



sato

NEW DOORS

OPENING

sato

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SUSTAINABLE YEAR 2014



9,000 NEW RENTAL AGREEMENTS

GRI

DESCRIBES CORPORATE RESPONSIBILITY

75

YEARS OF HOUSING DEVELOPMENT

SATO is one of Finland's leading corporate investors in housing. By providing homes, we support growth and development in society. We anticipate future needs and open new doors.

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WE WANT OUR TENANTS TO ENJOY LIVING IN THEIR SATO HOME



RENEWING

SATO creates well-being

SATO is the most significant housing investment company in Finland. It owns and rents out approximately 24,200 apartments in the five largest Finnish growth centres and in St. Petersburg, Russia. SATO offers comprehensive alternatives in rental housing and an excellent customer experience.

In its own operations, SATO focuses on housing property management and development, as well as customer relations. The housing stock is developed through investments, divestments and repairs.

We develop land areas in cooperation with cities. We build new rental apartments for our own use and also sell new apartments as owner-occupied homes.

Why?

Homes will always be needed. With 75 year of experience, SATO knows society and the changing housing needs of its customers. Thanks to our expertise and regenerative ability, we are able to produce well-being and growth.

How?

SATO spends roughly €200 million annually to acquire rental apartments; approximately 70 per cent of this is invested in new apartments. The focusing of SATO's operations on the five largest growth centres is implemented through divestments. Apartments are repaired annually with €40–60 million to improve their rental attractiveness and value.

Property management is handled by a partner. Property maintenance is operated by maintenance companies on the basis of service agreements.

An excellent customer experience is achieved not only by developing the housing stock but also with timely and good service and functioning customer interaction.

Our competitive edge is based on responsible operations, constant renewal, predicting the needs of customers and on dedicated personnel. We aim high, we operate human to human and our expertise brings joy and ease to our work.

We are proud of SATO.

FACTS ABOUT SATO:

Number of SATO homes:

24,200

Fair value of investment property:

€2.5 billion

Investments/year:

€150–200 million

Number of personnel:

170

Business areas:

Helsinki Metropolitan Area, Tampere, Turku, Jyväskylä, Oulu and St. Petersburg

Major owners:

Pension insurance and insurance companies

SATO RentHome • star-rated rental homes

We develop our service concepts in line with the customers' needs, and we make it easy to find a suitable home, for example, with star ratings for rental apartments. SATO RentHomes are classified into three star classes based on their quality. Rent includes an internet connection and numerous other customer benefits. In senior homes, appropriate fittings and the central location of the properties facilitate living. In renovated and new apartments, we differentiate with good design solutions and material choices.

SATO HotelHome • temporary, home-like apartments

As business becomes more international, the need for temporary living is increasing. SATO HotelHome offers home-like living in a stylishly furnished apartment, which includes, for example, a fully equipped kitchen and modern electronic equipment. Our service also includes linens and a weekly cleaning.

SATO OwnerHome • individual owner-occupied homes ready to move in

SATO OwnerHomes are not sold until after completion. Our customers can see their future home in completed form before they decide on buying and they can move in right away after the purchase is completed. The apartments are individual, as we put particular effort into the design of the floorplans, fixtures, and materials.

A HOME THE WAY YOU WANT IT





WE RENEWED OUR VALUES

mission

SATO provides good housing

vision

Best home address – 50,000 happy residents

values

AIMING HIGH
A HUMAN TO HUMAN
JOY AND EASE OF EXPERTISE



SATO CUSTOMER SERVICE is here for you: We had a total of approximately 130,000 customer contacts by telephone, e-mail, on Facebook and via the sato.fi chat launched in 2014.



Brave renewal

42 NEW SATO EMPLOYEES

70 INNOVATION INITIATIVES PROPOSED BY PERSONNEL

INNOVATION OUTCOMES

SATO employees' idea about affordable housing was refined into the **SATO StudioHome** concept. SATO is planning to implement the first StudioHome in Vantaa.

Openly and together

Our new corporate culture encourages open interaction and brave initiative. All employees participated in improving their interaction skills.

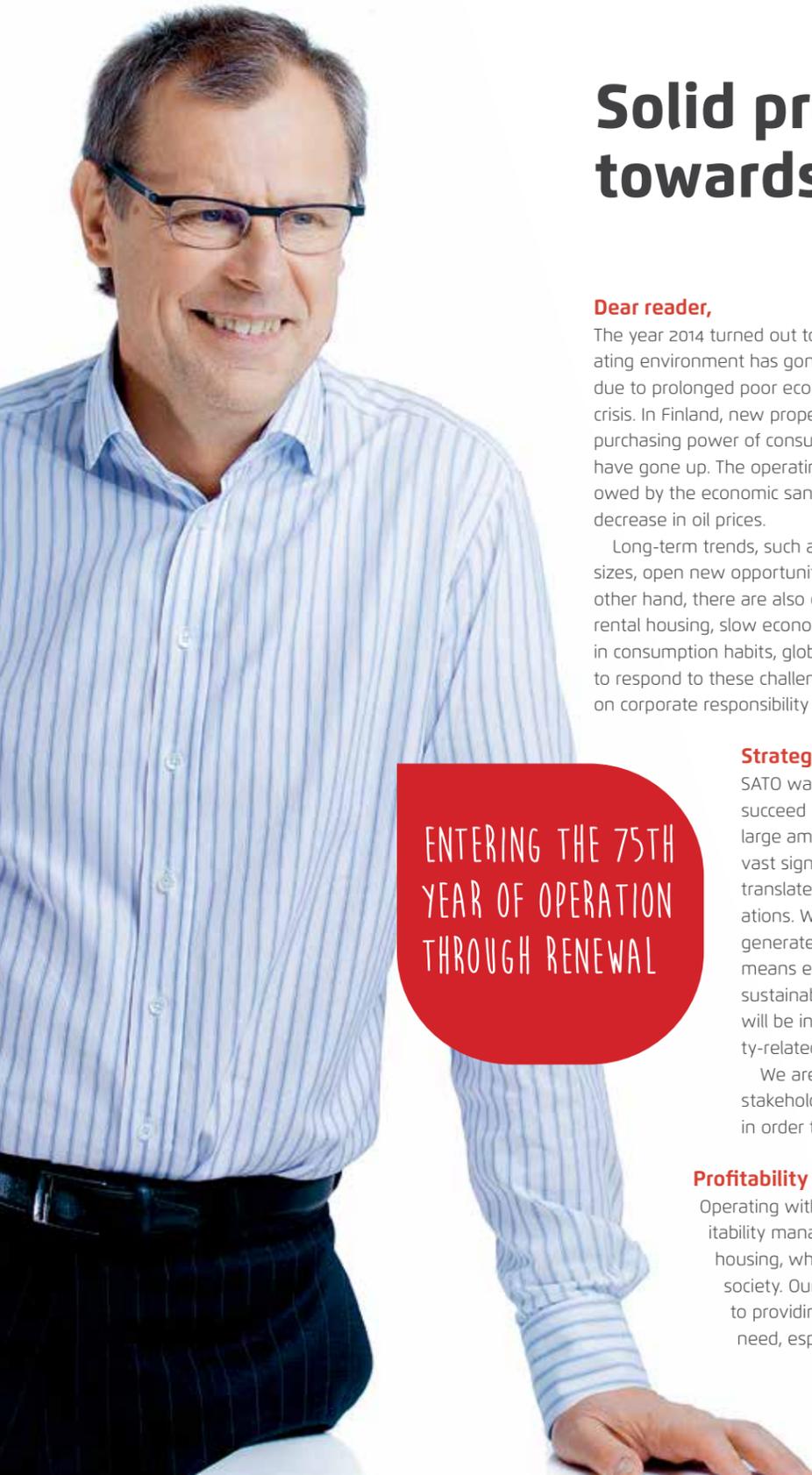
We work in a solution-oriented manner and trust each other. We are there in the everyday lives of our customers and seek ways to offer service that exceeds expectations.

We see changes as opportunities.



New reporting practices

- Rental apartments are valued at fair value on the balance sheet.
- The change of difference in value is presented in the profit and loss account and in the balance sheet.
- Sustainability reporting in accordance with the GRI framework.



ENTERING THE 75TH
YEAR OF OPERATION
THROUGH RENEWAL

Solid progress towards our goals

Dear reader,

The year 2014 turned out to be excellent for SATO, even though our operating environment has gone through more changes than in recent years, due to prolonged poor economic development in Europe and the Ukrainian crisis. In Finland, new property investors have entered the market, the purchasing power of consumers has deteriorated, and unemployment rates have gone up. The operating environment in St. Petersburg is overshadowed by the economic sanctions in response to the Ukrainian crisis and the decrease in oil prices.

Long-term trends, such as urbanisation, immigration, and smaller family sizes, open new opportunities for the growth of SATO's business. On the other hand, there are also challenging factors, such as the lack of affordable rental housing, slow economic growth, technological development, changes in consumption habits, globalisation and climate change prevention. In order to respond to these challenges, we have placed an even bigger emphasis on corporate responsibility on our management agenda.

Strategy relies on sustainability

SATO wants to operate with a long-term focus and to succeed regardless of the prevailing economic trend. The large amount of capital tied into our operations and the vast significance of the home for individuals and society translate into a requirement of responsible, reliable operations. We are talking about sustainable business that generates added value for our stakeholders. For us, this means ensuring economic, social and environmental sustainability with regard to executing our basic task. We will be increasingly strict in setting corporate responsibility-related objectives throughout our supply chain.

We are leading a systematic, regular dialogue with our stakeholders in the form of meetings and various surveys in order to improve our communications and services.

Profitability is the foundation of continuity

Operating with a long-term focus requires goal-oriented profitability management. This will ensure the availability of housing, which is an essential factor for a well-functioning society. Our strategy contains a growth target, which leads to providing new rental homes in response to the growing need, especially in the Helsinki Metropolitan Area.

Rental income and the positive value development of our property portfolio form the foundation of our profitability and generate value for owners. Our targeted level of return on equity is at least 12 per cent. In order to achieve this, we must use our resources efficiently, and the same requirement is extended to our partners.

The targeted value of our property portfolio is four billion euros by the end of 2020. This requires an annual investment level of approximately EUR 200 million and a positive housing price development trend. In Finland, the value development of our rental housing units was favourable in the year under review. In Russia, the rouble declined by approximately 40 per cent during the year under review, and this had a negative impact on the value of our St. Petersburg housing portfolio. We have decided to refrain from any new investments in St. Petersburg until the conditions become more stable.

Added value for the customer

In the changed competition environment, we need to stand out in order to continue on a successful path. At SATO, customer experience development addresses the quality of homes, services and customer encounters.

When we understand our customers' needs, we can offer them suitable products and services that make their lives easier. We want to contribute to the everyday lives of our customers and create a community spirit among them.

Operating culture

SATO's business model is based on handling the selected core functions in-house and assigning some of our other activities to a co-operation network, in which we indirectly employ around a thousand people. We acknowledge our responsibility as an enabler of continuity for our partners, and in partnerships

we seek ways to benefit both parties' business.

Our internal operating culture is reflected not only on our customers but also on the performance of our partners. We aim to create an inspiring, appreciating corporate culture and significance of work.

Excellent year despite challenges

In the year under review, SATO reached a record profit. Rent income increased even though the financial occupancy rate of rental housing was lower than expected at the beginning of the year. In the changed competitive environment, we enhanced our customer interface operations and intensified internal co-operation, which helped us turn the rental occupancy rate up in the spring.

The NPS score, measuring customer experience, improved and reached the set target. In the future, we will place a particular focus on improving our service processes during residence in order to increase customer satisfaction.

Although our personnel survey results improved on the previous year, we did not achieve our target. Our target is to exceed the reference level by ten percentage points. Based on the survey results, we have prepared unit-specific development plans in co-operation with the employees.

In preventing the harmful effects of climate change, energy use in our properties has the greatest impact; we have defined both short- and long-term targets for the reduction of energy use. Our activities have been successful. Analysing the waste flow volumes of our residential properties is an ongoing task. We will specify the estimate in co-operation with our partners.

Opening new doors

Our new corporate values reflect the shift of our operations from issue orientation to people orientation, from assumptions to genuine understanding. In order to

intensify the co-operation between SATO and its tenants, we called the first customer forum to assemble in December. In the future, we wish this forum to provide us with new initiatives and feedback that will help us improve our operations and sustainability.

In response to the need for affordable rental housing, we will launch our new housing concept, SATO StudioHome, in the Helsinki Metropolitan Area in 2015. This concept has been designed on the basis of an innovation initiative received from SATO's employees and the housing model developed at the Safari camp with high school students in the summer.

In keeping with our strategy aimed at sustainable development, we have increased our activity in converting old business buildings for residential use.

We prepared our corporate responsibility policy and set the related goals in 2013. One of these goals was to start reporting on sustainability issues. Now, SATO's annual report includes our first corporate responsibility report complying with the GRI guidelines.

We aim to open new doors and grow, but this can only be done in co-operation with all of our stakeholders. I would like to warmly thank our dedicated staff for their hard work in handling the day-to-day situations and for contributing to SATO's future. I also thank the company owners, Board members, co-operation partners and customers for their valuable support and feedback. We are in a good situation to move on to SATO's 75th year of operation. Homes will always be needed.

Erikka Valkila
President and CEO

2014 and financial development 2010–2014

Significant improvement in result

- Profit before taxes improved by roughly 8% on the previous year, reaching €152.2 (140.8) million.
- The change in the fair value of rental apartments included in the profit was €63.8 (59.6) million.
- Shareholders' equity was €892.2 (821.7) million, €17.55 (16.16) per share.
- Return on equity was 14.0 (15.5)%.
- The proposal for dividend and capital repayment is €0.62 (0.60) per share.

Investments continued

- Investments in rental apartments totalled €174.1 (190.6) million.
- At the end of the year, the fair value of rental apartments was €2.5 (2.3) billion.
- At year-end, 788 (1,248) rental apartments were under construction.

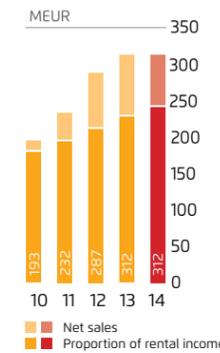
Rental income increased

- Rental income increased by roughly 6% to €243.2 (229.5) million.
- The rental occupancy rate was 97.2 (97.7)%.

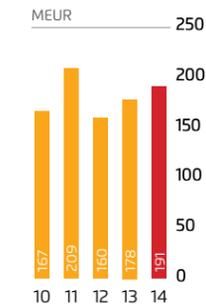
SATO'S TAX FOOTPRINT 2014

Taxes paid in financial year	Income tax • 16.8 m€	Employer contributions • 2.4 m€
	Property taxes • 4.8 m€	Transfer taxes on investments • 1.8 m€
Taxes collected in financial year	VAT on acquisitions • 7.2 m€	VAT on sales and own use • 21.8 m€
	Taxes withheld from salaries • 4.2 m€	

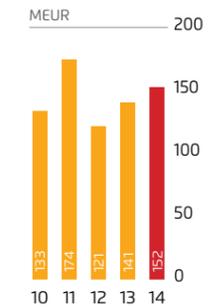
Net sales



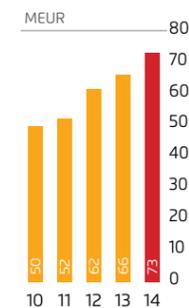
Operating profit



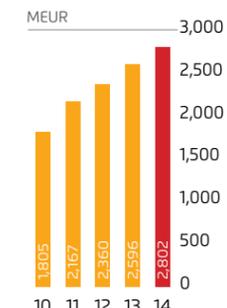
Profit before taxes



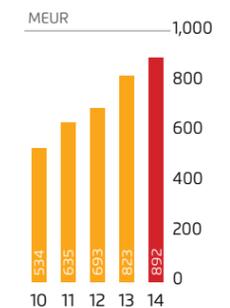
Cash earnings



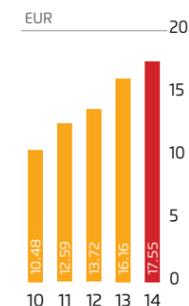
Balance sheet



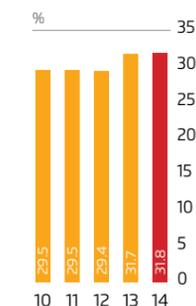
Shareholders' equity



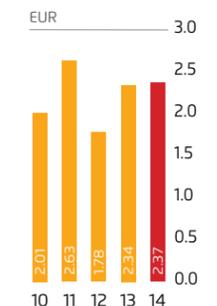
Equity per share



Equity ratio



Earnings per share



SATO's strategy creates value

KEY STRATEGIC AREAS

PROFITABILITY

ensures the creation of well-being in the long term

GROWTH

increases the supply of rental apartments and the company's value

EXCELLENT CUSTOMER EXPERIENCE

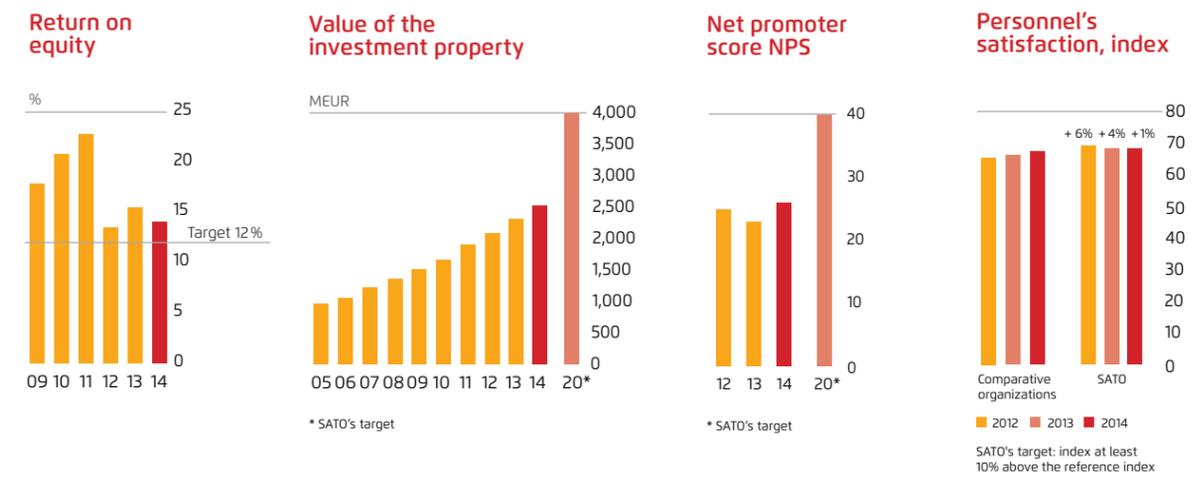
provides competitive edge

INSPIRING COMPANY CULTURE

supports employee engagement

SUSTAINABILITY CREATES WELL-BEING

STRATEGIC GOALS



Successful strategy implementation in 2014

- The profitability target achieved
- The company value increased through successful investments and a good profit
- New building management and maintenance agreements improve customer service and reduce maintenance costs
- Digital service offering expanded
- The net promoter score among our customers improved
- Sustainability added to our management agenda
- We launched a corporate culture change project and redefined our values
- A new affordable housing concept developed

Development areas for 2015

- Implementing the growth targets
- Visibility on the international capital markets
- Maintaining the profitability level
- New digital services
- Further improving the net promoter score
- Sustainability criteria for the entire supply chain
- Improving energy efficiency
- Continuing the company culture change

STRATEGIC INDICATOR	ACTUAL 2014	TARGET 2015	TARGET 2020
Return on equity, %	14	≥ 12	≥ 12
Value of housing portfolio, bn€	2.5	2.75	4.0
Net promoter score (NPS)	26	31	> 40
Employee engagement, development compared with the reference group	+ 1%	+ 10%	+ 10%

ENERGY EFFICIENCY INDICATOR	ACTUAL 2014	TARGET 2015	TARGET 2016
Specific emissions, kg CO ₂ -e/m ²	40.4	39.7	39.0
Specific heat consumption, kWh/m ³	43.6	43.4	43.2
Specific electricity consumption, kWh/m ³	3.9	3.9	3.9
Specific water consumption, l/m ³	415	400	386



GROWING NEED
FOR SMALL
RENTAL HOMES

FINLAND

Challenges open also opportunities

The Finnish economy needs renewal

A weak development trend has prevailed in the Finnish economy for longer than expected, and Finland's credit rating has been lowered. In order to generate even slow growth, drastic revamping of the economic structures is required, as the working-age population is quickly decreasing, while the proportion of senior citizens is increasing. Productivity has decreased in the national economy.

According to the Confederation of Finnish Industries (EK), companies did not see any improvement in their economic situation in December, and expectations for the near future remained low. The confidence of retail trade fell to its lowest level ever in its history. Industry trends were also weak, but production is, nevertheless, expected to grow slightly.

The Finnish economy has not gained any external leverage. Growth has been slower than expected throughout the Euro zone. The Ukrainian crisis and decline of the Russian rouble's exchange rate have decreased trade with Russia.

Due to the poor economic trends, interest rates have remained low for a long time, which has had a positive impact on national economy and SATO's results.

Increased unemployment, decreased consumption

According to the Labour Force Survey of Statistics Finland, in November 2014, the unemployment rate was 8.7 per cent, while the corresponding figure for the previous year was 8.2 per cent.

Household purchasing power deteriorated during the year under review, and it is not expected to increase in the next few years. Debt rates have remained at a substantially high level in relation to the increase in income. The above-mentioned facts, combined with the general uncertainty about the future, have caused households to decrease consumption.



8,900 NEW CITIZENS
IN HELSINKI



WE GREW IN THE
HELSINKI METRO-
POLITAN AREA

Flexibility needed in the housing market

Urbanisation continues

In Finland, urbanisation is still lagging behind the international level, so we expect the migration to cities to continue. Internal migration and immigration are mainly targeted at cities. According to the statistics service of the City of Helsinki, the population of Finland's capital increased by 8,900 people in 2014.

Helsinki Metropolitan Area deviates from other housing markets

The demand for homes in proportion to the housing supply has been higher in the Helsinki Metropolitan Area than elsewhere in Finland. The growth and attractiveness of the Helsinki Metropolitan Area create advantages for the development of the entire country. This is why it is important to produce more housing in the Metropolitan Area to enable migration and ensure the availability of labour.

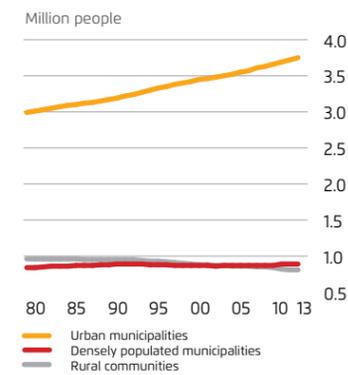
The imbalance between the supply and demand for housing has also maintained a high rent and price level. In the year under review, the state and 14 local municipalities agreed on actions to enhance land use, housing, and traffic in the Helsinki Metropolitan Area. The objective of this agreement is to enable the construction of 15,000–16,000 new homes in the region every year. The municipalities committed themselves to allocating more land for residential construction in their town plans, and the state promised to support traffic improvement projects. The agreement period is 2016–2019.

Greatest demand for small rental homes

The greatest demand in the Helsinki Metropolitan Area concerns small rental homes. The number of households of one or two people is expected to increase, and the purchasing power development is estimated to slow down.

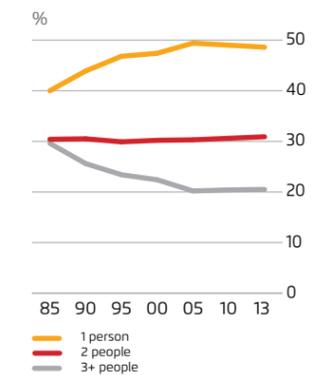
SATO HOME IS SAFE AND CARE-FREE

Urbanisation 1980–2013



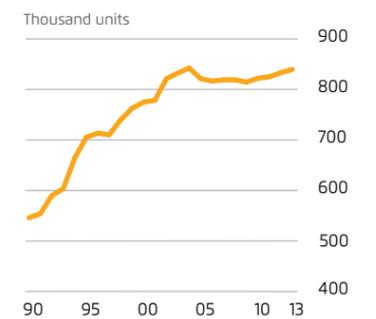
Source: Statistics Finland

Distribution of household sizes in Helsinki 1985–2013



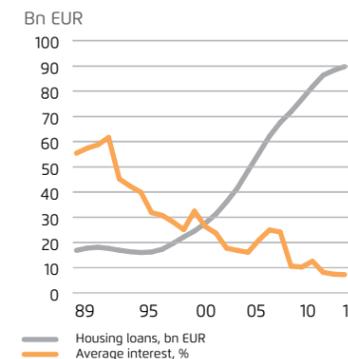
Source: Statistics Finland

The rented housing stock in Finland 1990–2013



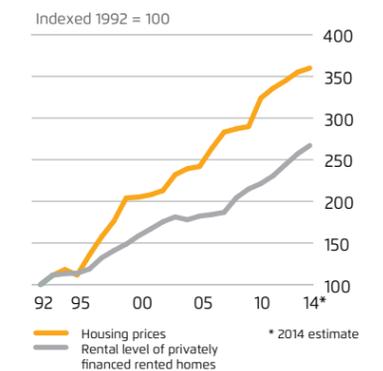
Source: Statistics Finland

Housing loans and average interest rate 1989–2014



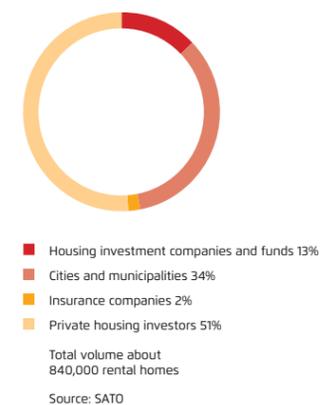
Source: Bank of Finland

Housing prices and rental levels in the Helsinki Metropolitan Area 1992–2014



Source: Statistics Finland

Parties owning rented housing 2014



An imbalance in supply and demand affects the level of rents, and rises in rents are proportionately largest in small apartments. During the year under review, rents rose in the market by an average of 3-4 per cent. During the year under review, the rents of SATO's apartments in Finland rose by an average of 4 per cent. SATO's housing property is focused on central locations in the Helsinki Metropolitan Area, and the apartments' average surface area is 57 square metres.

SATO has developed a new concept for affordable housing, which will be launched in the spring of 2015.

Increased interest in housing investment

The number of funds investing in housing has increased and, according to our estimate, funds now own approximately 15,000 rental homes, mostly in the Helsinki Metropolitan Area. We also estimate that the number of private housing investors has increased slightly.

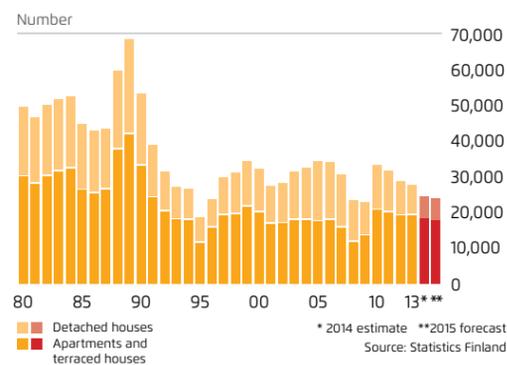
The emergence of new operators in the market increases competition in a healthy manner. SATO has a competitive edge thanks to its customer-oriented service, attractive concepts, good location of homes and its own land inventory.

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

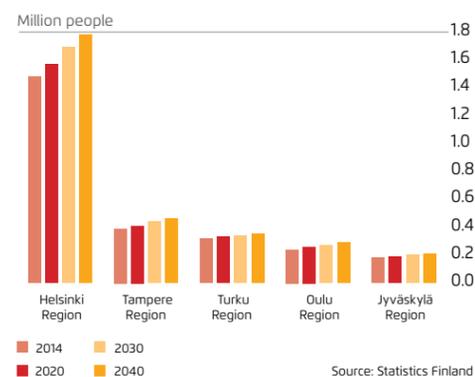
MEGATRENDS

MEGATREND	IMPACT ON SATO'S OPERATIONS	ACTIONS 2014
1. URBANISATION	Investment properties consolidated in centres of urban growth	67% of investments in the Helsinki Metropolitan Area
2. GREYING POPULATION	Senior apartments	New apartments to suit senior citizens
3. SMALLER FAMILY SIZES	Proportion of small homes being increased in the housing portfolio	Small homes accounted for 70% of investments
4. INTERNATIONALISATION	Service in several languages	Publishing sato.fi in English
5. DESIGN	Improve apartments' functionality and aesthetics	Revamping design guidelines, differentiation
6. INCREASED CORPORATE RESPONSIBILITY REQUIREMENTS	Corporate responsibility as part of the strategy	First GRI sustainability report
7. DIGITALISATION	Development of digital services	New CRM system, mobile application for apartments

Housing starts 1980–2014



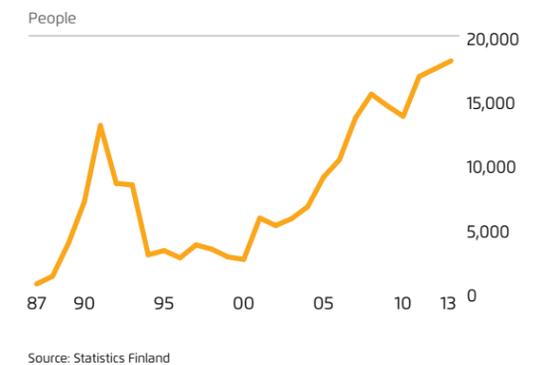
Forecast population by region 2014–2040



Housing prices in St. Petersburg 2004–1/2015



Net immigration 1987–2013



SATO's role in society

As a major housing investor, SATO has a unique opportunity to create economic and social well-being and promote environmental values through its activities. SATO offers secure rental homes and actively develops rental housing. By increasing the offering of rental housing in growth centres, we contribute to the prerequisites of growth in the business community.

SATO has been working for the good of housing for more than 75 years. Its operations are part of basic security in society. Homes will always be needed.

At the end of the year under review, SATO owned about 24,200 rental homes, with a fair value of about €2.5 billion. Our property stock is part of the public wealth in Finland, and we want to develop and increase it. In order to increase the value of our properties and respond to future housing needs, we develop our service concepts and maintain and repair our apartments.

Partner for the tenants

Housing has a decisive impact on one's well-being. Approximately 47,000 people live in SATO's rental apartments. Knowing

our customers and understanding their needs is a prerequisite for long-term business success. We strive to predict changes in housing needs by closely monitoring trends and staying alert in the customer interface. We help our customers choose an apartment, ensure a smooth move-in, take care of the apartment's condition and ensure a high level of property maintenance, and respond to service requests quickly. In addition to a home, we offer our tenants opportunities to participate in the tenant community's events. This also contributes to offering the best customer experience.

