terms of the price-quality ratio. We are monitoring the condition of homes through scheduled maintenance calls conducted every two years. During these inspections, we repair any minor defects and identify any needs for larger repairs. When designing new properties and repairing existing homes, we select furniture and colours according to the style and era of the building.

Keeping maintenance costs under control

We control any increases in maintenance costs of homes and properties by entering procurement into competitive bidding, performing energy savings procedures in properties and following long-term repair plans. Cost control has a significant impact on the profitability of business operations.



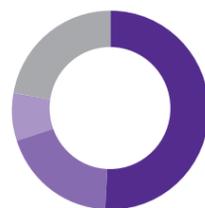
Regional distribution of the housing portfolio 31 Dec 2015



- Helsinki Metropolitan Area 81%
- Turku region 3%
- Tampere region 6%
- Jyväskylä region 3%
- Oulu region 3%
- St. Petersburg 4%

Total housing portfolio MEUR 2,753

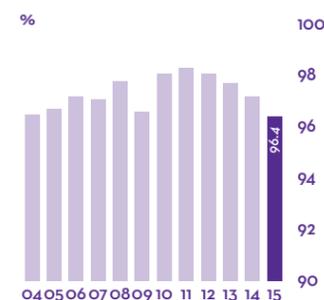
Distribution of housing by area, Helsinki 31 Dec 2015



- South 51%
- West 19%
- North 8%
- East 22%

Total housing portfolio MEUR 1,238

Financial occupancy rate of rental housing



QUICK AND EASY WAY TO FIND A NEW HOME

When renting out homes, our targets are to have a satisfied customer and a quickly rented home. SATO has worked hard to reach these objectives in the reporting year. The commissioning of the new customer relationship management system and a new, more customer-orientated rental model give us more opportunities to understand the housing needs of our customers and to serve them more consistently. We will look for a new home for our customer.

Our rental operations strengthen our knowledge of our customers

During the reporting year, we entered into nearly 10,000 rental agreements, most of which were signed in our offices. Our rental operations strengthen our knowledge of our customers and properties, and provides useful information about market changes.

Customers are satisfied with our services. NPS for our renting service as requested from our customers was 57 on average. The indicator was adopted in March.

Customer benefits for true needs

SATO's residents obtain customer benefits that produce true advantages every day. These include a free broadband

connection, free laundry and drying rooms and, if required, a free renovation set. In addition, we are offering two optional rent payment days.

Rental income based on investments and rent development

Increasing rental income is one of the basic pillars of SATO's profitability. The increase in rental income is caused by investments focused on the Helsinki region and the development of rents. In 2015, the rental income increased by 2.5 percent from the year before, totalling EUR 249.4 (243.2) million. The financial occupancy rate was 96.4 (97.2) percent. Tenant turnover was 41.1 (37.3) percent on average. The tenant turnover was increased and the occupancy rate decreased by the grown supply of rental homes in SATO's operating areas and the weak general economic situation.

Valid rental agreements include rent review criteria, and all rents are reviewed annually. Rents for vacated homes are defined according to the market situation. Arava-subsidised rents are defined according to their governing regulations. During the reporting year, the rents of SATO's rental homes located in Finland increased by an average of 3.1 (4.0) percent.

Rental operations in Finland

	2015	2014
Average rent per square metre of rental homes, €/month at the end of the review period	16.39	15.57
Financial rental occupancy rate, %	96.4	97.2
Tenant turnover of rental homes, %	41.1	37.3

WE GROW BY INVESTING

SATO's strategic objective is to increase the value of its housing assets to EUR 4 billion by 2020. To reach this objective, we need investments of EUR 150–200 million every year. This means more homes in growth centres – that is, in areas where rental homes are needed the most.

In Finland, we allocate our investments to residential multi-storey buildings and single rental homes located particularly in the Helsinki metropolitan area, Tampere and Turku.

A sustainable investment process

Environmental values are ever more important for SATO and its customers. We assess the environmental impact of all of our investment objects before trading and prepare a sustainability evaluation for each investment. The assessment focuses not only on the fulfilment of financial criteria, but also on environmental impact caused by investments, transportation connections and the fulfilment of the procurement process in accordance with good corporate governance.

Our customers are looking for a home close to good transport connections and services. By investing close to public

transportation routes, we can reduce our environmental load and that of our customers.

A year of investments and divestments

During the reporting year, we made significant investments, but also major divestments.

The most significant investment involved 379 rental homes acquired from ICECAPITAL Housing Fund I Ky, most of which are small flats located in the Helsinki metropolitan area. Currently, small flats are showing the heaviest demand. The total value of the transaction was EUR 68 million.

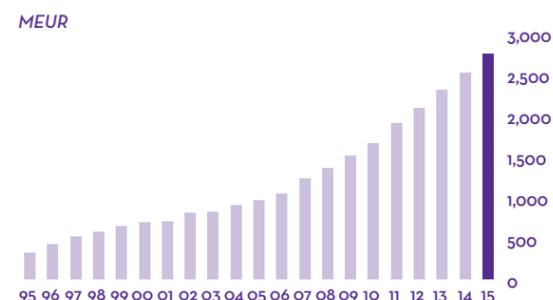
During the reporting year, a total of 1,184 (706) rental homes were acquired in Finland, of which 708 (563) in new buildings. The value of the investments was EUR 250.5 (174.1) million. The start-up of new production was subsidised by a total of EUR 0.8 million.

Our objective is to allocate 70 percent of our investments to new homes in order to develop our housing portfolio. During the reporting year, new homes accounted for 55 percent of the total value of investments.

Trend in the housing portfolio



Trend in the housing portfolio, fair values



We divest the homes that, in the long term, do not correspond with our strategy. The homes to be sold are mainly selected on the basis of their location, size or condition. During the reporting year, we sold a total of 1,743 (444) rental homes, with the value of the divestments totalling EUR 95.9 (25.9) million. The most significant divestments were two portfolios sold in August and November consisting of 760 and 268 rental apartments, respectively.

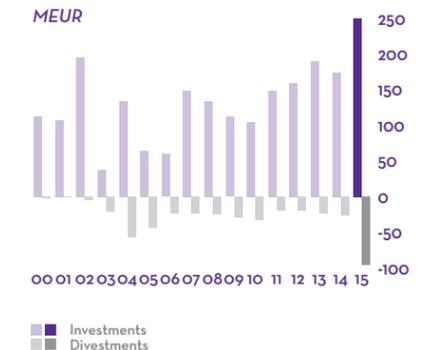
The life cycle of properties sets the pace for repairs

SATO renovates its rental homes and properties according to life cycle principles. To help the planning of repairs that improve energy efficiency, we have developed an indicator which measures the energy efficiency of each property.

In 2015, we invested a total of EUR 57.3 (49.0) million in the repair of homes and properties, of which repair investments accounted for EUR 29.1 (20.1) million. For repairs, we received a total of EUR 1.1 million in repair and lift subsidies. Some major renovations are so extensive technically that it is impossible to live at home during the repairs. During the reporting year, there were 248 such homes with 530 residents. We provided the residents with the opportunity to find a new home from the range of rental homes offered by SATO.

	2015	2014
Investments		
Investments in rental homes, m€	250.5	174.1
Investment commitments on 31 December, m€	151.2	69.1
Rental homes under construction on 31 December, pcs	1,278	788
Divestments		
Rental homes sold, pcs	1,743	444
Rental homes divested, m€	95.9	25.9

Housing investments and divestments



WE DEVELOP NEW HOMES

SATO has always envisioned homes where others have only seen fields or barren land. We take part in the planning process for our plots and areas, share our expertise and, therefore, have the opportunity to develop the size and location of future rental homes according to demand.

We plan new alongside and in place of old

At the end of the reporting year, SATO had pending planning processes in the Helsinki region that, if implemented as planned, will enable the construction of a total of 1,400 rental homes. Some of these processes offer possibilities for complementary construction on plots included in our housing portfolio, such as close to stations of the future west metro.

In addition, we are involved in the planning processes of Laajasalo in Helsinki, Niittykumpu in Espoo, and Vesitornimäki and Sarfvik in Kirkkonummi. The processes produce a plot reserve for SATO's investment objects in 2017–2020.

In 2015, many local plans important to SATO were confirmed. The most significant of these is Kukinkuja in Martinlaakso, Vantaa, where almost 200 new homes will be built. All in all, the plans confirmed in the reporting year permit the construction of approximately 660 homes.

Sustainable property development

When we are developing our plot reserve and purchasing land, for example, from municipalities and private landowners, we take natural values into account, identify environmental risks and favour plots located alongside public transportation routes. During the reporting year, soil remediation costs totalled EUR 0.5 million. These costs were mainly allocated to the remediation of plots in a single planning area. The total permitted building volume on these plots is a total of 7,100 floor-m² and the surface area is 20,000 square metres.

We produce rental homes in areas that show the most demand for homes. We want to build homes where our customers like to stay and, therefore, are suitable for long-term housing investments.

SATO also has a number of investigations in progress concerning the conversion of commercial premises into rental homes.

Investments in infrastructure associated with the development of homes totalled EUR 15.4 (18.8) million.

Plot reserves

	2015	2014
Plot reserves, m€	57.5	71.6
Plots purchased, m€	13.2	5.3
Total permitted building volume in the plot reserve, floor-m ²	286,595	287,795
Owned plots transferred to production or sold, m€	24	14

SATO homes are built on a sustainable foundation

SATO StudioHome obtained an exemption permit in Vantaa

SATO StudioHome, the affordable rental housing concept, is making good progress. The first SATO StudioHomes planned in Martinlaakso obtained an exemption permit from the City of Vantaa, and new StudioHome projects are also in progress in Helsinki and Espoo.

Read more about SATO StudioHome: www.sato.fi/studiohome.

New ideas for design

To celebrate its 75th anniversary, SATO, together with the City of Helsinki, organised the Responsible Building for Future architectural competition during the reporting year. The city reserved a plot for the competition in Jätkäsaari, and six architecture agencies from the Nordic countries and the rest of Europe were invited to the competition. The objective was to create new ideas for housing pertaining to the principle of sustainable development.

The competition was won by Finnish Huttunen Lipasti Pakkanen Arkkitehdit with their proposal "MinMaxMix." The jury thanked the winning proposal for consideration of various aspects and its consistent and realistic approach. The planning of the proposal's implementation was started immediately after the competition.

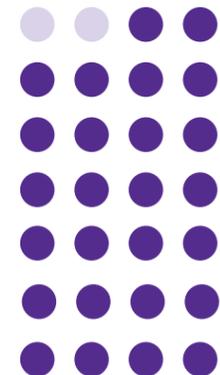
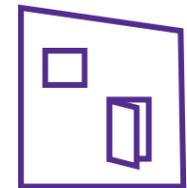
Read more about the results of the competition at www.sato.fi/RBF.

The City of Helsinki provided SATO with a plot reservation in Herttoniemi, and the intention is to launch a design competition in the area in 2016. During the reporting year, SATO obtained plot reservations from the City of Helsinki to build more than 300 homes.

Use of plot reserves

	2015	2014
Total completed, pcs	698	772
rental homes	545	549
owner-occupied homes	153	223
Total under construction on 31 December, pcs	1,280	730
rental homes	1,204	571
owner-occupied homes	76	159
Unsold owner-occupied homes on 31 December, pcs		
completed	52	94
under construction	55	94

OF THOSE VISITING THE SATO STUDIOHOME at the Housing Fair, 96% regarded the concept as necessary.



96%

SATO HOMES ALSO IN ST. PETERSBURG

SATO has operated in St. Petersburg since 2007. Even though we have not made any new investment decisions after summer 2014, the properties completed during the reporting year increased the number of our rental homes from 147 to 460 homes.

Customer service and value development

During the reporting year, a new ERP system was entered into use at our St. Petersburg office. The system helps us to better serve our customer base, mainly consisting of wealthy Russians and foreigners who have moved to St. Petersburg to work there. We received more than 1,600 queries from new customers.

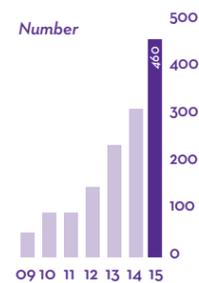
Our rental homes are situated in central and desirable locations in St. Petersburg, and we have mainly acquired our homes from Nordic construction companies. The homes completed during the reporting year are connected to the city centre via a metro line.

Our homes in St. Petersburg are in the elite, business and comfort classes, and approximately half of them are rented out furnished. At the end of the reporting year, the average rent per square metre of our homes, including furniture, was EUR 12.54 (14.55) per month. The rouble-denominated increase in rents was 3.3 (5.0) percent.

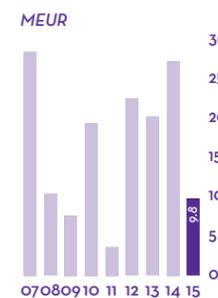
At the end of the review period, the value of SATO's housing assets in St. Petersburg stood at EUR 106.1 (101.7) million. The devaluation of the rouble reduced the value of housing assets in St. Petersburg. The net impact of the positive rouble-denominated value change and the change in the exchange rate of the rouble on assets in St. Petersburg and SATO's profit was EUR -5.4 (-38.1) million.

Rental homes	2015	2014
Completed homes on 31 December, pcs	460	313
completed during the year, pcs	147	76
Under construction on 31 December, pcs	74	217
Value of housing portfolio, m€	106.1	101.7
Investments, m€	9.8	27.4
Investment commitments, m€	2.4	10.7
Average rent, including furniture, €/m ² /month at the end of the reporting period	12.54	14.55
Financial occupancy rate of rental housing, %	82.7	92.6
Tenant turnover, %	50.8	44.3

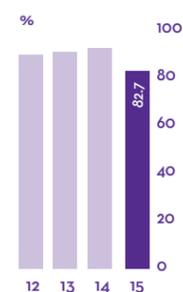
Trend in the housing portfolio in St. Petersburg



Housing investments in St. Petersburg



Financial occupancy rate in St. Petersburg



WIDENING FUNDING BASE

Availability and cost of funding have significant impact on reaching our strategic goals, and growth and profitability targets in particular. As volatility in financial markets is increasing, reaching our targets requires solid and flexible funding base. Hence in 2015, we have taken major steps to widen our funding sources.

More versatile investor audience with credit rating and unsecured funding

In May, SATO was assigned Baa3 credit rating with stable outlook by Moody's. We also made public our aim to increase unsecured borrowings and to release a significant portion of our assets of security obligations. At report date, 42.4 percent of total assets were unencumbered. Our target is that by 2020, approximately 50 percent of our total assets are unencumbered.

Investment grade credit rating provides access to unsecured funding structures and opens doors to global investor audience. This provides more choice and flexibility for funding and also helps us to maintain funding cost at a competitive level.

In September, SATO issued a EUR 300 million unsecured corporate bond for European investors. Also the loan was assigned Baa3 rating by Moody's. The loan is listed in the Irish Stock Exchange. Investor demand was strong and the loan was significantly oversubscribed.

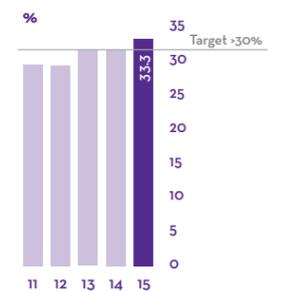
Bank borrowings continue to hold significant role in SATO's funding. On the report date, their portion was 42.2 percent of total interest bearing debt. In 2015 we raised a total of EUR 183.7 million of new long term bank loans, of which EUR 40.0 million was unsecured.

Key figures

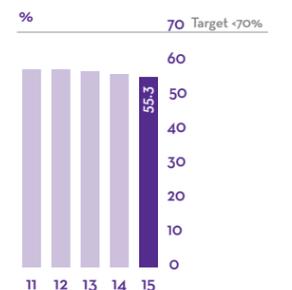
	Target	2015	2014
Average loan maturity, years*	>5	5.7	5.3
Average interest fixing period, years*	3-5	3.8	3.2
Average interest rate, at end of period, %	-	2.5	2.6
Proportion of fixed rate debt*, %	>60	73.2	67.2

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

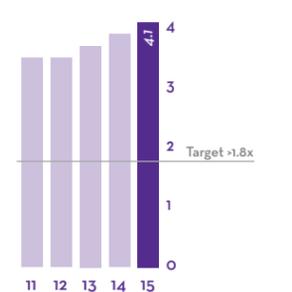
Equity ratio



Solvency ratio



Interest coverage ratio



In investor and banking relations we aim for transparency, open cooperation and partnerships as well as active communication on our business and strategy. We believe this approach facilitates sustainable and effective funding solutions.

During the reporting period, we met investors and analysts in several occasions, such as quarterly result presentations and on road show relating to the Eurobond issue. We have also increased digital communications through our website by providing more comprehensive information as well as webcast investor presentations.

Additionally, we were active in the financial markets within our EUR 200 million commercial paper programme.

Managing financing risks and capital structure

The principles of our financial risk management are set out in the Treasury Policy, approved by the Board of Directors. The goal of financial risk management is to protect the company against unfavourable volatility in the financial markets and to provide the business operations with more time to adjust to changing market environment.

Most significant of SATO's financial risks relate to refinancing, liquidity and interest rates. We manage refinancing and liquidity risks by balancing the maturities in the loan port-

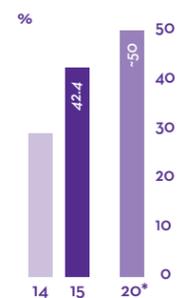
folio, by diversified funding sources, and by retaining sufficient liquidity reserves, such as committed revolving credit facilities and other committed funding arrangements. We aim to increase the reserves as the funding requirements grow. In accordance with our policy, the liquidity requirements are always covered by committed funding for the following 24 months.

Fluctuation in market interest rates has a significant effect on SATO's funding cost and profitability. We manage interest risk by balancing fixed and floating rate debt either by issuing fixed rate loans or by interest rate hedges. Our target is to maintain over 60 percent of our debt portfolio fixed.

Operations in St. Petersburg also contain a currency risk. We hedge all exposure relating to committed foreign currency cash flows with forward contracts. Consolidation of assets valued in foreign currency into euro based reporting also contains translation risk.

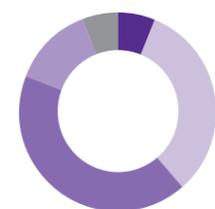
In capital structure management, the goal is to support our growth targets and to secure access to financial markets. Additionally, solid capital structure ensures capacity for dividend distribution. SATO's target is to maintain equity ratio above 30 percent.

Unencumbered assets



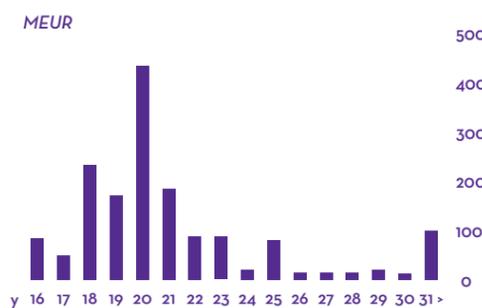
* SATO's target
Mid-term target ≥35% by end of Q2/16

Debt portfolio, Nominal values 31 Dec 2015, total MEUR 1,685



- Commercial papers 104
- Corporate bonds 549
- Bank loans 712
- Interest subsidised 226
- State subsidised (ARAVA) 94

Maturity profile of long term debt



INVESTOR DIALOGUE

During the year, SATO met international investors in the UK, Sweden and Denmark. We discussed the company's operating environment, strategy, capital structure and housing portfolio.

How do you intend to increase the housing property to EUR 4bn by end of 2020?

The EUR 4bn target is seen to be met by our current plans to invest EUR 150-200 million each year and by assuming also a moderately positive housing price development. However, maintaining such annual investment volumes is only possible if investment opportunities meeting our criteria are available.

Why did you acquire a public credit rating and how in practice will you shift from secured to unsecured financing?

In order to reach the strategic growth targets in a profitable way, we must ensure that funding is available. Achieving an investment grade credit rating helps accessing the international bond markets to further diversify our funding sources and to maintain competitive funding costs. To continue with the transformation of the capital structure, new investments and refinancing of existing debt portfolio are aimed to be financed by issuing unsecured bonds and raising unsecured bank debt.

WE ASSESS RISKS WITH CARE

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

Operating practice

We identify any risks that may prevent key objectives from being fulfilled annually during strategic and operational planning processes. In order to ensure that strategic and

operational risks are handled comprehensively, key SATO employees take part in the risk identification process. We use the help of external experts to secure a high-quality process.

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

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

RISK MANAGEMENT SYSTEM

Risk evaluations and risk management

Key guidelines

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

Internal control system

Process management model

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

Financial and operational reporting

- Balance between preventive and monitoring indicators



MANAGEMENT OF CENTRAL RISKS

Risk	Description	Primary measures for managing the risk
Impact of a prolonged recession on the price development of and demand for homes	The economic situation is developing clearly more poorly than forecast. The value of SATO's housing stock decreases and the market demand weakens.	<ul style="list-style-type: none"> • Sufficient financial reserves and liquidity buffers • Development of the housing • Sensitivity analyses
Regulation	Amendments to legislation and increased regulation weaken the prerequisites for SATO's business.	<ul style="list-style-type: none"> • Exerting influence in industry organisations and by issuing statements • Active monitoring of government bills
Availability and costs of financing	The current sources of financing cannot cater for SATO's financing needs. The availability and price of financing develop negatively from SATO's point of view.	<ul style="list-style-type: none"> • Securing the long-term financing • Maintenance of a sufficiently large liquidity buffer
Country risk posed by Russia	The political changes and market situation in Russia have a negative impact on SATO's business operations.	<ul style="list-style-type: none"> • Refraining from making new investments in Russia for the time being
Weakening demand and identification of customer needs	The supply of rental homes exceeds the regional demand.	<ul style="list-style-type: none"> • Development of the portfolio • Systematic monitoring of trends and development of operations • Identification of the repair needs of housing stock and systematic repair work

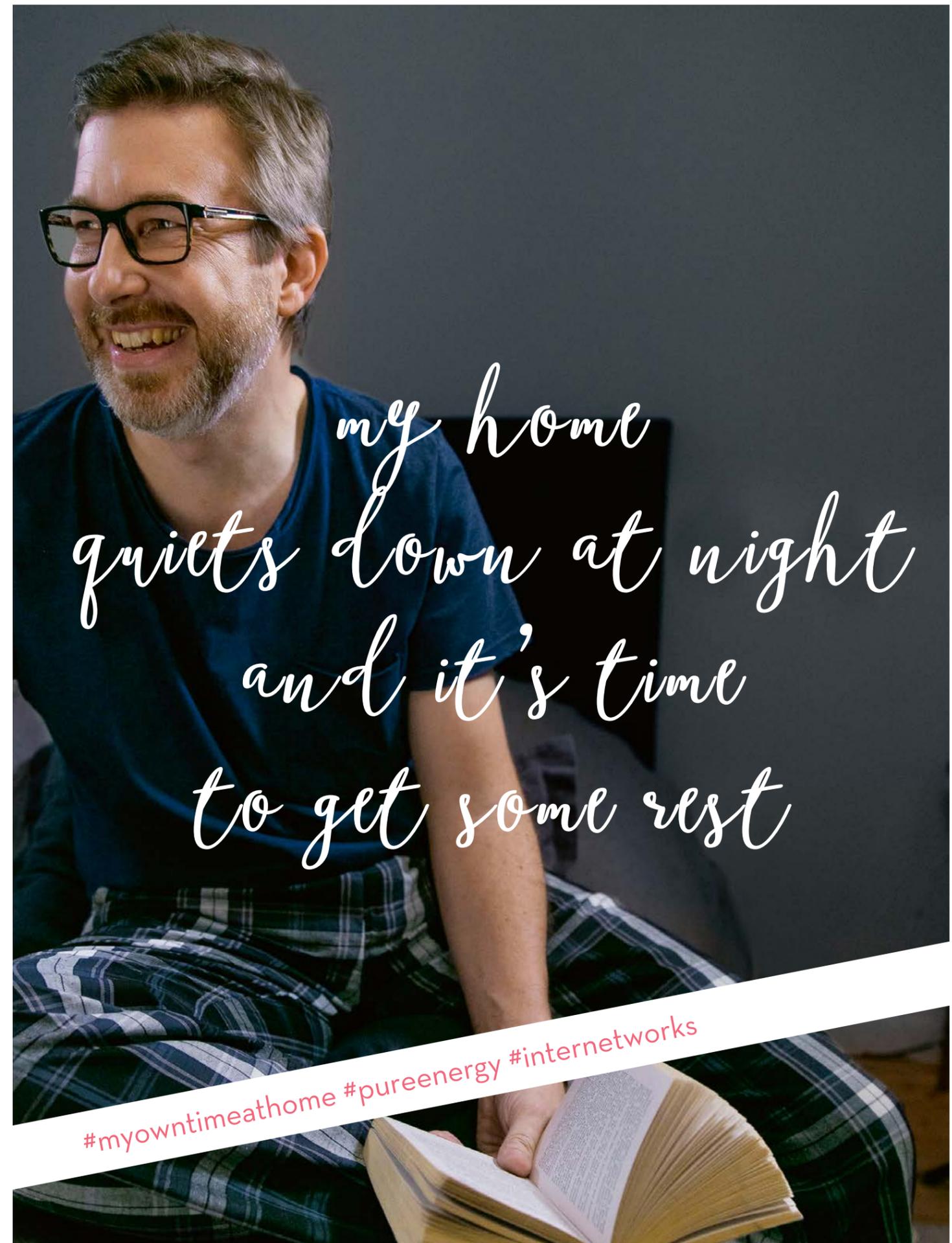
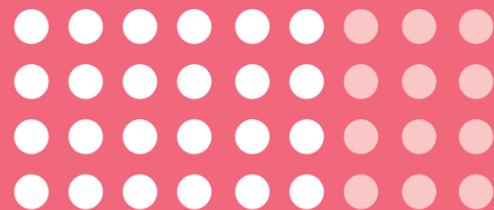
MORE TOGETHER

We want to provide the best possible service for our customers and, in order to do so, we need to take care of our personnel and partners. We aim to establish long-term partnerships that benefit both parties. We are developing our management practices in order to build SATO into an inspiring and enterprising working community. As a lessor, we work together with our residents, also to combat climate change.

67%

Homes of one or two adults

SATO homes in 2015



*my home
quiets down at night
and it's time
to get some rest*

[#myowntimeathome](#) [#pureenergy](#) [#internetworks](#)



QUALITY THROUGH PARTNERSHIPS

In addition to using its own personnel, SATO acquires services from service providers and partners, equalling approximately 1,300 person-work years. Through the proper management of the procurement chain, we can produce a positive customer experience and gain competitive benefits. We can also improve the quality and durability of our products and the profitability of our business operations. We aim to support the operations of our service providers and supplier network by focusing on the development opportunities offered by the SATO partnership.

Maintenance costs have increased faster than the rate of inflation. The objective of our determined and sustainable procurement unit is to alleviate the pressure to increase costs.

We revised our procurement policy

Our revised procurement policy stresses financial, environmental and social sustainability in the operations of our suppliers. We added an auditing practice for our key suppliers to the policy, and we will adopt it in 2016. The objective is that, our suppliers proven through our auditing practice, will develop in an even better direction in terms of costs and quality.

We are developing our partnership network through supplier selections

SATO's supplier selections are based on a three-phase evaluation.

The pre-selection phase ensures that each supplier has a sufficient capacity and capability to reach general and project-specific quality and schedule goals. At the same time, we evaluate each supplier's working environment and safety issues, as well as its possibilities to fulfil its environmental responsibilities. When a bidding process is initiated, we define objectives and the desired product and/or service. We evaluate offers on the basis of requirements associated with costs, production and delivery time, delivery capacity and sustainability. In the final phase, we evaluate the delivery through monitoring, reporting and specified delivery requirements. The magnitude and duration of the delivery define the number and schedule of evaluations.

To prevent grey economy, we only accept companies registered in the tilaajavastuu.fi (reliable partner) service as our service providers. We do not accept long chains in contracts, and prohibit the further sale of the content of the entire contract. Contractors that have entered into an agree-

ment with SATO may transfer parts of a contract to another contractor as a subcontract, and it may forward parts of it to a third contractor as a subcontract. All subcontractors must be approved by SATO and, during the approval process, all of the required reports and documents must be presented. Approved subcontractors do not have the right to chain the contract forward.

In construction projects, occupational safety, the environment, sustainability, quality and finances are being monitored continuously. Project leaders, together with each specific unit's management, evaluate specific reports. If required, improvement and repair proposals are developed and monitored together with suppliers.

Whenever possible, we select suppliers close to where SATO rental homes are located. Information of the share of local purchases is not available.