We wanted to survey young people's expectations and values with regard to housing to support our visions of tenants' future needs. For this purpose, we asked a group of high school students to generate ideas of future housing. The group developed a concept in which community spirit, diversity and safety were the key topics. These ideas were taken into account in the content definition of our new SATO StudioHome concept, and some concrete ideas will be piloted in new construction.

Responsible operating principles

The home has a huge significance for

people and society, and therefore, responsible and reliable operations are required. Our responsible operating principles are based on legislation and internal guidelines.

We comply with international accounting standards, the Finnish Corporate Governance Code, the GRI guidelines for sustainability reporting, as well as SATO's own guidelines and principles. The most important documents are our corporate responsibility policy, environmental programme, Code of Conduct, grey economy prevention guidelines, procurement, financing, risk management and communication policies, leadership principles and equality plan.

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.

Inspiring corporate culture

Our people play a key role in the implementation of our strategy and corporate responsibility objectives. We offer long-term employment. Around 45 per cent of SATO's employees have been employed by the company for longer than six years.

In keeping with our orientation in the future, we encourage innovation, experimentation, respect for others' opinions and openness. The revamped company culture, which was developed in co-operation with the personnel, relies on trust, open interaction and initiative.

Environmental impacts

Through its substantial property stock, SATO has an opportunity to reduce the environmental burden caused by housing. Our environmental programme and objectives focus on improving energy efficiency. Further factors that can significantly help curb the climate change include the location of new residential areas and various technical solutions.

Extensive network

Our business model consists of complex supply chains and supplier networks. In its supplier relations, SATO requires compliance with acts, regulations and SATO's guidelines. The importance of observing social obligations and safety is emphasised in subcontractor agreements, and methods are monitored at joint meetings and with spot checks. The grey economy prevention instructions specify operating practices, requirements and sanctions to be used in SATO's agreements and orders.

We create extensive job opportunities. In addition to our in-house personnel, we provide employment to a large number of people through our subcontractors and partners. Our indirect employment effect

adds up to approximately 1,000 person-years, which is almost six times the direct employment impact of SATO. The share of building management and maintenance partners was approximately 120 person-years. Of these partners' workforce, the share of full-time employees was roughly 45 per cent and that of part-time employees roughly 55 per cent. The well-being of employees is reflected in the quality of their work and, consequently, customer satisfaction. So far, we have no information on how large a proportion of the personnel in our supply chain is covered by management practices that promote health and safety. We are developing our practices to include all areas of corporate responsibility in our supplier assessments.

Influence in communities

We work in close co-operation with cities, partners and other stakeholders in order to create vibrant residential areas. There are no assessments on interaction with local communities and its effectiveness. Examples of co-operation are found in the fields of town planning and housing-related services, as well as the climate partnership with the city of Helsinki.

SATO influences improvement in the conditions for rental housing production and ownership by offering its expertise to society's decision-makers, legislators and organisations. In the year under review, SATO actively proposed solutions for increasing the supply of rental housing in

the Helsinki Metropolitan Area.

SATO is a member of several organisations in the field. SATO's representatives serve on the Board and committees in the Finnish real estate professionals' association RAKLI ry, and SATO also has representation on the Boards of Directors of the Finnish Housing Association, the Finnish Housing Reform Association and SFHP Suomi-Finland Housing and Planning. As a member of the Helsinki Region Chamber of Commerce, SATO participates in surveying the Helsinki Metropolitan Area's businesses' needs regarding housing and contributes to the improvement of preconditions for constructing new rental homes in the region. In addition, SATO's representative participated in the Neighbourly Aid Committee, coordinated by the Crime Prevention Council of the Ministry of Justice and associated with preparations for an internal security programme.

Every Christmas, SATO makes a donation to a charity. In the year under review, SATO wanted to help children and gave monetary donations to the New Children's Hospital 2017 initiative, as well as the Hope Yhdessä & Yhteisesti ry association. In addition, employees of SATO's main office and other tenants of the main office building were invited to buy Christmas gifts for underprivileged children. The gifts were delivered through Hope.

SATO does not make monetary donations to any political parties.



CASH FLOW 2014



Material impacts on stakeholders

The material topics of SATO's corporate responsibility were determined on the basis of input from company management, SATO's experts and stakeholder interviews in 2013. At SATO, the identification of stakeholders is embedded in the strategy work, leadership and action plans. Key stakeholder groups have been identified based on SATO's internal analysis. The analysis took into account the impacts of cooperation on the implementation of SATO's strategy and the achievement of goals, as well as on the ability to jointly create added value for both parties and other stakeholder groups.

For the purpose of materiality analysis, SATO's major shareholders, funders,

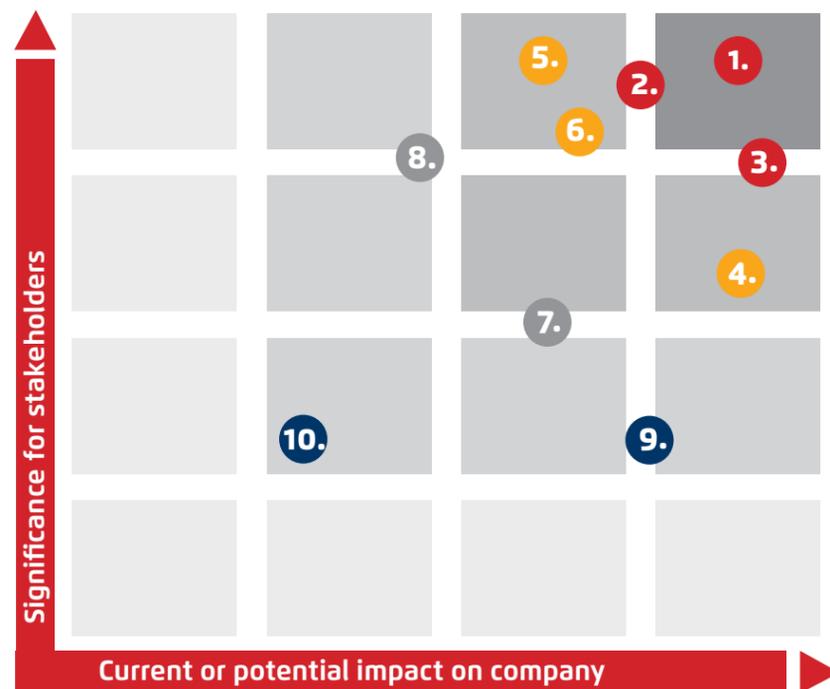
partners, representatives of SATO's board, as well as experts from the public sector, were interviewed as key stakeholders. In addition, the results of SATO's regular stakeholder surveys (customer satisfaction surveys, reputation survey, personnel survey, partner survey) were analysed. The analysis aimed at identifying the key trends that influence business, changes in customer behaviour, stakeholder expectations regarding SATO's activities, impacts of SATO's activities and corporate responsibility-related risks. In addition, SATO analysed how corporate responsibility should be integrated in the activities and how SATO could be a forerunner in this field. Based on the interviews, stakeholder

surveys, strategic goals and workshops arranged for SATO's experts and management, SATO created a corporate responsibility materiality matrix, topics of sustainability, and a corporate responsibility policy. The corporate responsibility development work continued in 2014 under the lead of the Corporate Management Group and a corporate responsibility workgroup, and sustainability actions were planned on the basis of the materiality matrix. Moreover, corporate responsibility-related matters were increasingly communicated in the employees' morning briefings and training events.

The materiality matrix will be updated in 2015.

SATO'S MATERIALITY MATRIX

1. Financial sustainability
2. Excellent customer experience
3. Sustainable and transparent operating principles
4. Housing with respect for the environment
5. Meaningful work
6. Inspiring and coaching management
7. Socially respected partner
8. Personnel engagement in developing corporate responsibility practices
9. Win-Win partnerships
10. Customer engagement in developing corporate responsibility practices



Key stakeholders: Main points for the stakeholders	Impact on SATO's operations	Stakeholders' participation and interaction channels	Stakeholders' impact level
Customers			
Housing quality	Versatile housing concepts, good customer relationship management, quick response to disturbances, systematic property maintenance	Customer feedback, Tenant Forum, tenant meetings and events, service centre	•••
Good price-quality ratio of housing	Star rating of rental homes, apartment inspections, condition maintenance, continuous market benchmarking, service development	Customer surveys, social media, sato.fi	•••
Customer engagement in the development of sustainable practices	Launch of the customer forum, tenant communications	Participation in the forum, customer magazine, housing guides and instructions, sato.fi, social media, tenant meetings and bees	•••
Service and material providers			
Responsible procurement principles	Centralised purchases, long-term partnership and service agreements, procurement instructions	Bidding competitions, negotiations, partner co-operation steering groups and workgroups, joint real estate industry development projects	•
Quality control	Development in co-operation with partners, internal and external quality controllers	Agreements and instructions, partner co-operation steering groups and workgroups, property surveys	••
Prevention of economic crime	Grey economy prevention guidelines, procurement policy	Supplier co-operation according to the partnership model: steering groups, supplier meetings, development discussions	•
Personnel			
Well-being at work	Extensive occupational healthcare, early intervention model, supporting exercise and recreation, supervisor training	Morning coffee, employee info and training events, development discussions, supervisor interaction, personnel-employer workgroups	•
Competence development	Training opportunities, coaching, mentoring, job rotation	Development discussions, personnel surveys, SATO's workgroups and development teams	•
Engagement in the development of corporate responsibility activities	Open dialogue, engagement in operational planning, innovations, rewards for initiatives	Development discussions, supervisor interaction, intranet, innovation competitions, SATO's workgroups and development teams	•
Owners, investors and funders			
Sustainable investment	Increasing the housing portfolio through investments, maintaining a good net cash flow, corporate responsibility practices	Interaction related to strategy preparation, owner and investor meetings, general annual meeting, Board meetings	•
Financial sustainability	Long-term profitability	Financial reviews	•
Corporate Governance	Transparent administration and communication	Meetings, website, reviews	•
Society			
Social influence	Active issuing of statements, participation in industry organisations	Written statements, workgroups, hearings, organisations, other stakeholder meetings	•
Maintenance of the housing stock, energy efficiency	Cost efficient maintenance and life cycle repairs, commitments to the state and City of Helsinki	Co-operation with partners and tenants, participation in joint projects in the real estate industry	••
Developing rental housing	Offering high-quality homes and related services, town plan development, concept development	Co-operation with partners and tenants, personnel engagement in innovation and process development, participation in joint projects in the real estate industry	•

• Group level •• Group and property level ••• Group, property and apartment level

SATO's responsible supply chain

FROM PLOT OF LAND INTO A HOME — SUSTAINABLY



1. Land acquisition and town planning

SATO is actively developing its own land reserve and buys land from private sector land owners and municipalities. We acquire and develop plots in areas with good public transportation connections. In land acquisition and town planning, we take into consideration environmental values as outlined in legislation and assess environmental risks such as possible land contamination. In addition, required natural surveys and reports are prepared for plots subject to town planning. SATO's existing land reserve will form homes for approximately 6,400 people.

We invest in land acquisition and town plan development particularly in the Helsinki Metropolitan Area, where the demand for homes is the greatest. Town planning is carried out by municipalities, and SATO participates in the process as an expert advisor and uses consultants in town planning when needed. The aim of town plan development is to create comfortable residential areas that meets the residents' housing needs as well as investment criteria. A further goal is to ensure conditions for implementing homes in the long-term.

2. Rental housing investment

SATO increases its housing stock through new construction and acquisitions of existing properties. In new construction projects, the design is assigned to architects, special design and engineering tasks to consultants, construction work to contractors, and construction supervision to supervisory consultants. SATO manages the design and engineering and inspects apartments. It is SATO's goal to implement and acquire apartments that meet customers' needs in the Helsinki Metropolitan Area and other growth centres.

In Finland, we offer a newly built rental home for approximately 750 people every year. The environmental impacts of construction are taken into account in compliance with regulations and in co-operation with the contractor, for example, when planning the construction site. We emphasise the good functionality and energy efficiency of our newly constructed properties.

SATO also purchases completed apartments from contractors and other property owners. In these projects, SATO is responsible for implementing the investment, assigns consultants to inspect the units when necessary, and communicates the transaction to residents and partners.

New investments are subject to a sustainability due diligence process that includes an analysis of meeting SATO's strategic and financial goals, as well as the environmental efficiency of investments, compliance with good governance in the investment process.

3. Living

SATO's rental apartments are homes to about 47,000 people. The home leasing, co-operation with tenants, maintenance and repairs are carried out by SATO, its partners and assigned service providers. SATO aims to offer homes that meet the residents' needs, comfortable and safe living environments, and other housing-related services.

Leasing: SATO mainly handles the home leasing in-house. In regions where SATO does not have its own organisation, the leasing service is handled by a service provider.

Marketing: SATO mainly handles marketing in-house.

Co-operation with tenants: SATO and its building management partner have contact centres, and SATO arranges tenant events, prepares guides and instructions, and publishes a tenant magazine, and building managers arrange tenant meetings and bees. Tenants are encouraged to participate in developing sustainable operating practices, for example, through tenant events and the tenant forum opened in 2014.

Management: SATO's building management partner is in charge of managing the maintenance of apartments and ordering minor repairs. SATO deploys a partner direction model in quality assurance.

Maintenance: SATO purchases maintenance and cleaning services from service provider companies under the direction of SATO's manager. SATO oversees the quality of maintenance. Energy and water consumption is monitored throughout our housing stock.

Repairs and renovations: SATO assigns its contractual contractors to carry out repairs under the supervision of the building manager; major renovations are subjected to separate bidding competitions and carried out under SATO's supervision.

Product and service deliveries: SATO has framework agreements with suppliers providing products and services related to the maintenance of properties and apartments.

4. Development of properties and homes

SATO conducts renovations on its apartments and properties according to the life cycle principles. SATO assigns architectural design to architects, special design and engineering tasks to consultants, construction work to contractors, and construction supervision to construction supervisory consultants. SATO manages the design and inspects or assigns third parties to inspect of the apartments. We aim to improve our properties' energy efficiency and develop the distribution of housing stock to better respond to the current and future housing needs. We offer homes in renovated apartments for about 400 people every year.

We are actively exploring opportunities to convert old office buildings into homes. By converting office buildings for residential use, we start a new life cycle for these buildings and utilise the existing city structure.



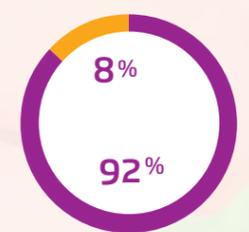
TOGETHER

FINANCIAL SUSTAINABILITY IS THE FOUNDATION OF OUR OPERATIONS



745 SATO SITES IN 2014

Business segments share of the fair value



■ SATO
■ VATRO

57m²

average surface area of a SATO apartment

Profitable and growing business

SATO's business is based on financial sustainability and creating added value for stakeholders. We promote profitability and increase the value of our housing stock by developing our rental housing portfolio and ensuring successful rental operations. Investments in prime locations, a high rental occupancy rate, and efficient cost management help us achieve our goals. We

renew our practices to ensure continuous development. Success also calls for risk identification. We observe changes in our operating environment continuously to make sure we are prepared for them and are able to prevent the realisation of risks that would impact our business.

BUSINESS MODEL

HOUSING PORTFOLIO	CUSTOMER RELATIONSHIPS
<ul style="list-style-type: none"> • Investments and divestments • Project and property development • Asset management • Control of renovations and construction 	<ul style="list-style-type: none"> • Marketing • Renting • Sales • Customer Service • Enhancing customer relationships • Design
<p>Financial management and finance, communications, HRM, legal affairs, IT, development</p>	
<p>PARTNERSHIPS</p> <ul style="list-style-type: none"> • Building management • Property maintenance • Construction 	

Steady income from rental homes

Rental income and the positive development in the value of housing create a foundation for the profitability of SATO's business. SATO RentHomes are concentrated in areas in which the value development of rental apartments has the best prerequisites.

Location and size are decisive

SATO's rental homes are located in the biggest growth centres, where renting is a popular form of housing, and there is continuous demand for rental homes. Of our housing property, about 80 per cent is located in the Helsinki Region. The rest of the housing property is in the economic zones of Tampere, Turku, Oulu and Jyväskylä as well as in St. Petersburg, Russia.

The strongest need for rental homes in SATO's Finnish operating regions concerns small apartments. We have increased the share of small apartments in our portfolio, and the average size of our apartments at the end of the period under review was 57 m².

Stars reflect quality

SATO apartments are healthy and safe. Rental apartments are divided into three star-rating categories based on quality.

The five-star homes are unique in their locations and interior materials. The four-star homes are new or as good as new, and the three-star homes are in a basic condition.

Smoke-free homes

We wish to respond to customer feedback and make our apartments as healthy as possible, which is why smoking in SATO homes is prohibited. In properties completed in 2015 or later, balconies and yards are smoke-free, as well.

Sustainable maintenance of rental homes

The development of apartment and property maintenance costs has a significant impact on profitability. Through competitive tendering for acquisitions, energy-saving measures at properties, and

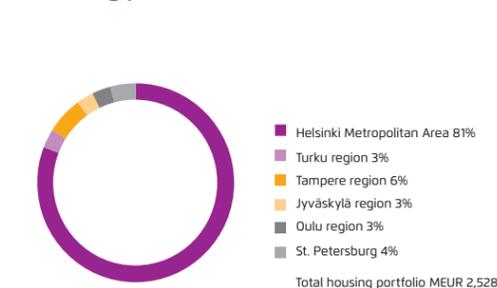
long-term planning of repair work, we are able to control the upward pressures on costs.

The condition of apartments is monitored by regular inspections carried out every 1–3 years. Small faults requiring improvements are repaired at the time of the inspection, and a report is made of larger repair requirements. Inspections are mainly conducted as the company's own work.

In the field of maintenance, SATO has partnered with leading professional service providers. Sustainable operations are emphasised in partner steering. Decreasing energy consumption and enhancing the customer service experience are our common goals.

In addition to maintenance measures carried out by SATO, we want to support residents' own home improvement efforts. During the year under review, we developed the DIY renovation concept that includes a material and accessory package and instructions.

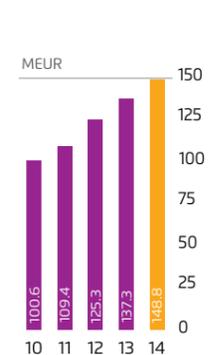
Regional distribution of the housing portfolio 31 Dec 2014



Distribution of housing by area, Helsinki 31 Dec 2014



Net rental income



Efficient rental business benefits the customer

Efficient rental business secures rapid delivery for people who need a home. The basis of rental operations is a thorough mapping of the customers' needs in order to find a suitable home. In the year under review, a total of about 9,000 rental agreements were made.

Developing rental service

SATO handles the majority of its rental operations in-house. Our personnel serve customers on weekdays until 8 pm and also on Saturdays. Working at the customer interface enables us to predict changes in customer needs and on markets.

We are continuously developing our rental service in order to guarantee the best customer experience for home seekers. In 2014, we revamped the rental management system, increased rental

resources and trained our personnel. We also published a mobile application of the apartment search service. The satisfaction rate of our customers with our home rental service was 4.4 (4.3) on the scale 1–5.

Increasing rental income

Increasing rental income is one of the key elements for SATO's profitability. The increase in rental income is affected by investments focused on the Helsinki Metropolitan Area and rent development. In 2014, rental income increased 6.0 per cent from the previous year and totalled €243.2 (229.5) million. The financial rental occupancy rate was 97.2 (97.7) per cent.

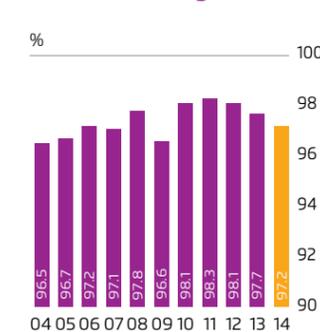
Paying rent gives more than just walls

In addition to an apartment, rents include many other benefits. These are, for

example, a free 10 MB broadband, laundry and drying rooms free of charge and, if desired, a free renovation package. In addition to this, we offer two optional rent payment dates.

Current leases include rent review criteria and the rents are reviewed annually. Rents for vacated homes are set according to market conditions. Rents for state-subsidised properties comply with the regulations for these. In the year under review, the rent rates of SATO's apartments in Finland increased, on average, 4.0 (6.0) per cent.

Financial occupancy rate of rental housing



Housing portfolio	2014	2013
Properties	745	734
Number of homes, total	24,173	23,828
- rental homes	22,996	22,634
- shared-ownership apartments	1,177	1,194
Floor area of homes m ²	1,381,090	1,364,449
Average size of homes m ²	57	57
Fair value of homes m€	2,528	2,316
Net rental income of homes m€	149	137
- increase in year under review %	8	10

Rental operations in Finland	2014	2013
Average rent per square metre for rented homes €/month (units owned by SATO for the whole year)	15.35	14.75
Financial rental occupancy rate %	97.2	97.7
Tenant turnover %	37.3	36.3

Investments increase and develop housing property

The strategic goal is to increase the value of SATO's housing property to €4 billion by 2020. This requires annual investments totalling around €200 million. With its investments, SATO responds to the high demand for rental apartments in growth centres and so supports the business community's possibilities for development.

Investments support sustainable development

SATO also takes account of ecological criteria in its investments. An environmental impact assessment and investment process sustainability assessment is made for all purchases. Investments focus on growth centres, where we acquire

entire apartment buildings as well as single rental homes in the proximity of services and public transportation.

The urbanisation trend increases the demand for rental housing in growth centres. In Finland, our investments are primarily focused in the Helsinki Metropolitan Area and its commuter zone. In addition, we also invest in housing in Tampere, Turku, Jyväskylä and Oulu. In Russia, we invest in new rental housing in St. Petersburg.

SATO has been increasing the supply of rented homes

Since the turn of the millennium, we have been the largest housing investor in

Finland. We have acquired around 13,500 rental housing units with a total value of approximately €1.9 billion. Purchases have been made by buying homes from the old housing stock, and producing hundreds of new homes every year. The investments implemented in the 2000s have provided homes for approximately 25,000 people. SATO's investments are focused on small apartments, which are the most sought-after in growth centres.

During the year under review, the Group's investments in rental properties totalled €174.1 (190.6) million. SATO aims to allocate 70 per cent of its investments to new construction in order to develop its housing portfolio. In the year under

review, the proportion was 68 per cent.

The most significant investment in existing housing stock was made in 126 privately financed rental homes in the Helsinki Metropolitan Area bought from ICECAPITAL Housing Fund I Ky. The value of the transaction was €23.1 million.

Repairs based on wear and tear

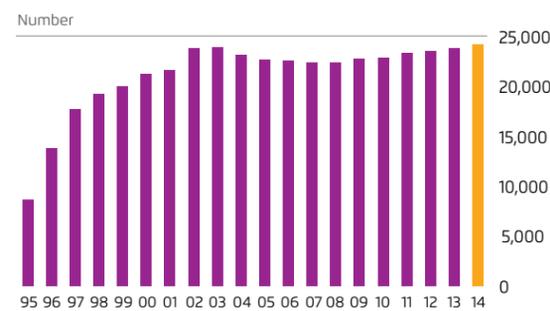
SATO conducts renovations on its homes and properties according to the life-cycle principles. When planning repairs to improve the energy efficiency of its properties SATO also uses an energy indi-

cator it has developed for the purpose. In 2014, expenditure on home and building repairs totalled €49.0 (43.4) million, of which renovation investments accounted for a total of €20.1 (18.4) million. Subsidies for repairs and lifts were received for a total of €0.2 million. The technical implementation of some complete renovations is so extensive that residents cannot live in the apartments during the work. During the year under review, such apartments totalled approximately 280, with roughly 560 residents. The residents were offered the opportunity to apply for another SATO rental apartment.

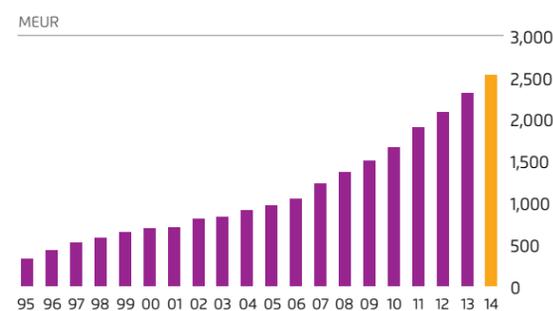
Divestment based on value development prospects

Apartments that do not respond to the demand for rental apartments in the long term are divested. Apartments to be sold are selected mainly based on location, size or condition. During the year under review, a total of 444 (463) rented homes were sold from the Group's housing portfolio, and the value of the divestments totalled €25.9 (22.8) million.

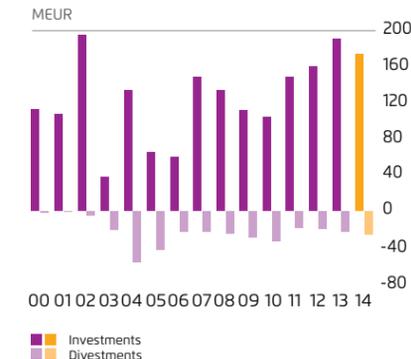
Trend in the housing portfolio



Trend in the housing portfolio, fair values



Housing investments and divestments



Change in fair value 2014		M€
Fair value 31 Dec 2013		2,316
Housing investments		154
Renovation investments		20
Divestments		-26
Portfolio value development		64
Fair value 31 Dec 2014		2,528

Investments	2014	2013
Investments in investment properties m€	174	191
Growth in the volume of rental apartments, number	789	774
Investment commitments 31 Dec m€	69	108
Rental apartments under construction 31 Dec, number	788	1,248

Divestments	2014	2013
Rental apartments sold, number	444	463
Rental apartments divested m€	26	23

Property development for future housing

Laying a foundation for growth, SATO purchases land, participates in town planning, develops its property and converts office properties into rental apartments. Through these activities, we also develop the city outline.

It all starts with town planning

In order to contribute to the creation of new rental homes in response to demand, SATO participates in town planning in many residential areas that are under development. At the end of the year under review plan development projects were underway, for example, in Perkkää and Niittykumpu in Espoo, Martinlaakso in Vantaa, Verkkosaari in Helsinki, and the centre of Kirkkonummi. SATO is aiming to get building permits to a total of some 800 rental homes in these districts once the town plans are confirmed.

Land inventory improves investment possibilities

SATO actively develops its own land inventory and purchases land for example from private landowners and cities. We purchase and develop land next to good public transport connections. When purchasing land, we take nature values into account and assess environmental risks, such as possible land contamination.

We invest in land acquisitions particularly in the Helsinki Metropolitan Area, where the need for rental apartments is greatest. The planning of apartments on our own plots enables the long-term implementation of rental homes that respond to customer needs and are suitable for property investment. Production of owner-occupied homes creates synergy benefits for housing investment, and apartments best suited for renting are acquired as investment properties. In conjunction with the construction of apartments, SATO's investments in infra-

structure totalled around €18.8 million. At the end of the year under review, 571 rental apartments with a floor area of 28,847 square metres were under construction in Finland.

Complementary construction

There are significant possibilities for complementary construction on land belonging to SATO's own housing portfolio, for example, in the immediate proximity of the upcoming Länsimetro (west metro) stations. These potential residential construction projects, which would contribute to an efficient city structure and sustainable development, have been assessed with several hundred new rental homes in mind. Negotiations with the Helsinki Metropolitan Area municipalities on changing the town plan in these districts are ongoing.

In addition, SATO has several ongoing assessments concerning the conversion of commercial properties into rental homes.

Plots	2014	2013
Building land inventory m€	72	88
Plot acquisitions m€	5	8
Permitted building volume on land inventory total floor-m ²	287,795	334,000
Owned plots taken into production and sold m€	14	25

Use of building land inventory	2014	2013
Total completed, units	772	458
rental-housing units	549	232
owner-occupied properties	223	226
Under construction at year-end, units	730	1,321
rental-housing units	571	1,029
owner-occupied properties	159	292
Unsold owner-occupied properties at year-end, number		
completed	94	65
under construction	94	235

Positive trend in rental activities in St. Petersburg

Growth by investing in St. Petersburg

As part of its growth target, SATO started investing in St. Petersburg in 2007. The St. Petersburg housing market is similar in volume to the entire Finnish housing market, and it has significant growth potential.

No new investment decisions concerning St. Petersburg have been made since the summer due to the increased economic and political insecurity in Russia. New investments will be made once the conditions are stable again.

SATO's rental housing units and their fair value

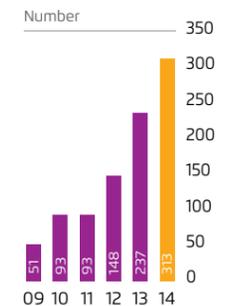
SATO's housing units have been purchased in newly built properties, mainly from Nordic construction compa-

nies. Our rental homes are elite, business and comfort-class apartments in the best locations in or near the city centre along the metro lines.

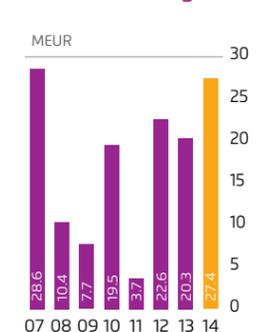
The customers are affluent Russians and foreign expatriates who have relocated to St. Petersburg. Homes are mostly leased furnished. During the year under review, the average rent per square metre in our furnished apartments was €20.13/month, and the rouble-denominated rise in rents was 5.0 (4.0) per cent.

At the end of the review period, the value of SATO's housing property in St. Petersburg was €101.7 million. The decline in the exchange rate of the rouble decreased the value of housing property in St. Petersburg. The net effect on the property in St. Petersburg and SATO's profit was €-38.1 million.

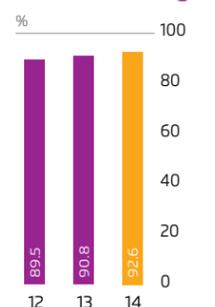
Trend in the housing portfolio in St. Petersburg



Housing investments in St. Petersburg



Financial occupancy rate in St. Petersburg



Rental apartments	2014	2013
Completed 31 Dec, units	313	237
- completed during the year, units	76	89
Under construction 31 Dec, units	217	219
Value of housing portfolio m€	102	112
Investments m€	27	20
Investment commitments m€	11	24
Average rent per sq.m., furnished €/month	20.13	23.90
Financial occupancy rate of rental housing %	92.6	90.8
Tenant turnover %	44.3	49.5

Stability and opportunities through diverse financing

Proactive and farsighted funding planning provides a solid base for profitable investment activities.

New solutions

SATO constantly seeks and develops new solutions for funding, collateral and risk management. We regularly meet investors to retain continuous and transparent dialogue. By varied funding sources we diversify our funding base as well as manage refunding and counterparty risks.

Bank loans form largest proportion of current funding

Bank loans form 54.3 per cent of all borrowings. In banking relations we aim

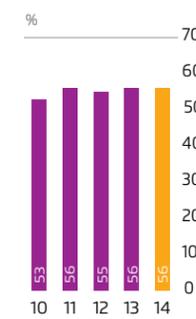
for open cooperation and partnerships to build sustainable and effective solutions. Bank funding is sourced from financial institutions operating in Finland.

During the report period, we funded €150.9 million of new long term debt. Nearly all of SATO's long term funding is secured. In addition, we restructured long term revolving credit facilities, increasing the total amount of committed facilities to €290 million.

We were also active in financial markets via the commercial paper programme. The programme size was raised to €200 million during the reporting period.

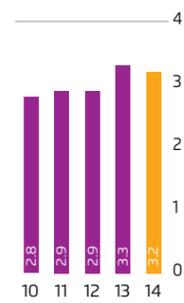
We are persistently developing our financing structure to achieve our growth targets

LTV (Loan to Value)*



* excluding VATRO segment

Interest coverage ratio



Debt portfolio, nominal values 31 Dec 2014, total MEUR 1,593



- Commercial papers 103
- Corporate bonds 249
- Bank loans 865
- Interest subsidised 225
- State subsidised (ARAVA) 152

Managing market risks

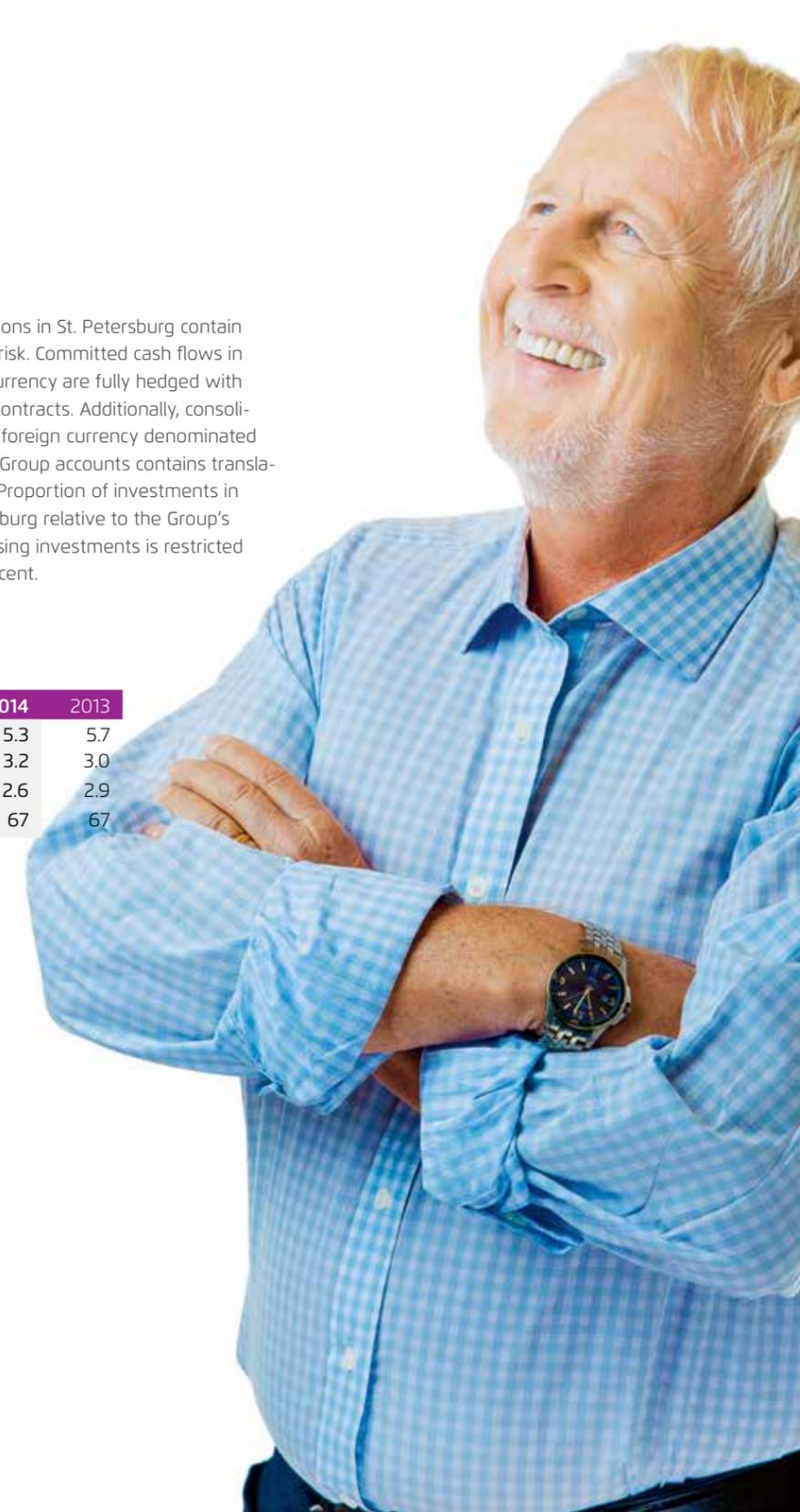
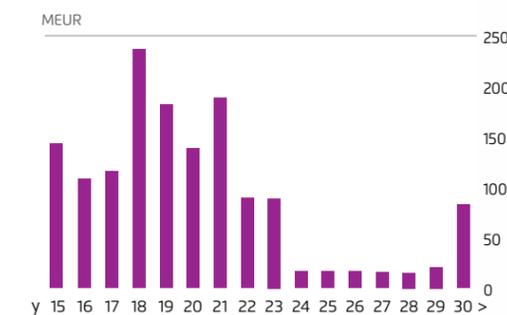
The impact of market interest rate fluctuations on financing expense forms a significant market risk. We manage the interest risk by balancing fixed and floating rate debt via fixed rate loans or interest rate swaps. According to SATO's financial policy efforts will be made to keep fixed rate loans over 60 per cent of all loans.

Operations in St. Petersburg contain currency risk. Committed cash flows in foreign currency are fully hedged with forward contracts. Additionally, consolidation of foreign currency denominated assets in Group accounts contains translation risk. Proportion of investments in St. Petersburg relative to the Group's total housing investments is restricted to 10 per cent.

Key figures	2014	2013
Average loan maturity, years*	5.3	5.7
Average interest fixing period, years*	3.2	3.0
Average interest rate, end of period %	2.6	2.9
Proportion of fixed rate debt %*	67	67

*excl. state subsidised ARAVA loans

Maturity profile of long term debt





ASSESSING OPPORTUNITIES AND THREATS

Active risk management

The purpose of risk management is to promote the implementation of SATO's strategic and business objectives. The task of risk management is to assess the opportunities and threats that present themselves in business in relation to set targets, ensure the continuity of operations, produce information to support decision-making in business, and increase the organisation's awareness of the possibilities and uncertainties of the operating environment.

Operating practice

Every year in connection with strategic and business planning, we study risks that may hinder the achievement of key targets. In order to ensure that strategic and operative risks are extensively covered, key SATO personnel participate in carrying out a risk survey. To facilitate this, external experts are used to ensure the quality of the process.

Responsibility is allocated for the assessment and monitoring of the realisation of recognised risks. In order to manage risks when needed, necessary measures are initiated by which efforts can be made to prevent risks from being realised or to boost the monitoring of a specific area.

Risk management can also be strengthened by drawing up operating models as precautions against different risk situations.

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

THE RISK MANAGEMENT SYSTEM

Risk assessment and risk management

Key guidelines

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

Internal controls system

Process management model

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

Financial and operational reporting

- Balance between anticipatory and follow-up indicators

RISK MANAGEMENT

RISK	RISK DESCRIPTION	KEY RISK MANAGEMENT MEASURES
✓ Effect of drawn-out recession on the price development of and demand for apartments	Realised economical situation significantly worse than predicted. The value of SATO's housing stock not developing positively and market demand weakens.	<ul style="list-style-type: none"> • Sensitivity analysis • Sufficient finance and security reserves • Continuous development of the housing portfolio
✓ Regulation	Changes in legislation and increased regulation weaken SATO's operating conditions.	<ul style="list-style-type: none"> • Up-to-date information on planned changes to legislation • Influencing by e.g. giving statements and through industry organisations
✓ Securing financing to reach growth target	Current sources of finance cannot respond to SATO's financing needs. Availability and price of bank finance weakening.	<ul style="list-style-type: none"> • Development of the financing structure • Active operation on loan capital markets
✓ Russian country risk	Changes in the Russian political environment and market have a negative impact on SATO's business.	<ul style="list-style-type: none"> • Monitoring the development of the operating environment • Limiting investments to 10% of property • Carefully analysing investment projects • Working only with reliable partners
✓ Housing portfolio development and customer needs	The housing portfolio cannot be developed corresponding to customer needs or changes in demand. Costs rise and customer satisfaction decreases, if energy efficiency of the portfolio does not increase.	<ul style="list-style-type: none"> • Monitoring trends and developing the housing portfolio based on them • Monitoring of energy consumption and quick response to deviations
✓ Centralisation of partnerships	A significant partner experiences financial or other difficulties, which causes significant harm to SATO's business.	<ul style="list-style-type: none"> • Regular continuous reporting and contact with partners • Immediate response to operational deficiencies

Reaching our goals together

The value generation in our business is comprehensive: in addition to our homes, we take good care of our customers, employees, partners and other stakeholders. We are committed to our objectives, which are communicated openly and aim at mutual benefits. We want to develop two-way relationships with our key stakeholders in a systematic manner.

Success is based on leadership, the ability to inspire people to strive for common goals and to create the prerequisites for success. We develop leadership practices, train managers and encourage our personnel to take the initiative. We aim at long-term partnerships and creating benefits for both parties.

We want to create a corporate culture in which we know how to exceed our customers' expectations. We know we have succeeded when our customers' desire to recommend us increases.

The energy consumption of residential properties is the biggest contributor to the prevention of the adverse effects of climate change. We have analysed our properties' emissions and set goals to reduce them.

47,000
TENANTS

NPS 26
THE NET PROMOTION
SCORE IMPROVED

WE DEVELOP
HOUSING WITH
RESPECT FOR THE
ENVIRONMENT

WE CARE



Win-Win partnerships

SATO's operations are networked, and the company creates extensive job opportunities. In addition to work done by our own personnel, in the year under review, SATO purchased a total of about 1,000 person-years of work from subcontractors and partners.

Procurement revamped

The operations of SATO's own organisation are focused on increasing the value of housing property and on customer relationships. By collaborating with our most significant partners, we can maintain the condition of properties and homes and carry out city planning and construction co-operation. SATO's biggest contribution to employment takes place through its supply chain. Procurement costs are a major factor in SATO's profitability.

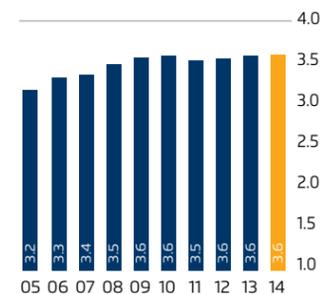
SATO aims at ensuring the general interest of the company, responsible practices, and good supplier co-operation in its procurement. The goal is to build long-term relationships that benefit both parties. As a sustainable, major housing investor, SATO wants to make sure that the products and services received from its supply chain comply with its values and goals.

In order to improve procurement management, the company has centralised its purchases. In the year under review, SATO reformed its procurement organisation and reinforced its resources. Even though acquisitions are being centralised, we choose suppliers operating in the vicinity of SATO's investment properties wherever possible.

Centralised purchasing increases the size of purchase batches, which can generate cost savings. Harmonising the quality-level requirements expected of suppliers can also contribute to better tenant satisfaction.

ADDED VALUE THROUGH PARTNERSHIPS

Overall satisfaction with maintenance and building management



A procurement system to support management will be introduced in 2015. The enhanced monitoring will enable us to identify the most reliable suppliers in the long term. In order to enhance the supplier assessment at the procurement phase, SATO will implement a new assessment method that covers a wider range of areas of corporate responsibility in 2015.

Procurement principles

Our purchasing principles are outlined in our procurement policy, and the guidelines for preventing grey economy. These principles are based on SATO's strategy, corporate governance, Code of Conduct and applicable laws.

SATO strives to establish long-term relationships with suppliers. SATO chooses its suppliers through bidding competitions or negotiations. Bidding competitions observe clear, open rules. The selected suppliers are the best experts in the field, companies that operate responsibly and take care of their societal duties. SATO makes all agreements and orders in writing.

Due to the social significance of SATO's operations, compliance with ethical principles is essential. Actions of personnel and supply chain members must never compromise the company's integrity, impartiality or reputation. We do not accept corruption or bribery in any form.

Building management and property maintenance subjected to competitive bidding

The most significant bidding competitions arranged during the year under review concerned the building management, property maintenance and cleaning services. The purpose of the competitions was to achieve cost savings and harmonise goals. As the result of the bidding process, building management was assigned to one service provider, which

has offices in SATO's operating areas. Centralised building management opens new opportunities to share best practices.

Property maintenance was also centralised in order to achieve closer partnerships and to improve management and support the achievement of goals. The number of maintenance companies decreased by half. The companies operate in the vicinity of the properties they maintain. In terms of volume, the biggest agreements were made with three companies. The agreements include targets pertaining to energy savings, prevention of grey economy and customer satisfaction.

In conjunction with the competitive bidding processes, the division of work between SATO and its partners was adjusted. The focus of SATO's part of maintenance activities was shifted to the management of customer relationships, and additional resources were allocated to these tasks.

In 2014, customer satisfaction with property maintenance increased slightly from the previous year, and the goal is to keep improving.

Prevention of grey economy

In order to prevent grey economy, only companies registered with the Reliable Partner service at tilaajavastuu.fi are accepted as contractors in new construction and renovation projects. Long contracting chains are not accepted, and the selling of the entire contract content to a third party is also forbidden. A contractor who is in an agreement relationship with SATO can transfer parts of the contract to another contractor as a subcontract, and this contractor may transfer them onto a third contractor as a subcontract. All subcontractors must be approved by SATO, and all required accounts and documents must be presented as part of the approval procedure.

Partnerships and their management

Through partnerships, we aim to take advantage of the best expertise in the sector and to produce added value for stakeholders. Efficient supply chain management supports business success and the identification of risks and opportunities related to corporate responsibility. For the time being, we have not assessed, for example, our suppliers based on criteria related to working conditions. The purpose of improved monitoring and processes is to reduce the number of suppliers. This objective was not achieved in the year under review.

A key element in long-term partnerships is the will to commit to the development and maintenance of the two-way relationship in order to generate benefits for both parties.

SATO's longest-term partnerships are related to the management and maintenance of its investment properties. These operations are managed and developed according to objectives and indicators agreed with the respective partners. The achievement of objectives is addressed in the regularly convening steering groups, meetings and performance appraisals. The steering group defines the objectives of co-operation, and assesses their achievement. Operative activities are managed regionally. We arrange joint training events and, once or twice a year, a partner event that deals with relevant topics. In 2015, the partner event topic is the clarification of service principles in order to achieve better quality in customer encounters.

Satisfaction with the partnership is measured using an annual survey.

The above-described partnership model and practices apply to all long-term subcontracting relationships.

Added value for the customers

SATO's strategy is based on added value creation. The home has a huge significance for people's quality of life and society, and therefore, responsible and reliable operations are required. We want to create added value for our customers through an excellent customer experience. Customer satisfaction also plays a big role for SATO in terms of rental income development and company reputation.

Customer promises

We want to understand customer needs, and therefore we study trends and customer values in order to develop our services correspondingly. Our customer promises describe what our customers can expect of our rental homes and services. One of SATO's values is "Aiming high". In this spirit, we've updated and expanded our customer promises during the year under review.

The new promises challenge our personnel and the entire supply chain to deliver in every phase of the customer relationship. In order to succeed in this, we must review, clarify and renew our practices. SATO's customer promises are listed

on the company website at www.sato.fi/customer-promises.

Reliable landlord

Our customers are consumers, and around 70 per cent of them live in one- or two-person households. We apply the Fair Rental Practice guideline and respect our customers' privacy. For the purpose of managing customer relationships, we possess personal and payment-related information on our customers, which is covered by the protection of privacy, and we observe particular caution in the processing of such information. Our customers' personal information is only handled for the pre-determined purposes by separately designated people. We have internal guidelines on privacy protection. During the year under review, SATO did not receive any complaints related to the processing of customer information, and there were no occurrences of customer information abuse.

Co-operation with customers

In order to increase customer commitment, SATO is systematically working to promote

interaction with its customers. In addition to the general interaction channels, SATO arranges building-specific, regional and nationwide tenant meetings revolving around annually selected topics. The topic for 2014 was "Activity in the house" and, in keeping with this, numerous yard sales were arranged in our residential buildings on the nationwide "official cleaning day", for example. In addition, tenants arranged meetings, parties, and bees. Approximately 1,200 people participated in these events. Every year, one active tenant is awarded with the title "Customer of the Year". The 2014 award was given to Kader Zaitri from Vantaa.

To support our tenants' possibilities to independently develop their housing conditions, we launched the DIY renovation concept, under which tenants are provided with material and equipment packages and instructions. We also offered training on home improvements.

Crafting events and theatre nights were also arranged in many cities. In total, approximately 2,200 tenants participated in SATO's events.

We started a new "Welcome wagon"

information practice for new tenants who move into our new or renovated buildings to facilitate their settling into their new home.

In the year under review, tenants were invited to volunteer in using our new co-operation channel, the Tenant Forum. One of the goals of this forum is to survey values important to the tenants, which will be used as guidelines in the development of sustainable practices. In the first meeting, tenants were invited to share their expectations on the work and methods of the forum. A further action plan was prepared on the basis of this meeting.

Digital services

Developing digital services is included in SATO's strategy. SATO wants to offer the best possible customer service, regardless of time and place, based on the customer's choice. In 2014, electronic services were enhanced, for example, by adding a service chat to the sato.fi website, publishing an English version of the site to serve our increasingly international customer base, and improving the customer relationship management system to enable future service development. At the end of the year, we piloted a system for signing rental agreements in electronic format. This service should become available in early 2015. In addition, we are working on a Russian version of the sato.fi site and a maintenance service request tracking system.

Affordable housing concept

SATO has developed a new concept of affordable housing in response to the shortage of small, affordable rental homes in the Helsinki Metropolitan Area. This idea was presented by a group of SATO employees through our systematic innovation activities. Further inspiration for the concept was derived from the Safari camp of high school students, where SATO challenged a group of participants to design a housing concept based on their values. The goal is to implement the first project in Vantaa.

Monitoring the customer experience

We enhance the customer experience by improving the quality of our homes, services and customer encounters. In the long term, this will provide SATO with a competitive edge.

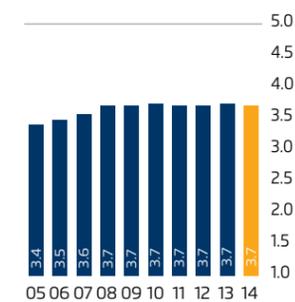
SATO measures the customer experience in terms of the Net Promoter Score (NPS). The score is taken at different phases of the customer relationship and in conjunction with customer encounters. The customer experience is embedded in the incentive system of SATO's personnel, as well as its building management and property maintenance partners. The measurement results are utilised in eliminating shortcomings and in the planning of future actions. The results are processed and assessed at various organisational levels and also with the building management and property maintenance partners.

Our strategic target is to achieve an NPS value of 40 by the end of 2020. The NPS target for 2014 was 25. In order to achieve this target, we added resources to the customer interface, developed the steering of building management and property maintenance activities, and expanded our digital services. One of the measures was that SATO's regional managers visited the properties and arranged customer events more frequently. The NPS improved from previous year's score of 23 to 26.

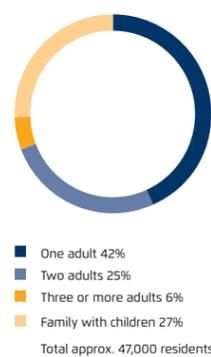
In addition, SATO measures the satisfaction of its tenants with an annual customer satisfaction survey. The results of this survey are also distributed to the tenants. The purpose of this survey is to assess e.g. the functionality and quality of the entire supply chain, tenants' opinions on SATO's corporate responsibility.

In 2015, the success of customer encounters will be analysed more extensively in order to address any improvement needs as soon as possible. Furthermore SATO will conduct an analysis to study the connections between the customer experience, the properties' energy efficiency, and financial indicators.

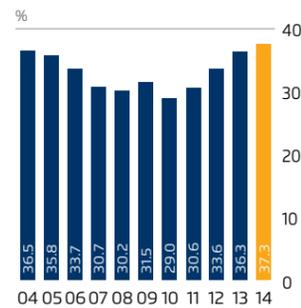
Customer satisfaction 2005–2014



SATO's resident structure 31 Dec 2014



Tenant turnover



CARE-FREE URBAN LIVING

Corporate culture renewed

Dedicated employees play a key role in the implementation of SATO's strategy. With the aim of creating an inspiring atmosphere, we launched a corporate culture change project in which the entire personnel was involved.

Meaningful work at SATO

SATO creates comprehensive well-being by offering rental housing in growth centres. The company has 169 skilled experts to handle this task. We want to generate added value for our personnel through work that feels meaningful. Our annual personnel survey analyses our employees' level of dedication and the factors influencing it. In the year under review, the survey's response rate was close to 90 per cent. The results indicate that SATO's employees found their input

at work to be significantly more important for the company than representatives of the expert companies used as reference. One reason for this is the fact that SATO supports its employees' professional development.

Success through leadership

Through leadership SATO aims to ensure the well-being of employees, as well as SATO's ability to achieve its strategic goals. Leadership forms the basis of well-being at work and, therefore, we focus on improving the quality of supervisory work in the company. SATO arranges regular internal training under the "Leadership forum" concept. In the year under review, the Leadership forum was arranged twice to address the topics of strategy and coaching. In addition, managers receive

The implementation of the corporate culture and values is measured in annual development discussions

training by external service providers every year. In the year under review, some of our new managers participated in an introductory leadership training, and some of the more experienced managers received more extensive leadership training.

Our plans for 2015 include a modular training programme containing various topics in order to best meet the individual manager's development needs.

Corporate culture to support strategy

SATO has set ambitious strategic goals. In order to achieve these targets we need to succeed in all areas of business. The changing operating environment emphasises the need for agility and self-direction. In order to find out whether our corporate culture responds to these requirements, we arranged a survey carried out using the Organisational Culture Assessment Instrument (OCAI). We analysed our employees' views of our current and targeted culture. This process resulted in a corporate culture change project, which aims at increasing trust, open interaction and initiative in our organisation.

As the foundation for the culture, and in co-operation with the entire personnel, we defined new company values: Aiming high; A human to human: Joy and ease of expertise. The implementation of the corporate culture and values is assessed in the semi-annual development discussions.

An analysis of the organisational structure that would optimally support the implementation of SATO's strategy will be conducted in 2015.

Personnel survey steers to development

Apart from dedication, the personnel survey addresses leadership, the organisation's performance and employee commitment. These results form the People Power index. The target index is ten per cent above the corresponding figure for the reference group of companies, which varies from year to year. In 2014, the index was one per cent above the reference figure.

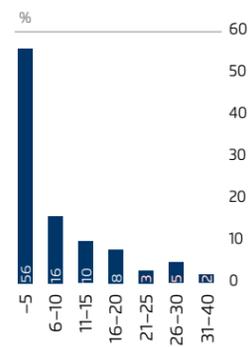
Improving the employer image and supporting better co-operation, interaction and sharing information between company management and personnel, as well as enhancing leadership development, were selected as the main development targets.

In addition, numerical index improvement targets were set for units, and team managers will prepare development plans jointly with employees. The implementation of these plans is monitored with the SnapShot survey, which is conducted twice a year. General progress, as well as employees' individual development plans, are also addressed in the semi-annual development discussions.

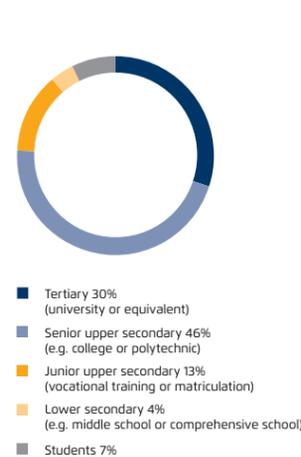
SATO EMPLOYEES ARE WORTH YOUR TRUST



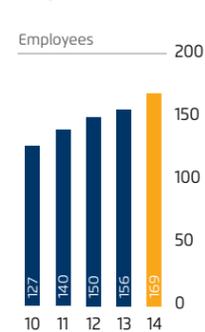
Number of years of service by personnel 31 Dec 2014



Personnel educational level 31 Dec 2014



Personnel at year-end



Openness through interaction and engagement

SATO maintains open, informal interaction and fosters equality and fairness in its activities. All employees have participated in improving their interpersonal skills. Company management works in open office space together with other employees. Personnel info and morning coffee events are arranged monthly to address a wide range of relevant topics presented by representatives of employees and company management.

Tarmo, a discussion forum for SATO's management and employees, has been set up in order to promote and develop well-being at work. The group convenes, on average, three times a year, and its meetings focus on topics brought up by employees.

In response to employees' wishes, increased opportunities to influence decision-making have been provided. In the year under review, groups of employee representatives were created to prepare the action plan for 2015. In addition, specific owners, who assembled their own teams, were designated to be in charge of surveys and suggestions on selected topics to serve as the basis for strategy preparation.

Expertise increases well-being

Understanding the significance of strategy, SATO's business and different work tasks increase enthusiasm for work and the ability to apply information. SATO supports its employees in reinforcing these skills. Individual development needs are addressed in development discussions.

Every new SATO employee receives an induction programme from his/her manager. This programme outlines the

plan for the first three months at work, as well as the appraisal discussions on the progress and success of the induction.

SATO employees can improve their professional skills by learning on the job and gaining more experience, through job rotation, training, and participation in various projects or the mentoring programme. In 2014, an average of 7.8 days of training per employee was provided; including 4.3 days internal training. A total of 33 days of training related to occupational safety was arranged for our personnel. In addition, three employees moved to new tasks within the company during the year.

An individual interpersonal skills analysis was conducted among the entire personnel, and 360 evaluations will be conducted in 2015.

Health, safety and flexibility

All SATO employees are covered by extensive occupational healthcare services. The company supports its employees' sports and cultural activities by offering recreational benefits and through the personnel's sports and recreation club Liivi. In the year under review, Liivi arranged various cultural events, sports opportunities, club activities, as well as the personnel's Christmas party.

SATO has a health and safety committee and delegates to support in issues related to well-being at work and any conflicts in the workplace. The health and safety committee members are representatives of SATO's Finnish personnel, of which 1.9 per cent is represented in the committee. In addition to the health and safety delegate, the committee comprises two representatives of the employer, the Occupational Safety Manager and HR manager.

At SATO, interaction is open and informal and we continue developing our interaction skills

We understand our employees' different situations in life and the consequent requirements. SATO deploys flexible working hours. The aim is to balance longer workdays required during temporary high workloads with the flexible working-hour system. Furthermore, we offer childcare service for employees with children younger than 10 years, if the child falls ill and the parent cannot stay at home to take care of him/her.

Incentives

The company's senior and middle management are included in a personal incentive system. Other personnel are paid a bonus for attaining jointly specified goals. The personnel are also encouraged by awarding an annual SATO Employee of the Year certificate as well as commendations for exceptional performance in promoting the values.

Employment

In the year under review, 42 new, skilled employees joined SATO. In addition, summer work was offered to 22 young people in our offices around Finland and in outdoor maintenance tasks of our investment properties. We wanted to focus on recruiting young people aged 16 to 18 who did not have much previous experience and, therefore, had difficulties with getting jobs.

Living with respect for the environment

Emissions caused by housing are a major contributor to climate change. Properties generate approximately 30 per cent of the total global greenhouse gas emissions and account for approximately 40 per cent in energy consumption (UNEP Common Carbon Metric). As a sustainable housing investor, SATO develops its housing portfolio to reduce harmful emissions. SATO aims at improving energy efficiency and reducing greenhouse gas emissions and waste generated in its properties.

Environmental programme

SATO's environmental management is based on an environmental programme that outlines principles for various areas of operation. The aim is to pay attention to environmental perspective throughout the property life cycle. Energy consumption related to living is the main source of environmental impacts in housing. SATO's corporate responsibility workgroup coordinates environmental matters.

Reducing environmental impacts together

SATO works closely with its partners in order to enhance the energy efficiency and environmental efficiency of its properties. The investment housing stock is covered by continuous energy monitoring. This is done with energy management software that provides information to analyse any deviations in consumption. Our partners have been committed to improving energy efficiency through service agreements. Resident engagement in energy saving and an environmentally friendly treatment of waste is supported by offering instructions and arranging campaigns and competitions.

Carbon footprint illustrates emission levels

SATO aims to reduce the carbon footprint of its investment properties. In the year under review, the current carbon footprint was analysed for the first time in

order to set concrete targets. The analysis covered the years 2012–2014 in retrospect. The specific emissions for the year under review totalled 40.4 (45.5) carbon dioxide equivalent kilograms per square metre of residential floor area, and the total emissions were 51,043 (58,066) carbon dioxide equivalent tonnes. SATO's carbon footprint, proportional to the floor area, decreased 12 per cent from the 2013 level. This reduction was mainly attributed to the fact that in 2014, SATO started buying green electricity for all of its properties.

Based on the analysis, SATO set a target to decrease the specific emissions by ten percent from the level of the year under review by 2020. The most important measures implemented for this purpose are related to reducing water consumption and enhancing energy efficiency, waste treatment and recycling possibilities.

Standardised heating consumption



Water consumption



Improving energy efficiency

More efficient use of energy not only reduces emissions, but it also lowers residential properties' maintenance costs and, consequently, improves SATO's profitability. Heat consumption has the biggest cost effect. Energy certificates have been issued for all SATO's sites as required by law. In addition to this, in 2014, SATO developed an energy-efficiency scoring system for residential buildings. The scoring accounts for the building's energy efficiency and energy costs, and it was used as a basis for an energy-efficiency classification of all our investment properties.