Control of building management and maintenance

SATO controls the operations of its partners and service providers systematically according to a jointly-defined management model or according to operating models defined in service agreements. The most advanced management model is used in building management activities.

The key objectives of building management and maintenance include the advancement of the customer experience

and satisfaction, and the improvement of the energy and cost efficiency. The fulfilment of response times and agreed activities is monitored via reports and regular meetings. We measure customer experience using customer surveys. In terms of building management partnerships, we also measure the fulfilment of cooperation using a survey directed for personnel of both parties. At shared training events, we discuss topical issues and build new operating principles together.

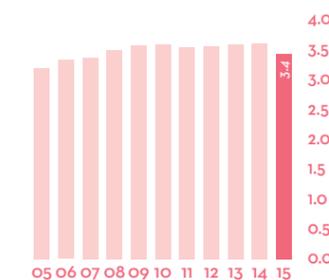
The year 2015 was the first full operating year following the bidding processes carried out in terms of building management and maintenance in 2014. The most significant objectives were to reach a high level of service and to have lower total costs. We were able to reach the cost objective even though we did not achieve the desired result in terms of energy savings. With regard to customer satisfaction, we fulfilled the target level set for building management over six months. In terms of maintenance, the targeted customer satisfaction level was reached in some maintenance areas.

We will revise the indicators of building management and maintenance, as well as their threshold and weighted values, for 2016. Our objective is to obtain measured data and customer feedback promptly. With regard to building management indicators, we will increase the weighted value of energy efficiency.

We will advance the measurement of customer satisfaction in terms of maintenance visits. We will also pilot new operating models to increase the interaction between the maintenance companies and customers.



Overall satisfaction with maintenance and building management



TOWARDS A BETTER SERVICE

More individually, quicker, easier and at a good price. This is how customers expect to obtain services. These are the expectations we wish to meet through our value proposition: A home the way you want it.

It is hard to find two exact matches from a group

Even though the size of the Finnish population is small on an international scale, Finnish people are divided into even smaller groups on the basis of their needs, wishes and behaviour. The life situation, living habits, values and preferences, as well as the level of income, have a significant impact on what people expect from their home and what their image of a home is. Information obtained about these aspects help us to serve our customers better.

Utilising customer information in service development

SATO compiles general information about customer behaviour and housing trends. We also obtain information about housing-related wishes and rental relationships through our operations. We utilise this information in our customer relationships and the development of our services, for the benefit of our customers.

We observe special care when handling information about personal and payment behaviour within the scope of privacy

protection. Our employees appointed in advance for the specific purpose uses this information in accordance with our data privacy guideline. During the reporting year, SATO received no investigation requests involving the handling or misuse of customer information.

We take care of housing

As we are fulfilling our value proposition, we need continuous cooperation between residents, staff and partners. We take care of the framework of housing, the resident turns the residence into a home.

We offer an extensive range of SATO RentHomes in different quality and price categories in urban environments and suburbs. We have developed our services for those of our tenants looking for a new home in order to find the new home quicker during changing life situations. For temporary housing, we offer furnished and well-equipped SATO HotelHomes (see p. 5).

By taking good care of our rental apartments, we encourage the resident to take good care of their home. We are revising our regular inspection activities in our rental homes. In the future, the condition of homes will be monitored through maintenance visits performed every two years. During these inspections, we will repair any minor defects and identify any needs for larger repairs.



We will largely inspect each home using our own employees, but we use housing management and maintenance partners in other maintenance activities. The objective of SATO and its partners is to have a satisfied customer. All shared objectives have been entered in partnership agreements.

During the reporting year, we encouraged our customers to independently upgrade their homes. The theme of SATO's Olkkari blog was #SATOjaideoita (#SATOideas), and we inspired our readers by issuing easy renovation and interior design instructions for rental homes. We also introduced a new interior design colour chart included in the SATO DIY renovation set.

Read more about Olkkari at www.olkkari.fi, in Finnish.

Net Promoter Score measures our success

Our strategic objective is to produce an excellent customer experience. This is measured by the Net Promoter Score (NPS). Our target is to have an NPS figure of 40 by the year 2020. The NPS score of the reporting year was 25 (26).

For the personnel and key operational processes, we have set objectives for customer satisfaction. These are measured using specifically defined indicators. The aim of recurring measurements performed at different phases of customer relationships and during various service situations is to improve the organisation's ability to react and its services.

We practise how to meet our customers

We want to offer our customers not only an excellent range of homes, but also a service which is based on a high level of expertise in the customer interface and successful customer encounters.

During the reporting year, we trained our customer service advisors and sales negotiators to understand the wishes and expectations of our customers even better. We regularly handle all customer feedback given after meeting our customers in order to identify any areas that need to be developed. This paid off: the NPS of the telephone service of our customer service advisors increased by 39 percent during



FINDING A HOME

- Find a Home - digital service
- information about SATO
- information about homes
- information about customer benefits



RENTAL ACTIVITIES

- support to find the perfect home
- additional information about the home and its environment, contact people and housing
- open house
- preparation of documents
- moving support
- digital services
- renovation/DIY renovation kit



OCCUPANCY PERIOD

- property care and maintenance
- fault management
- information service
- social services (customer events, joint activities in buildings)
- participation possibilities (feedback, resident meetings, resident forum)
- digital services
- customer benefits
- renovation/DIY renovation kit



MOVING OUT

- home swap service
- information and instructions
- feedback query
- digital services

the year, and the NPS of sales negotiators improved by 17 percent from March when the measurements were started to December.

During occupancy, selected housing management and maintenance partners take care of SATO's properties and homes. They contact our customers in situations where instant action is needed. At two training events, we set up best practices for frequently recurring service situations together with housing managers, maintenance employees, cleaning employees and customer service advisors.

We offer a number of different contact channels to our customers

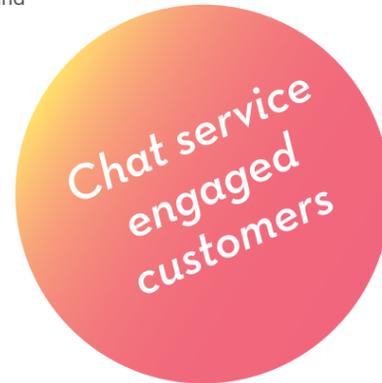
SATO uses various channels to interact with its customers. Communications are made quicker and easier by continuously developing new digital services as network and mobile services. In addition, we activate our customers to communicate with us in various social media channels.

We have four rental outlets in Finland where customers can meet us face to face, together with a centralised customer service where we are available via calls, email, Facebook messages and a chat service. During 2015, these handled approximately 130,000 customer queries. The most significant customer channel is sato.fi which had approximately two million visits in the reporting year. For SATO HotelHomes customers, we have a separate online service and an outlet in Helsinki. In 2015, a total of 12,000 customers stayed in SATO HotelHomes.

We organise various customer events for our residents on a building-specific, regional and national level. Residents are able to have an impact on the development of sustainable operating methods and housing through the resident forum which meets three to four times a year. During the reporting year, its themes included DIY renovations, a pilot project for

mobile fault notifications and social living. More than 4,500 residents took part in events organised by SATO.

Every year, we also reward the resident who, through exemplary actions, improves the level of enjoyment within their residential community. During the reporting year, the prize was given to a Tampere-based resident who for long has improved social aspects through exemplary actions.



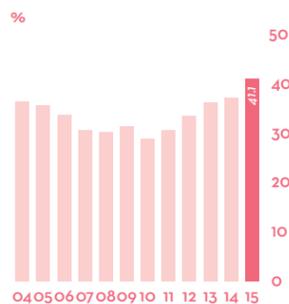
Our aim is to improve customer loyalty

The decrease in the purchasing power of consumers and a fiercer competition in SATO's operating areas increased tenant turnover in our buildings. We have set a goal for 2016 to decrease the level of tenant turnover from the 2015 level. Our aim is to reach this goal, for example, by improving our service.

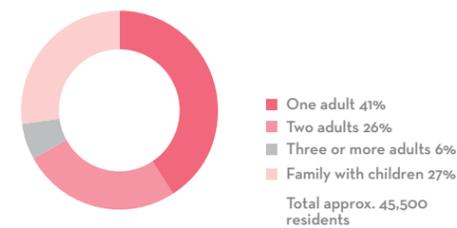
We are developing options for affordable housing

There is a growing need for affordable housing options through increasing immigration and urbanisation. SATO, together with young people, has developed the SATO Studio-Home concept where the construction of the pilot project will be started in 2016. SATO will also investigate other options in order to reduce total construction and housing costs.

Tenant turnover



SATO's resident structure 31 Dec 2015



Sato campaigns



SATO revises its corporate image. It campaigns widely in various media services with its new image. In SATO homes, people live under their own terms. Residents appearing in our advertising photos want to share their stories with others.

Let your life lead you.



VIELÄ EHDIT OSALLISTUA.

Kerro kuvalla miksi haluaisit muuttaa omaan kämpppään. Jaa asumisunelmasi #siksiomakämppä.

Kilpailuun >>



IT ALL STARTS FROM PEOPLE

SATO has ambitious goals that require successes in all business areas. Even though homes play a significant part in SATO's operations, the commitment of SATO employees to our shared objectives is the key factor in terms of the execution of our strategy.

Salary and benefits received from work cannot be the only source of motivation. Inspiring and meaningful work increases commitment, and is among the factors that mostly affect the customer experience and productivity. According to the employee engagement survey, SATO employees consider that the input of each employee is much more important for the company than in expert companies used as the reference group.

Competence development is the key

Supervisors are to make it possible that employees can reach excellent results and receive positive feedback on them. The right set of skills is the basis of good performance. In order to

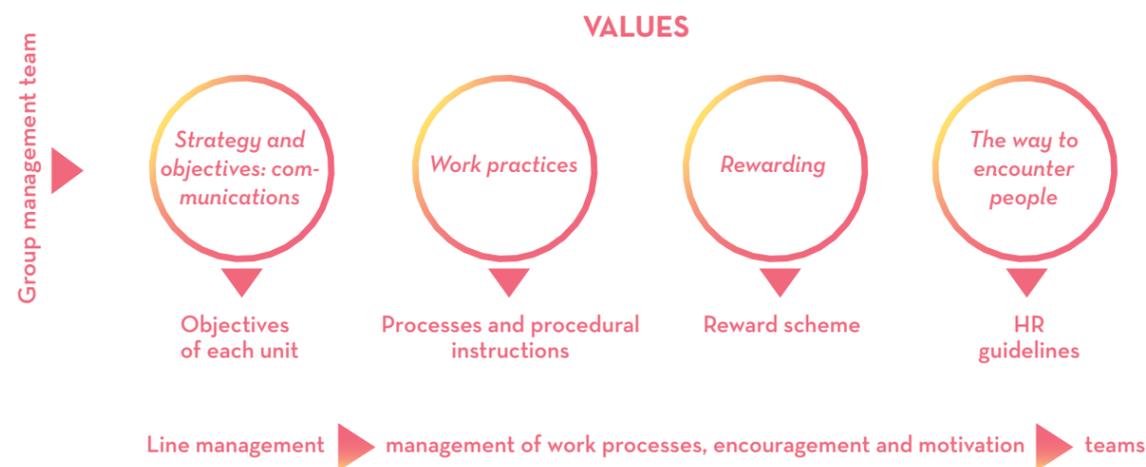
improve leadership skills, we initiated a training programme for supervisors divided into two years during the reporting year. The first modules dealt with change management and giving feedback.

We invested an average of 6.4 training days per person in the development of the professional skills of our employees. We improved individual performance management by engaging all SATO employees in a 270/360 evaluation where individuals received feedback from their supervisor, subordinates and/or colleagues. On the basis of the evaluation, each employee prepared an individual development plan. The fulfilment of its objectives will be monitored in conjunction with performance appraisals.

Straightforward objectives

Wellbeing at work starts from every SATO employee being aware of what they are expected to do. Personal goals are derived from our strategy and objectives set for each unit. We

IMPACT ON FUNCTIONAL ABILITY THROUGH LEADERSHIP



will monitor the fulfilment of each objectives, and supervisors will discuss them at performance appraisals held twice a year.

Some objectives are included in the incentive scheme which may consist of shared, unit-specific or personal objectives. Shared objectives are associated with customer satisfaction and consolidated profit for the period. The company's top and middle management are within the scope of personal performance rewards. Other employees receive a bonus for the fulfilment of shared objectives.

We take care of wellbeing

People feel well at work when they can have an impact on work-related arrangements, they are competent in what they do, they feel to be respected and full members of the working community, and they are being led and treated justly. SATO's corporate culture is being developed from these starting points.

A good health and mental and physical condition form the basis of an active working life. To prevent illnesses, all SATO employees undergo regular health check-ups and have access to full-range occupational healthcare services. We support the exercise and cultural activities of our employees by organising working ability activities and offering cultural benefits, and through LiiVi, our personnel's sports and recreation club.

SATO supports wellbeing at work and the settlement of conflicts through our health and safety committee and delegates. Members of the health and safety committee represent SATO's personnel in Finland, which the committee represents by 1.9 percent. In addition to the health and safety delegate, the committee consists of two deputies, the health and safety manager and the HR manager. Using early intervention practices, we want to encourage everyone to take care of themselves, their colleagues and the functionality of the working community, and to intervene in any risks associated in wellbeing at work as early as possible.

The employee engagement survey raises attention to development areas

SATO employees are actively using their participation possibilities through the annual employee engagement survey. In 2015, 94 percent of the entire personnel responded to the survey. The survey measures the engagement of the personnel in the company and their tasks, the level of management and the performance of the organisation. Its results are combined into a People Power Index. The objective is that the index exceeds the index of reference companies by ten percentage points.

SATO's results from different parts of the survey were at the previous year's level, and the People Power Index was at the level of reference companies, meaning that we were unable to reach our objective.

We selected leadership skills as our development area on the basis of the analysed results, and we launched a supervisory training programme tailored according to our needs.

Giving jobs to young people

We offered summer jobs to 21 young people in our offices in different parts of Finland and in outdoor maintenance tasks in our properties. In addition, we had TET (work familiarisation) trainees whose training week was based on a whole new approach. We invited trainees, through interviews and observations, to identify a development area and come up with an innovative solution for it. We obtained a number of ideas that we can put into practice in order to improve the SATO experience of our customers. The development ideas concerned instructions to be given to those looking for their first rental home and an increased presence in social media services.

living in Sato homes



More homes
in new
residential
areas

During the reporting year, SATO held an architectural competition to lead the way for sustainable construction. MinMaxMix, the winning proposal of Huttunen Lipasti Pakkanen Arkkitehdit, will be built in Jätkäsaari in Helsinki.

COMBATING CLIMATE CHANGE

In 2015, the existence of climate change was recognised globally. A new comprehensive and legally binding framework convention on climate change was drawn up at the Paris climate conference to reduce the level of emissions on a global scale. Since the late 1990s, SATO has been involved in activities to reduce energy consumption.

Buildings consume roughly 40 percent of the total energy used in Finland, and they generate 35 percent of total greenhouse gas emissions. By improving the energy efficiency of buildings, it is possible to significantly reduce greenhouse gas emissions (Ministry of the Environment). The most significant environmental impact of housing is caused by energy consumption during occupancy. SATO's main objective is to improve energy efficiency and reduce greenhouse gas emissions.

Revised environmental programme

SATO's environmental management is based on its environmental programme which defines operating principles for different operational areas. The objective of the programme is to pay attention to environmental aspects throughout the life cycle of properties. During the reporting year, the environmental programme was revised by making specifications to energy efficiency objectives and the development of environmental goals of the procurement chain.

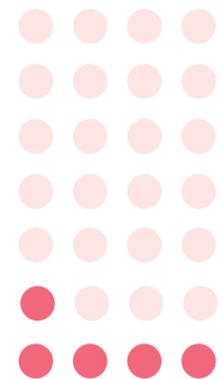
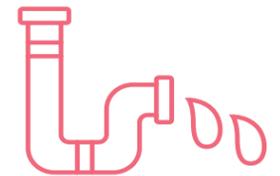
SATO's sustainability team coordinates environmental issues. The team proposes the leading guidelines and the target value of environmental work to the Group's management team to be accepted into operating programmes and included in the action plans of business units. It is the responsibility of the business units to put the programmes into practice.

Tighter objectives

SATO's strategy includes objectives that support the reduction of emissions: investments will be allocated to the largest growth centres along good transport connections and close to local services, energy consumption during occupancy will be reduced and the life cycle model will be followed in the construction of new buildings and the repair of existing buildings. We intend to achieve a 23 percent deduction in the specific consumption of heat and water in the buildings by 2020. The reference year is 2009. The aim is to keep the consumption of electricity at its present level.

These objectives aim not only to reduce consumption, but also to have an impact on energy costs and the consumption habits of residents. Of all household emissions, heating accounts for half, water heating makes up 20 percent, while one-third is attributable to electricity consumption.

**WATER-SAVING
COMPETITION**
The winning SATO house
reduced consumption



20%

In addition to its own objectives, SATO entered into VAETS, the energy efficiency agreement between rental home associations, in 2009 in Finland. There, the objective is to reduce energy consumption by seven percent from the 2009 level by 2016. This objective has already been reached. Being a climate partner of the City of Helsinki, SATO announced in 2013 that it will reduce heat consumption by 15 percent from the 2009 level by 2016 and to locate investments in new homes along public transportation routes. We are making good progress in terms of these objectives and, in conjunction with the revision of the environmental programme during the reporting year, the target of heat savings was increased further.

Many ways to have an impact on energy consumption

The monitoring of energy consumption is based on the consumption of buildings as measured by the EnerKey system. The aim is to reduce energy consumption through good property maintenance, energy-saving investments made in new and renovated buildings and by adopting solutions associated with renewable energy.

The decrease in total energy consumption (heat and electricity) totalled 22.2 gigawatt hours compared with 2014.

Statutory energy certificates have been prepared for all SATO properties. In 2014, SATO developed a score-based energy efficiency figure for residential buildings, which

focuses on energy efficiency and costs. On the basis of the score, we prepared a separate energy classification for all of our investment properties. Property-specific activities are based, not only on the energy class, but also on energy audits and consumption reports conducted for each property.

The entire investment property portfolio is under continuous energy monitoring using energy management software. On the basis of the information it produces, we can identify any deviations in consumption. Our partners have been committed to improving energy efficiency through service agreements. Residents are encouraged to save energy and handle waste in an eco-friendly manner by offering information and issuing campaigns and competitions.

In terms of renovations, repairs that affected energy efficiency totalled approximately EUR 2.1 million. These included, for example, the replacement of windows and the insulation of facades. Other actions aimed to improve energy efficiency totalled approximately EUR 1.1 million. We focused particularly on lowering water consumption, energy efficiency audits in buildings and building systems.

Water consumption accounts for roughly 30 percent of all energy costs. In addition, water heating makes up more than 30 percent of all heating costs. We continued to install water-saving fixtures in homes, but these procedures were not sufficient to save the rated consumption of water according to our objectives. The situation will improve in the future as our

rental home portfolio increases through the addition of new homes. We are guiding building managers to reduce water consumption through a specific objective. In 2015, cooperation with building management and maintenance was closer in order to react more quickly to deviations in water consumption. We will revise our auditing practices in properties where water consumption is unusually high.

An example of the engagement of residents was the water saving competition organised for SATO's residents, where prizes were given to all residents, the building manager and caretaker of the winning building. All residents of Asunto Oy Lahden Nuolikatku 9 took up the challenge and won the competition. In three months, they were able to reduce their water consumption by nearly 20 percent, without needing to compromise over their living comfort.

Waste containers on the agenda

The cleanliness of waste collection points is a visible part of enjoyment. Residents are encouraged to handle waste in an eco-friendly manner by offering information and issuing campaigns and competitions. During the reporting year, the estimated volume of waste generated in our residential buildings was 21,600 tonnes. In order to increase the volume of recycled waste, we arranged containers for recycled waste outside our residential buildings similarly to previous years. A total of 53 tonnes of recycled waste were placed in these containers.

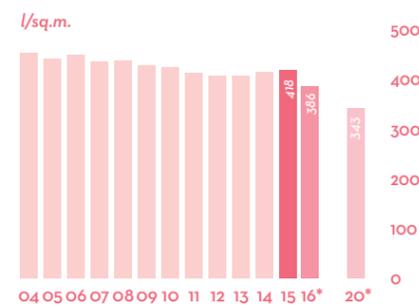
Recognition for job well done

SATO took part in the Smartest and Happiest Residential Building 2015 competition held by Green Building Council Finland. SATO's low-energy house located in Soukka received an honorary mention for its level of customer satisfaction. During the reporting year, we started to build a second geothermally heated building in Espoo which will also utilise solar energy. The solar energy produced will be utilised directly in building systems. This differs from the general practice where solar energy is supplied to the local power network.

During the reporting year, we participated for the first time in GRESB (Global Real Estate Sustainability Benchmark), and received Green Star, the highest level. SATO received special recognition for the comprehensiveness of its energy monitoring and for its monitoring system.

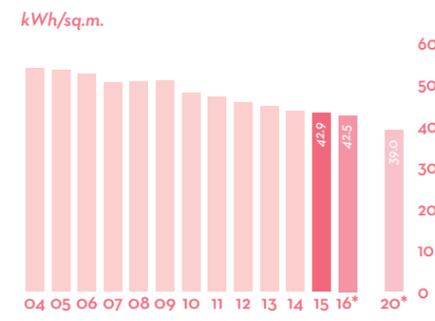


Water consumption



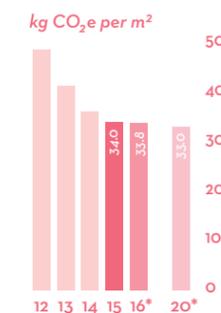
* SATO's target

Standardised heating consumption



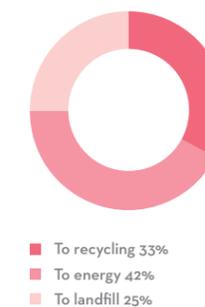
* SATO's target
Figures are adjusted for weather

Greenhouse gas emission intensity of buildings



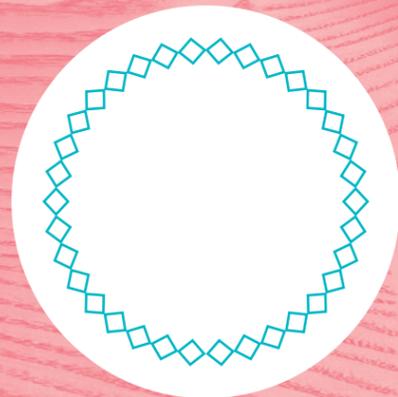
* SATO's target
The district heating emission factor has changed regressively since 2013

Waste distribution based on processing method 2015



WE DEVELOP HOUSING

more homes



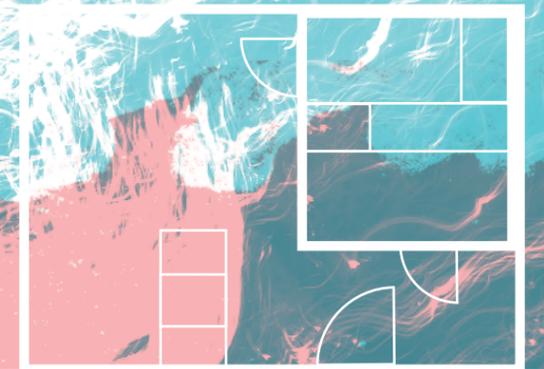
did you know...

SATO has built more than 220,000 homes in Finland. This figure comprises close to 10 percent of Finland's entire housing stock.

The number of SATO RentHomes comprises approximately 3 percent of Finland's rental apartments.

SATO has shaped different forms of housing by developing concepts for social needs prevailing at each time. Most recent concepts: furnished SATO HotelHome for temporary housing and compact-sized SATO StudioHome for affordable housing.

completely new housing forms



GRI TABLES

SATO's annual report is also a corporate responsibility report produced in compliance with the Global Reporting Initiative G4 Guidelines. The previous GRI report was produced for 2014, and the 2014 indicators are shown next to the indicators for the reporting year. Any changes in the earlier reported information are shown in connection with the figures and factual contents.

SATO's sustainability report 2015 has been prepared in accordance with the GRI G4 Guidelines (Core). In addition, the sector-specific guidelines of GRI G4 for the construction and real estate sector are applied. The report presents the General Standard Disclosures of GRI G4 Guidelines, as well as the Specific Standard Disclosures consisting of descriptions of management approach and indicators of aspects identified as material for SATO.

On request by SATO's management, KPMG Oy Ab has performed the independent third party assurance of our sustainability report 2015. The assurance covers the following chapters of the Operating environment section of SATO Corporation's Annual Report 2015: "SATO creates well-being", "We have a sustainable impact", "Interaction per stakeholder" and "Our supply chain creates value", as well as the following chapters of the Sustainable business section: "We concentrate on the essential", "We grow by investing", "We develop new homes" and "We assess risks with care". In addition, the assurance covers the entire sections "The impact of operations" and "GRI", as well as the Corporate responsibility management table on the sato.fi website.

The Corporate responsibility management is described in closer detail on SATO's website at sato.fi/corporate-responsibility. The GRI index is on annual report pages 66-68.

MATERIAL ASPECTS AND BOUNDARIES

Theme of SATO's materiality matrix	GRI aspect	Aspect boundary
Sustainable business		
Growth	Economic performance	SATO Group
Profitability	Economic performance Procurement practices Compliance	SATO Group SATO Group SATO Group and major outsourced services for housing management, maintenance, repair and new building construction
Excellent customer experience		
Price-quality ratio	Economic performance Procurement practices Product and service labeling	SATO Group SATO Group Rental homes of the SATO Group in Finland
Fluent customer services	Product and service labeling Products and services Customer privacy	Rental homes of the SATO Group in Finland Rental homes of the SATO Group in Finland SATO Group
Well-being at work		
Inspiring corporate culture	Employment, occupational health and safety Labor/management relations	SATO Group and major outsourced services for housing management, maintenance, repair and new building construction SATO Group
Skills development	Labor/management relations Training and education	SATO Group SATO Group
Environmental sustainability and supply chain		
Energy efficiency	Energy, water Emissions, effluents and waste Products and services	Rental housing sites in Finland belonging to the SATO Group where the ownership is over 50% Rental homes of the SATO Group in Finland Rental homes of the SATO Group in Finland
Sustainable supply chain	Indirect economic impacts Procurement practices Anti-corruption Compliance Supplier Environmental Assessment Land Degradation, Contamination and Remediation	SATO Group SATO Group SATO Group and major outsourced services for housing management, maintenance, repair and new building construction SATO Group and major outsourced services for housing management, maintenance, repair and new building construction SATO Group and major outsourced services for housing management, maintenance, repair and new building construction Rental homes of the SATO Group in Finland
Active stakeholder relations		
Customer engagement in development activities	Energy, water Effluents and waste Product and service labeling	Rental housing sites in Finland belonging to the SATO Group where the ownership is over 50% Rental homes of the SATO Group in Finland Rental homes of the SATO Group in Finland
Stakeholder dialogue	Energy, water Effluents and waste Product and service details Procurement practices Labor/management relations Occupational health and safety	Rental housing sites in Finland belonging to the SATO Group where the ownership is over 50% Rental homes of the SATO Group in Finland Rental homes of the SATO Group in Finland SATO Group SATO Group SATO Group
Transparent practises	Procurement practices Compliance Labor/management relations Occupational health and safety Anti-corruption Customer privacy Supplier Environmental Assessment	SATO Group SATO Group and major outsourced services for housing management, maintenance, repair and new building construction SATO Group SATO Group SATO Group and major outsourced services for housing management, maintenance, repair and new building construction SATO Group SATO Group and major outsourced services for housing management, maintenance, repair and new building construction

SATO GRI G4 INDEX

GRI G4 in accordance with "Core". Reporting period 2015.