We have worked persistently to reduce energy consumption in our properties. Our measures are based on energy audits and consumption reports and, in the year under review, also on the energy-efficiency classification. The efforts include good property maintenance, energy-saving investments implemented in new construction and renovation projects, and adopting solutions based on renewable energy.

In the year under review, SATO's first residential building heated with ground heat was completed in Espoo. Utilising the experience gained from this project,

another ground-heated building will be implemented in the same district. We also plan to use solar energy in the new building. Deviating from the common model, in which the generated solar energy is supplied to the local electricity network, this building's solar energy will be utilised directly in its own systems.

In addition to technical solutions and maintenance measures, we strive to influence energy consumption by providing tenants with concrete advice on how to save energy and water.

Energy efficiency targets

Our long-term energy efficiency targets account for the tightening construction regulations, renewal of our property stock and improvement of energy efficiency. We target a 20-per cent reduction in the specific consumption of heat and water in our investment properties from the 2009 level by 2020. The consumption of electricity should be kept at its current level.

The short-term target is to reduce heat consumption by 15 per cent from the 2009 level by 2016. This target is also included in SATO's climate partnership agreement with the City of Helsinki.

The target of reducing energy consump-

tion by 7 per cent from the 2009 level by 2016, which is outlined in the state's action programme for rented home communities (VAETS), has already been met by SATO.

In 2014, the specific heat consumption in SATO's housing stock decreased by 2.2 per cent, and the electricity consumption decreased by 1.8 per cent from 2013. The specific consumption of water increased 1.7 per cent from 2013. The value of measures to improve energy efficiency in conjunction with renovations, including investments in energy efficiency improvement, totalled approximately €3.1 million.

Even though we continued to install water-saving fixtures in the apartments, we did not succeed in reducing the specific consumption of water as was targeted. However, most of our investments in rental housing involve new construction projects featuring modern, water-saving fixtures, which will have a positive effect in the future. The water-saving target was taken into account in the selection of water fixtures in the renovation projects implemented during the year under review. The building management agreement includes a water-consumption reduction target. In 2015, we will carry out closer co-operation with building

management and property maintenance service providers in order to enable faster responses to deviations in consumption, and we will reform our audit practices in properties with exceptionally high water consumption levels. In addition, we will increasingly inform tenants on water consumption-related topics and encourage them to save water, for example, by arranging a competition.

The amount of waste is difficult to influence

The amount of waste generated when living in our housing units depends on the tenants. The amount of waste generated in SATO's residential buildings was analysed in the year under review, and the estimated total amount was approximately 20,245 tonnes.

The best way for SATO to help reduce waste is to support sorting by making waste collection more functional, and by offering recycling opportunities. Resident engagement in energy saving and an environmentally friendly treatment of waste is supported by offering instructions and arranging campaigns and competitions. In the year under review, SATO continued its recycling campaigns in the Helsinki Metropolitan Area and Turku by providing recycling containers in the yards

of residential buildings and distributing recycling instructions. As a result of the campaign, a total of 41.2 tonnes of waste was recycled.

Environmental assessment for new investments

The environmental assessment addresses such factors as environmental risks related to the site and the surrounding area, and the environmental systems used by the contractor in new construction projects. The assessment also features an environmental impact scoring of the investment project. In the scoring system, the building's energy efficiency (heating, electricity, water) has the biggest weight. Further considered factors include waste management and the location of the building. The aim is to invest in well-connected locations where tenants can easily use public transportation.

SATO's new construction projects are steered by design and engineering guidelines, which also account for environmental impacts. A comparison between different choices that influence energy efficiency is made at an early stage in the project. Sustainable, environmentally friendly materials should be chosen. Decisions on solutions to be featured in the building are made in light of the cost and

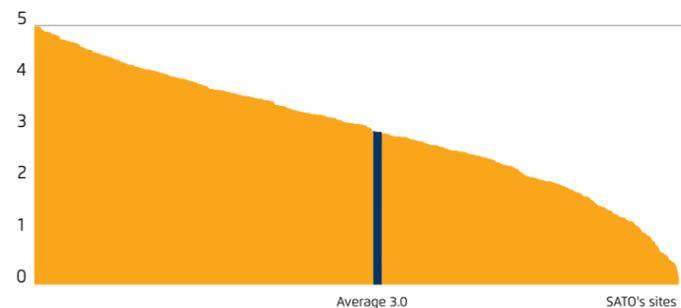
consumption levels of the entire life cycle of the property.

In land acquisition, we observe environmental values and assess environmental risks, such as possible impurities in soil. In the year under review, soil purification costs totalled roughly €1.5 million. These costs were mainly accrued from the purification of land in one planning zone. The purification need arose because the area had been temporarily used as soil storage by a third party. The costs are targeted only at a portion of the area's permitted building volume, which totals 34,000 square metres of floor area. Next year, soil purification is estimated to generate further costs of €0.3 million.

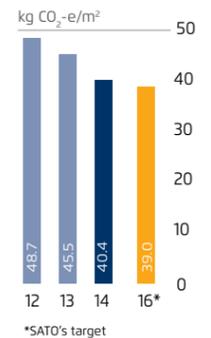
New technology

SATO is involved in the development of intelligent electricity networks in the city block implemented in the Kalasatama district, which will be completed in early 2015. All apartments in this block are equipped with systems that enable residents to track their own electricity consumption closely. The new block is also prepared for an increase in the use of electric cars: one-third of the car parking spaces are equipped with electric car recharging points. Furthermore, the district has an automated vacuum collection system for waste management.

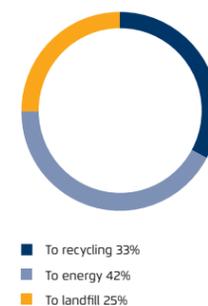
Distribution of energy ratings in SATO's properties in 2014 (scale 0–5, 5 = best)



Greenhouse gas emission intensity of buildings



Waste distribution based on processing method 2014





CULTIVATED PLANTS IN THE GARDENS OF NEW BUILDINGS

The need to have a connection with nature and the popularity of locally produced food have increased among urban residents. With the use of its new buildings' garden areas, SATO offers a great opportunity to respond to this trend.



Sustainable actions in 2014

The first SATO building heated with ground heat was completed in Espoo. Utilising the experience gained from this project, another ground-heated building will be implemented in the same district.



Young people involved in SATO's development work

- SATO offered summer jobs for young people: we gained valuable ideas on how to make SATO an attractive employer in the future, as well.
- High school students designed the SATO JuniorHome. We received information on the values of the young and future trends.



ALL SATO HOMES ARE NOW USING GREEN ELECTRICITY

We introduced the energy-efficiency rating based on a scoring system developed for SATO's residential buildings. The rating accounts for both the energy efficiency and energy costs of buildings.

Increasing utilisation of automated vacuum waste collection system; four such buildings under construction for SATO at year-end.

ANNUAL CO₂ EMISSIONS REDUCED BY OVER **12%**

TENANTS PROVIDED WITH TIPS ON HOW TO SAVE ENERGY AND WATER

Increasingly extensive reporting

Sustainability is part of SATO's strategy. It is our mission to provide good housing and our vision to have 50,000 happy residents in 2020. Sustainable operating principles and corresponding actions are key elements in achieving these goals.

SATO's annual report is also a corporate responsibility report, which has been for the first time implemented in accordance with the Global Reporting Initiative (GRI) G4 guidelines. G4 is the latest version of reporting. Last year's key indicators have been presented beside those for the year under review. Possible changes to earlier information have been presented in connection with figures and factual content.

SATO reports according to the Core level of the GRI G4 guidelines. In addition, GRI G4's principles of Construction and Real Estate Sector Supplement is observed. The report features General Standard Disclosures and Specific Standard Disclosures as outlined in GRI G4, comprising management approach and indicators pertaining to aspects deemed to be material for SATO's operations. The report is assured by KPMG Oy Ab.

Corporate responsibility management is described in the table on pages 59–64 and in the annual report texts. The GRI index is indicated in the table on pages 53–55.

GRI G4 ASSURED
CORE REPORT

SUSTAINABLE
DEEDS THROUGH
CO-OPERATION

FORWARD

Material aspects and boundaries

Definition of the 2014 report content was carried out according to the results of the materiality matrix and requirements of the GRI G4 reporting guidelines. Based on the materiality analysis, 20 material aspects were identified and included in this report. Impacts of the material aspects are described in management approach for each aspect. The table below presents the material aspects and their boundaries.

GRI aspect G4-19	Topic in SATO's sustainability materiality matrix	Aspect boundary G4-20 and 21
CATEGORY: ECONOMIC		
<i>Aspect: Economic Performance</i>	Economic sustainability	SATO Group
<i>Aspect: Indirect Economic Impacts</i>	Socially respected partner, living that respects the environment	SATO Group
<i>Aspect: Procurement Practices</i>	Socially respected partner, win-win partnerships	SATO Group
CATEGORY: ENVIRONMENTAL		
<i>Aspect: Energy</i>	Living that respects the environment	Investment properties in Finland with SATO ownership over 50% and rented for the entire year subject to energy consumption monitoring
<i>Aspect: Water</i>	Living that respects the environment	Investment properties in Finland with SATO ownership over 50% and rented for the entire year subject to energy consumption monitoring
<i>Aspect: Emissions</i>	Living that respects the environment	SATO Group's investment properties in Finland
<i>Aspect: Effluents and Waste</i>	Living that respects the environment	SATO Group's investment properties in Finland
<i>Aspect: Products and Services</i>	Living that respects the environment	SATO Group's investment properties in Finland
<i>Sector-specific aspect: Land Degradation, Contamination and Remediation</i>	Living that respects the environment	SATO Group's investment properties in Finland
CATEGORY: SOCIAL		
Labour Practices and Decent Work		
<i>Aspect: Employment</i>	Meaningful work	SATO Group and supply chain, the employment effects of the supply chain based on SATO's internal estimate
<i>Aspect: Labour/Management Relations</i>	Meaningful work, inspiring and coaching leadership, participation of personnel in developing sustainable practices	SATO Group
<i>Aspect: Occupational Health and Safety</i>	Meaningful work, inspiring and coaching leadership, participation of personnel in developing sustainable practices	SATO Group and supply chain
<i>Aspect: Training and Education</i>	Meaningful work, inspiring and coaching leadership, participation of personnel in developing sustainable practices	SATO Group
<i>Aspect: Supplier Assessment for Labour Practices</i>	Meaningful work, socially respected partner, win-win partnerships	Key selections of new suppliers in the SATO Group in 2014
CATEGORY: SOCIETY		
<i>Aspect: Local Communities</i>	Socially respected partner	SATO Group
<i>Aspect: Anti-corruption</i>	Sustainable and transparent operating principles	SATO Group and supply chain
<i>Aspect: Public Policy</i>	Sustainable and transparent operating principles	SATO Group
<i>Aspect: Compliance</i>	Sustainable and transparent operating principles	SATO Group and supply chain
CATEGORY: PRODUCT RESPONSIBILITY		
<i>Aspect: Product and Service Labelling</i>	Excellent customer experience, participation of customers in developing sustainable practices	SATO Group's investments properties in Finland
<i>Aspect: Customer Privacy</i>	Sustainable and transparent operating principles	SATO Group

SATO's GRI G4 index

GRI G4 in accordance with "Core". Reporting period 2014.

Number of indicator	GRI content	Page	Verification
GENERAL STANDARD DISCLOSURES			
Strategy and Analysis			
G4-1	CEO's review	6-7	Yes
Organisational Profile			
G4-3	Name of the organisation	Inside back cover	Yes
G4-4	Primary brands, products and services	3	Yes
G4-5	Location of the organisation's headquarters.	Inside back cover	Yes
G4-6	Number of countries where the organisation operates	2	Yes
G4-7	Nature of ownership and legal form	120	Yes
G4-8	Market served	2	Yes
G4-9	Scale of the organisation	2, 8-9, 27, 83-	Yes
G4-10	Total number of employees by employment contract, region and gender	19, 57	Yes
G4-11	Report the percentage of total employees covered by collective bargaining agreements	61	Yes
G4-12	Organisation's supply chain	22-23	Yes
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	39, 79, 120	Yes
Commitments to External Initiatives			
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	34-35, 69, 81	Yes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	18, 46	Yes
G4-16	Memberships of associations and national or international advocacy organisations	19	Yes
Identified Material Aspects and Boundaries			
G4-17	Entities included in the organisation's consolidated financial statement	83	Yes
G4-18	Process for defining report content and Aspect Boundaries	52	Yes
G4-19	Material aspects	20, 52	Yes
G4-20	Aspect Boundary for each material aspect within the organisation	52	Yes
G4-21	Aspect Boundary for each material aspect outside the organisation	52	Yes
G4-22	Restatements of information provided in previous reports	50	Yes
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	50	Yes
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	20-21	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage	20	Yes
G4-26	Organisation's approach to stakeholder engagement	21	Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement	20-21	Yes
Report Profile			
G4-28	Reporting period	2014	Yes
G4-29	Date of most recent previous report	2013	Yes
G4-30	Reporting cycle	Report published once a year	Yes
G4-31	Contact point for questions regarding the report or its contents	Inside back cover	Yes

Number of indicator	GRI content	Page	Verification
GRI Content Index			
G4-32	GRI content index	53–55, 56	Yes
Assurance			
G4-33	The organisation's policy and current practice with regard to seeking external assurance for the report	65	Yes
Governance			
Governance Structure and Composition			
G4-34	The governance structure of the organisation, including committees	66–69	Yes
G-38	The highest governance body and its committees	72–73	Yes
Remuneration and Incentives			
G4-51	The remuneration policies for the highest governance body and senior executives	70	Yes
Ethics and Integrity			
G4-56	Organisation's values, principles, standards and norms of behaviour	4, 18, 59	Yes
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
<i>Aspect: Economic Performance</i>			
G4-DMA	Generic Disclosures on Management Approach	6–7, 25, 59–61	Yes
G4-EC1	Direct economic value generated and distributed	8–9, 18–19	Yes
G4-EC4	Financial assistance received from government	29	Yes
<i>Aspect: Indirect Economic Impacts</i>			
G4-DMA	Generic Disclosures on Management Approach	18–19, 59	Yes
G4-EC7	Development and impact of infrastructure investments and services supported	28–30	Yes
<i>Aspect: Procurement Practices</i>			
G4-DMA	Generic Disclosures on Management Approach	38–39, 63	Yes
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	38	Yes
CATEGORY: ENVIRONMENTAL			
<i>Aspect: Energy</i>			
G4-DMA	Generic Disclosures on Management Approach	45–47, 64	Yes
G4-EN3	Energy consumption within the organization	58	Yes
CRE1 - sector-specific supplement	Building energy intensity	58	Yes
G4-EN6	Reduction of energy consumption	45–47, 58	Yes
<i>Aspect: Water</i>			
G4-DMA	Generic Disclosures on Management Approach	45–47, 64	Yes
G4-EN8	Total water withdrawal by source	58	Yes
CRE2 - sector-specific supplement	Building water intensity	58	Yes
<i>Aspect: Emissions</i>			
G4-DMA	Generic Disclosures on Management Approach	45–47, 64	Yes
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	58	Yes
CRE3 - sector-specific supplement	Greenhouse gas emissions intensity from buildings	58	Yes
<i>Aspect: Effluents and waste</i>			
G4-DMA	Generic Disclosures on Management Approach	45–47, 64	Yes
G4-EN23	Total weight of waste by type and disposal method	58	Yes
<i>Aspects: Products and Services</i>			
G4-DMA	Generic Disclosures on Management Approach	25–33	Yes
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	45–47, 56	Yes

Number of indicator	GRI content	Page	Verification
<i>Sector specific aspect: Land Degradation, Contamination and Remediation</i>			
G4-DMA	Generic Disclosures on Management Approach	25, 30, 64	Yes
CRE5 - sector-specific supplement	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	47	Yes
CATEGORY: SOCIAL - LABOUR PRACTICES AND WORK			
<i>Aspect: Employment</i>			
G4-DMA	Generic Disclosures on Management Approach	19, 42–44, 61, 63	Yes
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	57	Yes
<i>Aspect: Labor/Management Relations</i>			
G4-DMA	Generic Disclosures on Management Approach	42–44, 61	Yes
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	61	Yes
<i>Aspect: Occupational Health and Safety</i>			
G4-DMA	Generic Disclosures on Management Approach	19, 42–44, 61	Yes
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	44	Yes
CRE6 - sector-specific supplement	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	19, 44	Yes
<i>Aspect: Training and Education</i>			
G4-DMA	Generic Disclosures on Management Approach	39, 42–44, 61	Yes
G4-LA9	Average hours of training per year per employee by gender, and by employee category	57	Yes
<i>Aspect: Supplier Assessment for Labor Practices</i>			
G4-DMA	Generic Disclosures on Management Approach	38–39, 63	Yes
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	39	Yes
CATEGORY: SOCIAL - SOCIETY			
<i>Aspect: Local Communities</i>			
G4-DMA	Generic Disclosures on Management Approach	38, 40–41, 62	Yes
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	19	Yes
CRE 7 - sector-specific supplement	Number of persons voluntarily and involuntarily displaced and/or resettled by development	29	Yes
<i>Aspect: Anti-corruption</i>			
G4-DMA	Generic Disclosures on Management Approach	59	Yes
G4-S05	Confirmed incidents of corruption and actions taken	59	Yes
<i>Aspect: Public Policy</i>			
G4-DMA	Generic Disclosures on Management Approach	19, 59–60	Yes
G4-S06	Total value of political contributions by country and recipient/beneficiary	60	Yes
<i>Aspect: Compliance</i>			
G4-DMA	Generic Disclosures on Management Approach	18–19, 59–60, 67–69	Yes
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	59	Yes
PRODUCT RESPONSIBILITY			
<i>Aspect: Product and Service Labeling</i>			
G4-DMA	Generic Disclosures on Management Approach	38–39, 40–41, 62–63	Yes
G4-PR5	Results of surveys measuring customer satisfaction	10, 40–41	Yes
CRE 8 - sector-specific supplement	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.	28, 45–46	Yes
<i>Aspect : Customer Privacy</i>			
G4-DMA	Generic Disclosures on Management Approach	40, 59–60	Yes
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	40	Yes

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 (t CO ₂ e)	Emissions from heating, electricity, water and waste generated by tenants
Greenhouse gas emission intensity of buildings (kg CO ₂ e/m ²)	Equivalent CO ₂ emissions per m ² of rentable floor area
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)	Average NPS score as given by the customers who moved into or out from SATO's homes during the year

Personnel

G410						
	permanent	fixed-term	men	women		
Total personnel	169	156	13	58 (34%)	111 (66%)	
of which Russian personnel	7	6	1	2	5	
G4-LA1						
New employment contracts	total 42					
Permanent employment relationships	total 32					
men	17					
women	15					
Age distribution	under 25	26-35	36-45	46-55	56-	
total	3	14	6	9		
men	1	9	4	2		
women	2	5	2	7		
Fixed-term employment relationships	total 10					
men	2					
women	8					
Age distribution	under 25	26-35	36-45	46-55	56-	
total	8			2		
men	2					
women	6			2		
Summer employees	total 22					
Age distribution	under 25	26-35	36-45	46-55	56-	
men	8	1				
women	11	2				
Terminated employment contracts total	total 19					
men	7					
women	12					
Age distribution	under 25	26-35	36-45	46-55	56-63	yli 63
men		3	3	1		
women		4		2	2	4
Employment contracts terminated by the employer	16%					
Total turnover % (summer employees excluded)	36%					
G4-LA9						
Training days total	men	women				
An average 7.8 days per employee, of which 4.3 days internal training	9.3 days	7.1 days				
An average of 9.8 days of training per person among management						
An average of 7.7 days of training per person among white-collar employees						

Environment

	2012	2013	2014
Energy consumption within the organisation			
Total [MWh]	282,027	263,870	260,454
Electricity [MWh]	25,597	25,267	24,594
Heating [MWh]	256,430	238,603	235,860
Above figures include residential properties only			
Building energy efficiency			
Weather-adjusted heat consumption [kWh/m ³ /a]	45.5	44.6	43.6
Electricity consumption [kWh/m ³ /a]	3.97	3.93	3.86
Greenhouse gas emissions			
Direct and indirect (waste) greenhouse gas emissions			
t CO ₂ -e	62,074	58,066	51,043
Greenhouse gas emissions intensity from buildings			
kg CO ₂ -e/m ²	48.7	45.5	40.4
kg CO ₂ -e/person	1,534.3	1,435.2	1,240.3
Total water withdrawal by source			
Total [1,000 m ³]	2,277	2,220	2,381
Building water intensity			
[dm ³ /m ³ /a]	407	408	415
Total weight of waste			
Tonnes	20,414	19,902	20,245
t CO ₂ -e	2,397	1,692	1,721
Waste distribution based on processing method 2014			
To recycling		33	6,585
To energy		42	8,583
To landfill		25	5,076
Waste distribution by type 2014			
Mixed waste		51	10,361
Paper and cardboard		15	3,071
Biodegradable		14	2,799
Glass		1	259
Metal		2	430
Wood		2	330
Plastic		2	311
Waste electrical and electronic equipment		2	304
Other separately collected		6	1,195
Other and unspecified		6	1,184

Corporate responsibility management

Responsible and transparent operating principles	
Approach	As a well-managed, profitable and responsible 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	<ul style="list-style-type: none"> Economic performance Indirect economic impacts Procurement practices Anti-corruption Public policy Compliance Customer privacy
We generate added financial value	For SATO, financial responsibility means increasing the value and ensuring the profitability of its housing property in the long term, efficiency, and risk management. SATO generates financial benefits for its owners, employees, suppliers, as well as for municipalities and the state. A sustainable financial foundation creates added value for customers. We contribute to the prevention of grey economy by requiring that all of our partners fulfil their social obligations.
Sustainable 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 sustainable, reliable operations. For example, cases of bribery or sanctions have not occurred during the review period. SATO monitors the development of its reputation by conducting annual reputation surveys.
Social influence	SATO influences improvement in the conditions for rental housing production and ownership by offering its expertise to society's decision-makers, legislators and organisations. Property development influences townscapes and images.
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 www.sato.fi/terms-of-use .
Objectives	<ul style="list-style-type: none"> Increasing the value of the housing portfolio Profitable operations Prevention of the grey economy Transparent communications and reporting.
Policies, guidelines, and commitments	
Guidelines and policies	Finnish Corporate Governance Code and SATO's guidelines, principles and policies. The most important documents are our responsibility policy, environmental programme, Code of Conduct, personal data handling instructions, grey economy prevention guidelines, procurement, financing, risk management and communication policies, leadership principles, and equality plan.
Principles of accounting	SATO complies with the international accounting standards (IFRS) 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.

<i>Development of reporting</i>	As of 1 January 2015, SATO's business will be reported as one entity. The profit and loss account will be presented on a function-specific basis instead of cost item-specific. The purpose of this change is to provide investors with more precise information on the formation and allocation of costs in different areas of business. Corporate responsibility reporting is developed in compliance with the GRI and GRESB frameworks.
<i>Preventing abuse</i>	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.
<i>Risk management</i>	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.
<i>Responsibilities and resources</i>	<ul style="list-style-type: none"> • 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
<i>Governance assessment</i>	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.

Socially respected partner

<i>Approach</i>	SATO contributes to the well-being and growth in society in collaboration with various stakeholders.
<i>Material aspects</i>	<ul style="list-style-type: none"> • Local communities • Political support • Anti-corruption • Compliance
<i>Regional presence for local improvement in housing</i>	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.
<i>Political support</i>	SATO does not provide financial support to any political parties.
<i>Compliance</i>	We require compliance with legislation and regulations throughout SATO's organisation and the entire supply chain.
<i>Ethical operation</i>	SATO does not approve of bribery or corruption with the intent of influencing public authorities' decision-making. SATO's employees must not pursue personal advantage by abusing their position at SATO or any insider information obtained thanks to this position. The same principle should apply throughout the supply chain.
<i>Objectives</i>	<ul style="list-style-type: none"> • Good reputation • Developing housing together with stakeholder groups

Operating principles

<i>Business model</i>	The operations of SATO's own organisation are focused on increasing the value of housing property and on customer relationships. By collaborating with our most significant partners, we can maintain the condition of properties and homes and carry out town planning and construction co-operation. Some project and support functions are also handled through partnership agreements.
<i>Interaction with stakeholders</i>	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

<i>Responsibilities and resources</i>	<ul style="list-style-type: none"> • The Group's Corporate Management Group • Business functions
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<i>Governance assessment</i>	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.
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Meaningful work and inspiring, coaching leadership

<i>Approach</i>	Every SATO employee is doing an important job.
<i>Material aspects</i>	<ul style="list-style-type: none"> • Employment • Labour/management relations • Occupational health and safety • Training and education • Supplier assessment for labour practices
<i>Employment and labour management relationships</i>	We want to be an attractive employer. We strive to provide summer jobs for young people in order to familiarise them with the industry and our company. SATO has an open, uncomplicated operating culture. 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.
<i>Occupational health and safety</i>	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.
<i>Training and education</i>	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.
<i>Personnel engagement in the development of responsible practices</i>	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 and improving company reputation.
<i>Objectives</i>	<ul style="list-style-type: none"> • 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

<i>Leadership principles</i>	Leadership is based on the company values and responsible practises. Leadership 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.
<i>Equality Plan</i>	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

<i>Employee satisfaction</i>	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.
<i>Company culture development</i>	SATO launched a company culture reform programme in 2014. The programme outlines the basis of our company culture, which consists of trust, open interaction, and initiative. In addition, SATO's values were updated and their implementation is measured in semi-annual development discussions and with an atmosphere survey.
<i>Interaction development</i>	SATO continued to offer interaction training to its personnel in 2014. This training supports the practical implementation of the updated values and company culture.
<i>Great Place to Work competition</i>	SATO participated in this competition in 2014 with the aim of finding areas of development in the field of HR management. The results will be available in early 2015, and a development plan will be prepared based on them.
<i>Responsibilities and resources</i>	<ul style="list-style-type: none"> • The Group's Corporate Management Group • HR • Supervisors • Labour protection committee and delegates • Tarmo group
<i>Governance assessment</i>	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.

An excellent customer experience	
Approach	We offer our customers a secure lease and an excellent customer experience.
Material aspects	<ul style="list-style-type: none"> • Products and services • Product and service labelling • Local communities
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 customer experience development addresses the quality of 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 is to achieve an NPS value of 40 by the end of 2020. Improving customer satisfaction is included in the goals set for the entire SATO personnel, as well as its building management and property 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 sustainable practices. SATO co-operates with its tenants on a property-specific, regional, and nationwide basis through tenant meetings and various other events.
Digital services	Developing digital services is included in SATO's strategy. SATO wants to offer the best possible customer service, regardless of time and place, based on the customer's choice.
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. The past two challenges were to improve the customer experience (2012–13) and removing friction from customer service (2014).
Control in the construction phase	The implementation of SATO's new construction and renovation projects is governed by SATO's design and engineering instructions. SATO conducts inspections to make sure that its quality requirements are met during the construction phase and upon completion. 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	<ul style="list-style-type: none"> • 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.

Win-win partnerships	
Approach	Long-term partnerships benefit both parties
Material aspects	<ul style="list-style-type: none"> • Procurement practices • Employment • Occupational health and safety • Supplier assessment for labour practices • Products and services • Product and service labelling
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. The employment effect of SATO's biggest subcontracting activities totals approximately 1,000 person-years.
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 Tiläajavastuu.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	<ul style="list-style-type: none"> • Ensuring the Group's overall interests • Sustainable procurement • Co-operation that creates added value.
Operating principles	
Procurement principles	Our procurement principles are outlined in our Code of Conduct, procurement guidelines, 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.
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.
tilaajavastuu.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 Tilaajavastuu.fi. This function is also used to verify whether service providers have received convictions or have been barred from conducting business.
Supplier assessments	SATO's procurement policy governs procurements in the company. In order to enhance the supplier assessment at the procurement phase, SATO will implement a new assessment method that covers a wider range of areas of sustainability in 2015.
Responsibilities and resources	<ul style="list-style-type: none"> • 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.

Living that respects the environment	
Approach	We work together with our stakeholders to minimise the environmental load of housing.
Material aspects	<ul style="list-style-type: none"> • 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 sustainability is improved energy efficiency and reduced emissions. They are also major contributors to cost savings in the housing stock. All of SATO's properties are covered by municipal water supply.
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	In 2014, SATO 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 land contamination and plan corrective measures accordingly.
Tenant engagement in the development of responsible practices	In 2014, SATO created a Customer forum for developing responsible practices, among other matters, in interaction with tenants.
Objectives	<ul style="list-style-type: none"> • Reducing energy consumption • Measuring greenhouse gas emissions and reducing emissions • Conducting a waste volume survey.
Operating principles and commitments	
Environmental policy	SATO's environmental policy covers the company's operations in Finland. SATO also expects its biggest partners to comply with corresponding environmental management principles with regard to SATO's properties.
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.
Monitoring of energy consumption	SATO monitors energy consumption in its residential properties with the help of the EnerKey system.
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	<ul style="list-style-type: none"> • 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. Regular energy audits are conducted in properties. 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 Corporation

We have been engaged by the Management of SATO Corporation (hereafter SATO) to provide limited assurance on Corporate Responsibility information, including NPS score which measures client satisfaction, presented for the reporting period 1.1.–31.12.2014 in SATO's Annual Report 2014 (hereafter Corporate Responsibility Information).

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* core level.

SATO's reporting methodology for calculating NPS (Net Promoter Score) is available in the 2014 Annual Report in section *Concepts and indicators of sustainability*.

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 Finnish Institute of Authorised Public Accountants' Standard 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. 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 2014 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* core level 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 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;
- An assessment of suitability of the reporting methodology used by SATO for NPS client satisfaction, and an assessment of data management processes, information systems and working methods used to gather and consolidate the presented NPS score for client satisfaction.

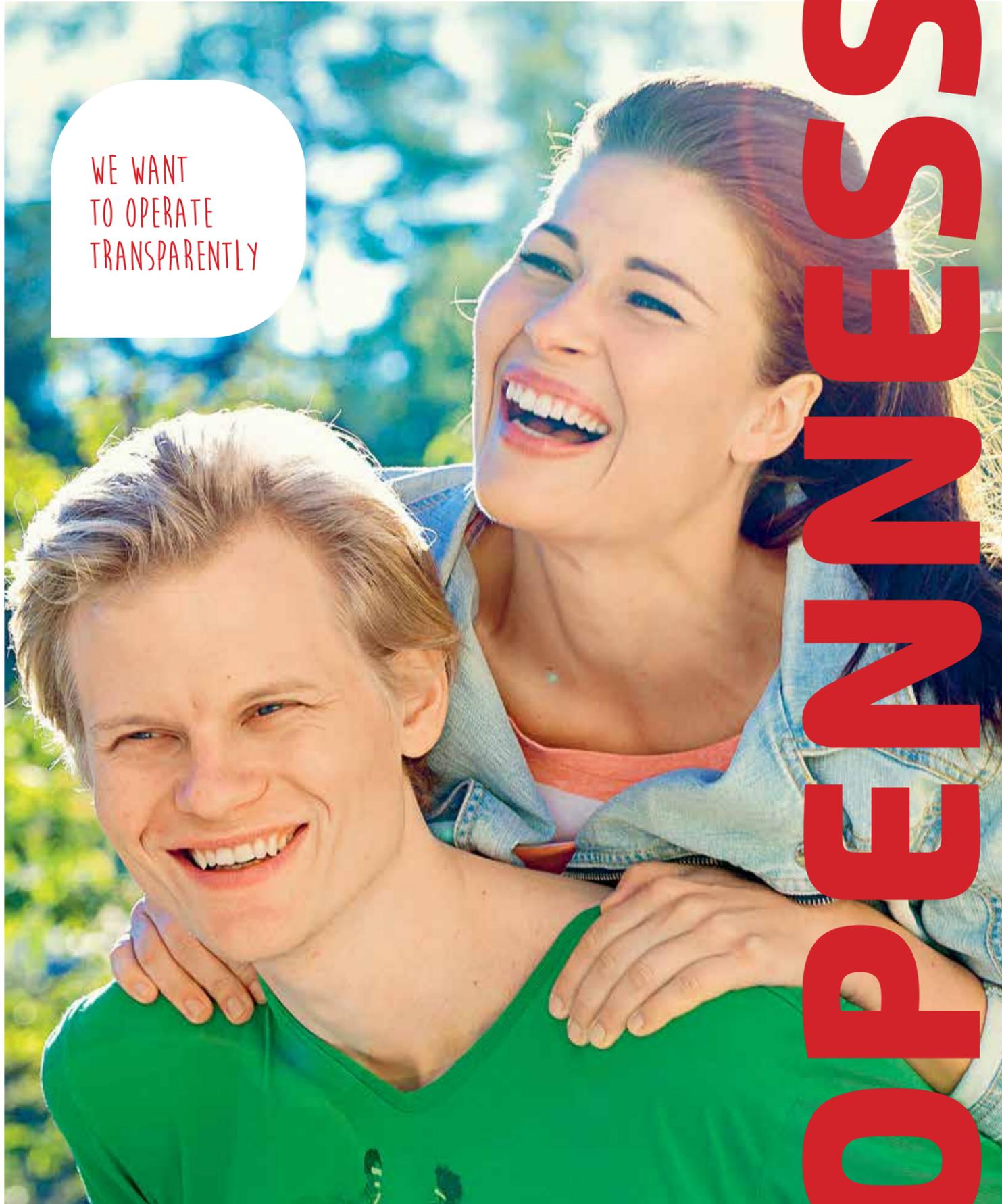
Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* core level in all material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

Based on the procedures performed regarding NPS client satisfaction, and as described above, nothing has come to our attention to indicate that the information subject to the assurance engagement is not presented, in all material respects, in accordance with the reporting criteria.

Helsinki, 28 January 2015
KPMG OY AB

Lasse Holopainen
APA

Niina Turri
Senior Manager, Advisory



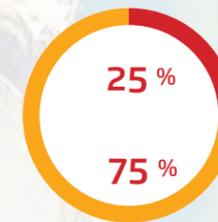
WE WANT TO OPERATE TRANSPARENTLY

SUSTAINABLE



THE BOARD OF DIRECTORS CONVENED 11 TIMES

Gender division in the Board of Directors



■ women 25%
■ men 75%



Corporate Governance Statement 2014

The administration of SATO Corporation is based on the Finnish Companies Act and SATO Corporation's articles of association. The company also complies with the Corporate Governance Code for Finnish listed companies issued by the Finnish Securities Market Association on 15 June 2010. SATO Corporation shares are not publicly listed. Recommendation 51 of section 9 on the management of insiders is complied with in respect of parties issuing listed bonds. The Corporate Governance Code is available publicly at the website www.cgfinland.fi.

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

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

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

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

The general meeting

The general meeting of the shareholders is SATO Corporation's supreme deci-

sion-making body. The annual general meeting is to be held once a year within six months of the end of the financial year. An extraordinary general meeting is held when the Board of Directors considers it necessary or one must otherwise be held in accordance with the Finnish Companies Act.

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

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

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

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

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

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

Board of Directors

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

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

The annual general meeting, which convened on 05 March 2014, elected to the Board of Directors Juha Laaksonen as Chairman of the Board and, as ordinary members, Timo Hukka, Vesa Immonen, Esa Lager, Tarja Pääkkönen, Niina Rajakoski and Ilkka Tomperi. The extraordinary general meeting, which convened on 23 October 2014, elected to the Board of Directors as ordinary member also Andrea Attisani. The Board of Directors elected Esa Lager as its Vice Chairman. In 2014, the Board of Directors convened on 11 occasions. On the average 90 per cent of the Board members attended the Board meetings.

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

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

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

Board of Directors include the following:

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

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

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

The Committees of the Board of Directors

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

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

The Audit Committee convened three times and the Nomination and Remuneration Committee convened three times during the financial year. An average of 100 per cent of the members of the Committees attended the meetings.

Serving on the Audit Committee in 2014 were Chairman Vesa Immonen and members Tarja Pääkkönen, Niina Rajakoski and Ilkka Tomperi. All the members are independent of the company and one is also

independent of the major shareholders.

Serving on the Nomination and Remuneration Committee in 2014 were Chairman Juha Laaksonen and members Timo Hukka and Esa Lager. All the members are independent of the company and two is also independent of the major shareholders.

President and CEO

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

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

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

The Corporate Management Group convenes once a week.

Communications

SATO's website is used to make public the main information on the company's adminis-

tration. All of the company's communication and the main management presentation material on the company's economy may be seen immediately after publication on the company's website www.sato.fi.

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

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

Internal control

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

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

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

have been allocated for controls which are in charge of the implementation and effectiveness of the controls.

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

Internal audit

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

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

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

Risk management

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

process are specified on the basis of a separate survey of reporting process risks.

Responsibility for the arrangement of risk management is held by the company's Board of Directors and the CEO. The internal audit and internal control enhance the handling of the Board of Directors' duty of supervision. The duties of the Audit Committee, which the Board has elected among its members, are to assess the adequacy and appropriateness of risk management processes and risk management. The Audit Committee reports to the Board of Directors, which supervises the risk management.

Audit

The annual general meeting elects a single auditor for the company, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term in office is the financial year and his duties end at the closing of the annual general meeting following the one at which he was elected. The auditor for the financial year 1 January to 31 December 2014 was KPMG Oy Ab. The auditor in charge at the auditing firm was Lasse Holopainen, M.Sc. (Econ. & BA), APA. The audit checks the accounts, financial statements and administration of the company and Group.

Insider administration

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

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

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

Report on salaries and remuneration

The Board of Directors and auditors

The remuneration to be paid to the members of the Board of Directors and auditors is decided by the annual general meeting. The annual general meeting which convened on 05 March 2014 decided that the chairman of the Board of Directors was to be paid €36,000, the deputy chairman was to be paid €22,000 and the members of the Board of Directors were to be paid €18,000 for their term in office. It was also decided to pay the chairman of the Board of Directors and the members €500 per meeting. It was decided to pay the chairmen of the committees and the members €500 per meeting.

The fees for the members of the Board of Directors in 2014 totalled €188,178. 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 2014 amounted to €126,548 and fees for non-auditing services were €179,165.

The President and CEO and the Group's other management

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

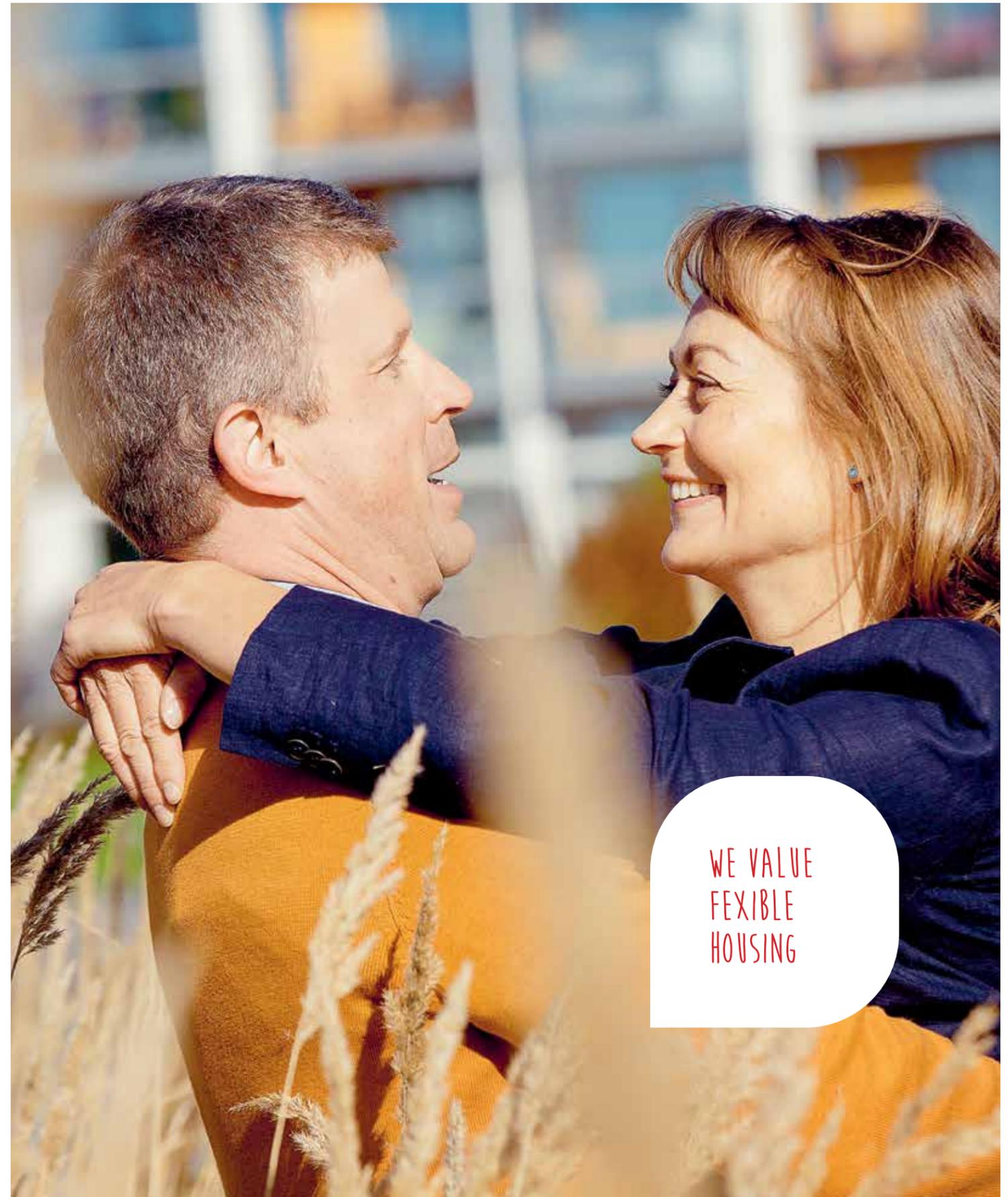
The salary and other perquisites of the President and CEO in 2014 amounted to €808,065, of which €312,370 was fixed salary and the variable component was €495,695. The salary and other perquisites of the President and CEO's deputy amounted to €507,401, of which €203,637 was fixed salary and the variable component was €303,763. The variable component includes bonuses based on long- and short-term incentive systems.

The President and CEO and the Vice President acting as his deputy are covered by a supplementary pension insurance. Based on their supplementary pension, their retirement age is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary. The Board of Directors decided on 18 December 2012 to continue the President and CEO's indefinite appointment

after he reaches pensionable age, until 31 December 2015. The President and CEO's service contract has been renewed and the period of notice is six months. The President and CEO's supplementary pension insurance ended on 31 December 2013.

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

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



WE VALUE
FLEXIBLE
HOUSING

Board of Directors

MEMBERS:

1. Juha Laaksonen
2. Vesa Immonen
3. Niina Rajakoski
4. Timo Hukka
5. Esa Lager
6. Tarja Pääkkönen
7. Ilkka Tomperi
8. Andrea Attisani



Juha Laaksonen

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

Primary working experience:

Fortum Corporation: CFO 2000–2012, Fortum Corporation: Corporate Vice President, M&A and Executive Vice President, Finance & Planning, Oil and Gas Division 1999–2000, Neste Oy: CFO 1998, Corporate Controller 1997–1998, Vice President of Finance & Planning, Chemicals Division 1994–1997, Neste Oy: various expert and management duties 1979–1993

Main positions of trust:

Kemira Oy: member of the Board of

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

Vesa Immonen

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

Primary working experience:

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

since 2007, Tapiola Insurance Group's Vice President 2002–2006, Department Manager 2000–2001, Project Manager (property unit) 1998–1999, Helsinki University of Technology (property laboratory) Assistant Professor, Senior Assistant and Assistant 1992–1998

Main positions of trust:

RAKLI ry: member of the Board of Directors, Tapiolan Alueen Kehitys Oy: Chairman of the Board of Directors

Niina Rajakoski

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

Primary working experience:

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

Main positions of trust:

The Construction Quality Association: member of the Board of Directors, RAKLI ry: Chair of the construction and procurement committee, Chair of the KJs certification group, member of the Goods Inspection Board of the Finland Chamber of Commerce 2015–

Timo Hukka

born 1952, B.Sc. (Econ.), Chief Investment Officer, Investment Operations, Suomi Mutual Life Assurance Company until 31.12.2014, Board member since 2008, independent of the company, not independent of the main shareholders

Primary working experience:

Suomi Mutual Life Assurance Company: deputy for President and CEO 2008–2014, Chief Investment Officer, Investment Operations 2003–2014. Has served in the insurance industry since 1979 in various specialist, managerial and executive posts for corporate finance and investment.

Main positions of trust:

Member of the State Pension Fund's Investment Consultative Committee, Aberdeen Asset Management Finland Oy: member of the Board of Directors, TradekaSijoitus Oy: member of the Board of Directors, EVLI Fund Management Company Ltd: member of the Board of Directors, Northern Stars Partners Oy: Chairman of the Board

Esa Lager

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

Primary working experience:

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

Tarja Pääkkönen

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

Primary working experience:

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

Main positions of trust:

Panostaja/Flexim Security Oy: member of the Board of Directors, Wulff Group Plc: member of the Board of Directors, OLVI Plc: member of the Board of Directors, Idean Oy: member of the Board of Directors, Spinverse Oy: member of the Board of Directors, Mobile software company Sunduka Oy: Vice Chairman of the Board of Directors, HYY Group: member of the Board of Directors, Member of the Marketing Executives' Group and the Directors' Institute of Finland

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:

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

Andrea Attisani

born 1971, Degree in Business Economics, major in Finance (at LaSapienza University of Rome), 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

Corporate Management Group



WE BEAR OUR
RESPONSIBILITY
WITH JOY

MEMBERS:

1. Erkka Valkila
2. Monica Aro
3. Esa Neuvonen
4. Tuula Entelä
5. Pasi Suutari

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 Construc-
tion 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

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 Pres-
ident 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: 30,000 shares

Tuula Entelä

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

Primary working experience:

Polar Group: Administrative Director of
Real Estate Division 1992–1994, SATO
Group: Director, Housing Development
and Construction 1989–1992, SOK Corpora-
tion: 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, Sponda Plc:
member of the Board of Directors (until
19.3.2014), 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 Manage-
ment Group of the Housing division

Shareholding in SATO: 165,812 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: 1,000 shares

Erkka Valkila

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

Primary working experience:

Polar Corporation/Polar Real Estate Corpo-
ration: President and CEO 1998–2003; Vice
President, Real Estate Division 1993–1998,
Ferenda Oy: Managing Director 1991–1993,
Kiinteistösolari Oy: Managing Director
1988–1991

Main positions of trust:

Member of the Board for several SATO Group
companies, KTI Kiinteistötieto Oy: Chairman of
the Board of Directors, The Finnish Housing
Fair: Chairman of the Board of Directors,
Duuri Oy: Chairman of the Board of Directors,
HYY Group: member of the Board of Direc-
tors, Suomen Talokeskus Oy: member of the
Board of Directors, The Finnish Fair Founda-
tion: member of the Board of Directors, The
Finnish Housing Reform Association: Deputy
Chairman of the Board, SFHP Suomi-Finland
Housing and Planning: member of the Board
of Directors

Shareholding in SATO: 372,000 shares



OUR FINANCES
ON A SOLID
BASIS

Annual Report of the Board

Operating environment

The Finnish economy has been declining for three consecutive years, and the long-term growth prospects continued to weaken during the review period. In the Euro zone, weak economic growth and low interest rates had a positive impact on SATO's result. In addition to difficulties in Finland, the global political situation and the economic and currency crisis in Russia have a negative impact on the outlook for Finland and contribute to increased uncertainty.

In Finland, consumer confidence has remained at a below-average level for a long time. Purchasing power has decreased, and consumption habits are changing. However, unemployment rates have weakened relatively little in this difficult economic situation.

In the long term, urbanisation, decrease in the average family size and immigration support an increase in the demand for rental housing in SATO's operating regions, especially in the Helsinki Metropolitan Area. Therefore, SATO continued active investments. SATO's investments remained close to the previous year's level, amounting to approximately €174 (191) million.

Interest towards investing in housing increased in the market, and new housing funds were established which created more competition. The deterioration in consumers' purchasing power and increased competition were reflected in SATO's rental operations, but after the spring, the situation improved significantly.

Consumers' home-purchasing intentions were below average. The number of housing units for sale – both new constructions and old apartments – has reached its lowest level in over two years. The volume of apartment sales in owner-occupied homes decreased for the second consecutive year. During the last five years, price

development in the Helsinki Metropolitan Area has clearly differentiated from that in the rest of Finland.

Demand for rental apartments in St. Petersburg continued to be good, and the rental occupancy rate improved from the previous year. In the spring, SATO decided to refrain from making new investment decisions concerning St. Petersburg until the Russian economy and political climate become more stable. The weakening of the Russian rouble decreased the euro-denominated value of apartments owned by SATO in St. Petersburg and, consequently, weakened SATO's result.

Segment division

In its financial reporting, the Group's rental housing is divided into two segments – SATO business and VATRO business.

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

Changes in reporting practices 2015

According to the Group's strategy, new investments in the 2000s have been allocated to SATO business. As the significance of VATRO business has decreased to less than eight per cent, SATO decided to abandon the current segment division in the reporting for 2015. As of 1 January 2015, SATO's business will be reported as one entity.

As of the financial year 2015, SATO will change the presentation of its profit and loss account from type of expense-specific to function-specific reporting. The change aims at providing investors with more accurate information on the allocation of income and expenses to different business areas.

Net sales and profit

In the year under review, Group net sales were €312.3 (311.5) million. €271.8 (272.4) million was attributed to SATO business and €40.5 (39.1) million to VATRO business.

An increase in the number of investment properties, efficient rental business and an increase in the level of rents improved rental income by 6.0 (7.9) per cent. Its share of the turnover was €243.2 (229.5) million.

The share of SATO business of the result before taxes was €145.4 (135.2) million, and that of VATRO business €6.8 (5.6) million.

The Group's operating profit was €191.3 (178.3) million.

The Group's profit before taxes grew by 8.1 (16.1) per cent to €152.2 (140.8) million. The improvement in profit was a result of increased rental income, low financing costs, good cost management and a larger positive change in fair value than in the previous year.

The fair value change of rental properties included in the profit was €63.8 (59.6) million. The change was attributed to the positive effects of housing price development, increase in rental income and expiry of restrictions on some properties, and the negative effects of the weakening rouble.

The rise in rouble-denominated prices in St. Petersburg increased the value of SATO's housing portfolio by €3.1 million; however, the deterioration of the exchange rate of the rouble decreased the St. Petersburg housing portfolio's value by €41.2 million. The net profit effect of these changes on SATO's result was €38.1 million.

More information on the determination of the fair value is available in section 11 of the notes to the financial statements.

Financial position

The consolidated balance sheet total on 31 Dec 2014 was €2,801.6 (2,595.8) million.

Shareholders' equity was €892.2 (821.7) million. Shareholders' equity per share was €17.55 (16.16).

The Group's equity ratio was 31.8 (31.7) per cent. The targeted equity ratio is at least 25 per cent.

The return on equity for 2014 exceeded the targeted level of 12 per cent and was 14.0 (15.5) per cent. Return on investment was 7.7 (7.7) per cent.

Finance

The financial situation of the Group and parent company was good throughout the financial year. The Group's financial assets at year-end were €31.8 (46.4) million.

Interest-bearing liabilities at the end of the financial period were €1,584.9 (1,501.3) million, of which market rate loans totalled €1,208.7 (1,106.5) million. A breakdown of loans is given in section 24 of the notes to the financial statements.

At the end of the review period, the average interest rate for loans was 2.6 (2.9) per cent. Net financing expenses during the review period totalled €39.1 (37.6) million.

During the financial year, new long-term financing was raised in the amount of €150.9 million in total. The loan-to-value (LTV) ratio without the VATRO segment was 56 (56) per cent at the end of the review period.

The average maturity of the loan portfolio was 5.3 (5.7) years, excluding state-subsidised ARAVA loans.

In accordance with the Group's financial policy, efforts will be made to keep the share of fixed-rate loans over 60 per cent of all loans. At the time of closing the books, the share was 67.3 (67.4) per cent.

During the financial year, the computational effect of changes in the market value of hedges on shareholders' equity was €-18.2 (11.5) million.

The Group's cash flow during the year under review was good. Cash flow from business operations was boosted by the improvement in operating profit by roughly €13.0 million.

Group structure

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

Total housing portfolio and fair value

On 31 Dec 2014, SATO owned a total of 24,173 (23,828) homes, 20,092 (19,741) of which belonged to the SATO business and 4,081 (4,087) to the VATRO business. During the review period, the number of homes increased by 345.

The fair value of rental property totalled €2,528.0 (2,316.0) million, and the change in fair value was €212.0 (228.0) million. Rental income development, investments, market price development, divestments, the change in the exchange rate of the rouble and the expiry of restrictions on some properties affected the value development.

The Helsinki Metropolitan Area accounts for approximately 80 per cent in housing property, whereas Tampere, Turku, Oulu and Jyväskylä jointly account for approximately 16 per cent, and St. Petersburg for roughly 4 per cent.

Investments in rental properties and divestments

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

In the year under review, investments totalled €174.1 (190.6) million, which is about 7 per cent of the value of investment properties. To renew the housing stock, the aim is to target an average of 70 per cent of investments in new housing. The share of new housing was €117.4 (124.6) million, which was about 68 per cent of all investments.

During the year under review, the number of rented homes acquired in Finland was 706 (685), of which 563 (208) were new apartments. At year-end, 571 (1,029) new rental apartments were under construction in Finland. At the end of the

financial year, the company had binding contracts for acquisitions worth €58.4 (103.5) million in Finland.

The most significant investment was in 126 privately financed rental homes in the Helsinki Metropolitan Area, bought from ICECAPITAL Housing Fund I Ky. The value of the transaction was €23.1 million.

The sum used for renovating the housing stock and improving the quality of apartments in Finland was €49.0 (43.4) million.

During the financial year, 444 (463) homes were divested in Finland for a total of €25.9 (22.8) million. The divested homes were, for the most part, located outside SATO's targeted business area.

Renting

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

The financial rental occupancy rate in Finland was on a good level, averaging 97.2 (97.7) per cent, and occupant turnover averaged 37.3 (36.3) per cent. The average rent per square metre for rented homes during the period under review was €15.35 (14.75)/month.

According to SATO's estimate, the net rental income improved from the previous year and totalled €148.8 (137.3) million. Continued good demand, an increased number of homes, cost-efficient maintenance work and improvements in rental business and customer service supported the increase in net rental income.

Property development

The company's own land inventory brings a competitive edge by enabling the development of rental apartments, which respond best to demand.

The book value of the Group's building land inventory at the end of the review period was €71.6 (88.3) million. During the review period, new plots were acquired to a value of €5.3 (7.5) million. In addition, land reservations were made for the implementation of approximately 12,000 square metres of floor area, i.e. around 160 apart-

ments. The book value of the building land inventory sold and transferred to housing construction during the year was €13.7 (25.1) million.

Plan development projects were underway, for example, in Perkkää and Niittykumpu in Espoo, Martinlaakso in Vantaa, Verkkoasaari in Helsinki, and the centre of Kirkkonummi.

In the Helsinki Metropolitan Area, many commercial premises are empty or becoming empty. SATO has initiated several reviews on converting commercial properties into rental apartment use.

During the financial year, a total of 549 (232) rental properties and 223 (226) owner-occupied homes were completed in Finland. On 31 Dec 2014, there were 571 (1,029) rental properties and 159 (292) owner-occupied homes under construction.

Production of owner-occupied housing generates synergies in housing investments, and apartments most suitable for renting are acquired as investment properties. At year-end, the completed, unsold owner-occupied homes numbered 94 (65) and those under construction numbered 94 (235), with a total acquisition value of €90.9 (120.6) million. SATO's owner-occupied homes are usually not sold until after completion, in accordance with the SATO OwnerHome concept.

Business in St. Petersburg

The housing market in St. Petersburg is similar in size to the Finnish housing market. The expansion of investments in St. Petersburg, initiated in 2007, has improved SATO's possibilities for growth. The share of the Group's housing property in St. Petersburg is limited to 10 per cent.

At the end of the year under review, the fair value of the St. Petersburg housing portfolio totalled €101.7 (112.4) million, which equals 4 per cent of SATO's housing property value. At year-end, binding contracts for acquisitions totalled €10.7 (23.7) million in value. SATO had a total of 313 (237) completed apartments and 217 (219) units under construction in St. Petersburg.

The rental occupancy rate for apartments averaged 92.6 (90.8) per cent during

the year under review. The average rent per square metre for rented homes during the review period was €20.13 (23.90)/month. The decrease in rents was affected by the weakening of the exchange rate of the rouble.

The making of new investment decisions concerning St. Petersburg will depend on the development of the Russian operating environment.

Customer relationships

In order to create a competitive edge, SATO is investing in improving its customer relationships. The customer experience development is measured in terms of the Net Promoter Score, NPS. In the year under review, the NPS score was 26 (23). The target is to achieve an NPS value of 40 by the end of 2020.

In order to improve the customer experience, the quality of rental homes and encounters with customers are being enhanced. Further focus areas include digital services with an increased number of language versions available. The number of customer interface personnel has been increased, and the employees' competencies have been improved. During the year under review, the contents of services provided by building management and maintenance partners was revamped, and more harmonised customer satisfaction targets were defined.

Corporate responsibility

The 2014 annual report is the first one in which SATO features sustainability reporting according to the GRI reporting guidelines. The report describes the company's economic, environmental and social sustainability based on a materiality assessment made in 2013.

Corporate responsibility is embedded in everyday work at SATO. Our sustainability policy is available on our website www.sato.fi/corporate-responsibility.

In 2015, we will continue developing our operating models and indicators by participating in The Global Real Estate Sustainability Benchmark (GRESB) process.

Environmental impacts

The control of energy consumption plays a key role in the prevention of harmful environment impact created by housing. In order to support the climate-related targets set by itself and by society, SATO is committed to the property sector's energy-efficiency agreement included in the state's action programme for rented home communities (VAETS) and to a climate partnership agreement with the City of Helsinki. SATO's short-term goal is to reduce the specific consumption of heat by 15 per cent by 2016. Efforts are being made to achieve this target already in 2015.

SATO has also set longer-term goals, which account for the impacts of tightened construction regulations, renewal of the building base and improvement of energy efficiency. According to these goals, SATO is aiming to decrease the specific consumption of heat and water in properties by 20 per cent by 2020. The reference year is 2009. The consumption of electricity should be kept at its current level.

In the year under review, the specific consumption of heat decreased by 2.2 per cent, and the consumption of electricity decreased by 1.8 per cent compared to the 2013 level. The specific consumption of water increased 1.7 per cent compared to the 2013 level.

Specific emissions generated by SATO's rental apartments totalled 40.4 (45.5) kilograms of carbon dioxide equivalent per square metre of living space. The aim is to reduce greenhouse gas emissions by 10 per cent by 2020.

The Group's environmental programme can be read in its entirety on the website www.sato.fi/ymparisto-ohjelma (currently in Finnish only).

Research and development

Development work was targeted at increasing the understanding of customers and developing product concepts, improving electronic services and renewing IT systems. During the year under review, SATO spent a total of €0.8 (1.8) million on research and development, which is equivalent to 0.3 per cent of turnover.

Risk management

SATO's risk management is based on guidelines for corporate governance, as well as on the systematic risk assessment embodied in the strategic and annual planning process. To control and mitigate risks, procedures will be initiated if necessary to prevent the realisation of risks or to attempt to enhance the monitoring of a specific subdivision. An internal audit is carried out by an independent party, and auditing is targeted in accordance with the risk assessments of the strategic and annual planning process.

The development of SATO's result has been steady in the last few years. The reporting practice was changed starting from 1 Jan 2014 so that the change in the fair value of investment properties is presented in the profit and loss account. Due to this, changes in exchange rates can increase fluctuations in results concerning the price level of apartments and housing portfolio in St. Petersburg.

The main risks of selling and leasing homes concern economic cycles and changes in demand. SATO's Board of Directors has set euro limits to the total amount of unsold homes and land inventory.

A positive trend in the value of the housing and the rentability of the homes portfolio are secured by concentrating on the urban centres of growth. Systematic repairs help to enhance the quality of the Group's housing portfolio. Changes in requirements for energy efficiency and environmental aspects may increase the cost of repairs to SATO's investment properties.

Business in St. Petersburg involves risks related to the business environment, as well as a currency risk. Transaction exposure in foreign currency related to the acquisition of properties is hedged in accordance with the Group's financing policy. The proportion of investments in St. Petersburg has been restricted relative to the Group's total housing investments.

To secure the continuity of services purchased from partners, operations have been distributed between a number of service providers.

In accordance with the Group's financial policy, efforts will be made to keep fixed-rate loans over 60 per cent of all loans. The Group has set an equity ratio target.

The Group's risks, in respect of property, business interruption and liability for damages, are secured with appropriate insurance coverage.

Further information on risk management is given on the website www.sato.fi/riskmanagement.