Number of indicator	GRI content	Page
GENERAL STANDARD DISCLOSURES		
Strategy and Analysis		
G4-1	CEO's review	7
Organisational Profile		
G4-3	Name of the organisation	Inside back cover
G4-4	Primary brands, products and services	5
G4-5	Location of the organisation's headquarters	Inside back cover
G4-6	Number of countries where the organisation operates	5
G4-7	Nature of ownership and legal form	123
G4-8	Market areas	5
G4-9	Scale of the organisation	5, 10, 89
G4-10	Total number of employees by employment contract, region and gender	71, 22
G4-11	Report the percentage of total employees covered by collective bargaining agreements	sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-12	Organisation's supply chain	30
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	50, 84, 123
Commitments to External Initiatives		
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	46
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	59, 22
G4-16	Memberships of associations and national or international advocacy organisations	22
Identified Material Aspects and Boundaries		
G4-17	Entities included in the organisation's consolidated financial statement	89
G4-18	Process for defining report content	65
G4-19	Material aspects	26, 65
G4-20	Aspect Boundary for each material aspect within the organisation	65
G4-21	Aspect Boundary for each material aspect outside the organisation	65
G4-22	Restatements of information provided in previous reports	64-72
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	64-72, no significant changes
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged in the organisation	26
G4-25	Basis for identification and selection of stakeholders with whom to engage	26
G4-26	Organisation's approach to stakeholder engagement	26
G4-27	Key topics and concerns that have been raised through stakeholder engagement	26
Report Profile		
G4-28	Reporting period	2015
G4-29	Date of most recent previous report	2014
G4-30	Reporting cycle	Report published once a year
G4-31	Contact point for questions regarding the report or its contents	Inside back cover
GRI Content Index		
G4-32	GRI content index	66-68
Assurance		
G4-33	The organisation's policy and current practice with regard to seeking external assurance for the report	The report has been verified by an external party. 64
Governance		
Governance Structure and Composition		
G4-34	The governance structure of the organisation, including committees	sato.fi/SATO as a company/Governance, Sustainability decision-making is not separated from the rest of the decision-making.
G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	75, sato.fi/SATO as a company/Governance
G4-38	The highest governance body and its committees	80

Number of indicator	GRI content	Page
G4-39	The role of the Chair of the highest governance body	The Chairman of the Board of Directors is not the CEO, and the CEO is not a member of the Board of Directors
G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	75
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	75, sato.fi/SATO as a company/Governance
G4-44	The processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics and actions taken in response to evaluation	75, sato.fi/SATO as a company/Governance
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	75, sato.fi/SATO as a company/Governance
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	75, sato.fi/SATO as a company/Governance
G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Risk assessment is carried out once a year
Remuneration and Incentives		
G4-51	The remuneration policies for the highest governance body and senior executives	79
Ethics and Integrity		
G4-56	Organisation's values, principles, standards and norms of behaviour	12, 34, 22, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
SPECIFIC STANDARD DISCLOSURES		
Category: Economic		
Aspect: Economic Performance		
G4-DMA	Generic Disclosures on Management Approach	75
G4-EC1	Direct economic value generated and distributed	10, 22, 26
G4-EC4	Financial assistance received from government	38
Aspect: Indirect Economic Impacts		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility, 22
G4-EC7	Development and impact of infrastructure investments and services supported	38, 40
G4-EC8	Significant indirect economic impacts, including the extent of impacts	50, 59, 22, 26
Aspect: Procurement Practices		
G4-DMA	Generic Disclosures on Management Approach	50, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	50-51
Category: Environmental		
Aspect: Energy		
G4-DMA	Generic Disclosures on Management Approach	59, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-EN3	Energy consumption within the organization	72
G4-EN6	Reduction of energy consumption	59, 72
CRE1-sector-specific supplement	Building energy intensity	60, 72
Aspect: Water		
G4-DMA	Generic Disclosures on Management Approach	59, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-EN8	Total water withdrawal by source	72
CRE2-sector-specific supplement	Building water intensity	60, 72
Aspect: Emissions		
G4-DMA	Generic Disclosures on Management Approach	59, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	72
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	72
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	72
G4-EN19	Reduction of greenhouse gas (GHG) emissions	72
CRE3-sector-specific supplement	Greenhouse gas emissions intensity from buildings	61, 72
Aspect: Effluents and waste		

G4-DMA	Generic Disclosures on Management Approach	59, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-EN23	Total weight of waste by type and disposal method	72
Number of indicator	GRI content	Page
Aspects: Products and Services		
G4-DMA	Generic Disclosures on Management Approach	34
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	59, 69
Aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No fines or sanctions in 2015
Aspect: Supplier Environmental Assessment		
G4-DMA	Generic Disclosures on Management Approach	50, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	No assessments in 2015; the audit practice will begin in 2016
Sector specific aspect: Land Degradation, Contamination and Remediation		
G4-DMA	Generic Disclosures on Management Approach	40, 59, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
CRE5-sector-specific supplement	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	40
Category: Social - Labour practices and work		
Aspect: Employment		
G4-DMA	Generic Disclosures on Management Approach	22, 56, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	71
Aspect: Labor/Management Relations		
G4-DMA	Generic Disclosures on Management Approach	56, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
Aspect: Occupational Health and Safety		
G4-DMA	Generic Disclosures on Management Approach	22, 56, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	56
CRE6 -sector-specific supplement	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	OHC coverage in the supply chain would be material, but it is not known
Aspect: Training and Education		
G4-DMA	Generic Disclosures on Management Approach	50, 56, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-LA9	Average hours of training per year per employee by gender, and by employee category	71
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Applies to the whole personnel; the details of personnel in St. Petersburg are not in the HR system due to the Russian data protection legislation
Category: Social - Society		
Aspect: Anti-corruption		
G4-DMA	Generic Disclosures on Management Approach	sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility, 50
G4-SO5	Confirmed incidents of corruption and actions taken	No cases of bribery in 2015
Aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	22, 75, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines or sanctions in 2015
Category: Social - Product responsibility		
Aspect: Product and Service Labeling		
G4-DMA	Generic Disclosures on Management Approach	50, 52, sato.fi/SATO as a company/Corporate responsibility/Managing corporate responsibility
G4-PR5	Results of surveys measuring customer satisfaction	12, 52
CRE 8-sector-specific supplement	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	38, 59, 22
Aspect: Customer Privacy		

CONCEPTS AND INDICATORS OF SUSTAINABILITY

Concept/indicator	Definition
Environment	
Objects covered by energy and water consumption monitoring	Buildings in which SATO's ownership exceeds 50%
Total heat consumption (MWh)	Absolute annual heat consumption in all objects covered by consumption monitoring
Total electricity consumption (MWh)	Absolute annual electricity consumption in all objects covered by consumption monitoring
Total energy consumption (MWh)	Absolute annual heat and electricity consumption in all objects covered by consumption monitoring
Total water consumption (1,000 m ³)	Absolute annual water consumption in all objects covered by consumption monitoring
Electricity consumption intensity (kWh/m ³ /year)	Electricity consumption per m ³ in all objects that have been rented for the entire year
Water consumption intensity (litres/m ³ /year)	Water consumption per m ³ in all objects that have been rented for the entire year
Standardised heat consumption intensity (kWh/m ³ /year)	Heat consumption per m ³ in all objects that have been rented for the entire year. The figure is weather adjusted to make years comparable.
Greenhouse gas emissions (tCO ₂ e)	Emissions from heating, electricity, water and waste generated by tenants. The district heating emission factor is defined by Motiva Oy. The factor has changed regressively since 2013.
Greenhouse gas emission intensity of buildings (kg CO ₂ e/m ²)	Equivalent CO ₂ emissions per m ² of floor area rented
Total amount of waste (tonnes)	The total amount of waste generated by tenants is estimated using the number of tenants and the data of Statistics Finland
Personnel	
Total personnel turnover (%)	Sum of signed and terminated employment contracts in relation to the number of personnel for the last month of the previous year.
Number of new employment contracts	Permanent and fixed-term employment contracts that started during the reported period, summer jobs excluded
Number of terminated employment contracts	Permanent and fixed-term employment contracts that ended during the reported period, summer jobs excluded
Number of training days	One training day comprises six hours of training
Person-year	The person-years completed by service providers for SATO is based on the partners' reports for the biggest partners and on SATO's own estimate derived from the invoiced working hours for other major suppliers.
TARMO	TARMO is a discussion forum for SATO's management and personnel, comprised of 8 employee representatives and 4 representatives of the employer
Liivi	Liivi is SATO's committee for recreation and sports activities, comprised of 10 employee representatives and 1 representative of the employer
Customer relationships	
NPS (Net Promoter Score)	The strategic NPS is the average of the NPS given by customers who have moved in or out over the past year. In addition, the realised NPS is monitored through various customer queries.

SUSTAINABILITY OBJECTS

Environmental sustainability				
Objectives for 2015	Fulfilment of objectives in 2015	Key actions in 2015	Objectives for 2016	Actions in 2016
Specific heat consumption 43.4 kWh/m ³	Realised situation 42.9 kWh/m ³ , the objective was reached	Inspection of building systems, installation of water-conserving fixtures and constant pressure valves in selected buildings, revision of the environmental programme	42.5 kWh/m ³	Development of the inspection of homes
Specific water consumption 400 l/m ³	Realised situation 418 l/m ³ , the objective was not reached	Water-conserving competition for residents, inspection of building systems, installation of water-conserving fixtures and constant pressure valves in selected buildings, revision of the environmental programme	386 l/m ³	Development of the inspection of homes
Specific electricity consumption 3.9 kWh/m ³	Realised situation 3.9 kWh/m ³ , the objective was reached	Inspection of building systems in selected buildings, revision of the environmental programme	3.9 kWh/m ³	Development of the inspection of homes
Specific emissions 35.4 kg CO ₂ e/m ² *	Realised situation 34.0 kg CO ₂ e/m ² , the objective was reached	Improved efficiency in heat consumption, revision of the environmental programme	33.8 kg CO ₂ e/m ²	Improved efficiency in heat consumption
New investments to be located by main routes of public transportation	Criteria fulfilled apart from a single investment	Due diligence and EDD reviews for investment sustainability	New investments to be located by main routes of public transportation	Due diligence and EDD reviews for investment sustainability
Social sustainability				
Objectives for 2015	Fulfilment of objectives in 2015	Key actions in 2015	Objectives for 2016	Actions in 2016
NPS of more than 31	Realised situation 25, objective was not reached	Training offered to employees working in the customer interface, development of maintenance control, a new operating model for measuring customer satisfaction	NPS at least 35	Increased customer interaction, development of digital services
Personnel engagement at least ten percent higher than in the reference group	Actual result at the same level as in the reference group, objective not reached	Entire personnel's 360/270 evaluation, self-management training for the entire personnel, training of supervisory skills	Personnel engagement at least ten percent higher than in the reference group	Identification of strategic competence areas, self-development plan
Financial sustainability				
Objectives for 2015	Fulfilment of objectives in 2015	Key actions in 2015	Objectives for 2016	Actions in 2016
Lower maintenance costs through centralised procurement	Savings through new bidding processes	Start-up of the procurement system, development of operating methods and processes, bidding processes for procurement	No increase in maintenance costs, fewer suppliers	Development of operating models
Key development objectives				
Objectives for 2015	Fulfilment of objectives in 2015	Key actions in 2015	Objectives for 2016	Actions in 2016
Sustainability criteria throughout the supply chain	Objectives reached in part, the start-up of audits was postponed to 2016	Procurement system in use, procurement policy revised, supplier auditing model defined	Start-up of supplier audits, definition of an auditing model for construction sites and the start-up of audits, development of operational measurements	Supplier and construction site audits, revised operational indicators
Participation in the Global Real Estate Sustainability Benchmark (GRESB)	Objective was reached, participation was realised	Action planning, implementation and participation in GRESB, resulting in GREEN STAR, the highest possible level	Renewal of the GREEN STAR level	Participation in GRESB
An updated sustainability materiality matrix	Objective was reached, a new matrix was prepared	Stakeholder dialogue in order to identify material aspects		
Development of the affordable housing concept	Objective was reached, development work was performed and a model flat was presented	Concept development and the start-up of the first SATO StudioHome	Secured construction preconditions and the start of construction	Construction of the first site, completion in 2017
Stabilisation of the new building maintenance and cleaning model, setting property-specific result targets in terms of energy consumption	Other objectives reached, consumption objectives of heating and water not reached	Monitoring maintenance programmes and the handling of fault notifications, monthly building-specific monitoring per energy type	Revision of objectives and indicators included in partnership agreements	Review of service descriptions and evaluation of indicators

*changed according to the new district heating factor

PERSONNEL

G4-10					
Total personnel	permanent	fixed-term	men	women	
170	160	10	59 (35%)	110 (65%)	
G4-LA1					
New employment relationships					
total 44					
Permanent employment relationships					
total 13					
men 5					
women 8					
Age distribution					
total					
under 25 2					
26-35 8					
36-45 2					
46-55 1					
56- 0					
men					
0					
4					
0					
1					
0					
women					
2					
4					
2					
0					
0					
Fixed-term employment relationships					
total 31					
men 15					
women 16					
Age distribution					
total					
under 25 11					
26-35 4					
36-45 0					
46-55 0					
56- 0					
men					
11					
4					
0					
0					
1					
0					
women					
9					
5					
1					
1					
0					
0					
Summer trainees					
total 21					
Age distribution					
total					
under 25 10					
26-35 2					
36-45 3					
46-55 1					
56- 1					
men					
10					
2					
7					
2					
women					
7					
2					
Terminated employment relationships total					
total 52					
Permanent employment relationships					
total 11					
men 6					
women 5					
Age distribution					
total					
under 25 0					
26-35 3					
36-45 1					
46-55 1					
56-63 1					
over 63 0					
men					
0					
3					
1					
1					
1					
0					
women					
1					
1					
0					
0					
3					
0					
Employment contracts terminated by the employer					
0.0%					
Total turnover % (summer trainees excluded)					
29%					
G4-LA9					
Training days total					
men					
2.5 days					
women					
4 days					
An average 6.4 days per employee, of which 3.7 days internal training. Corporate responsibility related training 2.2.					
An average of 1.6 days of training per person among management					
An average of 4.8 days of training per person among white-collar employees					

ENVIRONMENT

The figures only include residential buildings

Energy consumption within the organisation (G4-EN3)	2013	2014	2015	Change 2014-2015	Change 2014-2015
Total [MWh]	263,870	260,454	238,263	-22,192	-9%
Share of purchased energy:					
Electricity [MWh]	25,267	24,594	23,689	-905	-4%
District heating [MWh]	237,669	235,326	214,056	-21,270	-9%
Share of own production:					
Oil [MWh]	934	534	518	-16	-3%
Building energy intensity (CRE1)	2013	2014	2015	Change 2014-2015	Change 2014-2015
Consumption of heating energy, adjusted for weather [kWh/rm ³ /a]	44.6	43.6	42.9	-0.7	-1.6%
Consumption electricity [kWh/m ³ /a]	3.9	3.9	3.9	0.0	0.8%
Greenhouse gas emissions (G4-EN15, EN16, EN17)	2013	2014	2015	Change 2014-2015	Change 2014-2015
G4-EN15 Direct greenhouse gas emissions	243	139	135	-4	-3%
G4-EN16 Energy indirect greenhouse gas emissions	50,665	43,771	39,814	-3,956	-9%
G4-EN17 Other indirect greenhouse gas emissions	1,692	1,721	1,834	113	7%
Total emissions of greenhouse gases [t CO ₂ -e]	52,599	45,630	41,783	-3,847	-8%
GHC emission intensity of buildings	2013	2014	2015	Change 2014-2015	Change 2014-2015
kg CO ₂ -e/m ²	41.3	36.1	34.0	-2	-6%
kg CO ₂ -e/person	1300.1	1 108.7	952.5	-156	-14%
Total water withdrawal (G4-EN8)	2013	2014	2015	Change 2014-2015	Change 2014-2015
Total [1,000 m ³]	2,220	2,381	2,329	-52	-2%
Building water intensity (CRE2)	2013	2014	2015	Change 2014-2015	Change 2014-2015
dm ³ /rm ³ /a	408	415	418	3	0.7%
Total weight of waste (G4-EN23)	2013	2014	2015	Change 2014-2015	Change 2014-2015
tonnes	19,902	20,245	21,578	1,333	7%
t CO ₂ -e	1,692	1,721	1,834	113	7%
Distribution of waste by disposal method			2015 percentage	2015 (t)	
For recycling			33%	6,585	
For energy			42%	8,583	
To landfill sites			25%	5,076	
Distribution of waste by type			2015 percentage	2015 (t)	
Mixed waste			51%	10,361	
Separately collected			43%	8,700	
Paper and cardboard			15%	3,071	
Biowaste			14%	2,799	
Glass waste			1%	259	
Metal waste			2%	430	
Wood waste			2%	330	
Plastic waste			2%	311	
Electrical and electronic scrap			2%	304	
Other separately collected fractions			6%	1,195	
Others and unspecified			6%	1,184	

CORPORATE RESPONSIBILITY MANAGEMENT

An excellent customer experience – price-quality ratio, fluent customer services	
Approach	We offer our customers a secure lease and an excellent customer experience.
Material aspects	Products and services Product and service labelling Procurement practices Indirect economic impacts
Customer promises	SATO's customer promises define the company's service objectives and aim at improving the customer experience.
Customer experience	Improving the customer experience generates added value for the customers, improves employee satisfaction with their work and promotes financial sustainability. The subjects of development actions include homes, services and customer encounters.
Objectives	The goal is to provide an excellent customer experience. This is measured in terms of the Net Promoter Score (NPS). The target level is 40 in 2020. Improvement of customer satisfaction is the target of the entire personnel of SATO and its housing management and maintenance partners.
Operating principles	
Service concepts	SATO gains a competitive edge from its versatile service concepts. With these service concepts, we can meet the needs of different customer groups and also facilitate customers' choice of apartment.
Co-operation with tenants	Co-operation with tenants aims at improving the comfort of living, managing costs of living and adopting responsible practices. SATO co-operates with its tenants on a property-specific, regional, and nationwide basis through tenant meetings and various other events.
Fluent services	The aim is to serve the customer as well as possible irrespective of time or place and in line with the customer's own preferences. The promotion of online business is part of SATO's strategy.
Follow-up and monitoring systems, programmes, projects, and initiatives	
Monitoring of the customer experience	SATO measures the development of the customer experience in different phases of the customer relationship: when moving in, when living in the apartment, after a service contact, and when moving out. In addition, our lease service and contact centre services are monitored using the mystery shopping method. The obtained feedback is utilised in the planning of future housing units and in the development of our customer service.
Process development challenge	Every year, SATO's Corporate Management Group sets a challenge for the teams responsible for process development. In recent years, challenges have been faced in many areas, including improvement of the customer experience, elimination of friction in the customer's business and digitalisation of operating models. The challenge for 2016 is to reduce the occupant turnover.
Control in the construction phase	The implementation of SATO's new construction and renovation projects is governed by SATO's design and engineering instructions. The attainment of SATO's quality goals is examined during the construction phase. A customer satisfaction survey is conducted after the completion of construction work or renovation.
Control of maintenance and cleaning quality	SATO and its building managers assess the quality of building maintenance and cleaning by means of regular assessment rounds. Customer satisfaction with the maintenance and cleaning service level is measured on a regular basis.
Responsibilities and resources	Business functions Customer relationships unit Service providers and partners
Governance assessment	Company governance is assessed continuously as part of our operations. SATO responds to changes in the operating environment or within the company by adjusting its operating principles, follow-up systems, and resources.
Well-being at work – inspiring company culture and skills development	
Approach	Every SATO employee is doing an important job
Material aspects	Employment Labour/management relations Occupational health and safety Training and education Indirect economic impacts
Employment and labour management relationships	We promote an open corporate culture and want to be an attractive employer. We also provide summer jobs for young people in order to familiarise them with the industry and our company. All of SATO's employees working in Finland are fully covered by collective labour agreements. In Finland, any reorganisations are governed by the Act on Co-operation within Undertakings. SATO observes the statutory periods of notice (1-6 months) outlined in the respective labour laws in all of its countries of operation.

Well-being at work	We ensure proper working conditions, safety and a good atmosphere. We foster collaboration, interaction, and information distribution between company management and the entire personnel, also between units.
Training and education	SATO supports training and learning on the job. We support supervisors' capability to lead the personnel by arranging annual training for supervisors. SATO also has a mentoring programme.
Involvement of personnel in the development of operations	Innovation campaigns are arranged in order to enhance employee commitment to responsible practices and discover new development ideas. Campaigns have been arranged on such topics as developing corporate responsibility, improving company reputation and reduction of occupant turnover.
Objectives	Developing employees' satisfaction with work and well-being at work Improving our employer image Promoting collaboration, interaction, and information distribution between company management and the entire personnel

Operating principles

HR management principles	HR management is based on the company values and responsible practises. HR management aims at ensuring SATO's ability to achieve its strategic goals. The company's operating principles outline the goals, targets and measures of HR management.
Equality Plan	The basis of equality, fairness and non-discrimination are outlined in SATO's Code of Conduct, the Basics of HR Management, and the Equality Plan.

Follow-up and monitoring systems, programmes, projects, and initiatives

Employee satisfaction	SATO measures its employees' satisfaction with their work on a regular basis. The survey measures personnel commitment, team performance, leadership, as well as dedication to one's own work, the organisation and its values. Unit-specific operating plans will be produced on the basis of the results.
Operations compliant with the corporate culture and values	SATO's corporate culture was defined in 2014, and it is based on trust, open interaction and initiative. The compliance of operations with the corporate culture and values is analysed in six-monthly performance appraisals and in atmosphere surveys.
Interaction development	The 360/270 assessment carried out for the entire personnel and training in managerial skills promote taking the updated values and corporate culture into practice.
Responsibilities and resources	The Group's Corporate Management Group HR Supervisors Labour protection committee and delegates TARMO, the working group for personnel-employer cooperation
Governance assessment	Company governance is assessed continuously as part of our operations. SATO responds to changes in the operating environment or within the company by adjusting its operating principles, follow-up systems, and resources.

Energy efficiency and the environment

Approach	We work together with our stakeholders to minimise the environmental load of housing.
Material aspects	Energy Water Emissions Effluents and waste Products and services Land degradation, contamination and remediation
Energy consumption, emissions and water	The most influential factor in SATO's environmental responsibility is improved energy efficiency and reduced emissions. They are also major contributors to cost savings in the housing stock.
Waste management	The amount of waste generated when living in our housing units depends on the tenants. SATO provides tenants with instructions and improves recycling possibilities to decrease the amount of waste. SATO enhances the functionality of the waste collection points in its properties, for example, with its design and engineering instructions for new construction and renovation projects.
Products and services	SATO has developed an energy classification for its properties. This classification accounts for both the energy efficiency and energy costs of the property. The rating is utilised in analyses and property energy management.
Land degradation, contamination and remediation	In conjunction with land acquisition and town planning, we assess possible impurities of the soil and plan corrective measures accordingly.
Objectives	Reducing energy consumption Reducing greenhouse gas emissions Conducting a waste volume survey New investments to be located by main routes of public transportation

Operating principles and commitments

Environmental programme	SATO's environmental programme was updated in 2015 and covers the operations in Finland. SATO also expects its biggest partners to comply with corresponding environmental management principles with regard to SATO's properties.
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Follow-up and monitoring systems, programmes, projects, and initiatives

Management of environmental work	The Group's corporate responsibility workgroup prepares the main framework and target levels for environmental work, as well as a proposal for an action programme to serve as a basis for decision-making by the Group's Corporate Management Group. The action programmes are monitored and updated yearly as part of the responsibility workgroup's duties.
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Monitoring of energy consumption	SATO monitors and manages the energy consumption of its residential properties with the help of the EnerKey monitoring system. The specific consumption of energy and water is monitored and the targets are set on the basis of the volume of buildings. The emissions per floor area of residential unit are monitored.
The state's action programme for rented home communities (VAETS)	SATO participates in the action programme for rented home communities in Finland.
Climate partnership agreement with the City of Helsinki	Under the climate partner agreement with the City of Helsinki, SATO has committed itself to reducing heat consumption by 15% from the 2009 level by 2016 and to concentrating its new housing investments in the proximity of public transportation connections.
Responsibilities and resources	Business functions SATO's responsibility workgroup Partners and subcontractors
Governance assessment	Corporate governance is assessed continuously as part of company operations and the partnership management system. Energy surveys are regularly carried out in the properties. SATO responds to changes in the operating environment or within the company by adjusting its operating principles, follow-up systems, and resources.

Sustainable supply chain

Approach	Long-term partnerships benefit both parties
Material aspects	Procurement practices Supplier environmental assessment Employment Anti-corruption Compliance Indirect economic impacts
The most significant partnerships	The most significant partnerships are related to building management and property maintenance. These operations are managed and developed according to jointly agreed objectives and indicators. The management system covers partnership at the strategic and operative level, including incentives for achieving the joint objectives.
Prevention of grey economy	The prevention of grey economy in the construction industry is a key element in our procurement. We require that all of our contractors must be registered with the Tilajavastuu.fi programme. When subcontractors are to be used, the accounts required under the Act on the Contractor's Obligations and Liability must also be obtained for the subcontractor before the agreement negotiations.
Energy efficiency and customer experience	The building management and property maintenance agreements include targets for energy efficiency and customer satisfaction.
Objectives	Ensuring the Group's overall interests Excellent customer experience throughout the entire supply chain Responsible procurement Co-operation that creates added value.

Operating principles

Procurement principles	Our procurement principles are outlined in our Code of Conduct, procurement policy and the guidelines for preventing grey economy.
Agreement practice	SATO makes all agreements and orders in writing. Agreements include statements of compliance with the Act on the Contractor's Obligations and Liability, providing the reports and documents required in the Act, observing the Occupational Safety and Health Act, monitoring concatenated subcontractors and other regulations, and being aware of penalties. SATO's building management and property maintenance agreements include the service principles and levels required by SATO.
Common training sessions	Partner days twice a year, in addition separate training sessions on various subjects, in 2015 on e.g. the following subjects: SATO's service principle training for maintenance personnel and housing managers.

Follow-up and monitoring systems, programmes, projects, and initiatives

Quality control	The objectives outlined in building management and property maintenance agreements are monitored in steering groups, meetings, and development discussions. The achievement of construction sites' objectives is monitored in site meetings and during SATO's inspection rounds. In addition, SATO monitors the success of projects in its internal project meetings. Supplier and construction site audits will begin in 2016.
tilajavastuu.fi, Reliable Partner function	SATO requires that all of its suppliers must be well-known, reputable companies that observe responsible operating principles. The contractor details stipulated in the Act on the Contractor's Obligations and Liability are checked using the Luotettava kumppani ('Reliable Partner') function of Tilajavastuu.fi. This function is also used to verify whether service providers have received convictions or have been barred from conducting business.
Supplier assessments	Hankinnan periaatteita ohjaa SATO:n hankintapolitiikka. Hankintavaiheen toimittaja-arvion kehittämiseksi otettiin vuonna 2015 käyttöön uusi arviointitapa, joka huomioi myös vastuullisuuden osa-alueita. Toimittaja-auditoinnit aloitetaan vuonna 2016.
Responsibilities and resources	Business functions Procurement
Governance assessment	Corporate governance is assessed continuously as part of company operations and the partnership management system. SATO responds to changes in the operating environment or within the company by adjusting its operating principles, follow-up systems and resources.

Transparent practices	
Approach	As a well-managed, profitable and sustainable company, SATO has the ability to act sustainably and transparently for the good of the economy, the environment, society, as well as its key stakeholders.
Material aspects	Procurement practices Compliance Labour/management relations Occupational health and safety Anti-corruption Customer privacy
Responsible practices and reputation management	Corporate responsibility is part of SATO's strategy. The large amount of capital tied in our operations and the vast significance of the home for individuals and society translate into a requirement of responsible, reliable operations. SATO monitors the development of its reputation by conducting annual reputation surveys.
Customer privacy	SATO's customer record contains people looking for a home and tenants living in SATO's homes. Customers' personal information is handled by specifically designated employees, carefully and with respect for the customers' privacy. The description of the personal data file required under the Personal Data Act is available at http://sato.fi/en/terms-of-use .
Objectives	Transparent communications and reporting Prevention of the grey economy Reputation of a sustainable operator
Policies, guidelines, and commitments	
Guidelines and policies	Finnish Corporate Governance Code and SATO's guidelines, principles and policies. The most important documents are our sustainability policy, environmental programme, Code of Conduct, personal data handling instructions, grey economy prevention guidelines, procurement, financing, risk management and communication policies, HR management principles, and equality plan.
Principles of accounting	SATO complies with the international accounting standards (IFRS and IAS) as adopted by the EU.
Corporate Governance	Decision-making and corporate governance is governed by SATO's values, applicable laws and regulations, the Finnish Corporate Governance Code, as well as rules set by the Board and committees.
Risk management principles	SATO's risk management system is based on the annual identification of risks complying with a risk model.
Good Rental Practice	In our leases, we observe the Fair Rental Practice guidelines drawn up by Finnish Tenants, the Finnish Association of Landlords (SVA), the Finnish Real Estate Federation, and RAKLI ry.
Follow-up and monitoring systems, programmes, projects, and initiatives	
Financial reporting and planning and finance controls	Financial reporting and planning are based on the Group's management system. The controls on the financial reporting process are specified on the basis of a separate survey of reporting process risks.
Sustainability reporting and benchmarking	Sustainability reports are produced in compliance with the Global Reporting Initiative. SATO participates in the annual Global Real Estate Sustainability Benchmark assessing the work for corporate responsibility.
Preventing abuse	The internal audit assesses, independently and systematically, the functionality, efficiency and appropriateness of the Group's management and governance systems, as well as the business processes and risk management. In order to reduce the risk of abuse, SATO has prepared guidelines on paying attention to potentially risky situations.
Risk management	Every year in connection with strategy and business planning, we study risks that may hinder the achievement of key targets. Owners are designated in charge of risk management measures, and these persons are responsible for the follow-up of the respective measures.
Responsibilities and resources	SATO's management system is described in the section "Report on the governance and control system" The Group's Corporate Management Group Financial administration Legal function Internal audit
Governance assessment	Company governance is assessed continuously as part of our operations. SATO responds to changes in the operating environment or within the company by adjusting its operating principles, follow-up systems, and resources. At the Group level, changes in situation and the sufficiency of management are assessed quarterly, and constantly by the person in charge of the area of risk.
Stakeholder dialogue and customer engagement in development actions	
Approach	SATO contributes to the well-being and growth in society in collaboration with various stakeholders.
Material aspects	Energy Water Waste Procurement practices Compliance
Regional presence for local improvement in housing	SATO has regional offices in Helsinki, Tampere, Turku and Oulu, Finland, and St. Petersburg, Russia. SATO's operations are focused around these regions. Regional presence enables better market knowledge and interaction with local stakeholders. SATO adjusts its offerings to local conditions.
Housing development	SATO has an impact on the production of rental homes and the improvement of the prerequisites of ownership by offering its expertise to decision-makers, legislators and organisations and by participating in the activities of cooperation working groups.