Pending lawsuits

Lawsuits and countersuits between the contracting parties are pending in connection with the implementation of and invoicing for an owner-occupied property built in the Arabianranta district of Helsinki. Also, a ruling has been applied for, from the Supreme Administrative Court, concerning the Group contribution to one SATO Group company.

Shares and share capital

The share capital of SATO Corporation, as per 31 Dec 2014, was €4,442,192.00, and the number of shares was 51,001,842. The company has a single series of shares. The shares are in a book-entry securities system maintained by Euroclear Finland Ltd.

SATO Corporation holds 160,000 company shares. These shares represent 0.3 per cent of all shares.

The members of the SATO Corporation's Board of Directors, the President and CEO and his deputy held a total of 537,812 shares on 31 Dec 2014.

Personnel

At the end of 2014, the Group had 169 (156) employees. There were 156 (145) employees on permanent contracts and 13 (11) on fixed-term contracts. The number of Group personnel averaged 165 (156) during the year.

In order to improve the chances of youth employment, a total of 22 people aged 15 to 28 year-olds were employed in summer work. The aim was to provide young people with opportunities to obtain work experience.

Board of Directors, President and CEO, and auditors

Serving on SATO's Board of Directors until the annual general meeting of 5 March 2014 were Juha Laaksonen (chairman), Jorma Kuokkanen (Vice Chairman), and ordinary members Timo Hukka, Vesa Immonen, Tarja Pääkkönen and Niina Rajakoski.

The annual general meeting, held on 5 March 2014, confirmed the number of members on SATO Corporation's Board of Directors as seven. Juha Laaksonen was re-elected as Chairman of the Board, and Timo Hukka, Vesa Immonen, Niina Rajakoski and Tarja Pääkkönen as members of the Board. Esa Lager and Ilkka Tomperi were elected as new Board members. The Board elected, from its own number, Esa Lager as Vice Chairman of the Board of SATO Corporation.

SATO Corporation's extraordinary general meeting, on 23 October 2014, decided to confirm the number of SATO Corporation Board members as eight. The general meeting decided to elect Andrea Attisani as a new member as of 23 Oct 2014.

In 2014, the Board of Directors convened on 11 occasions. Board work is supported by two committees comprised of Board members: the Nomination and Remuneration Committee and the Audit Committee.

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

The company's auditors were KPMG Oy Ab, a firm of Authorised Public Accountants, with Lasse Holopainen, APA, as the auditor in charge.

Members of the Corporate Management Group

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

Outlook

The growth of the Finnish economy and general confidence are estimated to remain weak. In SATO's operating environment, business is most affected by consumer confidence, the rent and price development of apartments and interest rates.

The demand for rental housing is expected to continue to be good in SATO's areas of operation and mainly be targeted at small homes. Approximately 80 per cent of SATO's apartments are located in the Helsinki Metropolitan Area, where rent and price development is steadiest. SATO's supply responds to the need for small homes; the average surface area of SATO's apartments is 57 square metres.

Increasing urbanisation and immigration are creating good prospects for continuing investments in Finland. Due to continuing demand and new investments, SATO's net rental income is estimated to improve compared to last year. Rent rises, however, are estimated to be more moderate than in the last few years.

Interest rates are expected to remain low, which has a positive effect on SATO's business.

According to forecasts, the Russian economy will decline as a result of the economical sanctions placed because of the crisis in Ukraine, and the decreasing price of oil. Approximately 4 per cent of SATO's housing portfolio is located in St. Petersburg. SATO will refrain from new investment decisions until the Russian economy and political situation stabilise.

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

The parent company's distributable assets on 31 Dec 2014 were €102,522,199.06, of which the net profit for the financial year was €26,169,102.61. The number of issued shares in the company in 2014 conferring entitlement to dividend for 2014 is 50,841,842. According to dividend policy, the aim is to distribute stable, competitive dividends.

The Board of Directors will propose to the annual general meeting that as capital repayment and dividends, €0.62 per share be paid, in total €31,521,942.04 be paid as capital repayment and dividends. The Board of Directors will propose to the

annual general meeting that, based on the balance sheet of 31 Dec 2014 confirmed by the meeting, capital repayment of €0.42 per share be paid. The capital repayment will be paid from the invested unrestricted equity fund. Moreover, the Board of Directors proposes to the annual general meeting that dividend be paid on the profit for the financial year of €0.20 (0.18) per share, being a total of €10,168,368.40, and that €16,000,734.21 be posted to retained profits.

Capital repayment and dividend will be payable to a shareholder who, on the date of record for payment, 5 March 2015, has been entered in the register of the company's shareholders, maintained by Euroclear Finland Ltd. According to the proposal, capital repayment and dividend be payable on 20 March 2015.

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

SIGNATURES TO THE REPORT OF THE BOARD AND THE FINANCIAL STATEMENTS

Helsinki, 28 January 2015

Juha Laaksonen	Esa Lager	Andrea Attisani	Timo Hukka
Vesa Immonen	Tarja Pääkkönen	Niina Rajakoski	Ilkka Tomperi
Erkka Valkila President & CEO			

NOTE ON THE FINANCIAL STATEMENTS

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

Helsinki, 28 January 2015

KPMG OY AB
Lasse Holopainen, APA.

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Consolidated income statement, IFRS

MEUR	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net Sales	2, 3	312.3	311.5
Profit on sales of investment properties	4	2.0	1.8
Fair value change of investment properties	11	63.8	59.6
Share of results of associated companies	14	0.4	0.0
Other operating income	4	1.0	0.2
Material and services		-63.4	-73.7
Personnel expenses	5	-12.6	-12.1
Depreciation, amortization and impairment charges	2, 6	-1.1	-0.9
Loss on sales of investment properties	4	-2.9	-0.1
Other operating expenses	4	-108.2	-107.9
Operating profit		191.3	178.3
Financial income	2, 8	0.9	0.9
Financial expenses	2, 8	-40.0	-38.5
		-39.1	-37.6
Profit before tax		152.2	140.8
Income tax expenses	9	-31.8	-21.8
Profit for the period		120.5	118.9
Profit for the period attributable to			
Equity holders of the parent		120.3	118.9
Non-controlling interests		0.1	0.1
		120.5	118.9
Earnings per share attributable to equity holders of the parent			
Basic, EUR		2.37	2.34
Diluted, EUR		2.37	2.34
Average number of shares, million		50.8	50.8

Consolidated statement of comprehensive income, IFRS

MEUR	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Other comprehensive income			
Items that will never be reclassified to income statement			
Remeasurements of defined benefit liability, net of tax	23	-0.2	0.0
Related tax		0.0	0.0
		-0.2	0.0
Items that may be reclassified subsequently to income statement			
Cash flow hedges		-22.8	12.7
Available-for-sale financial assets		-0.7	0.2
Translation differences		-0.2	0.0
Related tax		4.7	-2.6
		-18.9	10.3
Other comprehensive income, net of tax		-19.1	10.3
Total comprehensive income		101.4	129.2
Comprehensive income attributable to			
Equity holders of the parent		101.2	129.1
Non-controlling interest		0.1	0.1
		101.4	129.2

Consolidated statement of financial position, IFRS

MEUR	Note	31 Dec 2014	31 Dec 2013	1 Jan 2013
ASSETS				
Non-current assets				
Investment property	11	2,528.0	2,316.0	2,088.0
Property, plant and equipment	12	2.4	2.4	2.1
Intangible assets	13	1.3	1.3	1.0
Investments in associated companies	14	0.1	0.2	0.2
Available-for-sale financial assets	16	1.7	2.6	2.6
Non-current receivables	15, 17	10.8	9.1	9.5
Deferred tax assets	18	17.2	12.6	18.2
Total		2,561.5	2,344.1	2,121.5
Current assets				
Inventories	19	188.1	190.1	167.7
Accounts receivable and other receivables	20	13.1	12.0	49.6
Deferred tax assets		7.1	3.2	1.9
Cash and cash equivalents	21	31.8	46.4	33.7
Total		240.1	251.7	252.9
TOTAL ASSETS		2,801.6	2,595.8	2,374.4
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity attributable to Equity holders of the parent	22			
Share Capital		4.4	4.4	4.4
Fair value and other reserves		-40.6	-21.9	-32.2
Reserve fund		43.7	43.7	43.7
Reserve for invested non-restricted equity		23.3	44.5	44.5
Retained earnings		861.4	750.9	637.1
Total		892.2	821.7	697.6
Non-controlling interests		0.1	1.0	1.0
TOTAL SHAREHOLDERS EQUITY		892.3	822.8	698.6
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	18	187.9	173.9	191.3
Provisions	26	2.9	3.1	3.4
Other non-current liabilities	15, 25	53.5	29.1	45.2
Defined benefit liabilities	23	0.5	0.4	0.7
Long-term interest bearing liabilities	15, 24	1,373.7	1,339.0	1,249.0
Total		1,618.5	1,545.5	1,489.7
Current liabilities				
Accounts payable and other liabilities	27	70.9	61.5	56.4
Deferred tax liabilities		8.8	3.8	3.4
Short-term interest bearing liabilities	15, 24	211.1	162.3	126.3
Total		290.8	227.5	186.2
TOTAL LIABILITIES		1,909.3	1,773.0	1,675.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,801.6	2,595.8	2,374.4

Consolidated statement of cash flow, IFRS

MEUR	Notes	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cash flow from operating activities			
Profit for the period		120.5	118.9
Adjustments:			
Business activities not involving payment	30	-63.4	-59.4
Profit and loss on sales of investment properties		0.4	-1.7
Interest expenses and other financial expenses		40.6	39.3
Interest income		-0.7	-0.8
Dividend income		-0.1	-0.1
Income taxes		31.8	21.8
Cash flow before change in net working capital		129.0	118.0
Change in net working capital:			
Changes in accounts receivable and other receivables		-1.9	8.4
Change in inventories		2.2	-21.6
Change in accounts payable and other liabilities		7.9	3.1
Change in reserves		-0.2	-0.4
Interest paid		-41.1	-39.1
Interest received		1.2	0.8
Taxes paid		-15.7	-15.5
Net cash flow from operating activities		81.3	53.7
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash		-0.1	0.4
Acquisitions of Investment properties and PPE		-175.1	-191.9
Repayments of loans receivable		0.4	0.3
Payments of granted loans		-2.1	0.0
Increase (-)/decrease (+) in short-term investments		0.0	25.0
Disposals of Investment property		24.6	22.2
Net cash flow from investing activities		-152.4	-144.0
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of current loans		28.2	3.1
Withdrawals of loans		254.2	305.0
Repayments of loans		-194.5	-177.2
Return on equity and dividends paid		-30.5	-28.0
Net cash flow from financing activities		57.5	103.0
Change in cash and cash equivalents			
Cash and cash equivalents at the beginning of period	21	46.4	33.7
Effect of exchange rate fluctuations on cash held		-1.0	0.0
Cash and cash equivalents at the end of period		31.8	46.4

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 2013	4.4	-32.2	43.7	44.5	233.7	294.2	1.0	295.2	
Adoptation of IAS 40 fair value model					403.4	403.4		403.4	
Adjusted Shareholder's equity 1 Jan 2013	4.4	-32.2	43.7	44.5	637.1	697.6	1.0	698.6	
Comprehensive income									
Remeasurements of defined benefit liability									
Cash flow hedges, net of tax		10.2				10.2		10.2	
Available-for-sale investments, net of tax		0.1				0.1		0.1	
Translation differences					0.1	0.1		0.1	
Profit for the period					118.7	118.7	0.1	118.7	
Total comprehensive income	0.0	10.3	0.0	0.0	118.7	129.0	0.1	129.1	
Transaction with shareholders									
Dividend					-28.0	-28.0		-28.0	
Capital Repayment									
Transaction with shareholders, total	0.0	0.0	0.0	0.0	-28.0	-28.0	0.0	-28.0	
Tax rate change effect on adaption of IAS 40 fair value model					24.0	24.0		24.0	
Other adjustments	0.0	0.1	0.0		-1.0	-0.9		-0.9	
Total of equity movements	0.0	10.4	0.0	0.0	113.8	124.1	0.1	124.2	
Shareholders' equity 31 Dec 2013	4.4	-21.9	43.7	44.5	750.9	821.7	1.0	822.8	

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	
Transaction with shareholders									
Dividend					-9.2	-9.2	0.0	-9.2	
Capital Repayment									
Transaction with shareholders, total	0.0	0.0	0.0	-21.2	-9.2	-30.5	0.0	-30.5	
Other adjustments		0.0			-0.1	-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	

Notes to the consolidated financial statements, IFRS

1. Accounting principles

Basis of presentation

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

The Board of Directors has approved the financial statements on 28 January 2015. A copy of the company's consolidated financial statements may be obtained from the abovementioned 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 changes in interest rates and in the housing demand.

General principles

The consolidated financial statements of SATOs 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, 2014. 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 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 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.

Suomen Asumisoikeus Oy is a joint arrangement in which SATO has a 50% interest. 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.

Income statements 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 accumulative 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 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.

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.

Property, plant and equipment

Assets in property, plant and equipment are valued at the original acquisition price less accumulated depreciation and impairments. Property, plant and equipment assets are depreciated in straight-line instalments during their estimated economic lives, which are as follows:

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

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

Intangible assets

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

An intangible asset is valued at the original acquisition cost less depreciation and any 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 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 fair value and other reserves 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.

Untaxed reserves

A reserve is booked when the Group has a legal or actual obligation on the basis of prior events, when the realisation of a payment obligation is likely and the amount of the obligation can be reliably estimated. The extent of the construction sector's 10-year liability reserve is based on experience of the realisation of these liabilities. A guarantee period reserve is also booked when a project is credited or charged in the profit and loss account. The extent of the guarantee period reserve is based on experience of the realisation of guarantee expenditures. Other reserves may be reorganization reserves or loss-making agreements. A reserve is booked for loss-making agreements when the essential expenditure required to meet obligations exceeds the benefits obtained from the agreement.

Principles of income recognition

Principles of income recognition for sales of new homes

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.

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.

New and amended standards applied in financial year ended

SATO adopted investment property fair value measurement method based on IAS 40 Investment Property standard as of 1 Jan 2014. According to IAS 8 standard voluntary adoption is possible only in case the change will give more reliable and significant information about the circumstances related to business transactions, other events and conditions, which have an effect to entity's financial position, financial profit and cash flows. Adoption of standard was done retrospectively, so that comparative financials (2013) and opening balance of comparative financial year was adjusted to be in accordance with the standard.

According to IAS 40 standard investment properties are initially booked at acquisition cost, including transaction costs. Later investment properties are measured at fair value when all gains and losses from valuation are reported in the income statement during accounting period when they arise.

Reporting changes in future financial years

SATO will change 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 is intended 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 will start reporting 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 has decided to change the current segment reporting and will start to report 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.

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

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard has not had a material impact on SATOs consolidated financial statements.
- IFRS 11 *Joint Arrangements* and subsequent amendments: In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard has not had a material impact on SATOs consolidated financial statements.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard has expanded the notes the SATO group provides for its interests in other entities.
- IAS 27 *Separate Financial Statements* (revised 2011) and subsequent amendments: The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised has not had a material impact on SATOs consolidated financial statements.
- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011): Following

the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard has not had a significant impact on SATOs consolidated financial statements.

- Amendments to IAS 32 *Financial Instruments: Presentation*: The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendment has not had a significant impact on SATOs consolidated financial statements.
- Amendments to IAS 36 *Impairment of Assets*: The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard has not had a significant impact on SATOs consolidated financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*: The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendment has not had an impact on SATOs consolidated financial statements.

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

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

- IFRIC 21 *Levies* (effective for financial years beginning on or after 1 January 2015 after the EU approval process): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation is not assessed to have a significant impact on SATOs consolidated financial statements.
- New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2017): 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. Segment information

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

Income and expenses allocated to the reported segment are the segments

direct earnings and direct expenses and the amounts that can be allocated on a reasonable basis. Financial income and expenses are also included into the segments income and expenses as these are considered to be a key factor in forming the net profit of the segment. Leaving them out would not give a fair view of the segments' net profit.

The assets and liabilities of reporting segment are operational items that the segment uses in its business operations and are reasonably attributable to the segments. The unallocated assets include deferred tax credits as well as the Group's common items. The unallocated debts are comprised mainly of deferred tax liabilities. Investments are comprised of increases in investment properties, tangible fixed assets, and intangible assets which are used in more than one financial year. Pricing between segments is done at appropriate market rate.

According to the Group's strategy, new investments made in the 2000s are targeted in SATO business. As the significance of VATRO business has decreased, SATO's Board decided to abandon the current segment division in the reporting for 2015. As of January 1st 2015, SATO's business will be reported as one entity.

Calculation of net rental income

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

Segment information 1 Jan–31 Dec 2014

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
Net sales	271.8	40.5		312.3
Profit and loss on sales of Investment properties	-1.0	0.2		-0.9
Depreciation, amortizations and impairment charges	-1.0	-0.1		-1.1
Operating profit	179.4	11.9		191.3
Interest income	0.9	0.0		0.9
Interest expenses	-34.9	-5.1		-40.0
Profit before taxes	145.4	6.8		152.2
Net rental income of Investment properties	126.1	22.7		148.8
Net rental income of Investment properties, % of fair value	5.9	11.7		6.1
Investments	174.1			174.1
Increase in inventory, land areas	5.3			5.3
Depreciation and amortization	-1.0	-0.1		-1.1
Assets and eliminations allocated to segments	2,529.8	213.4	-17.0	2,726.2
Investment properties	2,336.2	191.8		2,528.0
Cash and cash equivalents	-26.3	7.0		-19.3
Other assets	219.9	14.6	-17.0	217.5
Investments in associated companies	0.0	0.0		0.0
Unallocated assets				75.4
Total Assets				2,801.6
Liabilities allocated to segments	1,553.8	175.8	-17.0	1,712.6
Interest bearing liabilities	1,417.6	167.2		1,584.8
Other liabilities	136.2	8.6	-17.0	127.8
Unallocated liabilities				196.7
Total Liabilities				1,909.3

Segment information 1 Jan–31 Dec 2013

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
Net sales	272.4	39.1		311.5
Profit and loss on sales of Investment properties	1.6	0.2		1.8
Depreciation, amortizations and impairment charges	-0.7	-0.2		-0.9
Operating profit	166.9	11.4		178.3
Interest income	0.9	0.0		0.9
Interest expenses	-32.7	-5.8		-38.5
Profit before taxes	135.2	5.6		140.8
Net rental income of Investment properties	115.2	22.1		137.3
Net rental income of Investment properties, % of fair value	6.0	11.1		6.5
Investments	190.6	0.0		190.6
Increase in inventory, land areas	7.5			7.5
Depreciation and amortization	-0.7	-0.2		-0.9
Assets and eliminations allocated to segments	2,384.6	215.2	-15.3	2,584.5
Investment properties	2,120.2	195.8		2,316.0
Cash and cash equivalents	42.4	5.3		47.7
Other assets	222.1	13.8	-15.3	220.6
Investments in associated companies	-0.1	0.3		0.2
Unallocated assets				11.3
Total Assets				2,595.8
Liabilities allocated to segments	1,429.4	185.0	-15.3	1,599.1
Interest bearing liabilities	1,324.2	178.1		1,502.3
Other liabilities	105.2	6.9	-15.3	96.8
Unallocated liabilities				173.9
Total Liabilities				1,773.0

SATO does not have any single external customer which would bring minimum of 10% of SATOs net profit.

MEUR 2014 2013

3. Distribution of net sales

Net Sales		
Net sales on sales of new constructions	60.6	67.9
Rental income	243.2	229.5
Other income	8.5	14.2
Total	312.3	311.5

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

Profit and loss on sales of investment properties		
Profit on sales	2.0	1.8
Loss on sales	-2.9	-0.1
Total	-0.9	1.6

Other operating income

Available-for-sale assets, reclassified to income statement	0.8	0.0
Other items	0.2	0.2
Total	1.0	0.2

Other operating expenses

Maintenance expenses of investment properties	58.4	61.8
Rental expenses	38.7	35.8
Other administrative expenses	10.0	9.5
Other expenses	1.1	0.8
Total	108.2	107.9

Auditors fees

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

5. Personnel expenses

Personnel expenses		
Salaries and wages	10.3	9.5
Defined contribution pension plans	1.8	1.7
Defined benefit pension plans	0.1	0.5
Other personnel expenses	0.4	0.4
Total	12.6	12.1

Management employee benefits are presented in note 32 Related Party Transactions

Average number of personnel	165	156
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6. Depreciation, amortizations and impairment charges

Depreciation by asset class:		
Property, plant and equipment	0.6	0.6
Intangible assets	0.5	0.3
Total	1.1	0.9

No Impairment charges have been recognized.

MEUR 2014 2013

7. Research and development

Research and development expenses during 2014 were EUR 0,7 million (2013: EUR 1,1 million) and deferred to balance sheet EUR 0.1 million (2013: EUR 0.7 million).

8. Financial income and expenses

Financial income		
Interest income on loans receivable and cash and cash equivalents	0.5	0.6
Dividend income on available-for-sale investments	0.1	0.1
Foreign exchange gain	0.3	0.2
Total	0.9	0.9

Financial expenses

Interest expense on financial liabilities measured at amortized cost	-26.9	-27.2
Interest expense on effective cash flow hedges	-11.3	-9.7
Interest expense on non-hedge accounted derivatives	-0.8	-0.8
Change in fair value, non-hedge accounted derivatives	0.7	0.8
Foreign exchange loss	0.0	-0.1
Other financial expenses	-1.7	-1.4
Total	-40.0	-38.5

Financial income and expenses, net	-39.1	-37.6
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9. Income taxes

Income taxes recognized in income statement		
Current tax from accounting period	16.8	28.1
Current tax from previous period	0.0	0.5
Deferred taxes	14.9	-6.8
Total	31.8	21.8

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	152.2	140.8
Income tax calculated with domestic corporate tax rate of the parent	30.4	28.2
Non-deductable expenses	1.0	1.3
Tax-exempt income	-0.1	0.0
Items to be recognised in income statement in future periods	0.3	1.4
Items that have been recognised in tax calculation in previous periods	-0.3	-1.6
Tax from previous periods	0.0	-0.5
Effect of change in tax rate	0.0	-10.4
Adaptation of IAS 40 Fair value model	0.0	3.1
Other items	0.4	0.3
Total adjustments	1.3	-6.3
Income tax expense in income statement	31.8	21.8

MEUR

2014

2013

10. Earnings per share

Undiluted earnings per share is calculated by dividing parent company profit attributable to equity holders with weighted average number of shares outstanding. The amount of SATO's shares 31 december 2014 was 51 001 842. At the end of the reporting period SATO held 160,000 own shares.

Profit attributable to equity holders of the parent	120.3	118.9
Weighted average of shares	50.8	50.8
Earnings per share (EUR)		
Basic	2.4	2.3
Diluted	2.4	2.3

11. Investment properties

Fair value of investment properties at start of period	2,316.0	2,088.0
Acquisitions, new constructions	152.5	169.3
Other investments to properties	20.1	18.4
Disposals of investment properties	-25.7	-22.2
Capitalized borrowing costs	1.2	1.0
Reclassification from trading properties	0.2	1.8
Gains and losses from changes in fair value*	63.8	59.6
Fair value of investment properties at end of period	2,528.0	2,316.0

* Gains and losses from changes in fair value includes foreign exchange losses of EUR 41,2million.

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 maintained by renovation and repair activity based on their lifecycle and repair plans. Increase in the fair value of SATO's investment property was mainly due to market price levels, reclassifications from measurement group to another when legal restrictions have ended and changes in parameters used in valuation.

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

The valuation of SATO's investment properties is based on a method which has been prepared by SATO in co-operation with a third party expert (currently: Jones Lang LaSalle, 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 SATO's property on site every three years. Existing properties located in St.Petersburg are valued by third party expert (currently JLL, St. Petersburg office).

Valuation methods

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.

Sensitivity analysis of investment properties 31 December 2014

MEUR	-10%		-5%		5%		10%	
	Change	Change %						
Properties measured at market values								
Change in market prices	-160.0	-9.6	-80.0	-4.8	80.0	4.8	160.0	9.6
Properties measured at income value								
Income requirement	49.2	12.5	23.3	5.9	-21.1	-5.4	-40.2	-10.3
Lease income	-65.1	-16.6	-32.5	-8.3	32.5	8.3	65.1	16.6
Maintenance costs	20.9	5.3	10.5	2.7	-10.5	-2.7	-20.9	-5.3
Utilization rate	-65.1	-16.6	-32.5	-8.3	-	-	-	-

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

12. Property, plant and equipment

2014	Machinery and equipment	Other tangible assets	Total
MEUR			
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	3.6
Carrying value at 1 January 2014	1.2	1.1	2.4
Carrying value at 31 December 2014	1.3	1.1	2.4
	Machinery and equipment	Other tangible assets	Total
2013			
MEUR			
Balance at the start of the period	4.7	0.7	5.4
Additions	0.4	0.6	1.0
Disposals	-0.7	0.0	-0.7
Balance at the end of the period	4.3	1.4	5.7
Accumulated depreciation at the start of the period	3.2	0.2	3.4
Disposals	-0.7	0.0	-0.7
Depreciation for the period	0.6	0.1	0.7
Accumulated depreciation at the end of the period	3.1	0.3	3.4
Carrying value at 1 January 2013	1.4	0.6	2.0
Carrying value at 31 December 2013	1.2	1.1	2.4

Machinery and equipment includes assets acquired with financial lease agreements as follows:

MEUR	2014	2013
Balance at the start of the period	0.0	0.7
Additions	0.0	0.0
Disposals	0.0	-0.7
Balance at the end of the period	0.0	0.0
Accumulated depreciation at the start of the period	0.0	0.7
Depreciation for the period	0.0	0.0
Disposals	0.0	-0.7
Accumulated depreciation at the end of the period	0.0	0.0
Carrying value at the end of the period	0.0	0.0

13. Intangible assets

2014	Intangible rights	Other intangible assets	2014 Total
MEUR			
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 the start of the period	0.3	2.5	2.8
Depreciation for the period	0.0	0.5	0.5
Accumulated depreciation at the end of the period	0.3	2.9	3.2
Carrying value at 1 January 2014	0.0	1.3	1.3
Carrying value at 31 December 2014	0.0	1.3	1.3

2013	Intangible rights	Other intangible assets	2013 Total
MEUR			
Balance at the start of the period	0.3	3.0	3.3
Additions	0.0	0.8	0.8
Balance at the end of the period	0.3	3.7	4.0
Accumulated depreciation at the start of the period	0.3	2.0	2.4
Depreciation for the period	0.0	0.3	0.3
Accumulated depreciation at the end of the period	0.3	2.5	2.8
Carrying value at 1 January 2013	0.0	0.9	0.9
Carrying value at 31 December 2013	0.0	1.3	1.3

14. Interests in other entities

Group Composition

SATO has 12 subsidiaries that are material to the group in 2014 and 2013. 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 36.

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 22. 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 31. Collateral, commitments and contingencies.

Immaterial associates and joint ventures

SATO does not have joint ventures or associates that are material to the group in 2014 and 2013. 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	2014	2013
Carrying amount of interests in immaterial associates	0.1	0.2
Group's share of:		
Profit	0.4	0.0
Total income	0.4	0.0

On 8 April 2014 SATO has sold its part (50%) of its shares of Suomen Asumisoikeus Ltd. to Asumisoikeus Ltd., subsidiary of Asunto-säätiö. The selling price has been accepted by ARA (the Housing Finance and Development Center of Finland). During prior periods Suomen Asumisoikeus Ltd. has been consolidated according to the law of Right Residence Act in respect of dividend distribution 8% on invested assets.

Suomen Asumisoikeus Ltd. is domiciled in Helsinki. As at 31st March 2014 (31 December 2013) its figures totaled to (EUR million): Assets 1,145.7 (1,164.3), liabilities 820.9 (992.9), net sales 34.1 (131.6) and profit 0.7 (1.9).

15. Financial assets and liabilities by category

2014	Note	Fair value, other comprehensive income	Fair value through profit and loss	Available-for-sale	Assets and liabilities at amortised cost	Carrying amount total	Fair value hierarchy		
							Level 1	Level 2	Level 3
MEUR									
Non-current financial assets									
Shares at fair value	16			-		-			
Other shares	16			1.7		1.7			
Loans receivable	17				10.8	10.8			
Derivative assets	25	0.0				0.0	0.0		
Current financial assets									
Accounts receivable	20				10.3	10.3			
Loans receivable	20				0.0	0.0			
Cash and cash equivalents	21				31.8	31.8			
Non-current financial liabilities									
Corporate bonds	24				247.8	247.8	207.2	49.0	
Other loans	24				1,125.9	1,125.9		1,127.1	
Derivative liabilities	25	53.5	-			53.5		53.5	
Current financial liabilities									
Loans	24				211.1	211.1		211.1	
Derivative liabilities	25	3.4	0.4			3.8		3.8	
Accounts payable	27				6.1	6.1			

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

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	2014	2013
16. Available-for-sale financial assets		
Shares	0,0	0,8
Other holdings	1,7	1,8
Total	1,7	2,6

Shares include quoted shares, valued at the closing price on the report date and other holdings. Changes in market value are recognised in fair value and other reserves in other comprehensive income, net of tax. Other holdings include shares in unlisted companies, and are valued at the acquisition cost as their fair value cannot be reliably determined. During the period quoted shares have been sold and recognized at fair value through profit and loss.

17. Non-current receivables

Loans receivable	10,8	9,1
Non-current receivables total	10,8	9,1

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

18. Deferred tax assets and liabilities

Changes in deferred taxes in 2014:

MEUR	1.1.2014	Recognized through profit or loss	Change in corporate tax rate in Finland	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	0.0	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	0.0	-0.2	-0.7	187.9

Changes in deferred taxes in 2013:

MEUR	1.1.2013	Recognized through profit or loss	Change in corporate tax rate in Finland	Recognized through other comprehensive income	Subsidiaries acquired/ sold	31 Dec 2013
Deferred tax assets						
Valuation of financial instruments at fair value	11.1	-0.2	0.0	-5.1	-	5.9
Periodization and temporary differences	8.0	3.2	-4.5	-	-	6.7
Total	19.2	3.0	-4.5	-5.1	0.0	12.6

Deferred tax liabilities:

Valuation of investment properties at fair value	107.3	0.5	-0.5	-	-	107.3
Valuation of financial instruments at fair value	0.4	-0.1	0.4	0.0	-	0.7
Reclassification of housing provisions and depreciation differences	67.4	4.9	-13.3	-	-	59.0
Periodization and temporary differences	4.5	1.4	-1.1	-	0.0	4.8
Other items	2.7	-0.1	-0.5	-	-	2.1
Total	182.2	6.6	-14.9	0.0	0.0	173.9

MEUR	2014	2013
19. Inventories		
Inventories		
Buildings under construction	66.7	59.3
Completed apartments and commercial space	38.3	34.0
Land areas	71.6	88.3
Other inventories	11.5	8.6
Total	188.1	190.1

Impairment of cost recognized in inventory value was EUR 3.5 (0.8) million.