Increasing customer engagement in development actions	The residents' and SATO's joint resident forum allows sustainable methods of operation to be developed together with residents. All stakeholders were involved in the stakeholder dialogue implemented in 2015 to influence the development of SATO's sustainability work. The material aspects of sustainability were updated as a result of the dialogue. In 2015, the residents also participated in the site-specific contest for reducing water consumption.
Compliance	We require compliance with legislation and regulations throughout SATO's organisation and the entire supply chain.
Objectives	Developing housing together with stakeholder groups Sustainable methods of operation in the entire supply chain
Operating principles	
Interaction with stakeholders	SATO arranges local customer events and co-operates with local authorities in matters related to land acquisition and town planning. SATO has representatives in local real estate and business promotion organisations.
Follow-up and monitoring systems, programmes, projects, and initiatives	
Responsibilities and resources	The Group's Corporate Management Group Business functions Customer relationships unit
Governance assessment	Company governance is assessed continuously as part of our operations. SATO responds to changes in the operating environment or within the company by adjusting its operating principles, follow-up systems, and resources.

INDEPENDENT ASSURANCE REPORT

Translation from the original Finnish report

To the Management of SATO Oyj

We have been engaged by the Management of SATO Oyj (hereafter SATO) to provide limited assurance on Corporate Responsibility information presented for the reporting period 1.1.–31.12.2015 in SATO's Annual Report 2015 (hereafter Corporate Responsibility Information). The assurance covers chapters "SATO creates well-being", "We have a sustainable impact", "Interaction per stakeholder" and "Our supply chain creates value" from the "Operating environment" section, as well as chapters "We concentrate on the essential", "We grow by investing", "We develop new homes" and "We assess risks with care" from the "Sustainable business" section. In addition the assurance covers sections "The impact of operations" and "GRI", and the "Corporate Responsibility Management" table located in SATO's website sato.fi.

The Management of SATO is responsible for the preparation and presentation of the Corporate Responsibility Information in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4*.

Our responsibility is to carry out a limited assurance engagement and to express an independent conclusion on the information subject to the assurance. We have conducted the engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*). We apply the international quality standard ISQC1 and accordingly maintain a comprehensive system including documented policies and procedures. We also comply with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants. We do not accept or assume responsibility to anyone other than SATO for our work, for this assurance report, or for the conclusions we have reached.

Limitations of the engagement

Data and information related to sustainability are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Corporate Responsibility Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by SATO. Our assurance report is not intended for use in evaluating SATO's performance in executing the corporate responsibility principles SATO has defined. To assess the financial state and performance of SATO, SATO's audited Financial Statement for the year ended 31 December 2015 is to be consulted.

The work performed in the engagement

Our assurance procedures are designed to obtain limited assurance on whether the Sustainability Information is presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Corporate Responsibility Information, and applying analytical and other evidence gathering procedures, as appropriate. The evidence gathering procedures mentioned above are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

In our engagement we have performed the following procedures:

- Interviews with three members of the management to reassert our understanding of the connection between SATO's corporate responsibility procedures and SATO's business strategy and operations as well as corporate responsibility objectives;
- An assessment of the Corporate Responsibility Information's conformity with the principles of the GRI G4 guidelines for defining content and reporting quality;
- An assessment of coverage of the material aspects selected for the Responsibility Report Information and the definition of reporting boundaries in the context of SATO's business operations and sector;
- A review of the performance data and assertions presented in the Corporate Responsibility Information, and testing of data accuracy and completeness through samples from SATO's information systems;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Corporate Responsibility Information;
- Comparison of the presented Corporate Responsibility Information to underlying rules of procedure, management and reporting systems as well as documentation;

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* in all material respects.

Helsinki, 27 January 2016

KPMG OY AB

Lasse Holopainen
APA

Niina Turri
Senior Manager, Advisory

CORPORATE GOVERNANCE STATEMENT 2015

Sustainable actions in our town

#sunsetinhelsinki #bustothemovies #myhomewaits

The administration of SATO Corporation is based on the Finnish Companies Act and SATO Corporation's articles of association. The company also complies with the Corporate Governance Code 2015, issued by the Finnish Securities Market Association. SATO Corporation shares are not publicly listed. The Corporate Governance Code is available publicly on the website www.cgfinland.fi/en.

SATO Corporation has issued corporate bonds, which are listed on the Finnish or Irish stock exchanges, and the company complies with their rules and regulations for listed bonds as well as the Securities Markets Act and the regulations of supervisory authorities. SATO Corporation's home exchange is Nasdaq OMX Helsinki Oy.

The company's Board of Directors approved insider guidelines for trading in SATO Corporation shares and other securities on 3 March 2015 and updated it on 17 December 2015.

SATO Corporation draws up its consolidated financial statements and interim reports in accordance with international, EU-approved IFRS reporting standards. The report of the company's Board of Directors and the parent company's financial statements have been drawn up in accordance with Finnish accounting legislation. Jones Lang LaSalle gives a statement about the values of SATO's housing portfolio and building land inventory and the appropriateness of the methods used to assess them.

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

The General Meeting

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

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

1. adopting the company's financial statements and consolidated financial statements
2. the application of the profit shown by the balance sheet
3. discharging the members of the Board of Directors and the President and CEO from personal liability

4. electing the members and Chair of the Board of Directors as well as an auditor
5. the remuneration of the Board members and the auditor.

A shareholder is entitled to propose an item permitted under the Companies Act for discussion by the general meeting with a written request submitted to the Board of Directors no later than four weeks before the meeting invitation is sent.

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

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

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

Shareholders' Nomination Committee

On 3 March 2015, the annual general meeting decided to establish a shareholders' Nomination Committee and approved its rules of procedure.

The Committee's task is to prepare proposals concerning the Board's composition and the remuneration of its members to the annual general meeting.

The shareholders' Nomination Committee includes representatives of SATO Corporation's four largest shareholders, which had been entered in the book-entry system on 1 October and which accept the position. The Chair of the company's Board of Directors serves as an expert member of the Committee. The Committee elects one of its members to serve as Chair.

The Committee's term of office begins in October each year, when the largest shareholders have named their representatives, and ends at the closing of the next annual general meeting.

A shareholder shall name as a member of the Committee a person independent of the company.

The composition of the first Committee was determined based on ownership on 1 October 2015 and included Erik Selin (BALDER), Reima Rytsölä (VARMA), Andrea Attisani (APG), Hanna Hiidenpalo (ELO) and the Chair of the Board of Directors, Esa Lager.

Board of Directors

The general meeting elects no fewer than five and no more than nine members to the Board of Directors. The general meeting elects one member of the Board of Directors to serve as Chair of the Board. The Board of Directors elects one of its members to serve as Deputy Chair.

A majority of the members of the Board of Directors must be independent of the company, and at least two members of the said majority must also be independent of major shareholders. The term in office of the members of the Board of Directors lasts until the closing of the annual general meeting following the one at which they were elected.

The annual general meeting, which convened on 3 March 2015, elected to the Board of Directors Esa Lager (b. 1959, LL.M., M.Sc. (Econ.)) as Chair of the Board and, as ordinary members, Andrea Attisani (b. 1971, business economy degree, Snr Portfolio Manager), Jukka Hienonen (b. 1961, M.Sc. (Econ.)), Tarja Pääkkönen (b. 1962, D.Sc. (Tech.)), Niina Rajakoski (b. 1970, M.Sc. (Tech.), developer manager), Timo Stenius (b. 1956, M.Sc. (Tech.), vice president) and Ilkka Tomperi (b. 1975, D.Sc. (Econ.), investment director). The Board of Directors elected Jukka Hienonen as its Deputy Chair. The extraordinary general meeting, which convened on 22 October 2015, stated that Niina Rajakoski had resigned from her position as Board member and elected as a new Board member Erik Selin (b. 1967, B.Sc. (Econ.), CEO).

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

Information about the Chair and members of the company's Board of Directors, as well as their holdings, can be found on the company's website, www.sato.fi/governance.

The company's Board of Directors is responsible for the proper organisation of the company's governance and its operations. It is the duty of the Board of Directors to promote the interests of the company and all its shareholders. In 2015, the Board of Directors convened on 12 occasions. Members of the Board of Directors participated in the meetings as follows: Esa Lager 12/12, Andrea Attisani 11/12, Jukka Hienonen 10/10, Tarja Pääkkönen 12/12, Niina Rajakoski 7/9, Erik Selin 3/3, Timo Stenius 8/10 and Ilkka Tomperi 11/12.

SATO Corporation's Board of Directors has confirmed the rules of procedure applied to the duties, meeting procedures and decision-making practices of the Board of Directors. The rules of procedure can be found on the company's website, www.sato.fi/governance. In addition to matters for decision, the Board of Directors receives up-to-date information on the company's operations, economy and risks at its meetings.

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

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

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

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

Principles concerning the Board's diversity will be defined during the financial year 2016.

The Committees of the Board of Directors

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

The Board of Directors has confirmed rules of procedure for the Committees. The Committees have no independent decision-making authority. Their task is to prepare matters for decision by the Board of Directors and the annual general meeting and they continuously report their actions to the Board of Directors. Their rules of procedure can be found on the company's website, www.sato.fi/governance.

Serving on the Audit Committee in 2015 were Chair Ilkka Tomperi and members Tarja Pääkkönen, Niina Rajakoski (until 22 October 2015) and Timo Stenius. All the members are independent of the company, and Tarja Pääkkönen is also independent of the major shareholders.

Serving on the Nomination and Remuneration Committee in 2015 were Chair Esa Lager and members Andrea Attisani and Jukka Hienonen. All the members are independent of the company and Esa Lager and Jukka Hienonen are also independent of the major shareholders.

The Audit Committee convened three times and the Nomination and Remuneration Committee convened three times during the financial year 2015. The members of both Committees participated in all Committee meetings.

President & CEO

The Board of Directors appoints the company's President and CEO and their deputy. The duties of the President and

CEO are defined by law, the articles of association, and guidelines supplied by the Board of Directors. The President and CEO attends to the ongoing management of the company in accordance with the rules and regulations supplied by the Board of Directors. The President and CEO is responsible for the Group's business operations, their planning, and the attainment of the set goals. The President and CEO serves as Chair of the Corporate Management Group.

The President and CEO is M.Sc. (Tech.) Saku Sipola (b. 1968), who started in his post on 16 November 2015. B.Sc. (Eng.) Erkkä Valkila (b. 1953), who had previously held the post, resigned due to retirement. Tuula Entelä (b. 1955), LL.M., B.Sc. (Econ.), is deputy to the President and CEO. Information about the President and CEO and their deputy, as well as their holdings, can be found on the company's website, www.sato.fi/governance.

The Corporate Management Group

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

In the financial year 2015, the Group's Corporate Management Group was comprised of SATO Corporation's President and CEO; Vice Presidents Tuula Entelä and Pasi Suutari; Director, Customer Relationships and Communications Monica Aro; and Chief Financial Officer Esa Neuvonen. Information about the members of the Corporate Management Group, their tasks and areas of responsibility, as well as their holdings, can be found on the company's website, www.sato.fi/governance.

The Corporate Management Group convenes once a week.

Communications

SATO's website is used for publishing the main information on the company's administration. All of the company's disclosures and the main management presentation material on the company's economy may be seen immediately after publication on the company's website www.sato.fi/press-releases and www.sato.fi/for-investors.

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

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

Internal control

The aim of the internal control is to help to verify the effi-

ciency, productiveness and reliability of the Group's operations, and to confirm the compliance of operations with the law and other regulations. The Group's internal control systems are in place in order to verify that the financial reports issued by the company give essentially correct information on the financial standing of the Group. The Group has determined Group-wide principles for the key spheres of its operations, which form the basis for internal control.

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

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

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



Risk management

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

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

Internal audit

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

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

The duties of the internal audit are handled by Ernst & Young Oy. A review of the internal audit is sent once or twice a year to the Audit Committee and management. The internal audit reports are sent not only to the executive management but also to the Chairs of the Board of Directors and Audit Committee. The Audit Committee deals with the annual plan for internal auditing and the Board of Directors approves them. The subjects for auditing are selected in accordance with the Group's strategic goals, estimated risks and priorities.

Audit

The annual general meeting elects a single auditor for the company, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term in office is the financial year and their duties end at the closing of the annual general meeting following the one at which they were elected. The auditor for the financial year 1 January to 31 December 2015 was KPMG Oy Ab. The auditor in charge at the auditing firm was Lasse Holopainen, M.Sc. (Econ.), APA. The audit checks the accounts, financial statements and administration of the company and Group. Information concerning fees paid to the auditor can be found in the Report on salaries and remuneration.

Related party business

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

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

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

Insider trading management

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

SATO Corporation maintains insider guidelines and a company-specific (non-public) register on insiders. Insider information is information that concerns the ability of SATO Corporation and the SATO Group to fulfil their commitments in respect of bond issues. The Finnish Financial Supervisory Authority is entitled to receive information on the contents of the company-specific register on insiders. The insider guidelines include principles concerning trade in SATO securities.

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

REPORT ON SALARIES AND REMUNERATION, 2015

The Board of Directors and auditors

The remuneration to be paid to the members of the Board of Directors and auditors is decided by the annual general meeting. The annual general meeting, which convened on 3 March 2015, decided that the Chair of the Board of Directors was to be paid EUR 36,000, the Deputy Chair was to be paid EUR 22,000 and the members of the Board of Directors were to be paid EUR 18,000 for their term in office. It was also decided to pay the Chair of the Board of Directors and the members EUR 500 per meeting. It was decided to pay the Chairs of the Committees and the members EUR 500 per meeting. The proposal for remuneration is prepared by the shareholders' Nomination Committee.

The fees for the members of the Board of Directors in 2015 totalled EUR 194,150. No shares or share-related entitlements were surrendered to members of the Board of Directors during the financial year.

It has been decided to pay the auditors' fee on invoice. Auditing fees paid by the SATO Group for auditing services during the financial year 2015 amounted to EUR 118,188 and fees for non-auditing services were EUR 152,868.

The President and CEO and the Group's other management

The criteria and payment of the salaries and bonuses paid to the President and CEO and to the members of the Group's Corporate Management Group are decided by the company's Board of Directors on the basis of a proposal by the Nomination and Remuneration Committee. Persons employed by the Group are not paid separate remuneration when serving as a member of the Board of Directors or as a President of a Group company.

The salary and other perquisites of the Presidents and CEOs in 2015 amounted to EUR 480,437, of which EUR 357,007 was fixed salary and the variable component was EUR 123,430. The salary and other perquisites of the other members of the Corporate Management Group amounted

to EUR 854,461, of which EUR 671,738 was fixed salary and the variable component was EUR 182,723. The variable component includes bonuses based on long- and short-term incentive systems.

The Vice President serving as deputy to the President and CEO was covered by an additional pension insurance, which ended on 31 December 2015. Based on the additional pension, the Vice President's retirement age is 60 years. At that time, the Vice President is entitled to a pension of 60% of the pensionable salary.

The members of the Group's Corporate Management Group are covered by an annual incentive scheme based on the Group's profit, measured customer experience and income from business in St. Petersburg. The Board of Directors approves the criteria for and payment of bonuses.

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

The Board approves result-based bonuses



MEMBERS:
 1. Esa Lager
 2. Timo Stenius
 3. Jukka Hienonen
 4. Ilkka Tomperi
 5. Andrea Attisani
 6. Tarja Pääkkönen
 7. Erik Selin

BOARD OF DIRECTORS

Esa Lager

born 1959, LL.M., M.Sc.(Econ.)

Board member since 2014, Deputy Chairman of the Board 2014–2015, Chairman of the Board since 2015, independent of the company and its main shareholders

Primary working experience:

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

Main positions of trust:

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

Jukka Hienonen

born 1961, M.Sc.(Econ.), Board member and

Deputy Chairman of the Board since 2015, independent of the company and its main shareholders

Primary working experience:

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

Main positions of trust:

Paroc Group: Chairman of the Board of Directors, Juuri Partners Oy: Chairman of the Board of Directors, Stockmann Oyj Abp: member of the Board of Directors, Rollock Oy: Chairman of the Board of Directors, Central Chamber of Commerce: member of the Board of Directors

Andrea Attisani

born 1971, Degree in Business Economics, major in Finance (at LaSapienza University of Rome), APG Asset Management: Snr. Portfolio Manager Strategic Real Estate Europe, Board member since 2014, independent of the company, not independent of the main shareholders

Primary working experience:

APG Asset Management: Snr. Portfolio Manager Strategic Real Estate Europe 2005–, Aareal Asset management: Research Analyst & Fund Strategist 2002–2005, Metzler Capital Markets S.I.M.: Equity Analyst 2000–2002, Actinvest Group Ltd.: Junior Equity Analyst 1999–2000

Main positions of trust:

Member of 11 real estate fund Advisory Boards, Institutional Real Estate Letter Europe: member of the Editorial Board

Tarja Pääkkönen

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

Primary working experience:

Boardman Ltd: Executive Partner and Chairman of Brand Compass Group 2010–, Itella Corporation: Senior Vice President, Corporate Sales and Marketing and member of Executive Board 2005–2010, Nokia Corporation: Member of the Management Board of Nokia Mobile Phones and several global Vice President positions in Europe, the USA

and Asia 1994–2004, Mecractor Oy (PwC): Management Consultant 1992–1994, Kienbaum KmbH, Germany: Management Consultant 1990–1992

Main positions of trust:

Panostaja/Flexim Security Ltd: member of the Board of Directors, OLVI Plc: member of the Board of Directors, Helsinki University Group: member of the Board of Directors, Fira Services Oy: member of the Board of Directors, Mobile software company Sunduka Oyj and Cardu Oy: Member of the Board of Directors, Spinverse Oy: member of the Board of Directors, Gapps Oy: member of the Board of Directors “CTO of the Year”: member of the jury Member of the Marketing Executives’ Group and the Directors’ Institute of Finland

Erik Selin

born 1967, Business school economist, CEO and Board Member, Fastighets Ab Balder, Board member since 2015, independent of the company, not independent of the main shareholders

Primary working experience:

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

Main positions of trust:

Skandrenting AB: Chairman of the Board,

Collector AB: Member of the Board, Collector Bank AB: Member of the Board, Västsvenska Handelskammaren: Member of the Board, Stendörren AB: Member of the Board, Hexatronic Scandinavia AB: Member of the Board

Timo Stenius

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

Primary working experience:

Since 1990, he has been involved in property investment and development, first in a listed company and later, since 2001, as the director responsible for a pension insurance company’s property investments, corporate financing and non-listed equity investments. In addition, in 1982–1988 he was involved in project export tasks targeted at the Soviet Union in Finn-Stroi Oy.

Main positions of trust:

Exilion Capital Oy: member of the Board, KTI: member of the Board, Tyvene Oy: Chairman of the Board, Probus Holding Ltd: Deputy Chairman of the Board, Amplus Holding Ltd: Deputy Chairman of the

Board, Sello shopping centre: member of the Board and management team, Rakennuspalvelu V. Stenius Oy: member of the Board

Ilkka Tomperi

Born 1975, D.Sc.(Econ.), Investment Director, Real Estate Investments of Varma Mutual Pension Insurance Company, Board member since 2014, independent of the company, not independent of the main shareholders

Primary working experience:

Varma Mutual Pension Insurance Company: Investment Director, Real Estate 2013–CapMan Real Estate Oy: Partner 2011–2013, Franklin Templeton Real Estate Advisors: Vice President 2007–2011, The State Pension Fund: Manager of Other Investments 2005–2007, PwC Corporate Finance Oy: Manager 2000–2005, Merita Corporate Finance Oy: Assistant Director 1997–2000

Main positions of trust:

Certeum Oy: member of the Board of Directors, Member of Regional and Residential Committee of the Helsinki Region Chamber of Commerce



MEMBERS:
 1. Saku Sipilä
 2. Tuula Entelä
 3. Pasi Suutari
 4. Esa Neuvonen
 5. Monica Aro



The management team meets every week to discuss the fulfillment of our objectives and to decide on any necessary actions. Any changes in the operating environment steer the focus of monitoring activities.

CORPORATE MANAGEMENT GROUP

Saku Sipilä

born 1968, M.Sc.(Tech.)
 President and CEO, has worked for SATO since 2015

Primary working experience:

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

Main positions of trust:

Member of the Board for several SATO Group companies, Pohjolan Design-Talo Oy: member of the Board of Directors, Lämpölux Oy: member of the Board of Directors, The Finnish Housing Fair: member of the Board of Directors

Shareholding in SATO: -

Monica Aro

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

Primary working experience:

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

Main positions of trust:

Member of the editorial council of the Locus magazine

Shareholding in SATO:
 42,700 shares

Tuula Entelä

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

Primary working experience:

Polar Group: Administrative Director of Real Estate Division 1992-1994, SATO Group: Director, Housing Development and Construction 1989-1992, SOK Corporation: Real Estate Legal Counsel 1988-1989, SATO Group: Construction Client Agent 1981-1988

Main positions of trust:

Member of the Board for several SATO Group companies, Helsingin Osuuskassa Elanto: Deputy Chairman of the Board, Helsinki Deaconess Institute: member of the Board of Directors, The Finnish Housing Association: Deputy Chairman of the Board, RAKLI ry: Chairman of the Management Group of the Housing division

Shareholding in SATO:
 165,812 shares

Esa Neuvonen

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

Primary working experience:

TeliaSonera Enterprise Services: Senior Vice President, Finance and Business Development

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

Main positions of trust:

Member of the Board for several SATO Group companies, Handelsbanken, Pasila office: member of the office board, Nordea Corporate Merchant banking: member of the advisory council

Shareholding in SATO:
 36,000 shares

Pasi Suutari

born 1969, M.Sc.(Constr. Eng.)
 Vice President/Regional Business, Home Constructions and Major Renovations, Procurement, has worked for SATO since 2010

Primary working experience:

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

Main positions of trust:

Member of the Board for several SATO Group companies, RAKLI ry: member of the Board of Directors

Shareholding in SATO:
 3,600 shares

REPORT OF THE BOARD OF DIRECTORS

1 JANUARY-31 DECEMBER 2015

Operating environment

The Finnish economy has not started to grow at the pace of the other eurozone countries as the export volumes have diminished. This was mainly caused by low investment levels of Finland's most important export countries. In addition, the Finnish economy was affected by the fact that the common will has not been found to carry out the structural changes necessary for kicking off the growth. The Finnish economy has relied on domestic consumer demand.

In 2015, the purchasing power of households remained at the level experienced three years ago. Private consumer demand has picked up slightly in spite of the poor employment situation and higher taxation. However, consumer confidence has remained very low. Due to the weak economic situation, the demand for rental housing is mainly targeted at small inexpensive housing, the supply of which is too limited. As a response to this demand, SATO has developed the SATO StudioHome concept where the initial rent of homes on the planned pilot site is EUR 500 per month.

The interest rates have been close to zero for an exceptionally long period. This has had a positive effect on SATO as its operations are capital-intensive.

The competitive environment of housing rental has changed. Private investors own about half of the approximately 800,000 rental homes in Finland, but the number of professional investors has increased. Of these, the funds investing in housing have increased the supply of rental homes by some 15,000 homes in a short period of time. In addition, pension insurance companies have made direct housing investments when the use of borrowed capital in rental housing investments was allowed by temporary legislation. The increased supply has accelerated occupant turnover, particularly in new residential areas where as many as several hundred rental homes may be completed at the same time. This has somewhat weakened the occupancy rate of SATO. However, more rental homes will be required in the long run as the urbanisation trend strengthens. In addition, the population is growing faster than anticipated due to increasing immigration. In Finland, the number of asylum-seekers was almost ten-fold during the reporting year when compared with the previous year.

The level of housing sales has been exceptionally low for three years, but the prices of housing units have increased moderately.

In line with its strategy, SATO invests in areas where intensifying trends, such as urbanisation, decreasing family sizes and immigration, will in the long run support the increasing demand for rental housing. That is why we continued our strong investment programme, particularly in the Helsinki region, Tampere and Turku. Investments increased from the previous year to EUR 251 (174) million.

The good demand for rental homes in St. Petersburg continued, but the level of rents developed more moderately than expected. As a result of the weakening exchange rate of the rouble, the value in euro of the housing units owned by SATO in St. Petersburg decreased, weakening the financial result of SATO. For the time being, SATO will refrain from making new investment decisions for St. Petersburg.

Net sales and profit

During the reporting year, the Group's net sales increased by 3.5 percent year-on-year and totalled EUR 323.4 (312.3) million. Of the net sales, rental income accounted for EUR 249.4 (243.2) million. The increases in the number of new housing units and in the level of rents improved the rental income by 2.5 (6.0) percent.

Operating profit increased by 2.7 percent to EUR 196.5 (191.3) million.

Profit before taxes increased by 4.7 (8.1) percent to EUR 159.4 (152.2) million. The increase in profit was brought about by low interest rates, development of rental income and good cost control. The result was affected by a cost provision of EUR 4.4 million made on the basis of a decision by the Court of Appeal on the construction of Asunto Oy Helsingin Tila.

The change in the fair value of rental homes included in the profit was EUR 62.4 (63.8) million. The change was positively affected by the development of housing unit prices and rents, as well as the expiry of restrictions on certain sites, whereas the weakening rouble had a negative effect. In St. Petersburg, the increase in prices in roubles increased the value of SATO's housing assets in roubles, but in euros the value decreased due to the weakening exchange rate of the rouble. The changes had a net effect of EUR -5.4 (-38.1) million on SATO's profit.

Further information on the determination of fair value is in section 13 of the Notes to Financial Statements.

Financial position

On 31 December 2015, the consolidated balance sheet total stood at EUR 2,979.7 (2,801.6) million. Equity was EUR 993.1 (892.2) million. Equity per share was EUR 19.53 (17.55).

The Group's equity ratio was 33.3 (31.8) percent. The minimum target is an equity ratio of 30 percent.

In 2015, the return on equity exceeded the target of 12 percent and was 13.5 (14.0) percent. The return on investment was 7.6 (7.7) percent.

Financing

The financial situation of the Group and the parent company was good throughout the financial period. At the end of the year, the Group had EUR 60.7 (31.8) million in financial assets.

Interest-bearing liabilities at the end of the financial period totalled EUR 1,676.2 (1,584.9) million, of which market based loans accounted for EUR 1,356.5 (1,208.7) million. The loan itemisation is in Note 27 to the Financial Statements.

EUR 483.7 million of new long-term financing was raised during the review period. The solvency ratio (debt-to-assets) was 55.3 (56.1) percent at the end of the reporting period. The target is a solvency ratio of less than 70 percent.

In May, Moody's Investor Service assigned SATO a first-time, long-term issuer credit rating of Baa3 with a stable outlook.

In September, SATO issued an unsecured bond of EUR 300 million. Several Nordic and European investors showed their trust in SATO, and the bond was oversubscribed by a clear margin. The bond has a maturity of five years, and it has a fixed coupon of 2.25 percent. The bond received a credit rating of Baa3 from Moody's, and it is listed on the Irish stock exchange. The long-term target is to increase the share of unsecured borrowing so that approximately half of the assets are free of collateral commitments.

At the end of the review period, the average interest rate was 2.5 (2.6) percent. In accordance with the Group's financing policy, efforts will be made to keep the share of fixed rate loans over 60 percent of all loans. On the balance sheet date, the share was 73.7 (67.2) percent.

Net financing costs during the review period totalled EUR 37.0 (39.1) million. The average maturity of market based loans was 5.1 (4.9) years.

During the financial year, the calculated impact of changes in the market value of interest hedges on equity was EUR 2.9 (-15.3) million.

The Group enjoyed a good cash flow during the review period. The cash flow from business operations was enhanced by the fact that operating profit improved by EUR 5.1 million.

Group structure

SATO Corporation is the parent company of SATO Group. At the end of the reporting year, the parent company had in all 14 (7) subsidiaries engaged in business operations.

Housing assets and fair value

On 31 December 2015, SATO owned a total of 23,551 (24,173) housing units. The number of housing units decreased by 622 during the year. A total of 1,184 rental homes were acquired or completed. The total number of divested rental homes and shared ownership homes redeemed by the owner occupants was 1,806.

At the end of the reporting year, the fair value of rental homes was EUR 2,752.9 (2,528.0) million and the change in fair value, including the rental homes acquired and divested during the year, was EUR 224.9 (212.0) 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 rouble, as well as the expiry of restrictions applicable to certain sites.

Of the value of homes, the Helsinki region accounted for 81 percent, Tampere, Turku, Oulu and Jyväskylä made up 15 percent, and St. Petersburg 4 percent.

Rental home investments and divestments

Investment activities generate growth. The company invests in regions where the demand for rental homes and their expected value increase are deemed best.

During the reporting year, investments to rental homes totalled EUR 250.5 (174.1) million, about 9 percent of the total value of investment homes. In order to rejuvenate the housing unit base, the target is to make on average 70 percent of investments in new buildings. The share of new housing units was EUR 136.7 (117.4) million, about 55 percent of all investments. At the end of the financial year, binding purchase agreements in Finland totalled EUR 148.8 (58.4) million.

During the reporting year, a total of 1,184 (706) rental homes were acquired in Finland, of which 708 (563) in new buildings. A total of 1,204 (571) rental homes were under construction in Finland at the end of the year.

The most significant single investment was the acquisition of 379 rental homes from ICECAPITAL Housing Fund I Ky in August. Most of these homes are located in the Helsinki Metropolitan Area. The total purchase price was EUR 68 million.

All in all, 1,743 (444) rental homes with a total value of EUR 95.9 (25.9) million were divested in Finland. The largest individual transactions were the divestment of 760 rental homes in August and the divestment of 268 rental homes in November. The divested homes were mainly located outside SATO's primary operating area.

EUR 57.3 (49.0) million was spent in Finland on improving the quality of housing units, including the repair and major renovations of properties.

Renting

Effective rental business provides home seekers with quick access to a home and the company with a steadily increasing cash flow. Rental services are mainly provided as SATO's own operations.

SATO's economic occupancy rate in Finland was 96.4 (97.2) percent on average. Occupant turnover was 41.1 (37.3) percent on average. The tenant turnover was increased and the occupancy rate decreased by the grown supply of rental homes in SATO's operating areas and the weak general economic situation.

The average rent per square metre of SATO's rental homes in Finland was EUR 16.39 (15.57) per month at the end of the review period.

In line with the guidance provided, the net rental income of housing units increased from the previous year and was EUR 151.8 (148.2) million. Renewal of the housing base with investments, the increase in rent levels, cost-efficient maintenance activities as well as the development of rental activities and customer service contributed to the increase of net rental income.

Property development

The group's own building plot reserves create a competitive advantage by allowing the development of rental homes best matching the demand.

The book value of owned plot reserves totalled EUR 55.5 (71.6) million at the end of the review period. During the review period, new plots were acquired for EUR 13.3 (5.3) million. In addition, plot reservations were obtained for approximately 27,000 floor square metres, sufficient for building some 400 homes. The book value of plot reserves divested during the year or used for producing homes was EUR 24.0 (13.7) million.

Local plan development projects were in progress in several regions including Oulunkylä and Kontula in Helsinki, Soukka, Karakallio and Hannus in Espoo, as well as Martinlaakso and Myyrmäki in Vantaa. Of the local plan development projects in progress, 80,000 floor square metres of permitted building volume for housing is planned for supplementary construction on the company's own plots, sufficient for 1,100–1,300 homes.

When building new homes, an assessment is made whether the homes are suitable for rental or should they be sold off as owner-occupied homes after completion. During the financial year, a total of 545 (549) rental homes and 153 (223) homes for sale were completed for the Group in Finland. At the end of the year, 52 (94) completed and 55 (94) owner-occupied homes under construction remained unsold at a total purchase value of EUR 48.7 (90.9) million.

On 31 December 2015, a total of 1,280 (730) homes were under construction in Finland, of which 1,204 (571) were rental homes.

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 increased the opportunities for SATO's growth. Russia's share is limited to 10 percent of the Group's housing assets.

At the end of the reporting period, the fair value of housing assets in St. Petersburg totalled EUR 106.1 (101.7) million, 4 percent of all housing assets held by SATO. The change in value amounted to EUR -5.4 (-38.1) million. The total value of binding purchase agreements was EUR 2.4 (10.7) million at the end of the year. There were a total of 460 (313) completed homes and 74 (217) homes under construction in St. Petersburg.

During the reporting period, the average occupancy rate of houses was 82.7 (92.6) percent. The decrease of occupancy rate from the previous year was due to the fact that 80 homes were completed for rental towards the end of the year.

The inflation rate in Russia was 12.9 (11.4) percent. SATO's rouble-denominated rents increased by 3.3 (5.0) percent. Due to the decline in the value of the rouble, euro-denominated rents decreased, being 12.54 (14.55) €/m²/month at the end of the period under review.

Customer relationships

In order to create a competitive edge, SATO is investing resources in order to improve customer service. The develop-

ment of customer experience is measured by the Net Promoter Score (NPS). During the reporting period, the NPS was 25 (26). Our target is to have a NPS of 40 by the year 2020.

The quality of rental homes and customer encounters are developed in order to improve the customer experience. In addition, resources are invested in expanding the scope of digital services. The competence of personnel working at the customer interface is being constantly enhanced. SATO's customer service was rated the developer of the year in the Customer's Voice contest where thirty Finnish contact centres were compared with each other.

Corporate responsibility

Corporate responsibility is part of everyday work at SATO. The corporate responsibility policy is available for viewing at www.sato.fi/corporate-responsibility.

In 2015 SATO participated for the first time in the Global Real Estate Sustainability Benchmark (GRESB) sustainability assessment and was rated in the best category, the Green Star. SATO was rated third among its reference group of European housing investors and fifth among all participating housing investors.

SATO's low-energy house located in Soukka, Espoo received an honorary mention in the contest for the smartest and most enjoyable house in Finland organised by Green Building Council Finland.

Environmental impacts

Curbing the energy consumption is a key issue in the prevention of adverse environmental impacts caused by housing. In order to support its own and the society's climate objectives, SATO is committed to VAETS, the energy efficiency agreement between rental home associations, and to a climate partnership with the City of Helsinki. SATO's short-term goal is to achieve a 15 percent reduction in the specific consumption of heating energy by 2016. This goal was achieved in 2015 already.

SATO has also set longer-term goals for its operations. They take into account the impacts of tightening building regulations, renewal of the housing stock and improvement of energy efficiency. According to these goals, SATO will achieve a 23 percent deduction in the specific consumption of heat and water in the buildings by 2020. The reference year is 2009. The aim is to keep the consumption of electricity at its present level.

During the reporting period, the specific consumption of heating energy decreased by 1.6 percent, while the specific consumption of electricity increased by 0.8 percent from the 2014 level. The specific consumption of water increased by 0.7 percent to 418 l/m³.

The rated emissions from SATO's rental homes were 34.0 (36.1) carbon dioxide equivalent kilograms per square metre. The goal is to achieve a 20 percent reduction in greenhouse gas emissions by 2020 when compared to the 2013 level.

The environmental programme of the Group, updated during the reporting period, is available for viewing at www.sato.fi/environmental-programme.

Research and development

The development activities focused on various subjects, including the development of sustainable energy and housing solutions, implementation of the SATO StudioHome model home, standardisation of SATO's design solutions and expansion of the scope of digital services. A total of EUR 1.0 (0.8) million was spent on R&D, equal to 0.3 percent of net sales.

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 carried out by an independent party, and the audits are targeted in line with the risk assessments made in the strategy and annual planning process.

During the last few years, SATO's profit has developed steadily. The reporting practice was amended from 1 January 2014 so that the change in value of investment housing is shown in the income statement. Consequently, the changes in price levels of housing – as well as currency fluctuations regarding the assets in St. Petersburg – may increase the fluctuations of profit.

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

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

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. A limit has been set for the scale of investments in Russia in relation to the total housing investments of the Group.

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

In accordance with the Group's financing policy, efforts will be made to keep the share of fixed rate loans over 60 percent of all loans. The Group has set a target for equity ratio.

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

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

Pending legal actions

Actions have been brought and counter-claims have been presented regarding the implementation and invoicing of owner-occupied homes built in Arabianranta, Helsinki. On the basis of the decision of the Court of Appeal, the company has made a cost provision regarding the completion of the Asunto Oy Helsingin

Tila building project, reducing the profit for the review period. The company has applied for leave to appeal to the Supreme Court.

Shares

On 31 December 2015, the share capital of SATO Corporation was EUR 4,442,192.00 and there were 51,001,842 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 percent of all shares.

On 31 December 2015, the Board members, CEO and Deputy CEO of SATO Corporation owned a total of 165,812 shares in the company.

Significant changes in ownership

In April, the Swedish real estate investment company Fastighets AB Balder acquired 21 percent of the shares in SATO Corporation. Balder continued its share purchases during the summer, in addition to which it acquired in December 22.9 percent of SATO's outstanding shares from Varma Mutual Pension Insurance Company. At the end of the year, Balder's ownership was 53.3 percent.

Personnel

At the end of 2015, the Group had 170 (169) employees. There were 160 (156) permanent employees and 10 (13) employees with a fixed-term contract of employment. During the year, the Group had an average of 172 (165) employees.

A total of 21 summer trainees were recruited in order to improve the employment possibilities of young people. The objective was to provide opportunities for achieving work experience.

Shareholder's Nomination Committee

The annual general meeting decided to establish a shareholders' Nomination Committee and approved its rules of procedure. The Committee's task is to prepare proposals concerning the Board's composition and the remuneration of its members to the annual general meeting. The Committee convened three times during the report period.

The Board of Directors, CEO and Auditors

Up to the AGM held on 3 March 2015, the Board of Directors of SATO comprised Juha Laaksonen as Chairman, Esa Lager as Deputy Chairman and Andrea Attisani, Timo Hukka, Tarja Pääkkönen, Niina Rajakoski and Ilkka Tomperi as members.

The AGM held on 3 March 2015 confirmed that the Board of Directors of SATO Corporation consists of seven members. Esa Lager was elected Chairman of the Board. Andrea Attisani, Niina Rajakoski, Tarja Pääkkönen and Ilkka Tomperi were elected to continue as members of the Board of Directors. Jukka Hienonen and Timo Stenius were elected as new members. The Board of Directors elected from among its members Jukka Hienonen as the Deputy Chairman of the Board of Directors of SATO Corporation.

In October, Board member Niina Rajakoski announced her resignation from Board membership. The Extraordinary GM of SATO Corporation held on 22 October 2015 decided to elect Erik Selin, CEO of Fastighets AB Balder, as the new Board member from that date.

The Board of Directors convened 12 times during 2015. The Board's work is supported by two committees appointed from among the Board members: the Nomination and Remuneration Committee and the Audit Committee.

Erkka Valkila was the CEO of the company until 16 November 2015 when Saku Sipola M.Sc(Tech.) started as the new CEO. Tuula Entelä LL.M., B.Sc(Econ.) is 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 management team

In addition to the CEO, the management team comprised Vice Presidents Tuula Entelä and Pasi Suutari, Director, Customer Relationships and Communications Monica Aro and CFO Esa Neuvonen.

Outlook

In the operating environment, SATO's business operations are mainly affected by consumer confidence, development of purchasing power, the rent and price development of homes, and the interest rate.

Finnish economic growth and the general climate of confidence are expected to remain poor. Interest rates are expected to remain low, which will have a positive impact on SATO's financing costs.

Increasing urbanisation and immigration provide good long-term conditions for continued investments in Finland.

New quality requirements have been added for several years now to the rules governing the production of new homes. This has increased the production costs of homes at the same time as purchasing power has weakened. This means that the matching of demand and supply has become more difficult.

SATO's net rental income is expected to remain at the 2015 level. However, rent increases are expected to be more modest than in the previous years.

About 80 percent of SATO's housing assets are located in the Helsinki region, where positive development of prices is expected.

Development of the Russian economy is expected to be negative. About four percent of SATO's housing assets is located in St. Petersburg. For the time being, SATO will refrain from making new investment decisions in Russia.

Proposal of the Board of Directors regarding disposal of profit

On 31 December 2015, the parent company's distributable assets amounted to EUR 99,711,102.42 of which the net profit for the financial period was EUR 28,710,845.40. The number of company's outstanding shares entitling to dividends for 2015 is 50,841,842.

According to the company's dividends policy, the aim is to distribute steady and competitive dividends. The Board of Directors proposes to the General Meeting of Shareholders that EUR 0.50 (dividend 0.20 and capital repayment 0.42 in the year 2014) per share be paid, in total EUR 25,420,921.00 as dividends, and that EUR 3,289,924.40 be transferred to retained earnings.

The dividends will be paid to shareholders who on the record date 7 March 2016 are entered as a shareholder in the company's list of shares maintained by Euroclear Finland Oy. According to the proposal, the dividends will be paid on 22 March 2016.

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, 27 January 2016

Esa Lager	Jukka Hienonen	Andrea Attisani	Tarja Pääkkönen
Erik Selin	Timo Stenius	Ilkka Tomperi	Saku Sipola President and CEO

AUDITOR'S NOTE

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

Helsinki, 27 January 2016

KPMG OY AB
Lasse Holopainen APA

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CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Rental Income		249.4	243.2
Sales Income, new production		72.7	60.6
Sales Income, land stock		0.7	7.9
Sales Income, other		0.6	0.5
Net Sales		323.4	312.3
Property maintenance expenses		-95.1	-92.1
Ground rents		-2.4	-2.3
New production expenses		-66.5	-54.7
Carrying value, land stock sold		-0.4	-6.7
Operating expenses		-164.5	-155.9
Net operating income		158.9	156.5
Proceeds from disposal of investment properties	4	95.5	24.8
Carrying value of investment properties sold	4, 13	-87.0	-25.7
Fair value change of investment properties	13	62.4	63.8
Sales and marketing expenses		-8.7	-8.0
Administrative expenses	6, 7, 8, 9	-21.3	-20.4
Other operating income	5	2.0	1.4
Other expenses	5	-5.5	-1.1
Operating profit		196.5	191.3
Financial income		0.9	0.9
Financial expenses		-37.9	-40.0
	10	-37.0	-39.1
Profit before tax		159.4	152.2
Income tax expenses	11	-32.5	-31.8
Profit for the period		127.0	120.5
Profit for the period attributable to			
Equity holder of the parent		126.8	120.3
Non-controlling interests		0.1	0.1
		127.0	120.5
Earnings per share attributable to equity holders of the parent	12		
Basic, EUR		2.49	2.37
Diluted, EUR		2.49	2.37
Average number of shares, million		50.8	50.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Other comprehensive income			
Remeasurement of defined benefit liability, net of tax		0.1	-0.2
Related tax		0.0	0.0
Items that will never be reclassified to income statement	25	0.1	-0.2
Cash flow hedges		6.9	-22.8
Available-for-sale financial assets		0.0	-0.7
Translation differences		-0.1	-0.2
Related tax		-1.4	4.7
Items that may be reclassified subsequently to income statement		5.5	-18.9
Other comprehensive income, net of tax		5.6	-19.1
Total comprehensive income		132.5	101.4
Comprehensive income attributable to			
Equity holders of the parent		132.4	101.2
Non-controlling interest		0.1	0.1
		132.5	101.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Investment property	13	2,752.9	2,528.0
Tangible assets	14	2.2	2.4
Intangible assets	9, 15	1.8	1.3
Investments in associated companies	16	0.0	0.1
Available-for-sale financial assets	17, 18	1.7	1.7
Non-current receivables	19, 28	13.0	10.8
Deferred tax assets	20	15.5	17.2
Total		2,787.0	2,561.5
Current assets			
Inventories	21	111.8	188.1
Account and other receivables	22	13.9	13.1
Deferred tax assets		6.3	7.1
Cash and cash equivalents	17, 23	60.7	31.8
Total		192.7	240.1
TOTAL ASSETS		2,979.7	2,801.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the parent			
Share Capital		4.4	4.4
Fair value and other reserves		-35.1	-40.6
Reserve fund		43.7	43.7
Reserve for invested non-restricted equity		1.9	23.3
Retained earnings		978.1	861.4
Total	24	993.1	892.2
Non-controlling interests		0.1	0.1
TOTAL SHAREHOLDERS EQUITY		993.2	892.3
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	20	202.6	187.9
Provisions	29	5.2	2.9
Derivatives	17, 20, 28	47.8	53.5
Long-term non-interest bearing liabilities	25, 26	0.8	0.5
Long-term interest bearing liabilities	17, 27	1,488.8	1,373.7
Total		1,745.2	1,618.5
Current liabilities			
Accounts payable and other liabilities	30	49.5	70.9
Deferred tax liabilities		4.3	8.8
Short-term interest bearing liabilities	17, 27	187.4	211.1
Total		241.2	290.8
TOTAL LIABILITIES		1,986.5	1,909.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,979.7	2,801.6

CONSOLIDATED STATEMENT OF CASH FLOW, IFRS

MEUR	note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Cash flow from operating activities			
Profit for the period		127.0	120.5
Adjustments:			
Business activities not involving payment	33	-56.9	-63.1
Profit and loss on sales of investment properties	4	-8.6	0.9
Other adjustments		-2.5	-1.0
Interest expenses and other financial expenses		38.3	40.6
Interest income		-0.8	-0.7
Dividend income		0.0	-0.1
Income taxes		32.5	31.8
Cash flow before change in net working capital		128.8	128.8
Change in net working capital:			
Changes in accounts receivable and other receivables		-1.1	-1.9
Change in inventories		76.7	2.2
Change in accounts payable and other liabilities		-18.6	7.9
Interest paid		-40.9	-41.1
Interest received		0.9	1.2
Taxes paid		-21.0	-15.7
Net cash flow from operating activities		124.8	81.3
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash		0.3	-0.1
Acquisitions of Investment properties		-250.4	-174.1
Acquisitions of tangible and intangible assets		-1.3	-1.0
Repayments of loans receivable		2.2	0.4
Payments of granted loans		-3.2	-2.1
Disposals of Investment property		59.1	24.6
Cash flow from investing activities		-193.3	-152.4
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of current loans		1.1	28.2
Withdrawals of non-current loans		483.7	254.2
Repayments of non-current loans		-355.5	-194.5
Repayment of capital and dividends paid		-31.5	-30.5
Net cash flow from financing activities		97.7	57.5
Change in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		31.8	46.4
Effect of exchange rate fluctuations on cash held		-0.1	-1.0
Cash M&A		-0.3	0.0
Cash and cash equivalents at the end of period		60.7	31.8

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total		
Shareholders' equity 1 Jan 2014	4.4	-21.9	43.7	44.5	750.9	821.7	1.0	822.8
Comprehensive income								
Remeasurements of defined benefit liability					-0.2	-0.2		-0.2
Cash flow hedges, net of tax		-18.2				-18.2		-18.2
Available-for-sale investments, net of tax		-0.6				-0.6		-0.6
Translation differences	0.0				-0.2	-0.2		-0.2
Other adjustments					-0.2	-0.2	0.0	-0.2
Profit for the period					120.3	120.3	0.1	120.5
Total comprehensive income	0.0	-18.8	0.0	0.0	119.8	101.0	0.1	101.2
Transactions with shareholders								
Dividend					-9.2	-9.2	0.0	-9.2
Capital Repayment				-21.2		-21.2	0.0	-21.2
Transaction with shareholders, total	0.0	0.0	0.0	-21.2	-9.2	-30.5	0.0	-30.5
Other adjustments		0.0		0.0	-0.1	-0.1	-1.1	-1.2
Total of equity movements	0.0	-18.8	0.0	-21.2	110.5	70.5	-1.0	69.5
Shareholders' equity 31 Dec 2014	4.4	-40.6	43.7	23.3	861.4	892.2	0.1	892.3

MEUR	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total		
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
Available-for-sale investments, net of tax						0.0		0.0
Translation differences					-0.1	-0.1		-0.1
Other adjustments						0.0		0.0
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								
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. Accounting principles

Basis of presentation

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

The Board of Directors has approved the financial statements on 27 January 2016. A copy of the company's consolidated financial statements may be obtained from the above-mentioned address.

SATO group provides housing solutions and its operations consists of investments in housing properties in the largest growth centres. About 80 per cent of the investment property is located in the Helsinki region. 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, for example, restrictions on distribution of the profit, divestment and risk-taking as well through prohibition on lending and providing collateral. Housing is also affected by property-specific, fixed-term restrictions, which apply to matters such as the use and handover of apartments, the selection of the residents, and the setting of rent. In respect of non-profit activities, SATO's supervisory authorities are the Housing Fund of Finland (ARA), the State Treasury and the Ministry of the Environment, as well as local authorities in matters concerning the selection of residents.

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

General principles

SATO's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union observing the standards and interpretations effective on December 31, 2015. The notes to the financial statements are also in compliance with the Finnish accounting principles and corporate legislation.

The consolidated financial statements have been prepared on the basis of acquisition cost, with the exception of available for sale investments, derivatives, and financial assets and liabilities as well as investment property booked at fair value.

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 application of judgement by management to make certain estimates and assumptions and to apply discretion in applying the accounting principles. The estimates and assumptions may affect the amount of assets, liabilities and conditional liabilities on the consolidated statements of financial position as well as the amount of income and expenses in the income statement. The estimates and assumptions are based on previous experience and other factors, which are considered to offer the best current view in the assessment of assets or liabilities which cannot be obtained from other sources. The actuality may differ from the estimates made.

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

in the estimate is correspondingly booked both for that and for future periods.

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

Principles of consolidation

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

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

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

Mutual property companies and housing companies are treated as joint operations, which are consolidated by the proportionate consolidation method prescribed by the IFRS 11 Joint Arrangements standard. This means that the consolidated financial statements include the Group's share of assets, debts, incomes and expenses. 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 the consolidation method by the standard IFRS 11 Joint Arrangements, i.e., the equity method.

The housing companies in SATO, which own so-called shared ownership apartments, are treated as structured entities. These are not included in the consolidated financial statements insofar as the companies are considered to be arrangements outside of SATO's operations, in 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. The initial 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.

Foreign currency denominated receivables and liabilities are translated using period end exchange rates. Foreign exchange gains and losses related to business transactions are treated as adjustments to sales or costs. Foreign exchange gains and losses from translation of assets and liabilities are reported in income statement. Unrealised gains and losses related to cash flow hedges are reported in other comprehensive income.

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 of noneuro currency subsidiaries, 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.

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

Investment properties are properties defined in IAS 40 Investment Property standard, of which the Group retains possession of in order to obtain rental income or appreciation in value and which are not used by the Group itself. The housing companies in SATO, which own so-called shared ownership apartments, are treated as structured entities thus are not valued as investment property.

At inception investment properties are booked at acquisition value, which includes transaction costs. Later investment properties are valued in 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.

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 ARAVA legislation are booked at the original acquisition price, including the transaction costs. Later they are valued at the original acquisition price less accumulated depreciation and impairments. Expenditure on repairs to Investment Properties is only capitalised if it increases the property's future revenue-generating capability. The depreciation periods of these capitalisations are set on a case-by-case basis according to the estimated economic life.

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

The fair values of the Investment Properties 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 be sold just as entire property and to a restricted group of buyers are valued using income value method, and
 - the fair values of properties under construction, interest subsidized (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 price less accumulated depreciation and impairments. They are depreciated in straight-line instalments during their estimated economic lives, which are as follows:

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

The economic life and residual value of assets are reassessed at each year-end. Changes in the future economic benefits found in the assessment are taken into account by adjusting the economic life and residual value

of the assets. Profits and losses arising from sales and divestments of tangible assets are booked in the profit and loss account and presented as other income and expenses of business operations.

Intangible assets

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

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

Impairment

At 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 the 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 the IAS 39 into the following categories: financial assets and liabilities at fair value through profit and loss, financial assets available for sale, loan and other receivables, financial liabilities at amortised cost, and effective cash flow hedges, measured at fair value through other comprehensive income. The instruments are classified at the time of the original acquisition and on the basis of the purpose of the acquisition. Sales and purchases of financial instruments other than those associated with derivatives are booked on the clearance date. All derivatives are booked on the balance sheet on the trade date.

Financial assets and liabilities at fair value through profit and loss

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

Loan and other receivables

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

Financial assets available for sale

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

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

Financial liabilities at amortised cost

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

Provisions

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

Other provisions recognized can include reorganization reserves, litigation claim provisions and onerous contracts. A provision for onerous contracts is recognized 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 of sales of the 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 homes sold during the construction, the risks and benefits are deemed to be transferred on the completion date of the property and for completed homes on the sale date.

Income from services

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

Lease agreements (SATO as lessor)

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

Lease agreements (SATO as lessee)

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

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

Borrowing costs

Borrowing costs are capitalised as part of an asset's acquisition expenditure when they are due to the acquisition, construction or manufacture of an asset item which is directly derived from fulfilling the terms. An asset item fulfilling terms is one for which the completion for the intended purpose or for sale will inevitably require a considerable amount of

time. Other borrowing costs are posted as an expense for the financial year in which they have occurred. Transaction costs directly due to the taking of loans, which can be attributed to a particular loan, are included in the original matched acquisition cost of the loan and matched as an interest expense using the effective interest rate method.

Public grants

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

Pension arrangements

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

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

The current value of pension obligations, based on actuarial calculations, is posted to the balance sheet after deduction of the assets pertaining to the pension arrangements at their current value, unposted profits and losses based on actuarial calculations, and expenditures based on backdated work done.

Pension expenditure is posted to the profit and loss account as an expense over the period of employment of the individuals. Profits and losses based on actuarial calculations are entered in the profit and loss account over the period of employment of the individuals to the extent that they exceed the greatest of the following: 10% of the pension obligation or 10% of the fair value of the assets.

Income taxes

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

Net operating income

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

Operating profit

Operating profit is the net sum formed when the profits from divestments of Investment Properties, the share of the profit of joint ventures and associated companies, and other income from business operations and fair value changes are added to turnover, and the use of materials and services, personnel expenses, depreciation and impairments, losses from divestments of Investment Properties and other expenses of business operations

are deducted. Exchange gains and losses are included in operating profit when they arise from items related to ordinary business operations. Exchange gains and losses associated with financing are booked in financial income and expenses.

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

When the financial statements are prepared, the making of estimates is required in certain quarters. At SATO, the main estimates are associated with the following subdivisions: The amount of reserves booked on projects requires estimates of the obligations arising from the projects. In respect of Investment Properties, tangible and intangible assets must be assessed annually for indications that the value of these assets may have declined. If there are such indications, the amount of money accruing from these asset items must be estimated.

Reporting changes applied in financial year ended

SATO changed its presentation of expenses recognised in profit or loss from 'nature of expense' method to 'function of expense method' as of January 2015. The amendment intends to provide investors with more relevant and detailed information about expense recognition and function in SATOs business. In addition, alongside cumulative figures presented in interim financial statements, SATO reports the quarterly change of these figures.

During the previous financial years SATO has presented its rental homes divided into two segments, SATO business and VATRO business. SATO's Board of Directors decided to change the segment reporting and reports SATOs business as a whole as of January 1 2015. The change is due to VATRO business decrease in the residential property value compared to the total property value of SATO.

New and amended standards applied in financial year ended

SATO has applied as from 1 January 2015 the following new and amended standards that have come into effect.

- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on SATOs consolidated financial statements.
- Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- IFRIC 21 Levies (effective in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no significant impact on SATOs consolidated financial statements.

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

ABC 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 2015.

- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply

judgement in determining what information to disclose in the financial statements.

For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation will have no significant impact on SATOs 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 clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on SATOs 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 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will have no impact on SATOs 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* (the amendments can be applied immediately; mandatory for financial years beginning on or after 1 January 2016): The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The amendments will not have an impact on SATOs 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 add new guidance to IFRS

11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have an impact on SATOs 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 SATOs consolidated financial statements.