20. Accounts receivable and other receivables

MEUR	2014	2013
Accounts receivable and other receivables		
Accounts receivable	10.3	8.8
Prepaid expenses and accrued income	2.7	2.8
Loan receivables	0.0	0.0
Other receivables	0.0	0.3
Total	13.1	12.0

Specification of prepaid expenses and accrued income

MEUR	2014	2013
Prepaid expenses and accrued income related to rental services	0.2	0.7
Prepaid expenses and accrued income related to new constructions	0.4	0.2
Prepayments	1.0	0.0
Purchase price receivable	0.9	0.0
Hedge accounting	0.0	0.8
Interest receivables	0.2	0.3
Other	0.0	0.8
Total	2.7	2.8

21. Cash and cash equivalents

MEUR	2014	2013
Cash and cash equivalents		
Cash and bank balances	31.8	46.4
Total	31.8	46.4

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 EUR 22.6 (10.9) million.

22. Shareholders' equity

2014	Number of shares (1,000)	Share capital	Reserve fund	Reserve for invested non-restricted equity	Total
MEUR					
Reconciliation of number of shares					
Balance at the start of the period	50,842	4.4	43.7	44.5	92.7
Return on capital		-	-	-21.2	-21.2
Balance at the end of the period	50,842	4.4	43.7	23.3	71.4

2013	Number of shares (1,000)	Share capital	Reserve fund	Reserve for invested non-restricted equity	Total
MEUR					
Reconciliation of number of shares					
Balance at the start of the period	50,842	4.4	43.7	44.5	92.6
Return on capital		-	-	-	-
Balance at the end of the period	50,842	4.4	43.7	44.5	92.6

Description of items in shareholders' equity

Shares and share capital

The total number of SATO share as at 31 Dec 2014 was 51,001,842. SATO Plc held 160,000 own share at 31 Dec 2014. 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 2014, the Board of Directors has proposed dividend distribution of EUR 0.20 per share (2013: EUR 0.18 per share) and return of capital EUR 0.42 (2013: 0.42) per share.

Restrictions concerning SATOs shareholders' equity

In 2014 SATOs retained earnings EUR 861.4 million (2013: EUR 750.9 million) included distribution restricted capital related to subsidized, non-profit businesses totalling to EUR 177.5 million (2013: EUR 148.9 million). 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 25%. SATOs equity ratio measured at fair value was 31.8% (2013: 31.7%). The Board of Directors reviews and assesses SATOs capital structure regularly.

Some of SATOs interest bearing financial agreements include special pricing conditions relating to capital structure and profitability. According to managements assessment these terms did not imply significant risk. In 2014 SATOs capital structure and profitability met the set terms.

MEUR

	2014	2013
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23. Employee benefits

Recognised items in statement of financial position	2014	2013
Defined benefit obligation	1,6	3,1
Fair value of plan assets	-1,2	-2,7
Net defined benefit liability recognized in statement of financial position	0,5	0,4

SATOs employee benefit plan is 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 SATOs plan obligations and plan assets:

Opening defined benefit obligation	3.1	2.6
Current service cost	0.1	0.2
Net interest	0.1	0.1
Actuarial gains (-) / losses (+) on obligation	0.2	0.2
Benefits paid	-1.9	0.0
Defined benefit plan obligations at the end of period	1.6	3.1
Change of fair value of plan assets		
Opening Fair value of plan assets	2.7	2.0
Interest income	0.1	0.1
Actuarial gains (+) and losses (-)	-0.1	-0.1
Benefits paid	-1.9	0.0
Employee contributions	0.3	0.7
Fair value of plan assets at the end of the period	1.2	2.7
Change in net defined benefit liability		
Net benefit liability recognized in statement of financial position 1 Jan	0.4	0.7
Expenses recognised in income statement	0.1	0.2
Remeasurements	0.2	0.2
Employee contributions	-0.3	-0.7
Net defined benefit liability 31 Dec	0.5	0.4
Expenses recognized in income statement		
Service cost	0.1	0.2
Net interest expenses	0.0	0.0
Actuarial gains and losses	0.2	0.2
Total Expenses recognized in income statement	0.4	0.5
Expected contributions paid by the employer in 2015 (2014)	0.2	0.4

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

Assumptions used in calculation	2014	2013
Discount rate	1.70%	3.00%
Rate of salary increase	2.00%	3.00%
Duration of defined benefit obligation, years	15	15

MEUR

	2014	2013
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24. Financial liabilities

Non-current	2014	2013
Corporate bonds	247.8	247.5
Bank loans	773.1	723.9
Interest-subsidised loans	215.4	214.7
State-subsidised ARAVA loans	137.4	152.8
Total	1,373.7	1,339.0
Current	2014	2013
Commercial Papers	102.7	72.3
Bank loans	85.1	62.7
Interest-subsidised loans	9.1	15.5
State-subsidised ARAVA loans	14.2	11.8
Total	211.1	162.3

During the reporting period, a total of EUR 150.9 million of new longterm debt was drawn. On December 31, 2014, the average interest on the SATO debt portfolio was 2.6 (2.9) per cent. Fair values of debt is presented in note 15.

25. Derivatives

Fair values of derivative instruments

MEUR	2014			2013		
	Positive	Negative	Net	Positive	Negative	Net
Non-current						
Interest rate swaps, cash flow hedge	-	-35.2	-35.2	-	-22.0	-22.0
Interest rate swaps, non-hedge accounted	-	-	-	-	-1.1	-1.1
Cross-currency and interest rate swaps, cash flow hedge	-	-17.5	-17.5	0.2	-5.3	-5.0
Foreign exchange forward contracts, cash flow hedge	-	-0.9	-0.9	-	-0.1	-0.1
Non-current derivatives, total	0.0	-53.5	-53.5	0.2	-28.6	-28.3
Current						
Interest rate swaps, cash flow hedge	-	-0.2	-0.2	-	-0.4	-0.4
Interest rate swaps, non-hedge accounted	-	-0.4	-0.4	-	-	-
Foreign exchange forward contracts, cash flow hedge	-	-3.2	-3.2	-	-0.3	-0.3
Current derivatives, total	0.0	-3.8	-3.8	0.0	-0.6	-0.6
Total	0.0	-57.4	-57.4	0.2	-29.2	-29.0

Nominal values of derivative instruments

MEUR	2014	2013
Nominal values		
Interest rate swaps, cash flow hedge	475.9	432.1
Cross-currency and interest rate swaps, cash flow hedge	110.5	112.8
Foreign exchange forward contracts, cash flow hedge	7.6	23.4
Interest rate swaps, non-hedge accounted	20.0	20.0
Total	614.0	588.3

Change in fair value of designated cash flow hedges, booked to fair value and other reserves in other comprehensive income, totalled EUR -18.2 (11.5) 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 1–9 years and forward contracts 1–2 years. Typically netting agreements are applied to derivative contracts, however the contracts are represented in gross value in financial statements. The method of presentation has no significant impact on figures on reporting or comparative period.

26. Provisions

MEUR	2014	2013
Provision of refund claim 1 Jan	3.1	3.4
Increases	0.4	2.9
Used provisions	-0.5	-2.9
Cancellations	-0.1	-0.4
Provision of refund claim 31 Dec	2.9	3.1

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

27. Accounts payable and other liabilities

MEUR	Note	2014	2013
Accounts payable and other liabilities			
Advances received		32.0	16.4
Accounts payable		6.1	5.6
Other liabilities		3.2	4.6
Accrued expenses and prepaid income		29.5	34.8
Total accounts payable and other liabilities		70.9	61.5
Accrued expenses and prepaid income			
Personnel expenses		3.4	5.6
Interest expenses		9.0	9.6
Derivative instruments	25	3.8	0.0
Accrued expenses and prepaid income related to new constructions		8.9	15.4
Accrued expenses and prepaid income related to rental services		2.3	2.9
Accounts payable		1.8	0.0
Other		0.3	1.3
Total accrued expenses and prepaid income		29.5	34.8

28. Financial risk management

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

Interest rate risk

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

Market-based loans are primarily drawn at floating rates. In accordance with the Treasury Policy, the interest rate risk arising from these contracts is hedged using derivative instruments, mainly interest rate swaps and options, so that after hedging fixed rate portion exceeds 60 per cent of the nominal value of the total loan portfolio, excluding ARAVA loans. On 31 December 2014, the fixed rate portion of the loan portfolio after hedging is 67.2 (67.4) percent, the average maturity excluding ARAVA loans being 5,3 (5,7) 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 is 2.75–3.5 per cent and the average subsidy on the interest exceeding the deductible rate would be 33.2 (34.3) per cent. Deductible rate on the so-called interim model loans, funded in years 2009 to 2011, is 3.40 per cent and the interest subsidy on the exceeding interest is 75 per cent. A large part of the interest-subsidised loans is tied to long reference rates, ranging 3 to 10 years. Due to the subsidy and long reference rates, the interest rate risk on these loans is not material. In accordance with the Treasury Policy, SATO does not apply hedging to interest-subsidised loans.

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

Currency risk

SATO is exposed to both transaction and translation risks due to investments in St. Petersburg. Transaction risk arises mainly from rouble denominated purchase agreements. Committed agreements are fully hedged with currency forward contracts. On 31 December 2014, SATO had MEUR 10.7 (23.3) in rouble-denominated commitments related to the investments. The translation risk, i.e. the consolidation of foreign currency denominated subsidiary accounts, arises due to the investment properties in St. Petersburg. The fair values of the properties are translated to

euros in consolidated financial statements using the closing exchange rate on the report date.

Price risk

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

Credit risk

SATO is not exposed to significant concentrations of credit risk. SATO's accounts receivable consist mainly of accounts receivable from construction commissioning. For the most part there is no credit risk related to these receivables, as title to the properties to be sold is not usually transferred to the buyer until the price has been paid. A small proportion of accounts receivable involve rent receivables. SATO has over 24,000 tenants, so the risk entailed in a single receivable is insignificant. Additionally, most lease agreements have security for the rent receivable. SATO's actual credit losses have averaged the equivalent of 0.7 per cent of rental income. In addition, treasury functions, such as liquidity investments and derivative instruments, involve a counterparty risk, which is reduced by careful selection of counterparties and by diversification of contracts among a number of counterparties.

Liquidity risk

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

Liquidity is managed with the commercial paper programme of EUR 200 million, committed credit limits EUR 290 million, and non-committed credit limits, EUR 5 million. On 31 December 2014, the commercial papers issued amounted to EUR 103.0 (72.5) million and EUR 75.0 (25.0) million of the committed credit facility was in use. In liquidity management, it is taken into account that the assets of Group companies subject to non-profit restrictions due to interest subsidies or state subsidized ARAVA loans, are kept separately and allocated to those non-profit operations.

Sensitivity analysis, interest rate risk

MEUR	2014				2013			
	Profit and Loss		Equity		Profit and Loss		Equity	
	+1 %	-0,1 %	+1 %	-0,1 %	+1 %	-0,1 %	+1 %	-0,1 %
Floating rate loans	-7.6	0.8	-	-	-6.9	0.7	-	-
Cross-currency and interest rate swaps	0.8	-0.1	5.3	-0.5	0.9	-0.1	5.6	-0.6
Interest rate swaps	4.0	-0.4	21.5	-2.2	3.9	-0.4	17.0	-1.8
Total	-2.8	0.3	26.8	-2.8	-2.1	0.2	22.7	-2.3

Sensitivity analysis, currency risk

MEUR	2014				2013			
	Profit and Loss		Equity		Profit and Loss		Equity	
	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %
Foreign currency denominated loans	-10.6	10.6	-	-	-11.4	11.4	-	-
Cross-currency and interest rate swaps	10.5	-10.5	-	-	11.4	-11.4	-	-
Foreign exchange forward contracts	-	-	0.8	-0.8	-	-	1.9	-1.9
Total	-0.1	0.1	0.8	-0.8	0.0	0.0	1.9	-1.9

Maturity analysis of financial instruments

2014 MEUR	within 1 year	2–5 years	6–10 years	11–15 years	after 15 years	2014 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
Total	-276.0	-715.6	-551.7	-87.6	-69.5	-1,700.4
Financial 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
Total	-13.9	-33.0	-7.2	0.0	0.0	-54.1
Financial liabilities and instruments total	-289.9	-748.6	-558.9	-87.6	-69.5	-1,754.5

2013 MEUR	within 1 year	2–5 years	6–10 years	11–15 years	after 15 years	2013 Total
Financial liabilities						
Market-based loans	-157,3	-464,1	-504,3	-54,6	-70,0	-1,250,4
Interest-subsidised loans	-24,7	-89,2	-130,0			-244,0
State-subsidised ARAVA loans	-18,2	-63,3	-57,0	-31,6	-29,2	-199,3
Accounts payable	-5,6					-5,6
Total	-205,9	-616,6	-691,3	-86,2	-99,2	-1,699,2
Financial instruments						
Foreign exchange forward contracts, inflow	19,4	4,1				23,4
Foreign exchange forward contracts, outflow	-19,3	-3,9				-23,2
Interest rate derivatives	-10,8	-28,6	-8,1			-47,4
Total	-10,7	-28,4	-8,1	0,0	0,0	-47,2
Financial liabilities and instruments total	-216,6	-645,1	-699,4	-86,2	-99,2	-1,746,4

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

MEUR	2014	2013
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29. Other lease agreements

Group as a lessee

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

Within one year	2.3	2.2
Within two to five years	7.9	6.9
Over five years	5.1	6.7
Total	15.3	15.8

SATO has sublet office premises in Panuntie, Helsinki. The amount of minimum rent income of these premises is EUR 1.9 million (EUR 2.5 million in 2013). In 2014 rent income recognized in income statement were EUR 0.7 million (2013: EUR 0.5 million).

MEUR	2014	2013
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30. Notes to the cash flow statement

Business actions not involving a payment

Depreciation	1.1	0.9
Gains and losses from changes in fair value of investment property	-63.8	-59.6
Other changes	-0.7	-0.8
Total	-63.4	-59.4

31. Collateral, commitments and contingencies

Loans for which mortgages and pledges have been given as collateral

Market loans	1,106.1	1,034.1
Mortgages provided	408.1	312.9
Book value of pledged shares	846.5	824.9
Value of deposits pledged	0.1	0.1
State-subsidised ARAVA loans	151.6	164.6
Mortgages provided	349.2	335.1
Book value of pledged shares	23.8	23.8
Interest-subsidised loans	224.5	230.3
Mortgages provided	309.3	321.3
Guarantees for others		
Owner-occupier home purchase commitments	19.8	19.4
Rs-guarantees	6.8	8.0
Mortgages provided to secure payment of rent and street maintenance		
Property mortgages provided	6.0	6.0
Binding purchase agreements		
For acquisitions of investment properties	69.1	127.2
Pledges for land use payments on zoned plots	6.4	4.8
Commitments to cleaning and removal charges	2.0	0.9
Letters of intent on land for which there is a zoning condition	6.7	6.0

Housing companies which hold so-called shared ownership apartments are treated as structured entities, which are established for a fixed period, and are not included in the consolidation. On the report date, the loans of such housing companies included in the shared ownership systems, totalled EUR 81.3 (87.0) million.

32. 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 parties 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 2014 are Varma Mutual Pension Insurance Company, APG Asset Management N.V., Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and LocalTapiola Group.

Varma Mutual Pension Insurance Company sold half of its shares in SATO to APG Asset Management N.V., which makes APG the second largest shareholder in SATO. Following the transaction, Varma's shareholding in SATO is now around 22.8%. Stock exchange release of APG Asset Management N.V.'s acquisition

of the SATO Plc.'s shares was released June 2. 2014. In addition Suomi Mutual Life Assurance Company, a shareholder of SATO Corporation, announced on 31st October 2014 that they have sold 3,519,410 of their SATO Corporation shares. By this trade the share of ownership Suomi has of SATO changes from 14.8% to 7.9%.

During 2013 related party shareholders consisted of Varma Mutual Pension Insurance Company, 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.

The following transactions were made with related parties:

MEUR	2014	2013
Transactions with related parties		
Rental agreements	1.8	1.8
Insurance payments	3.4	3.4
Total	5.2	5.2
Open balances with shareholders		
Receivables	0.0	0.0
Liabilities	0.0	28.1
Total	0.0	28.1
Management employee benefits		
Salaries and other short-term employee benefits	2.4	2.4
Other long-term employee benefits	0.6	0.4
Total	3.0	2.8
Salaries and fees		
President and CEO	0.8	0.8
Deputy to President and CEO	0.5	0.5
Members of the Board of Directors	0.2	0.2
Total	1.5	1.5

Thousand EUR	2014	2013
Compensation recognized as an expense for members of the Board of Directors and the President & CEO		
Erkka Valkila	808	795
Juha Laaksonen	43	44
Esa Lager	24	-
Tarja Pääkkönen	25	7
Andrea Attisani	5	-
Timo Hukka	23	26
Vesa Immonen	25	26
Niina Rajakoski	25	7
Ilkka Tomperi	19	-
Raimo Lind	-	5
Esko Torsti	-	5
Jorma Kuokkanen	-	27
Total	996	941

Persons employed by the Group are not paid separate remuneration when serving as a member of the Board of Directors or as a President of a Group company. Retirement age for the President and the President's deputy is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary. The Board of Directors has decided to continue the President's employment until December 31st 2015.

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

The members of 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.

In spring 2010 the Board of Directors decided on a new long-term incentive scheme for the period 2010–2012 with a maximum limit. The earnings period is three years and the criterion for accrual is growth in net assets. The commitment period for the incentive scheme will continue until 2014.

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

	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, %
Helsingin Castreninkatu 3 As Oy	100.0	100.0	Helsingin Mariankatu 19 As Oy	1.0	1.0	Helsingin Tuohiaukio As Oy	1.9	1.9	Kuusitie 15 As Oy	1.5	1.5
Helsingin Cirrus As Oy	1.7	1.7	Helsingin Mechelininkatu 12-14 As Oy	100.0	100.0	Helsingin Töölön Oscar As Oy	25.3	25.3	Kuusitie 3 As Oy	1.8	1.8
Helsingin Corona As Oy	17.0	17.0	Helsingin Merenkävijä As Oy	5.1	5.1	Helsingin Vanha viertotie 16 As Oy	76.7	76.7	Kuusitie 9 As Oy	2.3	2.3
Helsingin Eiranrannan Estella As Oy	30.8	30.8	Helsingin Meripellonhovi KOy	98.3	98.3	Helsingin Vanha viertotie 18 As Oy	47.5	47.5	Kvarnhyddan Bost. Ab	1.8	1.8
Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1	Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1	Helsingin Vanha viertotie 6 As Oy	100.0	100.0	Laajalahdentie 26 As Oy	6.5	6.5
Helsingin Gerbera As Oy	12.7	12.7	Helsingin Mylläri As Oy	2.3	2.3	Helsingin Vanha Viertotie 8 As Oy	100.0	100.0	Lahden Nuolikatun 9 As Oy	100.0	100.0
Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0	Helsingin Nautilus As Oy	26.0	26.0	Helsingin Venemestarintie 4 As Oy	100.0	100.0	Lapinniemen Pallopurje As Oy	1.9	1.9
Helsingin Happiness As Oy	22.2	22.2	Helsingin Navigatortalo KOy	44.7	44.7	Helsingin Vervi As Oy	100.0	100.0	Lapintalo As Oy	1.0	1.0
Helsingin Hildankulma As Oy	80.1	80.1	Helsingin Nils Westermarckin kuja 18 As Oy	100.0	100.0	Helsingin Villa Kuohu As Oy	25.6	25.6	Lauttasaarentie 11 As Oy	1.6	1.6
Helsingin Isopurje As Oy	3.2	3.2	Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5	Helsingin Vuosaaren Helmi As Oy	100.0	100.0	Lielahdentie 10 As Oy	9.1	9.1
Helsingin Juhani Ahon tie 12-14 As Oy	100.0	100.0	Helsingin Pakilantie 17 As Oy	100.0	100.0	Helsingin Välskärinkatu 4 KOy	85.7	85.7	Linjala 14 As Oy	4.2	4.2
Helsingin Junonkatu 4 As Oy	100.0	100.0	Helsingin Perustie 16 As Oy	56.0	56.0	Hiihtomäentie 34 As Oy	3.7	3.7	Läntinen Brahenkatu 8 As Oy	0.8	0.8
Helsingin Kaarenjalka 5 As Oy	100.0	100.0	Helsingin Piispantie 3 As Oy	100.0	100.0	Humalniementie 3-5 As Oy	1.1	1.1	Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6
Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4	Helsingin Piispantie 5 As Oy	100.0	100.0	Hyvinkään Joutsenlaulu As Oy	20.8	20.8	Mannerheimintie 100 As Oy	0.9	0.9
Helsingin Kalevankatu 53 As Oy	30.5	30.5	Helsingin Piispantie 7 As Oy	100.0	100.0	Hämeenlinnan Aronitunkuja 7 As Oy	100.0	100.0	Mannerheimintie 108 As Oy	3.0	3.0
Helsingin Kallioliina As Oy	0.8	0.8	Helsingin Piispantie 8 As Oy	100.0	100.0	Jussinohvi As Oy	3.5	3.5	Mannerheimintie 148 As Oy	2.5	2.5
Helsingin Kanavaranta As Oy	8.8	8.8	Helsingin Pirta As Oy	17.1	17.1	Jyväskylän Ailakinraitti As Oy	100.0	100.0	Mannerheimintie 170 KOy	32.1	16.3
Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0	Helsingin Porthaninkatu 4 As Oy	0.7	0.7	Jyväskylän Harjukartano As Oy	23.0	23.0	Mannerheimintie 77 As Oy	1.2	1.2
Helsingin Kangaspellontie 4 As Oy	20.1	20.1	Helsingin Puuskarinne 1 As Oy	98.2	98.2	Jyväskylän Harjunportti As Oy	18.7	18.7	Mannerheimintie 83-85 As Oy	0.7	0.7
Helsingin Kangaspellontie 6 KOy	100.0	100.0	Helsingin Päivöläntie 72 As Oy	36.9	36.9	Jyväskylän Lyseonlinna As Oy	6.8	4.6	Mannerheimintie 93 As Oy	0.3	0.3
Helsingin Kangaspellontie 8 As Oy	16.4	16.4	Helsingin Reginankuja 4 As Oy	11.8	11.8	Jyväskylän Taitoniekansato As Oy	17.4	17.4	Mariankatu 21 As Oy	1.3	1.3
Helsingin Kaustisenpolku 1 As Oy	100.0	100.0	Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0	Jyväskylän Tanhurinne As Oy	24.1	24.1	Mellunsusi As Oy	1.5	1.5
Helsingin Kerttulinkuja 1 As Oy	7.5	7.5	Helsingin Riontähti As Oy	100.0	100.0	Jyväskylän Torihovi As Oy	2.7	2.7	Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Helsingin Kirjala As Oy	100.0	100.0	Helsingin Rosas As Oy	9.6	9.6	Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0	Messeniuksenkatu 8 As Oy	2.0	2.0
Helsingin Klaavuntie 8-10 As Oy	100.0	100.0	Helsingin Rumpupolun palvelutalo As Oy	4.6	4.6	Järvenpään Alhonrinne As Oy	18.4	18.4	Messilä As Oy	70.0	70.0
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8	Helsingin Ruusutarhantie 2-4 As Oy	35.6	35.6	Kaarenkunnas As Oy	100.0	100.0	Minna Canthin katu 22 As Oy	2.4	2.4
Helsingin Koralli As Oy	4.1	4.1	Helsingin Ruusutarhantie 7 As Oy	39.3	39.3	Kajaneborg Bost. Ab	7.3	7.3	Mursu As Oy	0.5	0.5
Helsingin Koroistentie As Oy	9.4	9.4	Helsingin Satoaalto As Oy	8.6	8.6	Kasarmikatu 14 As Oy	12.2	12.2	Myllysalama As Oy	68.2	68.2
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0	Helsingin Satorinne As Oy	8.5	8.5	Kasarminkatu 10 As Oy	26.7	26.7	Myyrinhaukka As Oy	100.0	100.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0	Helsingin Serica As Oy	3.8	3.8	Kauniaisten Ersintie 9-11 As Oy	5.5	5.5	Nekalanpuisto KOy	2.9	2.9
Helsingin Korppaanmäentie 8 As Oy	49.8	49.8	Helsingin Siltavoudintie 20 As Oy	100.0	100.0	Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4	Nervanderinkatu 9 As Oy	2.6	2.6
Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0	Helsingin Snellmaninkatu 23 As Oy	100.0	100.0	Keravan Papintie 1 As Oy	100.0	100.0	Neulapadontie 4 As Oy	1.2	1.2
Helsingin Kultareuna 1 As Oy	39.0	39.0	Helsingin Solarus As Oy	5.9	5.9	Ketturinne As Oy	1.3	1.3	Nordenskiöldinkatu 8 As Oy	2.5	2.5
Helsingin Kutomotie 8a As Oy	100.0	100.0	Helsingin Solnantie 22 As Oy	98.0	98.0	Kilonkallionkuja 5 As Oy	100.0	100.0	Näkinkuja 2 As Oy	2.5	2.5
Helsingin Kutomotie 10a As Oy	75.5	75.5	Helsingin Stenbäckinkatu 5 KOy	60.0	60.0	Kirkkosalmentie 3 As Oy	0.9	0.9	Näsinkeskus KOy	11.3	11.3
Helsingin Kutomotie 12a As Oy	100.0	100.0	Helsingin Ståhlbergintie 4 As Oy	93.5	93.5	Kivisaarentie 2-6 As Oy	2.7	2.7	Näyttelijäntien Pistetalot As Oy	1.4	1.4
Helsingin Kuusihovi As Oy	25.4	25.4	Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0	Kolehmaisentori As Oy	21.4	21.4	Oskelantie 5 As Oy	4.1	4.1
Helsingin Kyläkirkontie 13 As Oy	68.5	68.5	Helsingin Tapaninkulo As Oy	4.7	4.7	Kristianinkatu 2 As Oy	1.7	1.7	Oskelantie 8 As Oy	2.1	2.1
Helsingin Köysikuja 2 As Oy	9.5	9.5	Helsingin Tila As Oy	24.5	13.1	Kulmakatu 12 As Oy	2.1	2.1	Otavantie 3 As Oy	0.6	0.6
Helsingin Lauttasaarentie 19 KOy	58.3	58.3	Helsingin Tiikankatu 15 As Oy	100.0	100.0	Kulmavuorenpiha As Oy	100.0	100.0	Otavantie 4 As Oy	1.8	1.8
Helsingin Leikopiha As Oy	9.6	9.6	Helsingin Tiikankatu 2 As Oy	100.0	100.0	Kulmavuorenrinne As Oy	1.0	1.0	Oulun Aleksinranta As Oy	100.0	100.0
Helsingin Leikosaarentie 31 As Oy	18.7	18.7	Helsingin Tiikankatu 6 As Oy	100.0	100.0	Kupittaa Kurki As Oy	6.1	6.1	Oulun Arvolankartano As Oy	2.1	2.1
Helsingin Leikovuono As Oy	9.1	9.1	Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6	Kupittaa Satakieleli As Oy	6.1	6.1	Oulun Arvolanpiha As Oy	0.0	0.0
Helsingin Lontoonkatu 9 As Oy	100.0	100.0	Helsingin Tunturiniina As Oy	9.5	9.5	Kuuselanpuisto As Oy	23.0	23.0	Oulun Arvolanpuisto As Oy	9.0	9.0
Helsingin Lönnrotinkatu 32 As Oy	56.1	56.1						Oulun Kalevalantie As Oy	100.0	100.0	