• New IFRS 14 Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP ("grandfathering") while the IASB completes its comprehensive project in this area. IFRS 14 is an optional standard. The new standard will not have an impact on SATOs consolidated financial statements.

• 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 amendments cover in four standards. Their impacts vary standard by standard but are not significant.

• New IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The

Group is currently assessing the impact of IFRS 15.

- New IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 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 Group is assessing the impact of IFRS 9.

2. Revenue

SATO has changed its presentation of expenses recognised in profit or loss from 'nature of expense' method to 'function of expense

method' as at 1 January 2015. The presentation is based on a change in management's view that the function-specific presentation provides more reliable and relevant information since

the revenues and expenses are targeted in more detail to the different business areas. Comparative information has been classified accordingly.

3. Segment information

SATO's profitability is shown as one operating segment. Significant operational decisions are done by SATO's Board of Directors. In accordance with the Group's strategy, new investments have been allocated to SATO

business and the importance of VATRO business is greatly reduced. SATO's Board of Directors decided to give up the segment reporting presented in 2014 and earlier years in the reporting of the entity's chief operating decision maker. From the beginning of 2015

operating results and profitability are reported as one operating segment.

The Group operates in two geographic regions, Finland and Russia. SATO does not have any single external customer which would bring minimum of 10% of SATO's net profit.

MEUR	note	2015	2014
Assets by geographical regions			
Finland		2,867.1	2,697.7
Russia		112.6	103.9
Total		2,979.7	2,801.6

MEUR	2015	2014
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4. Result on disposal of investment properties

Profit and loss on sales of investment properties

Profit on sales	15.3	2.0
Loss on sales	-6.7	-2.9
Total	8.6	-0.9

Sold investment properties

Proceeds from disposal of investment properties	95.5	24.8
Carrying value of investment properties sold	-87.0	-25.7
Total	8.6	-0.9

Proceeds from the disposal of investment properties correspond to the disposal price received net of disposal costs. The carrying value of disposed assets corresponds to the fair value recognised on the previous closing statement of financial position and capitalised expenses for the period.

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

5. Other operating income and expenses

Operating income

Other income	2.0	1.0
Share of result of associated companies	0.0	0.4
Total	2.0	1.4

Operating expenses

Credit losses and uncertain receivables/ other expences	1.0	0.8
Ligitation provision	29	0.2
Total	5.5	1.1

MEUR	note	2015	2014
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6. Personnel expenses

Personnel expenses

Salaries and wages		11.0	10.3
Defined contribution pension plans		2.0	1.8
Defined benefit pension plans	25	0.1	0.1
Other personnel expenses		0.3	0.4
Total		13.3	12.6

Management employee benefits are presented in note 35 Related Party Transactions. Average number of personnel during the period has been 172 (165).

7. Auditors fee

Audit	0.1	0.1
Tax consultancy	0.0	0.1
Other services	0.1	0.1
Total	0.3	0.3

SATO's Auditor is Authorised Public Accountants KPMG Oy

The Audit fees include fees relating to SATO's and its subsidiaries' audit of the consolidated financial statements. Also the audit fees include assurance and other services related to audit.

8. Depreciation, amortizations and impairment charges

Depreciation by asset class

Tangible assets	14	0.5	0.6
Intangible assets	15	0.7	0.5
Total		1.2	1.1

No Impairment charges have been recognized.

9. Research and development

Reasearch and development expenses during 2015 were EUR 0.4 (0.7) million and deferred to balance sheet EUR 0.6 (0.1) million.

10. Financial income and expenses

Financial income

Interest income on loans receivable and cash and cash equivalents	0.7	0.5
Dividend income on available-for-sale investments	0.0	0.1
Foreign exchange gain	0.1	0.3
Total	0.9	0.9

Financial expenses

Interest expense on financial liabilities measured at amortized cost	-24.5	-26.9
Interest expense on effective cash flow hedges	-11.3	-11.3
Interest expense on non-hedge accounted derivatives	-0.4	-0.8
Change in fair value, non-hedge accounted derivatives	0.4	0.7
Other financial expenses	-2.1	-1.7
Total	-37.9	-40.0

Financial income and expenses, net	-37.0	-39.1
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MEUR note 2015 2014

11. Income taxes

Income taxes recognized in income statement

Current tax from accounting period		17.0	16.8
Current tax from previous period		0.4	0.0
Deferred taxes		15.0	14.9
Total		32.5	31.8

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

Profit before taxes		159.4	152.2
Income tax calculated with domestic corporate tax rate of the parent		31.9	30.4
Non-deductible expenses		0.1	1.0
Tax-exempt income		0.0	-0.1
Items to be recognised in income statement in future periods		0.0	0.3
Items that have been recognised in tax calculation in previous periods		-0.3	-0.3
Tax from previous periods		0.4	0.0
Other items		0.3	0.4
Total adjustments		0.6	1.3
Income tax expense in income statement		32.5	31.8

12. Earnings per share

Undiluted earnings per share is calculated by dividing parent company profit attributable to equity holders with weighted average number of shares outstanding. The amount of SATO's shares 31 december 2015 was 51,001,842. At the end of the reporting period SATO hold 160,000 own shares.

Profit attributable to equity holders of the parent		126.8	120.3
Weighted average of shares		50.8	50.8
Earnings per share (EUR)			
Basic		2.5	2.4
Diluted		2.5	2.4

13. Investment properties

Fair value of investment properties at start of period		2,528.0	2,316.0
Acquisitions, new constructions		218.0	152.5
Other investments to properties		29.1	20.1
Disposals of investment properties	4	-87.0	-25.7
Capitalized borrowing costs	36	1.1	1.2
Reclassification from trading properties		1.3	0.2
Gains and losses from changes in fair value*		62.4	63.8
Fair value of investment properties at end of period		2,752.9	2,528.0

*Gains and losses from changes in fair value includes foreign exchange losses of EUR -9.3 (-41.2) million.

Significant investments during the period:

SATO Corporation has bought 379 rental homes from ICECAPITAL Housing Fund I Ky. Most of these are small homes in the Helsinki Metropolitan Area. The value of the transaction totals EUR 68 million.

Significant disposals during the period:

During the period SATO Corporation has sold 760 State-subsidised (ARAVA) rental

apartments to Y-housing, a company owned by the Y-Foundation. The apartments are mainly located in Jyväskylä, the Lahti region and municipalities surrounding the Helsinki Metropolitan Area. SATO has also sold 268 State-subsidised (ARAVA) rental homes to Kunta-aravat Oy of Municipal Housing Ltd (KAS) today. The homes are located in Lohja, Jyväskylä, Oulu and Rovaniemi, Finland. The selling price was verified by the authorities.

Valuation methods

SATO's investment properties mainly comprises of rental apartments that are located in the largest growth centers. About 80 percent of the housing property is located in the Helsinki region. Investment property value is taken care by renovation and repair activity based on their lifecycle and repair plans. Increase in the fair value of SATOs 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 issues quarterly 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 SATOs' property on site every three years. Existing properties located in St. Petersburg are valued by 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

analyzed. The result of the valuation and the periodic change in fair value booked through profit and loss are reported to the Corporate Management Group and Board of Directors.

At inception investment properties are booked at acquisition value, which includes transaction costs. Later 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 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.

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

- Sales comparison
- Income value
- Acquisition cost

Sales comparison method

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 location, condition and image of the property. Properties located in St. Petersburg are valued by third party expert (JLL).

Income value

The properties which can be sold just as entire property and to a restricted group of buyers are valued using income value method. 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.

Acquisition cost

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

Investment property by valuation classes

MEUR 2015 2014							
Sales comparison method		2,054.1	1,767.3				
Income value		508.5	512.2				
Acquisition method		190.3	248.5				
Total		2,752.9	2,528.0				

Sensitivity analysis of investment properties

MEUR								
Properties measured at market values								
Change in market prices	-10%	Change %	-5%	Change %	5%	Change %	10%	Change %
	-186.9	-9.5%	-93.4	-4.8%	93.4	4.8%	186.9	9.5%
Properties measured at yield value								
Yield requirement	50.8	11.9%	24.1	5.7%	-21.8	-5.1%	-41.6	-9.8%
Lease income	-65.5	-15.4%	-32.8	-7.7%	32.8	7.7%	65.5	15.4%
Maintenance costs	19.8	4.7%	9.9	2.3%	-9.9	-2.3%	-19.8	-4.7%
Utilization rate	-65.5	-15.4%	-32.8	-7.7%	-	-	-	-

All SATOs 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

2015 MEUR	note	Machinery and equipment	Other tangible assets	2015 Total
Balance at the start of the period		4.7	1.4	6.1
Additions		0.3	0.0	0.3
Disposals		-0.2	0.0	-0.2
Balance at the end of the period		4.8	1.4	6.2
Accumulated depreciation at start of the period		3.4	0.3	3.7
Disposals		-0.2	0.0	-0.2
Depreciation for the period	8	0.5	0.0	0.5
Accumulated depreciation at end of the period		3.6	0.3	3.9
Carrying value at 1 January 2015		1.3	1.1	2.4
Carrying value at 31 December 2015		1.1	1.1	2.2

2014 MEUR		Machinery and equipment	Other tangible assets	2014 Total
Balance at the start of the period		4.3	1.4	5.7
Additions		0.6	0.0	0.6
Disposals		-0.2	0.0	-0.2
Balance at the end of the period		4.7	1.4	6.1
Accumulated depreciation at start of the period		3.1	0.3	3.4
Disposals		-0.2	0.0	-0.2
Depreciation for the period		0.5	0.0	0.5
Accumulated depreciation at end of the period		3.4	0.3	3.7
Carrying value at 1 January 2014		1.3	1.1	2.4
Carrying value at 31 December 2014		1.3	1.1	2.4

15. Intangible assets

2015 MEUR		Intangible rightst	Other tangible assets	2015 Total
Balance at the start of the period		0.3	4.2	4.5
Additions		0.0	1.0	1.0
Transfers between items		0.0	0.2	0.2
Balance at the end of the period		0.3	5.4	5.7
Accumulated depreciation at start of the period		0.3	3.0	3.3
Depreciation for the period	8	0.0	0.7	0.7
Accumulated depreciation at end of the period		0.3	3.6	3.9
Carrying value at 1 January 2015		0.0	1.3	1.3
Carrying value at 31 December 2015		0.0	1.8	1.8

2014 MEUR	Intangible rightst	Other tangible assets	2014 Total
Balance at the start of the period	0.3	3.7	4.0
Additions	0.0	0.6	0.6
Balance at the end of the period	0.3	4.2	4.5
Accumulated depreciation at start of the period	0.3	2.5	2.8
Depreciation for the period	0.0	0.5	0.5
Accumulated depreciation at end of the period	0.3	3.0	3.3
Carrying value at 1 January 2014	0.0	1.3	1.3
Carrying value at 31 December 2014	0.0	1.3	1.3

16. Interests in Other Entities

Group Composition

SATO has 19 (12) subsidiaries that are material to the group. The group has a majority of the voting rights in material subsidiaries and non-controlling interests doesn't have a material interest in them.

Mutual property companies and housing companies are treated as joint operations which are consolidated by the proportionate consolidation method. The relative proportionate method is applied to all such asset items irrespective of the Group's holdings. None of these entities are alone 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 entities are under statutory, non-profit restrictions according to which company is allowed to distribute only regulated amount of capital. More information of the restrictions are presented in the note 24. Shareholders equity.

Structured entities

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

invested in shared ownership apartments.

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

Immaterial associates and joint ventures

SATO does not have joint ventures or associates that are material to the group in 2015 and 2014. The following is summarised financial information for the Group's interest in immaterial associates and joint ventures, based on the amounts reported in the Groups's consolidated financial statements.

MEUR	2015	2014
Carrying amount of interests in immaterial associates	0.0	0.1
MEUR	2015	2014
Group's share of:		
profit	0.0	0.4
Total income	0.0	0.4

17. Financial assets and liabilities by category

2015	note	Fair value, other comprehensive income	Fair value through profit and loss	Available -for-sale	Assets and liabilities at amortised cost	2015 Carrying amount total	Fair value hierarchy		
							Level 1	Level 2	Level 3
MEUR									
Non-current financial assets									
Other shares	18			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	0.0	1.7	11.9	14.7			
Current financial assets									
Accounts receivable	22				10.5	10.5			
Cash and cash equivalents	23				60.7	60.7	60.7		
Total		0.0	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	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			
Total		0.9	0.0	0.0	194.2	195.1			

2014	note	Fair value, other comprehensive income	Fair value through profit and loss	Available -for-sale	Assets and liabilities at amortised cost	2014 Carrying amount total	Fair value hierarchy		
							Level 1	Level 2	Level 3
MEUR									
Non-current financial assets									
Other shares	18			1.7		1.7			
Loans receivable	19				10.8	10.8	10.8		
Derivative assets	19, 28	0.0				0.0		0.0	
Total		0.0	0.0	1.7	10.8	12.5			
Current financial assets									
Accounts receivable	22				10.3	10.3			
Cash and cash equivalents	23				31.8	31.8	31.8		
Total		0.0	0.0	0.0	42.2	42.2			
Non-current financial liabilities									
Corporate bonds	27				247.8	247.8	207.2	49.0	
Other loans	27				1,125.9	1,125.9		1,125.9	
Derivative liabilities	28	53.5				53.5		53.5	
Total		53.5	0.0	0.0	1,373.7	1,427.3			
Current financial liabilities									
Loans	27				211.1	211.1		211.1	
Derivative liabilities	28	3.4	0.4			3.8		3.8	
Accounts payable	30				6.1	6.1			
Total		3.4	0.4	0.0	217.3	221.1			

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

MEUR note 2015 2014

18. Available-for-sale financial assets

Available-for-sale financial assets			
Other holdings		1.7	1.7
Total		1.7	1.7

Other holdings include shares in unlisted companies, and are valued at the acquisition cost as their fair value cannot be reliably determined. During the period quoted shares have been sold and recognized at fair value through profit and loss.

19. Non-current receivables

Non-current receivables			
Derivatives	28	1.1	0.0
Loans receivable		11.9	10.8
Non-current receivables total		13.0	10.8

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

20. Changes in deferred tax assets and liabilities

MEUR	1 Jan 2015	Recognized through profit or loss	Recognized 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
Periodization 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
Periodization and temporary differences	2.5	-2.4			0.0
Other items	2.0	0.0			2.0
Total	187.9	14.7	0.0	-0.1	202.6

MEUR	1 Jan 2014	Recognized through profit or loss	Recognized through other comprehensive income	Subsidiaries acquired/sold	31 Dec 2014
Deferred tax assets					
Valuation of financial instruments at fair value	5.9	-0.1	4.6		10.3
Periodization and temporary differences	6.7	0.2		0.0	6.9
Total	12.6	0.1	4.6	0.0	17.2

Deferred tax liabilities:

Valuation of investment properties at fair value	107.3	15.3			122.6
Valuation of financial instruments at fair value	0.7	-0.3	-0.2		0.1
Reclassification of housing provisions and depreciation differences	59.0	2.3		-0.6	60.7
Periodization and temporary differences	4.8	-2.3			2.5
Other items	2.1	0.0		-0.1	2.0
Total	173.9	15.0	-0.2	-0.7	187.9

MEUR note 2015 2014

21. Inventories

Inventories		2015	2014
Buildings under construction		9.3	66.7
Completed apartments and commercial space		33.5	38.3
Land areas		57.5	71.6
Other inventories		11.5	11.5
Total		111.8	188.1

Impairment of cost recognized in inventory value was EUR 1.7 (3.5) million.

22. Accounts receivable and other receivables

Accounts receivable and other receivables		2015	2014
Accounts receivable	17	10.5	10.3
Prepaid expenses and accrued income		3.4	2.7
Other receivables		0.0	0.0
Total		13.9	13.1

Specification of prepaid expenses and accrued income

Prepaid expenses and accrued income related to rental services		0.1	0.2
Prepaid expenses and accrued income related to new constructions		0.4	0.4
Prepayments		0.5	1.0
Purchase price receivable		1.8	0.9
Interest receivables		0.1	0.2
Other		0.5	0.0
Total		3.4	2.7

23. Cash and cash equivalents

Cash and cash equivalents		2015	2014
Cash and bank balances		60.7	31.8
Total		60.7	31.8

The cash assets of group companies subject to restrictions due subsidised loans are kept separately from other companies' cash assets. On the report date such restricted companies' cash assets totalled to EUR 46.5 (22.6) million.

24. Shareholders' equity

MEUR	2015	2014
The following dividend and repayment of capital were declared and paid by the company:		
Repayment of capital 0.42 (0.42) per share, EUR	-21.3	-21.2
Dividends 0.20 (0.18) per share, EUR	-10.2	-9.2
Total	-31.5	-30.5

Description of items in shareholders' equity:

Shares and share capital

The total number of SATO shares as at 31 Dec 2015 was 51,001,842 and own shares held was 160,000. On 2 March 2011 Annual general meeting authorized Board of Directors to decide about one or more direct, payable share issues so that combined total number of own shares held by SATO can be maximum of 160,000. The proposed maximum is equal to 0.3% of total amount of SATO shares. The Board of Directors was authorized to decide on the terms of issue, issue price and criteria on which issue price is based on and other terms of issue. Annual general meeting authorized Board of Directors to decide of a share issue other than in ownership proportion of existing shareholders if there is significant economic reasons for the company. Authorization is valid until 28 Feb 2016.

Reserve fund

Reserve fund includes share premium fund.

Fair value reserves

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

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes other equity investments and subscription price of the shares, which is not booked in share capital.

Dividends

After the balance sheet date 31 Dec 2015, the Board of Directors has proposed dividend distribution of EUR 0.5 per share (2014: dividend EUR 0.2 per share and return of capital EUR 0.42 per share).

Restrictions concerning SATOs shareholders equity

SATOs retained earnings EUR 978.1 (864.4) million included distribution restricted capital

related to subsidized, non-profit businesses totalling to EUR 219.77 (177.5) million. 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 company is allowed to distribute only regulated amount of capital.

Management of capital structure

The aim of SATOs management of capital structure is to support the growth targets and to secure the ability to pay dividend. Another aim is to ensure SATOs prospects of operating in the equity market. SATOs targeted equity ratio measured at fair value is at least 30%. SATOs equity ratio measured at fair value was 33.3 (31.8) %. The Board of Directors reviews and assesses SATOs capital structure regularly.

Some of SATOs interest bearing financial agreements include covenants relating to capital structure and profitability. During 2015 SATOs capital structure and profitability has met the terms.

MEUR 2015 2014

25. Employee benefits

Recognised items in statement of financial position

Defined benefit obligation	0.1	1.6
Fair value of plan assets	-0.1	-1.2
Net benefit liability recognized in statement of financial position	0.0	0.5

SATO's employee benefit plan is an additional pension plan in insurance company fund, which is supplement to statutory pension. Employee benefit plan includes two persons. In statement of financial position item recognized as a liability is a undertaking given to the insured and plan assets include the cover paid by the insurance company. 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 insured has retired. In the pension plan amount on assets are measured with same discount rate as plan obligations, in which case discount rate does not create significant risk. Additionally increase in life expectancy does not create significant risk due to the fact that insurance company will be responsible of major part of effect coming from life expectancy.

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

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

Change of plan obligations	1.6	3.1
Current service cost	0.1	0.1
Plan amendments	-0.1	0.0
Net interest	0.0	0.1
Actuarial gains (-) / losses (+) on obligation	-0.3	0.2
Benefits paid	-1.3	-1.9
Defined benefit plan obligations at the end of period	0.1	1.6
Change of fair value of plan assets	1.2	2.7
Opening Fair value of plan assets	1.2	2.7
Interest income	0.0	0.1
Actuarial gains (+) and losses (-)	-0.2	-0.1
Benefits paid	-1.3	-1.9
Employee contributions	0.4	0.3
Fair value of plan assets at the end of the period	0.1	1.2
Change in net defined benefit liability	0.5	0.4
Net benefit liability recognized in statement of financial position 1 Jan	0.5	0.4
Expenses recognised in income statement	0.1	0.1
Remeasurements	-0.1	0.2
Employee contributions	-0.4	-0.3
Net defined benefit liability at the end of the period	0.0	0.5
Expenses recognized in income statement	-0.1	0.4
Service cost	0.1	0.1
Net interest expenses	0.0	0.0
Actuarial gains and losses	-0.1	0.2
Total expenses recognized in income statement	-0.1	0.4
Expected contributions paid by the employer in 2016 (2015)	0.0	0.2

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

Assumptions used in calculation

Discount rate	1.80%	1.70%
Rate of salary increase	3.50%	2.00%
Duration of defined benefit obligation, years	12	15

MEUR 2015 2014

26. Long-term non-interest bearing liabilities

Non-current

Accrued expenses related to new constructions	0.8	-
Net benefit liability	0.0	0.5
Total	0.8	0.5

27. Financial liabilities

Non-current

Corporate bonds	545.5	247.8
Bank loans	650.6	773.1
Interest-subsidised loans	208.1	215.4
State-subsidised ARAVA loans	84.7	137.4
Total	1,488.8	1,373.7

Current

Commercial papers	103.7	102.7
Bank loans	56.8	85.1
Interest-subsidised loans	18.0	9.1
State-subsidised ARAVA loans	8.9	14.2
Total	187.4	211.1

In September 2015 SATO issued a EUR 300 million unsecured corporate bond for European investors, with maturity of five years and coupon rate of 2.25 per cent. The loan was assigned Baa3 rating by Moody's and is listed in Irish Stock Exchange.

During the reporting period, a total of EUR 483.7 (150.9) million of new long-term debt was drawn. On 31 December, 2015, the average interest on the SATO debt portfolio was 2.5 (2.6) per cent.

For purposes of short-term financing, SATO has a commercial paper program of EUR 200 (200) million, committed credit limits of EUR 290 (290) million, and a non-binding current limit of EUR 5 (5) million. On 31 December 2015, the committed credit limits were unused (31 December 2014 EUR 215 million was unused).

28. Derivatives

Fair values of derivative instruments

MEUR	2015			2014		
	Positive	Negative	Net	Positive	Negative	Net
Non-current						
Interest rate swaps, cash flow hedge	1.1	-34.2	-33.1	-	-35.2	-35.2
Cross-currency and interest rate swaps, cash flow hedge	-	-13.6	-13.6	-	-17.5	-17.5
Foreign exchange forward contracts, cash flow hedge	-	-	-	-	-0.9	-0.9
Total	1.1	-47.8	-46.7	0.0	-53.5	-53.5
Current						
Interest rate swaps, cash flow hedge	-	-0.1	-0.1	-	-0.2	-0.2
Interest rate swaps, non-hedge accounted	-	-	-	-	-0.4	-0.4
Foreign exchange forward contracts, cash flow hedge	-	-0.8	-0.8	-	-3.2	-3.2
Total	0.0	-0.9	-0.9	0.0	-3.8	-3.8
Total	1.1	-48.7	-47.6	0.0	-57.4	-57.4

MEUR	2015	2014
Nominal values of derivative instruments		
Interest rate swaps, cash flow hedge	499.6	475.9
Cross-currency and interest rate swaps, cash flow hedge	108.3	110.5
Foreign exchange forward contracts, cash flow hedge	1.6	7.6
Interest rate swaps, non-hedge accounted	-	20.0
Total	609.4	614.0

Change in fair value of designated interest rate hedges, booked to hedge reserve in other comprehensive income, totalled EUR 2.9 (-15.3) 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.

29. Provisions

MEUR	Provision for refund claim	Provision for litigation claim	Total
Non-current provision at the end of the period Dec 31 2014			
Increases	0.6	4.4	5.0
Used provisions	-0.3	-2.2	-2.4
Cancellations	-0.2	0.0	-0.2
Non-current provision at the end of the period Dec 31 2015	3.0	2.2	5.2

Provision for refund claim includes guarantees related to new construction business and 10 year warranty period after completion of the work. Provision for refund claim is measured based on previous claims and assesment of previous experience. The current provision presented in Accounts payable and other liabilities amounts to eur 1.5 million at the end of the period 31 Dec 2015.

Provision for litigation claim is due to litigation process started during 2008 of one of SATOs investment in Helsinki. Based on Helsinki Court of Appeals decision given on 30 January 2015, SATO has recorded a profit effecting litigation claim provision. SATO has applied for leave to appeal to the Supreme Court. The expense is included in 'other expenses' in the income statement.

30. Accounts payable and other liabilities

MEUR	note	2015	2014
Accounts payable and other liabilities			
Advances received		10.9	32.0
Accounts payable		6.8	6.1
Other liabilities		6.0	3.2
Accrued expenses and prepaid income		25.8	29.5
Total accounts payable and other liabilities		49.5	70.9
Accrued expenses and prepaid income			
Personnel expenses		3.5	3.4
Interest expenses		9.6	9.0
Derivative instruments	28	0.9	3.8
Accrued expenses and prepaid income related to new constructions		7.5	8.9
Accrued expenses and prepaid income related to rental services		1.5	2.3
Other accrued expenses		2.4	1.8
Other		0.4	0.3
Total accrued expenses and prepaid income		25.8	29.5

31. Financial risk management

The goal of SATO's financial risk management is to protect the company from unfavorable changes occurring in the financial market.

The main principles of managing finance and financial risks are set out in the Treasury Policy, approved by the Board of Directors. SATO Treasury is responsible for the management of financial risks in accordance with the Treasury Policy. SATO Treasury reports to the CFO, who is responsible for organizing and managing the duties associated with the management of finance and financial risks as well as ensuring that the principles set in the Treasury Policy are complied with.

Interest rate risk

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

Market-based loans are primarily drawn at floating rates. In accordance with the Treasury Policy, the interest rate risk arising from these contracts is hedged using derivative instruments, mainly interest rate swaps and options, so that after hedging fixed rate portion exceeds 60 per cent of the nominal value of the total loan portfolio, excluding ARAVA loans. On 31 December 2015, the fixed rate portion of the loan portfolio after hedging is 73.2 (67.2) percent, the average maturity excluding ARAVA loans being 5.7 (5.3) years.

The interest rate derivatives are accounted as designated cash flow hedges. No ineffectiveness has occurred, as the subjects of the hedging and the hedging instruments have the same interest periods. The effect of changes in market interest rates on net financial expenses is examined with sensitivity analyses on the next page.

Changes in market interest rates also affect interest expense on interest subsidised loans. However, in interest subsidised loans, a subsidy is obtained for the part exceeding the deductible rate, so the 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, the deductible rate is 3.40 per cent. A large part of the interest-subsidised loans is tied to long reference rates, ranging 3 to 10 years. Due to the subsidy and long reference rates, the interest rate risk

on these loans is not material. In accordance with the Treasury Policy, SATO does not apply hedging to interest-subsidised loans.

In operations financed with state subsidies, rents are based on absorption cost, and hence any interest risk is 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 forward contracts. On 31 December 2015, SATO had EUR 2.4 (10.7) million in rouble-denominated commitments related to the investments. Revaluation of assets originally valued in foreign currency is the main source of translation risk. The fair values of the properties are translated to euros in consolidated financial statements using the closing exchange rate on the report date. The maximum portion of properties in St. Petersburg is set at maximum 10 per cent of total portfolio.

Price risk

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

Credit risk

SATO is not exposed to significant concentrations of credit risk. SATO's accounts receivable consist mainly of accounts receivable from construction commissioning. For the most part there is no credit risk related to these receivables, as title to the properties to be sold is not usually transferred to the buyer until the price has been paid. A small proportion of accounts receivable involve rent receivables. SATO has over 24,000 tenants, so the risk entailed in a single receivable is insignificant. Additionally, most lease agreements have security for the rent receivable. SATO's actual credit losses have averaged the equivalent of 0.7 (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 required for business operations so that the adequacy of financing is assured in all circumstances. The cash flow of operative business is steady and fluctuation mainly arise from investment activities.

Liquidity is managed with the commercial paper programme of EUR 200 million, committed credit limits EUR 290 million, and non-committed credit limits, EUR 5 million. On 31 December 2015, the commercial papers issued amounted to EUR 104.0 (103.0) million in nominal value. The committed credit facilities were unused (on 31 December 2014, EUR 75 was in use). In liquidity management, it is taken into account that the assets of Group companies subject to non-profit restrictions due to interest subsidies or state subsidized ARAVA loans, are kept separately and allocated to those non-profit operations.

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

SATO's funding agreements contain covenant clauses relating to the Group capital structure and interest payment capacity. These clauses set solvency ratio maximum of 70 per cent and interest coverage ratio of at least 1.8. On report date, the solvency ratio was 55.3 (56.1) per cent, and interest coverage ratio was 4.1 (3.9).

Sensitivity analysis, interest rate risk

MEUR	2015				2014			
	Profit and Loss		Equity		Profit and Loss		Equity	
	+1%	-0.1%	+1%	-0.1%	+1%	-0.1%	+1%	-0.1%
Floating rate loans	-8.3	0.5	-	-	-7.6	0.8	-	-
Cross-currency and interest rate swaps	0.8	-0.1	4.4	-0.5	0.8	-0.1	5.3	-0.5
Interest rate swaps	3.7	-0.4	21.4	-2.2	4.0	-0.4	21.5	-2.2
Total	-3.8	0.0	25.8	-2.7	-2.8	0.3	26.8	-2.8

Sensitivity analysis, currency risk

MEUR	2015				2014			
	Profit and Loss		Equity		Profit and Loss		Equity	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Foreign currency denominated loans	-10.6	10.6	-	-	-10.6	10.6	-	-
Cross-currency and interest rate swaps	10.5	-10.5	-	-	10.5	-10.5	-	-
Foreign exchange forward contracts	-	-	0.2	-0.2	-	-	0.8	-0.8
Total	-0.1	0.1	0.2	-0.2	-0.1	0.1	0.8	-0.8

Maturity analysis on financial instruments

2015

MEUR	within 1 year	2-5 years	6-10 years	11-15 years	After 15 years	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
Derivative 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

2014

MEUR	within 1 year	2-5 years	6-10 years	11-15 years	After 15 years	Total
Financial liabilities						
Market-based loans	-238.7	-555.3	-370.1	-53.6	-58.4	-1,276.0
Interest-subsidised loans	-13.6	-103.8	-132.0			-249.4
State-subsidised ARAVA loans	-17.7	-56.5	-49.6	-34.1	-11.1	-168.9
Accounts payable	-6.1					-6.1
Financial liabilities total	-276.0	-715.6	-551.7	-87.6	-69.5	-1,700.4
Derivative instruments						
Foreign exchange forward contracts, inflow	5.9	1.7				7.6
Foreign exchange forward contracts, outflow	-8.7	-2.3				-11.0
Interest rate derivatives	-11.1	-32.4	-7.2			-50.7
Financial instruments total	-13.9	-33.0	-7.2	0.0	0.0	-54.1
Total	-289.9	-748.6	-558.9	-87.6	-69.5	-1,754.5

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

MEUR 2015 2014

32. Other lease agreements

Group as a lessee

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

Within one year	2.2	2.3
Within two to five years	7.8	7.9
Over six years	3.4	5.1
Total	13.5	15.3

SATO has sublet office premises in Panuntie, Helsinki. The amount of minimum rent of these premises is EUR 2.1 (1.9) million. In 2015 rent income recognised in income statement was EUR 0.9 (0.7) million.

MEUR 2015 2014

33. Notes to the cash flow statement

Business actions not involving a payment

Depreciation	1.2	1.1
Gains and losses from changes in fair value of investment properties	-62.4	-63.8
Unrealised gains and losses measured at fair value, Interest rate swaps	-0.4	-0.7
Changes in provisions	4.8	0.3
Total	-56.9	-63.1

34. Collateral, commitments and contingencies

Loans for which mortgages and pledges have been given as collateral

Market loans	912.8	1,106.1
Mortgages provided	402.3	408.1
Book value of pledged shares	594.4	846.5
Value of deposits pledged	0.1	0.1
State-subsidised ARAVA loans	93.6	151.6
Mortgages provided	258.2	349.2
Book value of pledged shares	8.3	23.8
Interest-subsidised loans	226.0	224.5
Mortgages provided	301.1	309.3
Guarantees for others		
Owner-occupier home purchase commitments	31.0	19.8
Rs-guarantees	4.1	6.8
Mortgages provided to secure payment of rent and street maintenance		
Property mortgages provided	5.8	6.0
Binding purchase agreements		
For acquisitions of investment properties	151.2	69.1
Pledges for land use payments on zoned plots	7.3	6.4
Commitments to cleaning and removal charges	2.5	2.0
Letters of intent on land for which there is a zoning condition	5.2	6.7

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 report date, the loans of such housing companies included in the shared ownership systems, totalled EUR 68.2 (81.5) million.

35. Related party transactions

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

Shareholders that are considered as SATOs related party in 2015 are Varma Mutual Pension Insurance Company (until 30th of

December 2015), APG Asset Management N.V., Ilmarinen Mutual Pension Insurance Company (until 1st of April 2015), Elo Mutual Pension Insurance Company and since 1st of April 2015 Fastighets AB Balder, a Swedish property investment company. On 30th December 2015 Fastighets AB Balder acquired an additional 22.9 per cent of the outstanding shares of SATO from Varma Mutual Pension Insurance Company. After the acquisition, Balder owns 53.3 per cent of the outstanding shares and votes in SATO.

During 2014 related party shareholders consisted of Varma Mutual Pension Insurance Company, APG Asset Management N.V., Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and

LocalTapiola Group.

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 SATOs related party. Also close members of their family are considered as related party. The Corporate Management Group comprises of SATO Corporation's President and CEO, Vice Presidents, Customer Relationships and Communications Director 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	2015	2014
Transactions with related parties		
Rental agreements	0.2	1.8
Insurance payments	1.0	3.4
Total	1.1	5.2
Management employee benefits		
Salaries and other short-term employee benefits	1.5	1.5
Other long-term employee benefits	0.9	0.6
Total	2.4	2.1
Salaries and fees		
President and CEO	0.5	0.5
Deputy to President and CEO	0.3	0.3
Members of the Board of Directors	0.2	0.2
Total	1.0	1.0

Thousand EUR	2015	2014
Compensation recognized as an expense for members of the Board of Directors and the President & CEO		
Saku Sipola (from 16 Nov 2015)	38	-
Erkka Valkila	442	808
Esa Lager	40	24
Jukka Hienonen	25	-
Erik Selin	4	-
Andrea Attisani	24	5
Tarja Pääkkönen	25	25
Ilkka Tomperi	24	19
Timo Stenius	19	-
Niina Rajakoski	19	25
Juha Laaksonen	7	43
Vesa Immonen	5	25
Timo Hukka	4	23
Total	676	996

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 31st December 2015. On the basis of the supplementary pension retirement age is 60 years and entitled to a pension equal to 60% of pensionable salary.

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

Board of Directors have decided on a long-term incentive scheme for the period 2013-2015, 2014-2016 and 2015-2017 with a maximum limit. The incentive scheme applies to 15 people working in management positions in SATO. The purposes of the incentive schemes are to combine the goals of the management with those of the shareholders, commitment of the key people, improvement of competitiveness and promotion of long-term financial success.

36. Borrowing costs

	2015	2014
Capitalised expenses of borrowing costs during the period, MEUR	1.1	1.2
Financial expense index, %	1.0	1.3

37. Subsequent events

No significant events after the reporting period.

38. Subsidiaries owned by the Group and parent company

	Group's holding %	Parent company's holding %		Group's holding %	Parent company's holding %		Group's holding %	Parent company's holding %		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	Espoon Malmiportti 4 C - D As Oy	100.0	100.0	Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1	Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5
SATOkoti Oy	100.0	100.0	Espoon Matinniitynkuja 8 As Oy	100.0	100.0	Helsingin Gerbera As Oy	12.7	12.7	Helsingin Pakilantie 17 As Oy	100.0	100.0
SATOkoti 1 Oy	100.0	100.0	Espoon Myötätuulenmäki As Oy	8.5	8.5	Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0	Helsingin Perustie 16 As Oy	56.0	56.0
SATOkoti 2 Oy	100.0	100.0	Espoon Niittymaantie 1 As Oy	100.0	100.0	Helsingin Happiness As Oy	22.2	22.2	Helsingin Piispantie 3 As Oy	100.0	100.0
SATOkoti 3 Oy	100.0	100.0	Espoon Niittymaantie 3 As Oy	100.0	100.0	Helsingin Hildankulma As Oy	80.1	80.1	Helsingin Piispantie 5 As Oy	100.0	100.0
Sato-Rakennuttajat Oy	100.0	100.0	Espoon Niittysillankulma 2b As Oy	100.0	100.0	Helsingin Isopurje As Oy	3.2	3.2	Helsingin Piispantie 7 As Oy	100.0	100.0
Sato Vuokrakodit Oy	100.0	100.0	Espoon Niittytori 2 As Oy	100.0	100.0	Helsingin Juhani Ahon tie 12-14 As Oy	100.0	100.0	Helsingin Piispantie 8 As Oy	100.0	100.0
Suomen Satokodit Oy	100.0	100.0	Espoon Numersinkatu 11 As Oy	18.8	18.8	Helsingin Junonkatu 4 As Oy	100.0	100.0	Helsingin Pirta As Oy	17.1	17.1
Vatrolat 1 Oy	100.0	100.0	Espoon Omenapuu As Oy	16.0	16.0	Helsingin Kaarenjalka 5 As Oy	100.0	100.0	Helsingin Porthaninkatu 4 As Oy	0.7	0.7
Vatrolat 2 Oy	100.0	100.0	Espoon Paratiisiomena As Oy	18.3	18.3	Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4	Helsingin Ruuskarinne 1 As Oy	98.2	98.2
Vatrolat 3 Oy	100.0	100.0	Espoon Perkkäänkuja 3 As Oy	100.0	100.0	Helsingin Kalevankatu 53 As Oy	30.5	30.5	Helsingin Päivöläntie 72 As Oy	23.8	23.8
Vatrolat 4 Oy	100.0	100.0	Espoon Porarinkatu 2 D - E As Oy	100.0	100.0	Helsingin Kallioliina As Oy	0.8	0.8	Helsingin Reginankuja 4 As Oy	11.8	11.8
Vatrolat 5 Oy	100.0	100.0	Espoon Porarinkatu 2 F As Oy	100.0	100.0	Helsingin Kanavaranta As Oy	8.8	8.8	Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0
SATO HotelliKoti Oy	100.0	100.0	Espoon Puikkarinmäki As Oy	100.0	100.0	Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0	Helsingin Riontähti As Oy	100.0	100.0
			Espoon Punatulkuntie 5 As Oy	6.0	6.0	Helsingin Kangaspellontie 4 As Oy	10.2	10.2	Helsingin Rosas As Oy	9.6	9.6
			Espoon Pyhäjärventie 1 As Oy	100.0	100.0	Helsingin Kangaspellontie 6 KOy	100.0	100.0	Helsingin Rumpopolun palvelutalo As Oy	3.2	3.2
			Espoon Rastaspuistonpolku As Oy	22.6	22.6	Helsingin Kangaspellontie 8 As Oy	12.5	12.5	Helsingin Ruusutarhantie 2-4 As Oy	32.8	32.8
			Espoon Rastaspuistontie 8 As Oy	7.3	7.3	Helsingin Kaustisenpolku 1 As Oy	100.0	100.0	Helsingin Ruusutarhantie 7 As Oy	39.3	39.3
			Espoon Rummunlyöjänkatu 11 D - E As Oy	100.0	100.0	Helsingin Kerttulinkuja 1 As Oy	7.5	7.5	Helsingin Satoaalto As Oy	8.6	8.6
			Espoon Ruorikuja 4 As Oy	3.8	3.8	Helsingin Kirjala As Oy	100.0	100.0	Helsingin Satorinne As Oy	8.5	8.5
			Espoon Ruusulinnat As Oy	100.0	100.0	Helsingin Kilaavuntie 8-10 As Oy	100.0	100.0	Helsingin Serica As Oy	3.8	3.8
			Espoon Satokallio As Oy	11.6	11.6	Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8	Helsingin Siltavoudintie 20 As Oy	100.0	100.0
			Espoon Saunalyhty As Oy	6.8	6.8	Helsingin Koralli As Oy	4.1	4.1	Helsingin Snellmaninkatu 23 As Oy	100.0	100.0
			Espoon Soukanniementie 1 As Oy	100.0	100.0	Helsingin Koroistentie As Oy	9.4	9.4	Helsingin Solarus As Oy	5.9	5.9
			Espoon Taivalmäki 5 As Oy	100.0	100.0	Helsingin Korppaanmäentie 17 As Oy	100.0	100.0	Helsingin Solnantie 22 As Oy	98.0	98.0
			Espoon Taivalpolku As Oy	3.6	3.6	Helsingin Korppaanmäentie 21 As Oy	100.0	100.0	Helsingin Stenbäckinkatu 5 KOy	60.0	60.0
			Espoon Vanharaide As Oy	90.1	90.1	Helsingin Korppaanmäentie 8 As Oy	49.8	49.8	Helsingin Ståhlbergintie 4 As Oy	93.5	93.5
			Espoon Vasaratörmä As Oy	5.2	5.2	Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0	Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0
			Espoon Viherlaaksonranta 3-5 As Oy	100.0	100.0	Helsingin Kultareuna 1 As Oy	39.0	39.0	Helsingin Tapaninkulo As Oy	4.7	4.7
			Espoon Viherlaaksonranta 7 As Oy	100.0	100.0	Helsingin Kutomotie 8a As Oy	100.0	100.0	Helsingin Tila As Oy	24.5	13.1
			Espoon Yläkartanonpiha As Oy	10.9	10.9	Helsingin Kutomotie 10a As Oy	75.5	75.5	Helsingin Tilkankatu 15 As Oy	100.0	100.0
			Espoon Zanseninkuja 6 As Oy	100.0	100.0	Helsingin Kutomotie 12a As Oy	100.0	100.0	Helsingin Tilkankatu 2 As Oy	100.0	100.0
			Etelä-Hämeen Talo Oy	81.3	56.3	Helsingin Kutomotie 14a As Oy	100.0	100.0	Helsingin Tilkankatu 6 As Oy	100.0	100.0
			Eura III As Oy	100.0	100.0	Helsingin Kuusihovi As Oy	25.4	25.4	Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6
			Fredrikinkatu 38 As Oy	2.7	2.7	Helsingin Kyläkirkontie 13 As Oy	68.5	68.5	Helsingin Tunturinlinna As Oy	9.5	9.5
			Haagan Pappilantie 13 As Oy	2.6	2.6	Helsingin Köysikujat 2 As Oy	9.5	9.5	Helsingin Tuohiauukio As Oy	1.9	1.9
			Haagan Talontie 4 As Oy	3.1	3.1	Helsingin Lauttasaarentie 19 KOy	58.3	58.3	Helsingin Töölön Oscar As Oy	25.3	25.3
			Hakaniemenranta As Oy	2.5	2.5	Helsingin Leikopiha As Oy	9.6	9.6	Helsingin Vanha viertotie 16 As Oy	68.8	68.8
			Helsingin Akaasia As Oy	13.9	13.9	Helsingin Leikosaarentie 31 As Oy	18.7	18.7	Helsingin Vanha viertotie 18 As Oy	47.5	47.5
			Helsingin Aleksis Kiven katu 52-54 As Oy	0.5	0.5	Helsingin Leikovuori As Oy	9.1	9.1	Helsingin Vanha viertotie 6 As Oy	100.0	100.0
			Helsingin Ansaritie 1 As Oy	100.0	100.0	Helsingin Lontoonkatu 9 As Oy	100.0	100.0	Helsingin Vanha viertotie 8 As Oy	100.0	100.0
			Helsingin Ansaritie 2-4 As Oy	100.0	100.0	Helsingin Lönnrotinkatu 32 As Oy	56.1	56.1	Helsingin Venemestarintie 4 As Oy	100.0	100.0
			Helsingin Ansaritie 3 As Oy	100.0	100.0	Helsingin Malagankatu 7 As Oy	100.0	100.0	Helsingin Vervi As Oy	100.0	100.0
			Helsingin Apollonkatu 19 As Oy	38.2	38.2	Helsingin Mariankatu 19 As Oy	1.0	1.0	Helsingin Villa Kuohu As Oy	25.6	25.6
			Helsingin Arabian Kotiranta As Oy	4.2	4.2	Helsingin Mechelininkatu 12-14 As Oy	100.0	100.0	Helsingin Vuosaaren Helmi As Oy	100.0	100.0
			Helsingin Arabiankatu 3 As Oy	13.4	13.4	Helsingin Merenkävijä As Oy	5.1	5.1	Helsingin Välskärinkatu 4 KOy	85.7	85.7
			Helsingin Aurinkotuulenkatu 6 As Oy	100.0	100.0	Helsingin Meripellonhovi KOy	98.3	98.3	Hiihtomäentie 34 As Oy	3.7	3.7
			Helsingin Casa Canal As Oy	13.3	13.3	Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1	Humalniementie 3-5 As Oy	1.1	1.1
			Helsingin Castreninkatu 3 As Oy	100.0	100.0	Helsingin Mylläri As Oy	2.3	2.3	Hyvinkään Joutsenlaulu As Oy	8.8	8.8
			Helsingin Cirrus As Oy	1.7	1.7	Helsingin Nautilus As Oy	26.0	26.0	Jussinhovi As Oy	3.5	3.5
			Helsingin Corona As Oy	17.0	17.0	Helsingin Navigatoritallio KOy	44.7	44.7	Jyväskylän Ailakinraitti As Oy	100.0	100.0
			Helsingin Eiranrannan Estella As Oy	30.8	30.8	Helsingin Nils Westermarkin kuja 18 As Oy	100.0	100.0	Jyväskylän Harjukartano As Oy	23.0	23.0

	Group's holding %	Parent company's holding %		Group's holding %	Parent company's holding %
Jyväskylän Harjunportti As Oy	18.7	18.7	Messilä As Oy	70.0	70.0
Jyväskylän Lyseonlinna As Oy	4.6	4.6	Minna Canthin katu 22 As Oy	2.4	2.4
Jyväskylän Taitoniekansato As Oy	17.4	17.4	Mursu As Oy	0.5	0.5
Jyväskylän Tanhurinne As Oy	24.1	24.1	Myllysalama As Oy	64.0	64.0
Jyväskylän Torihovi As Oy	2.7	2.7	Myyrinhaukka As Oy	100.0	100.0
Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0	Nekalanpuisto KOy	2.9	2.9
Järvenpään Alhonorinne As Oy	18.4	18.4	Nervanderinkatu 9 As Oy	2.6	2.6
Kaarenkunnas As Oy	100.0	100.0	Neulapadontie 4 As Oy	1.2	1.2
Kalasadaman Fregatti As Oy	25.3	25.3	Nordenskiöldinkatu 8 As Oy	2.5	2.5
Kajaneborg Bost. Ab	7.3	7.3	Näkinkuja 2 As Oy	2.5	2.5
Kasarmikatu 14 As Oy	12.2	12.2	Näyttelijäntien Pistetalot As Oy	1.4	1.4
Kasarminkatu 10 As Oy	26.7	26.7	Oskelantie 5 As Oy	4.1	4.1
Kauniaisten Ersintie 9-11 As Oy	5.5	5.5	Kasarminkatu 10 As Oy	2.1	2.1
Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4	Otavantie 3 As Oy	0.6	0.6
Kauniaisten Rallare As Oy	100.0	100.0	Otavantie 4 As Oy	1.8	1.8
Keravan Papintie 1 As Oy	100.0	100.0	Oulun Aleksinranta As Oy	100.0	100.0
Ketturinne As Oy	1.3	1.3	Oulun Arvolankartano As Oy	2.1	2.1
Kilonkallionkuja 5 As Oy	100.0	100.0	Oulun Arvolanpiha As Oy	0.0	0.0
Kirkkosalmentie 3 As Oy	0.9	0.9	Oulun Arvolanpuisto As Oy	9.0	9.0
Kivisaarentie 2-6 As Oy	2.7	2.7	Oulun Kalevalantie As Oy	100.0	100.0
Kolehmaisentori As Oy	16.6	16.6	Oulun Laamannintie 1 As Oy	12.8	12.8
Kristianinkatu 2 As Oy	1.7	1.7	Oulun Laanila I As Oy	100.0	100.0
Kulmakatu 12 As Oy	2.1	2.1	Oulun Laanila IV As Oy	100.0	100.0
Kulmavuorenpiha As Oy	100.0	100.0	Oulun Laaniranta As Oy	6.0	6.0
Kulmavuorenrinne As Oy	1.0	1.0	Oulun Marsalkka As Oy	5.7	5.7
Kupittaa Kurki As Oy	6.1	6.1	Oulun Mastolinna As Oy	2.2	2.2
Kupittaa Satakieli As Oy	6.1	6.1	Oulun Notaarintie 1 As Oy	24.4	24.4
Kuuselanpuisto As Oy	23.0	23.0	Oulun Notaarintie 3 As Oy	5.0	5.0
Kuusitie 15 As Oy	1.5	1.5	Oulun Paalikatku 23 As Oy	100.0	100.0
Kuusitie 3 As Oy	1.8	1.8	Oulun Peltolantie 18 B As Oy	100.0	100.0
Kuusitie 9 As Oy	2.3	2.3	Oulun Rautatienkatu 74 As Oy	100.0	100.0
Kvarnhyddan Bost. Ab	1.8	1.8	Oulun Rautatienkatu 78 As Oy	100.0	100.0
Laajalahdentie 26 As Oy	6.5	6.5	Oulun Tullikartano As Oy	17.0	17.0
Lahden Nuolikatku 9 As Oy	100.0	100.0	Oulun Tulliveräjä As Oy	40.7	40.7
Lapinniemen Pallopurje As Oy	1.9	1.9	Pellervon Pysäköinti KOy	68.9	43.1
Lapintalo As Oy	1.0	1.0	Pengerkatu 27 As Oy	2.6	2.6
Lauttasaarentie 11 As Oy	1.6	1.6	Pihlajatie N:o 23 As Oy	3.0	3.0
Lielahdentie 10 As Oy	9.1	9.1	Poutuntie 2 As Oy	3.7	3.7
Linjala 14 As Oy	4.2	4.2	Puistokaari 13 As Oy	1.9	1.9
Läntinen Brahenkatu 8 As Oy	0.8	0.8	Raikukuja II As Oy	100.0	100.0
Lönegropen Bost. Ab. Skidbacksvägen 18	1.6	1.6	Raikurinne 1 As Oy	1.3	1.3
Mannerheimintie 100 As Oy	0.9	0.9	Raision Tasontorni As Oy	48.7	48.7
Mannerheimintie 108 As Oy	3.0	3.0	Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5
Mannerheimintie 148 As Oy	2.5	2.5	Ristolantie 7 As Oy	2.5	2.5
Mannerheimintie 170 KOy	32.1	16.3	Ryytikuja 5 As Oy	0.8	0.8
Mannerheimintie 77 As Oy	1.2	1.2	Saarenkeskus As Oy	0.4	0.4
Mannerheimintie 83-85 As Oy	0.7	0.7	Salpakolmio As Oy	31.3	31.3
Mannerheimintie 93 As Oy	0.3	0.3	Satakallio As Oy	0.2	0.2
Mariankatu 21 As Oy	1.3	1.3	Savilankatu 1 b As Oy	33.3	33.3
Matinkylän Poutapilvi As Oy	100.0	100.0	Solnantie 32 As Oy	0.9	0.9
Mellunsusi As Oy	1.5	1.5	Spargäddan Bost. Ab As Oy	1.3	1.3
Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6	Sulkapolku 6 As Oy	0.4	0.4
Messeniuksenkatu 8 As Oy	2.0	2.0	Säästökartano As Oy	0.3	0.3
			Taapuri As Oy	2.5	2.5

	Group's holding %	Parent company's holding %		Group's holding %	Parent company's holding %
Tallbergin puistotie 1 As Oy	2.0	2.0	Vantaan Horsmakuja 4a As Oy	100.0	100.0
Tammitie 21 As Oy	0.9	0.9	Vantaan Kaarenlehmus As Oy	100.0	100.0
Tampereen Aitolahdentie 22 As Oy	100.0	100.0	Vantaan Kilterinpuisto As Oy	76.6	76.6
Tampereen Alapeusontkatu 6 As Oy	100.0	100.0	Vantaan Kivivuorentie 8 A-B As Oy	100.0	100.0
Tampereen Atanväylä 4A As Oy	100.0	100.0	Vantaan Kivivuorentie 8 C As Oy	100.0	100.0
Tampereen Charlotta As Oy	2.0	2.0	Vantaan Käräjäkuja 3 As Oy	19.8	19.8
Tampereen Härmälänrannan Sisu As Oy	100.0	100.0	Vantaan Leksankuja 3 As Oy	100.0	100.0
Tampereen Jankanpuisto As Oy	100.0	100.0	Vantaan Liesitorin palvelutalo As Oy	5.9	5.9
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3	Vantaan Lummepiha As Oy	100.0	100.0
Tampereen Kauppa-aukio As Oy	100.0	100.0	Vantaan Maarinrinne As Oy	12.0	12.0
Tampereen Kokinpellonrinne As Oy	86.9	86.9	Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Tampereen Kristiina As Oy	19.1	19.1	Vantaan Myyrinmutka As Oy	100.0	100.0
Tampereen Kuikankatu 2 As Oy	9.7	9.7	Vantaan Ortie 1 As Oy	100.0	100.0
Tampereen Linnanhera As Oy	100.0	100.0	Vantaan Orvokkikuja 1 As Oy	100.0	100.0
Tampereen Pappilan Herra As Oy	100.0	100.0	Vantaan Pakkalanportti As Oy	100.0	100.0
Tampereen Rotkonraitti 6 As Oy	54.7	54.7	Vantaan Pakkalanrinne 3 As Oy	41.8	41.8
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6	Vantaan Pakkalanrinne 5-7 As Oy	100.0	100.0
Tampereen Strada As Oy	46.7	46.7	Vantaan Pakkalanruusu As Oy	3.1	3.1
Tampereen Tarmonkatu 6 As Oy	100.0	100.0	Vantaan Pronssikuja 1 As Oy	100.0	100.0
Tampereen Tieteenkatu 14 As Oy	100.0	100.0	Vantaan Raikukuja 2 As Oy	100.0	100.0
Tampereen Tuiskunkatu As Oy	100.0	100.0	Vantaan Ruostekuja 3 As Oy	100.0	100.0
Tampereen Waltheri As Oy	23.9	23.9	Vantaan Sompakuja 2-4 As Oy	100.0	100.0
Tapiolan Itäkartano. Espoo As Oy	53.6	53.6	Vantaan Tammiston Tringa As Oy	8.3	8.3
Tapiolan Tuuliniitty. Espoo As Oy	6.8	6.8	Vantaan Tammistonkatu 29 As Oy	29.1	29.1
Tarkkampujankatu 14 As Oy	44.1	44.1	Vantaan Tuurakuja 4 As Oy	34.1	34.1
Terhokuja 3 As Oy	100.0	100.0	Vantaan Tähtiö As Oy	33.2	33.2
Terhokuja 6 As Oy	11.3	11.3	Vantaan Uomarinne 5 As Oy	100.0	100.0
Tohlopinkontu KOy	100.0	60.0	Viiides linja 16 As Oy	1.1	1.1
Turun Asemanlinna As Oy	20.9	20.9	Viihkinisankari As Oy	35.4	35.4
Turun Eteläranta II As Oy	3.2	3.2	Vilhonvuorenkatu 8 As Oy - Bost. Ab Vilhelmsbergsgatan 8	1.1	1.1
Turun Eteläranta III As Oy	2.9	2.9	Vuomeren-Salpa As Oy	2.7	2.7
Turun Eteläranta IV As Oy	3.0	3.0	Vuorastila As Oy	99.0	99.0
Turun Fregatinranta As Oy	4.7	4.7	Vuoreksen Vega As Oy	88.8	88.8
Turun Föörinranta II As Oy	1.0	1.0	Vuosaaren Meripihka As Oy. Helsinki	42.7	42.7
Turun Gränsbackan Katariina As Oy	100.0	100.0	OOO SATO-Rus	100.0	100.0
Turun Gränsbackan Wilhelmiina As Oy	100.0	100.0	Sato-Pietari Oy	100.0	100.0
Turun Ipnoksenrinne As Oy	6.7	6.7	OOO Sato Park	100.0	100.0
Turun Kupittaa Peippo As Oy	34.6	34.6	Sato-Neva Oy	100.0	100.0
Turun Linnankatu 37 a As Oy	1.7	1.7			
Turun Sukkulakoti As Oy	100.0	100.0	SATOkoti Oy		
Turuntie 112 As Oy	1.4	1.4	Tohlopinkontu KOy	100.0	40.0
Turuntie 63 As Oy	1.6	1.6			
Tykkikuja 7 As Oy	100.0	100.0	SATOkoti 1 Oy		
Työväen Asunto-osakeyhtiö Rauha	10.2	10.2	Espoon Jousenkaari 5 As Oy	100.0	100.0
Töölön Estradi. Helsinki As Oy	63.2	63.2	Espoon Kuunkierros 2 As Oy	52.5	52.5
Töölön Gaala. Helsinki As Oy	100.0	100.0	Helsingin Pajamäentie 7 As Oy	100.0	100.0
Ulvilantie 11 b As Oy	0.6	0.6	Tampereen Ruovedenkatu 11 As Oy	100.0	100.0
Urheilukatu 38 As Oy	56.0	56.0			
Vaasankatu 15 As Oy	0.8	0.8	SATOkoti 2 Oy		
Vallikallionpolku KOy	100.0	100.0	SATOhousing Oy	100.0	100.0
Vallinkyyhky As Oy	6.0	6.0			
Vantaan Aapramintie 4 As Oy	100.0	100.0			
Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7			
Vantaan Heporinne 4 As Oy	100.0	100.0			