	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, %
Oulun Laamannintie 1 As Oy	12.8	12.8	Tampereen Linnanherra As Oy	100.0	100.0	Vantaan Orvokkikuja 1 As Oy	100.0	100.0	SATOhousing Oy		
Oulun Laanila I As Oy	100.0	100.0	Tampereen Pappilan Herra As Oy	100.0	100.0	Vantaan Pakkalanrinne 5-7 As Oy	100.0	100.0	Espoon Kuunsirppi As Oy	100.0	100.0
Oulun Laanila IV As Oy	100.0	100.0	Tampereen Rotkonraitti 6 As Oy	54.7	54.7	Vantaan Pakkalanruusu As Oy	3.1	3.1	Espoon Sepetlahdentie 6 As Oy	100.0	100.0
Oulun Laaniranta As Oy	6.0	6.0	Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6	Vantaan Pronssikuja 1 As Oy	100.0	100.0	Hannanpiha As Oy	19.1	19.1
Oulun Marsalkka As Oy	5.7	5.7	Tampereen Strada As Oy	46.7	46.7	Vantaan Ruostekuja 3 As Oy	100.0	100.0	Helkalax As Oy	1.3	1.3
Oulun Mastolinna As Oy	2.2	2.2	Tampereen Tarmonkatu 6 As Oy	100.0	100.0	Vantaan Tammiston Tringa As Oy	8.3	8.3	Helsingin Hämeenpengeri As Oy	100.0	100.0
Oulun Notaarintie 1 As Oy	24.4	24.4	Tampereen Tieteenkatu 14 As Oy	100.0	100.0	Vantaan Tammistonkatu 29 As Oy	29.1	29.1	Helsingin Lapponia As Oy	100.0	100.0
Oulun Notaarintie 3 As Oy	5.0	5.0	Tampereen Waltteri As Oy	23.9	23.9	Vantaan Tuurakuja 4 As Oy	34.1	34.1	Helsingin Pasilantornit As Oy	60.4	60.4
Oulun Paalikatku 23 As Oy	100.0	100.0	Tapiolan Tuuliniitty, Espoo As Oy	6.8	6.8	Vantaan Tähtiö As Oy	33.2	33.2	Helsingin Vetelintie 5 As Oy	100.0	100.0
Oulun Peltolantie 18 B As Oy	100.0	100.0	Tarkkampusankatu 14 As Oy	44.1	44.1	Viides linja 16 As Oy	1.1	1.1	Helsingin Viulutie 1 As Oy	100.0	100.0
Oulun Rautatienkatu 74 As Oy	100.0	100.0	Terhokuja 3 As Oy	100.0	100.0	Viikinkisankari As Oy	35.4	35.4	Hervannan Juhani As Oy	14.9	14.9
Oulun Rautatienkatu 78 As Oy	100.0	100.0	Terhokuja 6 As Oy	11.3	11.3	Vilhonvuorenkatu 8 As Oy - Bost. Ab			Kastevuoren Palvelutalo As Oy	100.0	100.0
Oulun Tullikartano As Oy	17.0	17.0	Tohlopinkontu KOy	100.0	60.0	Vilhelmsbergsgatan 8	1.1	1.1	Kevätesikko As Oy	3.4	3.4
Oulun Tulliveräjä As Oy	40.7	40.7	Turun Asemanlinna As Oy	20.9	20.9	Vuomeren-Salpa As Oy	2.7	2.7	Kotipiennar As Oy	2.8	2.8
Pellervon Pysäköinti KOy	68.9	43.1	Turun Eteläranta II As Oy	3.2	3.2	Vuoreksen Vega As Oy	88.8	88.8	Kuhakartano As Oy	1.3	1.3
Pengerkatu 27 As Oy	2.6	2.6	Turun Eteläranta III As Oy	2.9	2.9	Vuosaaren Meripihka As Oy, Helsinki	42.7	42.7	Kukkolan Koivu As Oy	4.3	4.3
Pihlajatie N:o 23 As Oy	3.0	3.0	Turun Eteläranta IV As Oy	3.0	3.0	OOO SATO-Rus	100.0	100.0	Kuusihalme As Oy	2.3	2.3
Poutuntie 2 As Oy	3.7	3.7	Turun Fregatinranta As Oy	4.7	4.7	Sato-Pietari Oy	100.0	100.0	Lohjan Riihenkias As Oy	100.0	100.0
Puistokaari 13 As Oy	1.9	1.9	Turun Föörinranta II As Oy	1.0	1.0	Sato-Pietari Oy	100.0	100.0	Majalanraitti As Oy	6.3	6.3
Raikukuja II As Oy	100.0	100.0	Turun Ipnoksenrinne As Oy	6.7	6.7	OOO Sato Park	100.0	99.0	Malmeken Ömsesidiga Fastighet	12.8	12.8
Raikurinne 1 As Oy	1.3	1.3	Turun Kupittaaan Peippo As Oy	34.6	34.6	Sato-Neva Oy	100.0	100.0	Mannerheimintie 170 KOy	32.1	15.8
Raision Tasontorni As Oy	80.4	80.4	Turun Linnankatu 37 a As Oy	1.7	1.7	Sato-Pietari Oy			Matinraitti 14 As Oy	1.0	1.0
Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5	Turuntie 112 As Oy	1.4	1.4	OOO Sato Park	100.0	1.0	Muotialantie 31 As Oy	7.0	7.0
Ristolantie 7 As Oy	2.5	2.5	Turuntie 63 As Oy	1.6	1.6	SATOkoti Oy			Näsinlaine As Oy	1.0	1.0
Rovaniemen Väliarakka As Oy	100.0	100.0	Työväen Asunto-osakeyhtiö Rauha	10.2	10.2	Espoon Jousenkaari 5 As Oy	100.0	100.0	Oulun Utelias-Salpa As Oy	100.0	100.0
Ryytikuja 5 As Oy	0.8	0.8	Ulvilantie 11 b As Oy	0.6	0.6	Espoon Jousenkaari 7 As Oy	100.0	100.0	Peltohuhta As Oy	1.2	1.2
Saarenkeskus As Oy	0.4	0.4	Urheilukatu 38 As Oy	56.0	56.0	Espoon Kuunkierros 2 As Oy	83.0	83.0	Pohjankartano As Oy	22.8	22.8
Salpakolmio As Oy	31.3	31.3	Vaasankatu 15 As Oy	0.8	0.8	Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0	Puolukkasato As Oy	5.9	5.9
Satakallio As Oy	0.2	0.2	Vallikallionpolku KOy	100.0	100.0	Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0	Rantasentteri As Oy	1.5	1.5
Savilankatu 1 b As Oy	33.3	33.3	Vallinkyyhky As Oy	6.0	6.0	Helsingin Keinulaudantie 7 As Oy	100.0	100.0	Satokaunokki As Oy	7.5	7.5
Solnantie 32 As Oy	0.9	0.9	Vantaan Aapramintie 4 As Oy	100.0	100.0	Helsingin Kiillekuja 4 As Oy	100.0	100.0	Satulapuisto As Oy	6.9	6.9
Spargäddan Bost. Ab As Oy	1.3	1.3	Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7	Helsingin Näyttelijäntie 24 As Oy	100.0	100.0	Tampereen Hervannan Puistokallio As Oy	100.0	100.0
Sulkaopolku 6 As Oy	0.4	0.4	Vantaan Heporinne 4 As Oy	100.0	100.0	Helsingin Pajamäentie 6 As Oy	100.0	100.0	Tasatuomo As Oy	1.3	1.3
Säästökartano As Oy	0.3	0.3	Vantaan Kaarenlehmus As Oy	100.0	100.0	Helsingin Pajamäentie 7 As Oy	100.0	100.0	Tikkamatti As Oy	19.6	19.6
Taapuri As Oy	2.5	2.5	Vantaan Kilterinpuisto As Oy	49.4	49.4	Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0	Turun Uudenmaanlinna As Oy	100.0	100.0
Tallbergin puistotie 1 As Oy	2.0	2.0	Vantaan Kivivuorentie 8 A-B As Oy	100.0	100.0	Hiirakkotie 3 KOy	100.0	100.0	Turun Veistämöntori As Oy	100.0	100.0
Tammitie 21 As Oy	0.9	0.9	Vantaan Kivivuorentie 8 C As Oy	100.0	100.0	Ojamonkuusi KOy	54.6	54.6	Ulpukkaniemi As Oy	25.4	25.4
Tampereen Charlotta As Oy	2.0	2.0	Vantaan Käräjäkuja 3 As Oy	19.8	19.8	Oulun Hoikantie 14-22 As Oy	100.0	100.0	Valtapolku As Oy	1.2	1.2
Tampereen Härmälänrannan Sisu As Oy	100.0	100.0	Vantaan Liesitorin palvelutalo As Oy	5.9	5.9	Tampereen Ruovedenkatu 11 As Oy	100.0	100.0	Vantaan Havukoskenkatu 20 As Oy	100.0	100.0
Tampereen Jankanpuisto As Oy	100.0	100.0	Vantaan Lummepeha As Oy	100.0	100.0	Tohlopinkontu KOy	100.0	40.0	Vantaan Martinpääsky As Oy	100.0	100.0
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3	Vantaan Maarinrinne As Oy	12.0	12.0	Vantaan Hiekkaharjuntie 16 As Oy	100.0	100.0	Välkynkallio As Oy	0.8	0.8
Tampereen Kauppa-aukio As Oy	100.0	100.0	Vantaan Maarukanrinne 6 As Oy	14.6	14.6	Vihdin Niittytie 1 KOy	100.0	100.0	Yläaitankatu 4 As Oy	1.7	1.7
Tampereen Kokinpellonrinne As Oy	86.9	86.9	Vantaan Myyrinmutka As Oy	100.0	100.0	SATOhousing Oy	100.0	100.0	Sato-Rakennuttajat Oy		
Tampereen Kristiina As Oy	19.1	19.1	Vantaan Oritie 1 As Oy	100.0	100.0				Helsingin Tila As Oy	24.5	11.4
Tampereen Kuikankatu 2 As Oy	9.7	9.7							Oulun Peltokerttu As Oy	100.0	100.0

	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, %
Sato Vuokrakodit Oy			Turun Meripoika As Oy	26.0	26.0	Helsingin Muurahaisenpolku 6 Koy	64.4	64.4	Raudikkokuja 3 KOy	100.0	100.0
Espoon Numersinkatu 6 As Oy	11.2	9.2	Turun Metallikatu As Oy	100.0	100.0	Hämeenlinnan Aaponkuja 3 As Oy	47.7	47.7	Riviuhkola As Oy	49.9	49.9
Espoon Puropuisto As Oy	58.4	55.8	Turun Seiskarinkulma As Oy	14.0	14.0	Jukolanniitty As Oy	52.6	52.6	Salpalohi KOy	33.3	33.3
Espoon Ristiniementie 22 As Oy	5.4	5.4	Turun Tervaporvari As Oy	79.9	79.9	Jukolantanner As Oy	52.3	52.3	Satosyppi As Oy	50.0	50.0
Espoon Sokerilinnantie 1 As Oy	4.3	4.3	Turun Unikkoniitty As Oy	18.1	13.9	Jyväskylän Kakkospesä As Oy	18.2	18.2	Satotaival As Oy	38.8	38.8
Espoon Säterinkatu 10 As Oy	6.1	6.1	Tuusulan Naavankierto As Oy	5.3	5.3	Kangasalan Kukkapuisto As Oy	6.3	6.3	Turun Kivimaanrivi As Oy	13.1	13.1
Espoon Zanseninkuja 4 As Oy	17.4	17.4	Vantaan Herttuantie 3 As Oy	32.6	31.2	Kaukotie 10-12 As Oy	3.1	3.1	Turun Mietoistenkuja As Oy	22.5	22.5
Etelä-Hämeen Talo Oy	81.3	25.0	Vantaan Orvokkitie 17 As Oy	14.3	14.3	Kavilanniitty As Oy	1.9	1.9	Turun Pernon Kartanonlaakso As Oy	68.8	68.8
Helsingin Finniläntalo As Oy	80.2	80.2				Kirkkonummen Riihipolku As Oy	100.0	100.0	Turun Sipimetsä As Oy	19.8	19.8
Helsingin Lintulahdenpuisto As Oy	100.0	100.0	Sato-Osaomistus Oy			Kukkaropohja KOy	100.0	100.0	Vantaan Minkkikuja As Oy	70.9	70.9
Helsingin Mustankivenraitti As Oy	94.6	94.6	Espoon Numersinkatu 6 As Oy	11.2	2.0	Kylänpäänpelto As Oy	43.8	43.8	Vantaan Omaksi As Oy	2.8	2.8
Helsingin Myllypellonpolku 4 As Oy	6.9	6.9	Espoon Puropuisto As Oy	58.4	2.5	Laakavuorentie 4 As Oy	39.1	39.1	Vantaan Ravurinmäki As Oy	47.8	47.8
Helsingin Otto Brandtin polku 4 As Oy	5.9	5.9	Helsingin Taavetin aukio 4 As Oy	3.9	3.9	Lahden Roopenkuja As Oy	57.7	57.7	Vantaan Ravurinpuisto As Oy	62.9	62.9
Helsingin Paciuksenkaari 13 As Oy	2.8	2.8	Jyväskylän mlk:n Kirkkotie 3 As Oy	18.4	6.3	Marolinnankoti As Oy	15.4	15.4	SATO-Osaomistus	100.0	100.0
Helsingin Paciuksenkaari 19 As Oy	1.6	1.6	Jyväskylän Vaneritori 4 As Oy	26.2	6.4	Meriramsi As Oy	25.6	25.6	VATROhousing Oy	100.0	100.0
Helsingin Pasuuntie 8 As Oy	9.1	9.1	Kaarinan Katariinankallio As Oy	35.8	12.3	Meri-Rastilan tie 5 As Oy	23.5	23.5			
Helsingin Taimistontie 9 As Oy	12.3	12.3	Kaarinan Kiurunpuisto As Oy	31.7	2.1	Meri-Rastilan tie 9 As Oy	9.1	9.1	VATROhousing Oy		
Helsingin Tulisuoventie 20 As Oy	100.0	100.0	Kaarinan Kultarinta As Oy	32.1	5.6	Nurmijärven Kylänpäänkaari As Oy	45.0	45.0	Naantalin Kastovuorenrinne As Oy	25.6	25.6
Helsingin Tulvaniitynpolku 5 As Oy	10.2	10.2	Kaarinan Mattelipiha As Oy	49.5	13.5	Nurmijärven Kylänpäänniitty As Oy	35.2	35.2	Nastolan Moreeniraitti As Oy	14.0	14.0
Helsingin Vanhanlinnantie 10 As Oy	10.2	10.2	Lahden Kauppakatu 36 As Oy	7.9	4.3	Pirilänportti As Oy	14.5	14.5	Nokian Miharintie 38-40 As Oy	71.7	71.7
Iidesranta 42 Tampere As Oy	6.6	6.6	Oulun Laamannintie 14 ja 17 As Oy	63.6	1.7	Pohjanpoika As Oy	24.5	24.5	Salon Valhojanrivi As Oy	10.6	10.6
Jyväskylän mlk:n Kirkkotie 3 As Oy	18.4	12.1	Oulun Laamannintie As Oy	52.2	8.6	Puolukkavarikko As Oy	33.9	33.9	Tasakuusi As Oy	3.7	3.7
Jyväskylän Vaneritori 4 As Oy	26.2	19.8	Raision Toripuisto As Oy	27.0	6.2						
Kaarinan Katariinankallio As Oy	35.8	23.5	Tampereen Haapalinnan Antintalo As Oy	55.0	4.3						
Kaarinan Katariinanrinne As Oy	12.6	12.6	Tampereen Kyläleni As Oy	76.5	5.8						
Kaarinan Kiurunpuisto As Oy	31.7	29.6	Turun Hehtokatu As Oy	41.0	21.9						
Kaarinan Kultarinta As Oy	32.1	26.5	Turun Unikkoniitty As Oy	18.1	4.2						
Kaarinan Mattelipiha As Oy	49.5	36.0	Vantaan Herttuantie 3 As Oy	32.6	1.4						
Kaarinan Verkapatruuna As Oy	11.7	11.7									
Kuovi As Oy	100.0	100.0	Suomen Satokodit Oy								
Lahden Kauppakatu 36 As Oy	7.9	3.6	Arhotie 22 As Oy	100.0	100.0						
Lappeenrannan Kanavansato 2 As Oy	25.0	25.0	Karpalopolku KOy	100.0	100.0						
Oulun Aleksanteri As Oy	100.0	100.0	Kaskenkaatajantie As Oy	100.0	100.0						
Oulun Laamannintie 14 ja 17 As Oy	63.6	61.9	Meiramikuja As Oy	4.7	4.7						
Oulun Laamannintie As Oy	52.2	43.5	Myllymatkantie 1 As Oy	100.0	100.0						
Raision Toripuisto As Oy	27.0	20.8	Pellervon Pysäköinti KOy	68.9	25.8						
Satulaparkki KOy	53.3	53.3	Satosorsa As Oy	19.9	19.9						
Tampereen Haapalinnan Antintalo As Oy	55.0	50.7	Vantaan Kortteeri As Oy	6.4	6.4						
Tampereen Kyläleni As Oy	76.5	70.7	Vihdin Kirkkoniementie 2 KOy	100.0	100.0						
Tampereen Kyyhky As Oy	8.1	8.1									
Tampereen Rantatie 13 E-G As Oy	41.6	41.6	Vatrotalot Oy								
Turun Hehtokatu As Oy	41.0	19.1	Harjulehmus As Oy	41.0	41.0						
Turun Maarianportti As Oy	100.0	100.0	Helsingin Laivalahdenportti 5 As Oy	75.5	75.5						
Turun Merenneito As Oy	14.6	14.6	Helsingin Toini Muonan katu 8 As Oy	15.6	15.6						

Parent company income statement, FAS

MEUR	Note	1 Jan.–31 Dec. 2014	1 Jan.–31 Dec. 2013
Net sales	1	4.6	10.2
Other operating income	2	6.1	4.5
Materials and services	3	-0.9	-1.5
Personnel expenses	4–6	-2.9	-3.6
Depreciation, amortization and impairment charges	7	-0.9	-0.8
Other operating expenses	8	-9.1	-9.4
Operating profit		-3.1	-0.4
Financial income and expenses	9	-18.6	-6.9
Profit/Loss before extraordinary items		-21.7	-7.3
Extraordinary items	10	54.5	53.1
Profit before taxes		32.8	45.8
Income taxes	11	-6.6	-11.2
Profit for the period		26.2	34.5

Parent company balance sheet, FAS

MEUR	Note	31 Dec. 2014	31 Dec. 2013
ASSETS			
Non-current assets			
Intangible assets	12	1.5	1.3
Tangible assets	13	2.2	2.2
Holdings in Group companies	14	496.6	68.7
Holdings in associated companies	15	0.0	0.0
Other holdings and shares	16	1.0	1.0
Total		501.3	73.2
Current assets			
Inventories	17	5.5	5.9
Long-term receivables	18	13.5	421.2
Short-term receivables	19	55.2	59.6
Cash and cash equivalents		51.3	0.6
Total		125.5	487.3
TOTAL ASSETS		626.8	560.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21–22	4.4	4.4
Reserve fund		43.7	43.7
Other funds		24.5	45.7
Retained earnings		51.9	26.7
Profit for the period		26.2	34.5
Total		150.7	155.0
Obligatory reserves	23	0.0	0.0
Liabilities			
Non-current	24	316.4	288.4
Current	25	159.7	117.1
Total		476.1	405.5
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		626.8	560.5

Parent company's cash flow statement, FAS

MEUR	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for financial year	26.2	34.5
Adjustments:		
Depreciation	0.9	0.8
Financial income (-) and expenses (+)	18.6	6.9
Income tax	6.6	11.2
Proceeds (-) and losses (+) on sales of tangible assets	-0.1	0.0
Other adjustments	-54.5	-53.1
Cash flow before change in working capital	-2.3	0.4
Change in working capital:		
Decrease (+)/increase (-) in current non-interest bearing receivables	-1.1	2.4
Decrease (+)/increase (-) in inventories	0.4	-2.0
Decrease (-)/increase (+) in current loans	-3.9	2.3
Increase (+)/decrease (-) in obligatory reserves	0.0	-0.0
Cash flow before financial items and taxes	-6.9	3.1
Interest paid and payments of other financial expenses	-20.9	-9.3
Dividends received	0.0	0.0
Interest received	3.4	4.4
Direct taxes paid	-12.0	-6.7
Cash flow before extraordinary items	-36.4	-8.6
Cash flow from operating activities (A)	-36.4	-8.6
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1.1	-1.7
Income from disposals of tangible assets	0.1	0.0
Placements in other investments	0.0	-0.0
Proceeds from other investments	0.0	0.2
Loans granted	0.0	-155.0
Instalments on loans receivable	0.0	1.7
Cash flow from investing activities(B)	-1.0	-154.9
CASH FLOW FROM FINANCING ACTIVITIES		
Loans taken	130.4	211.5
Payments on loans	-52.9	-38.3
Group contributions (contribution-based)	41.1	15.2
Dividends paid and other distribution of profit	-30.5	-28.0
Cash flow from financing (C)	88.1	160.4
Calculated change in cash and cash equivalents (A+B+C)	50.7	-3.0
Cash and cash equivalents at the beginning of year	0.6	3.6
Cash and cash equivalents at the end of year	51.3	0.6

Notes to the parent company's financial statements

MEUR	2014	2013
NOTES TO INCOME STATEMENT		
1. Net Sales		
Rental income and compensation	2.4	2.3
Other income	2.2	8.0
Total	4.6	10.2
2. Other operating income		
Other operating income	0.7	0.2
Profit on sales of fixed assets	0.1	0.0
Management service charges	5.4	4.4
Total	6.2	4.5
3. Materials and services		
Materials and services		
Purchases	0.3	2.7
Change in inventories	0.6	-1.3
Total	0.9	1.5
4. Personnel expenses		
Salaries and wages	2.4	2.4
Pension expenses	0.4	1.2
Other personnel expenses	0.1	0.1
Total	2.9	3.6
5. Management salaries and compensations		
Presidents and members of the Board of Directors	1.5	1.4
The President and CEO is entitled to retire at the age of 60.		
6. Average number of personnel		
Employees	19	15
7. Depreciation		
Depreciation of tangible and intangible assets	0.9	0.8
Total	0.9	0.8
8. Other operating expenses		
Rents	1.7	1.7
Maintenance expenses	0.6	0.5
Other fixed expenses	6.9	7.2
Other operating expenses	0.0	0.0
Total	9.1	9.4

MEUR	2014	2013
9. Financial income and expenses		
From group companies		
From others	0.0	0.0
Total	0.0	0.0
Interest income on long-term investments		
From Group companies	2.1	3.5
From others	0.0	0.7
Total	2.1	4.2
Interest expenses and other financing expenses		
To Group companies	0.9	0.7
To others	19.9	10.3
Total	20.8	11.1
Financial income and expenses, total	-18.6	-6.9
10. Extraordinary items		
Extraordinary income		
Group contributions	54.5	53.1
Total	54.5	53.1
11. Income taxes		
Income taxes	6.6	11.2
Total	6.6	11.2
NOTES TO BALANCE SHEET		
12. Intangible assets		
Other long-term expenditure		
Acquisition cost, 1 Jan.	3.6	2.9
Increases	0.6	0.8
Acquisition cost, 31 Dec.	4.2	3.6
Accumulated depreciation and write-downs, 1 Jan.	2.4	2.1
Depreciation for year	0.4	0.3
Accumulated depreciation, 31 Dec.	2.7	2.4
Book value, 31 Dec.	1.5	1.3
Intangible assets, total	1.5	1.3

MEUR	2014	2013
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.	3.3	3.0
Increases	0.6	0.4
Decreases	-0.2	-0.1
Acquisition cost, 31 Dec.	3.6	3.3
Accumulated depreciation and write-downs, 1 Jan.	2.2	1.8
Accumulated depreciation of transfers	-0.2	0.0
Depreciation for year	0.4	0.4
Accumulated depreciation, 31 Dec.	2.4	2.2
Book value, 31 Dec.	1.2	1.1
Other tangible assets		
Acquisition cost, 1 Jan.	1.3	0.7
Increases	0.0	0.6
Acquisition cost, 31 Dec.	1.3	1.3
Accumulated depreciation and write-downs, 1 Jan.	0.2	0.1
Depreciation for year	0.1	0.1
Accumulated depreciation, 31 Dec.	0.3	0.2
Book value, 31 Dec.	1.0	1.1
Tangible assets, total	2.2	2.2

MEUR	2014	2013
INVESTMENTS		
14. Holdings in Group companies		
Acquisition cost, 1 Jan.	68.7	68.7
Increases	427.9	0.0
Acquisition cost, 31 Dec.	496.6	68.7
Book value, 31 Dec.	496.6	68.7
15. Holdings in associated companies		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
16. Other stocks and shares		
Acquisition cost, 1 Jan.	1.0	1.3
Increases	0.0	0.0
Decreases	-0.0	-0.3
Acquisition cost, 31 Dec.	1.0	1.0
Accumulated depreciation and write-downs, 1 Jan.	0.0	0.0
Accumulated depreciation and write-downs, 31 Dec.	0.0	0.0
Book value, 31 Dec.	1.0	1.0
Investments, total	497.6	69.8
17. Inventories		
Completed housing units and commercial space	0.2	0.2
Land areas and land area companies	5.0	5.3
Other inventories	0.3	0.4
Book value, 31 Dec.	5.5	5.9
18. Non-current receivables		
Receivables from Group companies		
Notes receivable, Group	12.9	420.7
Total	12.9	420.7
Receivables from others		
Notes receivable	0.5	0.5
Total	0.5	0.5
Non-current receivables, total	13.4	421.2

MEUR	2014	2013
19. Current receivables		
Receivables from Group companies		
Accounts receivable	0.5	0.0
Other receivables	50.5	57.2
Prepaid expenses and accrued income	0.6	1.5
Total	51.5	58.7
Receivables from others		
Accounts receivable	0.3	0.3
Loan receivables	0.0	0.0
Prepaid expenses and accrued income	3.4	0.6
Total	3.7	0.9
Current receivables, total	55.2	59.6
Receivables total	68.6	480.8
Specification of prepaid expenses and accrued income		
Interest	0.1	1.4
Taxes	2.6	0.0
VAT receivables	0.0	0.3
Other	1.3	0.4
Total	4.0	2.1
20. Shareholders' equity		
Increase in share capital	4.4	4.4
Share capital, 31 Dec.	4.4	4.4
Reserve fund, 1 Jan.	43.7	43.7
Reserve fund, 31 Dec.	43.7	43.7
Other funds, 1 Jan.	45.7	45.7
Decreases	-21.2	0.0
Other funds, 31 Dec.	24.4	45.7
Retained earnings, 1 Jan.	61.2	54.6
Dividend payment	-9.2	-28.0
Retained earnings, 31 Dec.	51.9	26.7
Profit for the period	26.2	34.5
Shareholders' equity, total, 31 Dec.	150.6	155.0

MEUR	2014	2013
21. Calculation of distributable assets		
Other funds	24.4	45.7
Retained earnings	51.9	26.7
Profit for the period	26.2	34.5
Distributable assets, 31 Dec.	102.5	106.8
22. The parent company's share capital is divided into shares as follows:		
Total number of shares	51,001,842	51,001,842
Own shares held by SATO Oyj	160,000	160,000
Combined number of shares	50,841,842	50,841,842
23. Obligatory reserves		
Refund claim expense reserve	0.0	0.0
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	249.0	249.0
Loans from financial institutions	63.5	35.5
Total	312.5	284.5
Long-term liabilities, total	316.4	288.4
Loans maturing in more than five years	52.9	152.9

MEUR	2014	2013
25. Current liabilities		
Loans to Group companies		
Accounts payable	0.4	0.4
Accrued expenses and prepaid income	0.7	1.1
Total	1.1	1.5
Loans to others		
Loans from financial institutions	149.7	100.3
Advances received	0.1	0.1
Accounts payable	0.5	0.3
Other liabilities	0.1	1.6
Accrued expenses and prepaid income	8.3	13.4
Total	158.6	115.6
Current liabilities, total	159.7	117.1
Liabilities, total	476.1	405.5
Specification of accrued expenses and prepaid income		
Wages and salaries including employee benefits	1.4	2.8
Interest	6.5	6.6
Taxes		2.8
Municipal engineering liabilities	0.3	1.0
Others	0.9	1.3
Total	9.0	14.4
26. Collaterals, contingent liabilities and other commitments		
Congingent liabilities on behalf of Group companies		
Mortgages on land areas and buildings	0.5	0.5
Guarantees	574.1	615.6
Total	574.6	616.1
Other commitments		
Leasing commitments		
To be paid in the next financial year	0.0	0.0
To be paid in subsequent financial years	0.0	0.0
Total	0.0	0.0
Total		
Pledges		
Mortgages on land areas and buildings	0.5	0.5
Guarantees	574.1	615.6
Other commitments	0.0	0.0
Pledges and contingent liabilities, total	574.6	616.1

Auditor's report

To the Annual General Meeting of SATO Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SATO Corporation for the year ended December 31, 2014. 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 perfor-

mance, 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, 28 January 2015

KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant

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

Key indicators

FIVE YEAR REVIEW	2014	2013**	2012**	2011**	2010**
KEY FINANCIAL INDICATORS					
Net sales, MEUR	312	312	287	232	193
Operating profit, MEUR	191	178	160	209	167
Net financing expenses, MEUR	-39	-38	-39	-35	-33
Profit before taxes, MEUR	152	141	121	174	133
Balance sheet total, MEUR	2,802	2,596	2,360	2,167	1,805
Shareholders' equity and non-controlling interest, MEUR	892	823	693	635	534
Liabilities, MEUR	1,909	1,773	1,696	1,554	1,289
Return on invested capital, % (ROI)	7.7	7.7	7.7	10.9	10.3
Return on equity, % (ROE)	14.0	15.5	13.5	22.8	20.8
Equity ratio, %	31.8	31.7	29.4	29.5	29.5
Investment property, MEUR	2,528	2,316	2,088	1,899	1,657
Gross investments, MEUR	174	191	160	150	104
as percentage of net sales	55.7	61.2	55.7	64.7	54.1
Personnel, average***	165	156	152	137	129
KEY INDICATORS PER SHARE					
Earnings per share, EUR	2.37	2.34	1.78	2.63	2.01
Equity per share, EUR ****	17.55	16.16	13.72	12.59	10.48
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	65.1	62.7	44.4	43.2	35.5
EPRA Earnings per share, EUR	1.28	1.23	0.87	0.85	0.72
EPRA Net Asset Value, MEUR	1,120.3	1,007	900	825	685
EPRA Net Asset Value per share, EUR	22.04	19.80	17.71	16.23	13.47
Cash earnings, MEUR	72.9	66	62	52	50
Cash earnings per share, EUR	1.43	1.30	1.21	1.02	0.98

* 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. Netting of deferred tax assets and liabilities are not included.

*** Including summer trainees

**** Equity excluding minority interest

FORMULAS USED IN CALCULATION

Return on investment, %	= $\frac{(\text{Profit or loss before taxes} + \text{interest expense and other financing expenses})}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}} \times 100$
Return on equity, %	= $\frac{(\text{Profit or loss after taxes})}{\text{Shareholders' equity (average during the financial year)}} \times 100$
Equity ratio, %	= $\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Earnings per share, €	= $\frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$
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 -/+ Profit on sales of land areas -/+ Fair value change of financial instruments -/+ Deferred taxed of above items - minority interest
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

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 Tuesday 3 March 2015 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 19 February 2015 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 Thursday 26 February 2015, 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, 19 February 2015. Participation also requires that shareholders are temporarily entered onto the shareholder register maintained by Euroclear Finland Ltd on the basis of these shares no later than 10:00 am (EET) on Thursday 26 February 2015. 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 2015.

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 2014, a total of €0.62 per share be paid as dividend and capital repayment as follows:

According to the proposal, dividend of €0.20 and capital repayment of €0.42 per share would be paid. The capital repayment would be paid from the invested unrestricted equity fund.

Dividend and capital repayment would be payable to a shareholder who, on the date of record, 5 March 2015, has been

entered in the register of the company's shareholders maintained by Euroclear Finland Ltd. The Board of Directors will propose to the annual general meeting that the dividend and capital repayment be paid on Friday 20 March 2015.

Financial disclosures

The issue dates for interim reports are as follows:

January–March	23 April 2015
January–June	31 July 2015
January–September	22 October 2015

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, 15 January 2015

Varma Mutual Pension Insurance Company	22.8%
APG Asset Management NV	22.8%
Ilmarinen Mutual Pension Insurance Company	16.1%
Elo Mutual Pension Insurance Company	12.9%
Suomi Mutual Life Assurance Company	6.2%
The State Pension Fund	5.0%
LocalTapiola Group	4.8%
Pohjola Insurance Ltd	2.5%
Mandatium Life Insurance Company Ltd	1.7%
The Finnish Construction Trade Union	0.8%
Other	4.3%

On 15 January 2015, the Group had 38 shareholders entered in the book-entry system. The turnover of shares during the review period amounted to 31.8 per cent.

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 2014 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.

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