	Group's holding %	Parent company's holding %		Group's holding %	Parent company's holding %
SATOkoti 3 Oy			Sato-Rakennuttajat Oy		
Espoon Jousenkaari 7 As Oy	100.0	100.0	Helsingin Tila As Oy	24.5	11.4
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0	Helsinki. Kalasataman Huvilat As Oy	8.4	8.4
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0	Oulun Peltokerätyt As Oy	100.0	100.0
Helsingin Keinulaudantie 7 As Oy	100.0	100.0	Sato Vuokrakodit Oy		
Helsingin Kiillekuja 4 As Oy	100.0	100.0	Espoon Numersinkatu 6 As Oy	13.2	9.2
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0	Espoon Puropuisto As Oy	58.4	55.8
Helsingin Pajamäentie 6 As Oy	100.0	100.0	Espoon Ristinientie 22 As Oy	5.4	5.4
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0	Espoon Sokerilinnantie 1 As Oy	5.8	4.3
Oulun Hoikantie 14-22 As Oy	100.0	100.0	Espoon Säterinkatu 10 As Oy	8.4	6.1
Vantaan Hiekkaharjuntie 16 As Oy	100.0	100.0	Espoon Zanseninkuja 4 As Oy	21.5	17.4
SATOhousing Oy			Etelä-Hämeen Talo Oy	81.3	25.0
Espoon Kuunsirppi As Oy	100.0	100.0	Helsingin Finniläntalo As Oy	80.2	80.2
Espoon Sepetlahdentie 6 As Oy	100.0	100.0	Helsingin Lintulahdenpuisto As Oy	100.0	100.0
Hannanpiha As Oy	19.1	19.1	Helsingin Mustankivenraitti As Oy	94.6	94.6
Helkalax As Oy	1.3	1.3	Helsingin Myllypellonpolku 4 As Oy	6.9	6.9
Helsingin Hämeenpengeri As Oy	100.0	100.0	Helsingin Otto Brandtin polku 4 As Oy	7.4	5.9
Helsingin Lapponia As Oy	100.0	100.0	Helsingin Paciuksenkari 13 As Oy	2.8	2.8
Helsingin Pasilantornit As Oy	58.1	58.1	Helsingin Paciuksenkari 19 As Oy	1.6	1.6
Helsingin Vetelintie 5 As Oy	100.0	100.0	Helsingin Pasuunatie 8 As Oy	9.1	9.1
Helsingin Viulutie 1 As Oy	100.0	100.0	Helsingin Taimistontie 9 As Oy	12.3	12.3
Hervannan Juhani As Oy	14.9	14.9	Helsingin Tulisuoventie 20 As Oy	100.0	100.0
Kastevuoren Palvelutalo As Oy	100.0	100.0	Helsingin Tulvaniitynpolku 5 As Oy	10.2	10.2
Kevätesikko As Oy	3.4	3.4	Helsingin Vanhanlinnantie 10 As Oy	11.3	10.2
Kotipiennar As Oy	2.8	2.8	lidesranta 42 Tampere As Oy	9.9	6.6
Kuhakartano As Oy	1.3	1.3	Jyväskylän ml:n Kirkkotie 3 As Oy	26.6	12.1
Kukkolan Koivu As Oy	4.3	4.3	Jyväskylän Vaneritori 4 As Oy	29.4	19.8
Kuusihalme As Oy	2.3	2.3	Kaarinan Katariinankallio As Oy	35.8	23.5
Majalanraitti As Oy	6.3	6.3	Kaarinan Katariinanrinne As Oy	12.6	12.6
Malmeken Ömsesidiga Fastighet	12.8	12.8	Kaarinan Kiurunpuisto As Oy	36.2	29.6
Mannerheimintie 170 KOy	32.1	15.8	Kaarinan Kultarinta As Oy	34.4	26.5
Matinraitti 14 As Oy	1.0	1.0	Kaarinan Mattelppiha As Oy	49.5	36.0
Muotialantie 31 As Oy	7.0	7.0	Kaarinan Verkapatruuna As Oy	11.7	11.7
Näsinlaine As Oy	1.0	1.0	Kuovi As Oy	100.0	100.0
Peltohuhta As Oy	1.2	1.2	Lahden Kauppakatu 36 As Oy	7.9	3.6
Pohjankartano As Oy	22.8	22.8	Lappeenrannan Kanavansato 2 As Oy	30.7	25.0
Puolukkasato As Oy	5.9	5.9	Oulun Aleksanteri As Oy	100.0	100.0
Rantasentteri As Oy	1.5	1.5	Oulun Laamannintie 14 ja 17 As Oy	66.8	61.9
Satokaunokki As Oy	7.5	7.5	Oulun Laamannintie As Oy	52.2	43.5
Tampereen Hervannan Puistokallio As Oy	100.0	100.0	Raision Toripuisto As Oy	30.8	20.8
Tasatuomo As Oy	1.3	1.3	Satulaparkki KOy	53.3	53.3
Tikkamatti As Oy	19.6	19.6	Tampereen Haapalinnan Antintalo As Oy	55.0	50.7
Turun Uudenmaanlinna As Oy	100.0	100.0	Tampereen Kyläläni As Oy	76.5	70.7
Turun Veistämöntori As Oy	100.0	100.0	Tampereen Kyyhky As Oy	8.1	8.1
Ulpukkaniemi As Oy	25.4	25.4	Tampereen Rantatie 13 E-G As Oy	41.6	41.6
Valtapolku As Oy	1.2	1.2	Turun Hehtokatu As Oy	41.0	19.1
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0	Turun Maarianportti As Oy	100.0	100.0
Vantaan Kukinkuja 2 As Oy	100.0	100.0	Turun Merenneito As Oy	14.6	14.6
Vantaan Martinpääsky As Oy	100.0	100.0	Turun Meripoika As Oy	29.1	26.0
Välkynkallio As Oy	0.8	0.8	Turun Metallikatut As Oy	100.0	100.0
Yläaitankatu 4 As Oy	1.7	1.7	Turun Seiskarinkulma As Oy	14.0	14.0
			Turun Tervaporvari As Oy	100.0	100.0
			Turun Unikkoniitty As Oy	27.1	13.9

	Group's holding %	Parent company's holding %		Group's holding %	Parent company's holding %
Tuusulan Naavankierto As Oy	21.9	5.3	Rivihkola As Oy	49.9	49.9
Vantaan Herttuantie 3 As Oy	32.6	31.2	Satosyppi As Oy	45.5	45.5
Vantaan Orvokkatie 17 As Oy	14.3	14.3	Turun Kivimaanrivi As Oy	13.1	13.1
			Turun Mietoistenkuja As Oy	22.5	22.5
Sato-Osaomistus Oy			Turun Pernon Kartanonlaakso As Oy	68.8	68.8
Espoon Numersinkatu 6 As Oy	13.2	4.0	Turun Sipimetsä As Oy	19.8	19.8
Espoon Puropuisto As Oy	58.4	2.5	Vantaan Minkkikuja As Oy	70.9	70.9
Espoon Sokerilinnantie 1 As Oy	5.8	1.6	Vantaan Ravurinmäki As Oy	47.8	47.8
Espoon Säterinkatu 10 As Oy	8.4	2.3	VATROhousing Oy	100.0	100.0
Espoon Zanseninkuja 4 As Oy	21.5	4.1	Vatrotalot 2 Oy		
Helsingin Otto Brandtin polku 4 As Oy	7.4	1.5	SATO-Osaomistus	100.0	100.0
Helsingin Taavetinaukio 4 As Oy	3.9	3.9	Vatrotalot 3 Oy		
Helsingin Vanhanlinnantie 10 As Oy	11.3	1.1	Kirkkonummen Riihipolku As Oy	100.0	100.0
lidesranta 42 Tampere As Oy	9.9	3.4	Kylänpäänpelto As Oy	43.8	43.8
Jyväskylän ml:n Kirkkotie 3 As Oy	26.6	14.5	Nurmijärven Kylänpäänkaari As Oy	45.0	45.0
Jyväskylän Vaneritori 4 As Oy	29.4	9.6	Nurmijärven Kylänpäänniitty As Oy	35.2	35.2
Kaarinan Katariinankallio As Oy	35.8	12.3	Vatrotalot 5 Oy		
Kaarinan Kiurunpuisto As Oy	36.2	6.5	Helsingin Laivalahdenportti 5 As Oy	75.5	75.5
Kaarinan Kultarinta As Oy	34.4	8.0	Helsingin Toini Muonan katu 8 As Oy	15.6	15.6
Kaarinan Mattelppiha As Oy	49.5	13.5	Laakavuorentie 4 As Oy	39.1	39.1
Lahden Kauppakatu 36 As Oy	7.9	4.3	Meriramsi As Oy	25.6	25.6
Lappeenrannan Kanavansato 2 As Oy	30.7	5.7	Meri-Rastilan tie 5 As Oy	23.5	23.5
Oulun Laamannintie 14 ja 17 As Oy	66.8	4.9	Meri-Rastilan tie 9 As Oy	9.1	9.1
Oulun Laamannintie As Oy	52.2	8.6	Raudikkokuja 3 KOy	100.0	100.0
Raision Siirinsopukka As Oy	15.3	15.3	Vantaan Omaksi As Oy	2.8	2.8
Raision Toripuisto As Oy	30.8	10.0	Vantaan Ravurinpuisto As Oy	62.9	62.9
Tampereen Haapalinnan Antintalo As Oy	55.0	4.3	VATROhousing Oy		
Tampereen Kyläläni As Oy	76.5	5.8	Naantalinn Kastovuorenrinne As Oy	25.6	25.6
Turun Hehtokatu As Oy	41.0	21.9	Nastolan Moreeniraitti As Oy	14.0	14.0
Turun Meripoika As Oy	29.1	3.1	Nokian Miharintie 38-40 As Oy	55.2	55.2
Turun Unikkoniitty As Oy	27.1	13.3	Salon Valhojanrivi As Oy	10.6	10.6
Tuusulan Naavankierto As Oy	21.9	16.5	Tasakuusi As Oy	3.7	3.7
Vantaan Herttuantie 3 As Oy	32.6	1.4			
Suomen Satokodit Oy					
Arhotie 22 As Oy	100.0	100.0			
Kaskenkaatajantie As Oy	100.0	100.0			
Meiramikuja As Oy	4.7	4.7			
Myllymatkantie 1 As Oy	100.0	100.0			
Pellervon Pysäköinti KOy	68.9	25.8			
Satosorsa As Oy	19.9	19.9			
Vantaan Kortteeri As Oy	6.4	6.4			
Vatrotalot 1 Oy					
Harjulehmus As Oy	26.5	26.5			
Hämeenlinnan Aaponkuja 3 As Oy	47.7	47.7			
Jukolanniitty As Oy	52.6	52.6			
Jukolantanner As Oy	52.3	52.3			
Kangasalan Kukkapuisto As Oy	6.3	6.3			
Kaukotie 10-12 As Oy	3.1	3.1			
Lahden Roopenkuja As Oy	57.7	57.7			
Pirilänportti As Oy	14.5	14.5			
Pohjanpoika As Oy	24.5	24.5			
Puolukkavarikko As Oy	33.9	33.9			

PARENT COMPANY INCOME STATEMENT, FAS

MEUR	note	1 Jan.-31 Dec. 2015	1 Jan.-31 Dec. 2014
Net sales	1	4.9	4.6
Other operating income	2	5.4	6.2
Materials and services	3	-0.8	-0.9
Personnel expenses	4-6	-3.8	-2.9
Depreciation, amortization and impairment charges	7	-1.0	-0.9
Other operating expenses	8	-10.8	-9.1
Operating profit		-6.2	-3.1
Financial income and expenses	9	-26.5	-18.6
Profit/Loss before extraordinary items		-32.7	-21.8
Extraordinary items	10	68.7	54.5
Profit before taxes		35.9	32.8
Income taxes	11	-7.2	-6.6
Profit for the period		28.7	26.2

PARENT COMPANY BALANCE SHEET, FAS

MEUR	note	1 Jan.-31 Dec. 2015	1 Jan.-31 Dec. 2014
ASSETS			
Non-current assets			
Intangible assets	12	1.9	1.5
Tangible assets	13	1.9	2.2
Holdings in Group companies	14	816.7	496.6
Holdings in associated companies	15	0.0	0.0
Other holdings and shares	16	1.0	1.0
Total		821.5	501.3
Current assets			
Inventories	17	6.5	5.5
Long-term receivables	18	8.1	8.2
Short-term receivables	19	71.2	147.4
Cash and cash equivalents		11.2	3.2
Total		97.0	164.3
TOTAL ASSETS		918.5	665.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21-22	4.4	4.4
Reserve fund		43.7	43.7
Other funds		3.1	24.4
Retained earnings		67.9	51.9
Profit for the period		28.7	26.2
Total		147.8	150.6
Obligatory reserves	23	0.0	0.0
Liabilities			
Non-current	24	592.9	316.4
Current	25	177.8	198.5
Total		770.7	514.9
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		918.5	665.6

PARENT COMPANY'S CASH FLOW STATEMENT, FAS

MEUR	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for financial year	28.7	26.2
Adjustments:		
Depreciation	1.0	0.9
Financial income (-) and expenses (+)	26.5	18.6
Income tax	7.2	6.6
Proceeds (-) and losses (+) on sales of tangible assets	0.1	-0.1
Other adjustments	-68.7	-54.5
Cash flow before change in working capital	-5.3	-2.3
Change in working capital:		
Decrease (+)/increase (-) in current non-interest bearing receivables	-1.4	-1.1
Decrease (+)/increase (-) in inventories	-1.0	0.4
Decrease (-)/increase (+) in current loans	-3.0	-3.9
Cash flow before financial items and taxes	-10.7	-6.9
Interest paid and payments of other financial expenses	-19.1	-18.5
Dividends received	0.0	0.0
Interest received	5.2	3.4
Other financial expenses	-11.3	-2.4
Direct taxes paid	-6.6	-12.0
Cash flow before extraordinary items	-42.4	-36.4
Cash flow from operating activities (A)	-42.4	-36.4
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1.3	-1.1
Income from disposals of tangible assets	0.1	0.1
Other investments to subsidiaries	-320.0	0.0
Placements in other investments	0.0	0.0
Proceeds from other investments	0.0	0.0
Loans granted	-4.0	0.0
Instalments on loans receivable	0.7	0.0
Cash flow from investing activities (B)	-324.5	-1.0
CASH FLOW FROM FINANCING ACTIVITIES		
Loans taken	404.3	130.4
Payments on loans	-71.8	-52.9
Changes in short-term cash pool liabilities and receivables	1.7	-48.2
Group contributions (contribution-based)	72.3	41.1
Dividends paid and other distribution of profit	-31.5	-30.5
Cash flow from financing (C)	375.0	39.9
Cash and cash equivalents at the beginning of year	3.1	0.6
Cash and cash equivalents at the end of year	11.2	3.1

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

MEUR	2015	2014
NOTES TO INCOME STATEMENT		
1. Net sales		
Rental income and compensation	2.5	2.4
Other income	2.3	2.2
Total	4.9	4.6
2. Other operating income		
Other operating income	0.0	0.7
Profit on sales of fixed assets	0.1	0.1
Management service charges	5.3	5.4
Total	5.4	6.2
3. Materials and services		
Materials and services		
Purchases	0.5	0.3
Change in inventories	0.3	0.6
Total	0.8	0.9
4. Personnel expenses		
Salaries and wages	3.0	2.4
Pension expenses	0.8	0.4
Other personnel expenses	0.0	0.1
Total	3.8	2.9
5. Management salaries and compensations		
Presidents and members of the Board of Directors	1.0	1.0
The President and CEO is entitled to retire at the age of 60.		
6. Average number of personnel		
Employees	17	19
7. Depreciation		
Depreciation of tangible and intangible assets	1.0	0.9
Total	1.0	0.9
8. Other operating expenses		
Rents	1.7	1.7
Maintenance expenses	0.8	0.6
Other fixed expenses	8.3	6.9
Other operating expenses	0.0	0.0
Total	10.8	9.1

MEUR	2015	2014
9. Financial income and expenses		
Dividend income		
From others	0.0	0.0
Dividend income, total	0.0	0.0
Interest income on long-term investments		
From Group companies	5.2	2.1
From others	0.0	0.0
Total	5.2	2.1
Interest expenses and other financing expenses		
To Group companies	-6.8	-0.9
To others	-24.9	-19.9
Total	-31.7	-20.8
Financial income and expenses, total	-26.5	-18.6
10. Extraordinary items		
Extraordinary income		
Group contributions	68.7	54.5
Total	68.7	54.5
11. Income taxes		
Income taxes	7.2	6.6
Total	7.2	6.6
NOTES TO BALANCE SHEET		
12. Intangible assets		
Other long-term expenditure		
Acquisition cost, 1 Jan.	4.2	3.6
Increases	1.0	0.6
Acquisition cost, 31 Dec.	5.2	4.2
Accumulated depreciation and write-downs, 1 Jan.	2.7	2.4
Depreciation for year	0.5	0.4
Accumulated depreciation, 31 Dec.	3.2	2.7
Book value, 31 Dec.	1.9	1.5
Intangible assets, total	1.9	1.5

MEUR	2015	2014
13. Tangible assets		
Land and water areas		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
Buildings and structures		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Accumulated depreciation and write-downs, 1 Jan.	0.0	0.0
Accumulated depreciation, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
Connection fees		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Machinery and equipment		
Acquisition cost, 1 Jan.	3.6	3.3
Increases	0.3	0.6
Decreases	-0.2	-0.2
Acquisition cost, 31 Dec.	3.7	3.6
Accumulated depreciation and write-downs, 1 Jan.	2.4	2.2
Accumulated depreciation of transfers	-0.2	-0.2
Depreciation for year	0.4	0.4
Accumulated depreciation, 31 Dec.	2.6	2.4
Book value, 31 Dec.	1.1	1.2
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.	0.3	0.2
Depreciation for year	0.1	0.1
Accumulated depreciation, 31 Dec.	0.4	0.3
Book value, 31 Dec.	0.9	1.0
Tangible assets, total	1.9	2.2

MEUR	2015	2014
INVESTMENTS		
14. Holdings in Group companies		
Acquisition cost, 1 Jan.	496.6	68.7
Increases	320.0	427.9
Acquisition cost, 31 Dec.	816.7	496.6
Book value, 31 Dec.	816.7	496.6
15. Holdings in associated companies		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
16. Other stocks and shares		
Acquisition cost, 1 Jan.	1.0	1.0
Decreases	0.0	0.0
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	817.6	497.6
17. Inventories		
Completed housing units and commercial space	0.2	0.2
Land areas and land area companies	5.8	5.0
Other inventories	0.5	0.3
Book value, 31 Dec.	6.5	5.5
18. Non-current receivables		
Receivables from Group companies		
Notes receivable, Group	7.8	7.8
Total	7.8	7.8
Receivables from others		
Notes receivable	0.4	0.4
Total	0.4	0.4
Non-current receivables, total	8.1	8.2

MEUR	2015	2014
19. Current receivables		
Receivables from Group companies		
Accounts receivable	0.0	0.5
Loans receivable	3.4	5.2
Other receivables	65.1	137.5
Prepaid expenses and accrued income	0.2	0.6
Total	68.8	143.7
Receivables from others		
Accounts receivable	0.3	0.3
Loans receivables	0.0	0.0
Prepaid expenses and accrued income	2.2	3.4
Total	2.5	3.7
Current receivables, total	71.2	147.4
Receivables total	79.4	155.7
Specification of prepaid expenses and accrued income		
Interest	0.0	0.1
Taxes	2.0	2.6
Other	0.4	1.3
Total	2.4	4.0
20. Shareholders' equity		
Increase in share capital	4.4	4.4
Share capital, 31 Dec.	4.4	4.4
Reserve fund, 1 Jan.	43.7	43.7
Reserve fund, 31 Dec.	43.7	43.7
Other funds, 1 Jan.	1.1	1.1
Other funds, 31 Dec.	1.1	1.1
i. Invested unrestricted equity fund, 1 Jan	23.3	44.5
ii. Decreases	-21.4	-21.2
iii. Invested unrestricted equity fund, 31 Dec	1.9	23.3
Retained earnings, 1 Jan.	78.1	61.2
Dividend payment	-10.2	-9.2
Retained earnings, 31 Dec.	67.9	51.9
Profit for the period	28.7	26.2
Shareholders' equity, total, 31 Dec.	147.8	150.6

MEUR	2015	2014
21. Calculation of distributable assets		
Other funds	1.1	1.1
Invested unrestricted equity fund	1.9	23.3
Retained earnings	67.9	51.9
Profit for the period	28.7	26.2
Distributable assets, 31 Dec.	99.7	102.5
22. The parent company's share capital is divided into shares as follows:		
Total number of shares	51,001,842	51,001,842
SATO Oyj holds 160 000 its own shares		
SATO Oyj has only one series of shares		
23. Obligatory reserves		
Refund claim expense reserve	0.0	0.0
Total	0.0	0.0
24. Long-term liabilities		
Loans to Group companies		
Loans, Group	3.9	3.9
Total	3.9	3.9
Loans from financial institutions		
Bonds	549.0	249.0
Loans from financial institutions	40.0	63.5
Total	589.0	312.5
Long-term liabilities, total	592.9	316.4
Loans maturing in more than five years		
	52.9	52.9
Derivatives		
Nominal values of derivative instruments		
Interest rate swaps	499.6	495.9
Fair values of derivative instruments		
Interest rate swaps		
Positive	1.1	(0.0)
Negative	-34.3	-35.8
Total	-33.2	-35.8

Interest rate swaps are being used for hedging against cash flow risk arising from the changes in the interest rates of the group companies' floating rate loans.

MEUR	2015	2014
25. Current liabilities		
Loans to Group companies		
Accounts payable	0.4	0.4
Other liabilities	59.6	38.8
Accrued expenses	1.9	0.7
Total	62.0	39.9
Loans to others		
Loans from financial institutions	103.7	149.7
Advances received	0.5	0.1
Accounts payable	0.4	0.5
Other liabilities	0.3	0.1
Accrued expenses and prepaid income	10.9	8.3
Total	115.8	158.6
Current liabilities, total	177.8	198.5
Liabilities, total	770.7	514.9
Specification of accrued expenses and prepaid income		
Wages and salaries including employee benefits	1.9	1.4
Interest	7.8	6.5
Municipal engineering liabilities	1.9	0.3
Others	1.2	0.9
Yhteensä	12.8	9.0
26. Collaterals, contingent liabilities and other commitments		
Congingent liabilities on behalf of Group companies		
Mortgages on land areas and buildings	0.0	0.5
Guarantees	574.1	574.1
Total	574.1	574.6
Other liabilities		
Rental contracts, premises in Panuntie		
Within one year (inc. VAT)	1.7	1.7
Longer than a year but less than five years	6.9	6.9
Longer than five years (inc. VAT)	3.4	5.1
	12.0	13.7

SATO has sublet office premises in Panuntie, Helsinki. The amount of minimum rent of these premises is EUR 2.1 (1.9) million. In 2015 rent income recognised in income statement was EUR 0.9 (0.7) million.

AUDITOR'S REPORT

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

To the Annual General Meeting of SATO Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SATO Corporation for the year ended December 31, 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International

Financial Reporting Standards (IFRS) as adopted by the EU.

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

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

Other opinions

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

Helsinki, 27 January 2016

KPMG OY AB

Lasse Holopainen

Authorized Public Accountant

KEY INDICATORS

FIVE YEAR INDICATORS	2015	2014	2013**	2012**	2011**
KEY FINANCIAL INDICATORS					
Net sales, MEUR	323	312	312	287	232
Operating profit, MEUR	196	191	178	160	209
Net financing expenses, MEUR	-37	-39	-38	-39	-35
Profit before taxes, MEUR	159	152	141	121	174
Balance sheet total, MEUR	2,980	2,802	2,596	2,360	2,167
Shareholders' equity, MEUR	993	892	823	693	635
Liabilities, MEUR	1,986	1,909	1,773	1,696	1,554
Interest bearing liabilities, MEUR	1,676	1,585	1,501	1,375	1,255
Return on invested capital, % (ROI)	7.6	7.7	7.7	7.7	10.9
Return on equity, % (ROE)	13.5	14.0	15.5	13.5	22.8
Equity ratio, %	33.3	31.8	31.7	29.4	29.5
Investment property, MEUR	2,753	2,528	2,316	2,088	1,899
Gross investments, MEUR	250	174	191	160	150
as percentage of net sales	77.4	55.7	61.2	55.7	64.7
Personnel, average***	172	165	156	152	137
Personnel at the end of period	170	169	156	150	141
KEY INDICATORS PER SHARE					
Earnings per share, EUR	2.49	2.37	2.34	1.78	2.63
Equity per share, EUR ****	19.53	17.55	16.16	13.72	12.59
Number of shares, million *	50.8	50.8	50.8	50.8	50.8
Key figures according to EPRA recommendations and operational cash earnings					
EPRA Earnings, MEUR	64.5	65.1	62.7	44.4	43.2
EPRA Earnings per share, EUR	1.27	1.28	1.23	0.87	0.85
EPRA Net Asset Value, MEUR*****	1 227.8	1 120.3	1 006.9	900.5	825.1
EPRA Net Asset Value per share, EUR*****	24.2	22.0	19.8	17.7	16.2
Cash earnings, MEUR	78.1	72.9	66.1	61.6	51.9
Cash earnings per share, EUR	1.54	1.43	1.30	1.21	1.02

* 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

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

INFORMATION FOR SHAREHOLDERS

Invitation to the annual general meeting of SATO Corporation

The annual general meeting of SATO Corporation will be held at 11:30 AM (EET) on Thursday 3 March 2016 at SATO Corporation's premises, address Panuntie 4, FI-00610 Helsinki, Finland.

Right to attend and enrolment

Entitlement to attend the annual general meeting is held by a shareholder who on 22 February 2016 has been entered as a shareholder in the company's register of shareholders maintained by Euroclear Finland Ltd. A shareholder whose shares have been entered in a personal, Finnish book-entry securities account for him or her, is entered in the company's register of shareholders.

Shareholders who wish to attend the annual general meeting must give notice thereof no later than 4:00 PM (EET) on Monday 29 February 2016, by which time the notice must have been delivered. The notification may be made as follows:

- in writing to the address SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki
- by phone (+358 201 34 4002/Kati Laakso) Mon-Fri 8.00 AM to 4.00 PM or
- by e-mail to kati.laakso@sato.fi.

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

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

 Holders of nominee-registered shares

Nominee-registered shareholders are entitled to attend the annual general meeting on the strength of the shares on the basis of which he or she is entitled to be entered in the register of shareholders maintained by Euroclear Finland Ltd on the date of record for the annual general meeting, 22 February 2016. Participation also requires that shareholders are temporarily entered onto the shareholder register maintained by Euroclear Finland Oy on the basis of these shares no later than 10:00 am (EET) on Monday 29 February 2016. For shares entered in the nominee register, this will be deemed enrolment for the general meeting.

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

The use of agents and proxies

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

Other regulations and information

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

SATO Corporation had a total of 51,001,842 shares and votes on the date of the invitation to the meeting, 9 February 2016.

Capital repayment and payment of dividend

The Board of Directors will propose to the annual general meeting that, for the financial year ending on 31 December 2015, a total of €0.50 per share be paid as dividend.

Dividend would be payable to a shareholder who, on the date of record, 7 March 2016, has been entered in the register of the company's shareholders maintained by Euroclear Finland Ltd. The Board of Directors will propose to the annual general meeting that the dividend be paid on Tuesday 22 March 2016.

Financial disclosures

The issue dates for interim reports are as follows:

January-March	21 April 2016
January-June	28 July 2016
January-September	20 October 2016

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

Distribution of shares, 18 January 2016

Fastighets Ab Balder	53.3%
APG Asset Management NV	22.8%
Elo Mutual Pension Insurance Company	12.9%
The State Pension Fund	5.0%
The Finnish Construction Trade Union	0.9%
Others (78 shareholders)	5.1%

On 18 January, the Group had 84 shareholders entered in the book-entry securities register. The turnover of SATO shares during the year under review amounted to 55.2%.

Articles of association and shares

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

The company's share capital as at 31 December 2015 was €4,442,192.00. The company had 51,001,842 shares. The share has no par value.

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