REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2019

sato

CONTENTS

sato

REPORT OF THE BOARD OF DIRECTORS 1 JANUARY–31 DECEMBER 2019

OPERATING ENVIRONMENT

SATO's operating environment is defined by strong urbanisation and growth in the popularity of rental housing. In the Helsinki metropolitan area, Tampere and Turku, nearly half of the permanently occupied apartments are already made up of rental apartments.

Finland's economic growth is projected to decelerate clearly and, for 2019, is expected to remain well below two per cent. Consumers' expectations weakened, particularly with respect to Finland's economic development and employment situation.

Dense urban living along good public transport connections is becoming increasingly popular in Finland. The Helsinki metropolitan area, Tampere and Turku continue to enjoy strong growth, while according to Statistics Finland's population projection, Finland's population will start decreasing in 2031. The Helsinki metropolitan area is expected to grow by well over 200,000 new residents by 2040. Close to 80 per cent of the area's residents already live in one- to two-person homes, and the amount of small households continue to increase. As a result of immigration, the proportion of foreigners living in the Helsinki metropolitan area is predicted to grow from the current 17 per cent to 25 per cent by 2030. The aging population is moving closer to growth centres and the services they offer, and housing-related services are increasingly expected.

The change in the population structure and development in the prices of owner-occupied apartments create a stable foundation for demand for rental housing, especially in the Helsinki metropolitan area, Tampere and Turku. Outside of growth centres, the real prices of apartments are declining, which makes acquiring an owner-occupied home in growth centres even more challenging for those coming outside growth centres.

Rents in privately financed apartments have increased 1.7 per cent in recent years in the Helsinki metropolitan area, and elsewhere in Finland the increase has been 1.2 per cent annually. KTI Property Information Ltd.'s index illustrating rents under new rental agreements increased 3.3 per cent in a year, between September 2018 and 2019, in the capital city area. In other large cities, the rents under new agreements increased at the same time by an average of 2.4 per cent.

The number of construction permits experienced a downswing in 2019, with permits for apartment buildings experiencing the greatest decline. The number of completed apartments started to decline in the summer. Throughout Finland, following the record figures (45,600 apartments) of 2018, production settled at a more normal level (38,000 apartments) during the reporting year.

Thanks to the low interest rate level, housing remains an appealing investment. Housing investors have concluded roughly half of the new housing transactions, and they are especially interested in small apartments. Interest among foreign investors towards Finnish rental apartments has grown.

At the end of 2019, large-scale housing investors increased their investments, whereas interest among private investors waned. Builders responded to the growing investor demand by selling whole buildings as rental apartments to investors. Planned changes in housing company loans and how the real estate investments of foreign funds are taxed are, however, increasing the uncertainty for some actors related to housing investments. The production of owner-occupied apartments and the volume of presales declined at the end of the year.

Mitigating emissions from the construction sector plays a significant role in achieving both national and international climate targets, as construction and operating buildings currently account for over a third of Finland's greenhouse gas emissions. In addition to energy consumption during use, the sector has started to pay attention to the carbon footprint of buildings throughout their life cycle. Finland targets carbon neutrality by 2035.

STRATEGY

As cities and people change, we believe that housing also needs to change. SATO's goal is to build thriving and vibrant cities and neighbourhoods where people enjoy a high level of well-being. We offer our residents homes in cities, along good transport connections, and we develop services to make their daily lives easier.

Our customers are at the heart of our strategy, and we want to develop homes with increasingly better services for them. In addition to services to help them day to day, we look after their well-being and support good neighbourly relations. We pay attention to home health and energy efficiency.

Sustainability guides our operations, and during the reporting year we released our sustainability programme for 2019–2022. The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.

We operate profitably and with a long-term view. We increase the value of our housing stock by investing in homes in good locations and near convenient traffic connections, and through systematic repairs. SATO's strategy focusses on expanding its housing stock in the Helsinki metropolitan area, Tampere and Turku – all areas where demand for apartments is the highest and the increase in value is expected to be stable over the longer term.

SATO's operations are guided by its strategic development programmes: **Customer First, digital development, and diverse housing solutions.**

SATO has set the strengthening of its investment grade rating as a strategic goal, and this goal was met in 2019. Our return on equity target is 12 per cent. In addition, our strategic goal is to achieve a continuously improving Net Promoter Score (NPS) among our residents.

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

NET SALES AND PROFIT

In 2019, consolidated net sales were EUR 295.6 (290.4) million.

Operating profit was EUR 725.6 (273.3) million. Operating profit without the change in the fair value of investment properties was EUR 173.3 (171.4) million. The change in fair value was EUR 552.2 (102.0) million. SATO Corporation switched to the yield-based valuation method to determine the value of the company's investment properties in its financial statements as of 31 December 2019. The effect of the change of valuation method on the fair value of investment properties was approximately EUR 430 million. (The adoption of the IFRS 16 *Leases* standard improved the review period's operating profit by EUR 3.0 million. The Group applies IFRS 16 using the modified retrospective approach, without the restatement of comparative information.)

Financial income and expenses totalled EUR -55.1 (-42.5) million. The adoption of the IFRS 16 standard increased the review year's financial expenses by EUR 3.1 million. The financial expenses include a one-off cost item of MEUR 11.8, due to the repurchase of outstanding bonds in May 2019 with a maturity in 2020 and 2021.

Profit before taxes was EUR 670.5 (230.8) million. Cash flow from operations (free cash flow after taxes excluding changes in fair value) amounted to EUR 91.2 (97.9) million.

Earnings per share was 9,45 (3,26) euros.

FINANCIAL POSITION AND FINANCING

The consolidated balance sheet totalled EUR 4,718.2 (3,922.4) million at the end of December. Equity was EUR 2,055.8 (1,554.5) million. Equity per share was EUR 36.31 (27.46).

The Group's equity ratio was 43.6 (39.6) per cent at the end of the year. The adoption of IFRS 16 reduced the equity ratio by 0.5 percentage points. EUR 657.2 million in new long-term financing was withdrawn, and the solvency ratio was 44.4 (50.5) per cent at the end of December. The strengthening of the equity ratio and the solvency ratio is the result of a rise in the value of investment properties and a long period of good earnings performance.

The Group's return on equity was 29.6 (12.4) per cent. The return on investment was 18.9 (7.9) per cent.

Interest-bearing liabilities at the end of December totalled EUR 2,098.4 (1,982.2) million, of which loans subject to market terms accounted for EUR 1,830.1 (1,650.1) million. The loan itemisation is in note 26 of the financial statements. At the end of 2019, the average loan interest rate was 1.7 (2.1) per cent. Net financing costs totalled EUR -55.1 (-42.5) million, of which the impact of the adoption of the IFRS 16 standard was EUR -3.1 million. The average maturity of loans was 4.0 (4.4) years.

The calculated impact of changes in the market value of interest hedging on equity was EUR -5.3 (1.0) million.

During the reporting year, SATO increased the proportion of loans without asset-based securities to 77.3 per cent of all loans. At the end of the year, the proportion of unencumbered assets was 80.8 per cent of total assets.

GROUP STRUCTURE

SATO Corporation is the parent company of SATO Group. At the end of the reporting year, the parent company had a total of 25 (26) subsidiaries engaged in business operations. Mergers took place during the year in order to streamline the Group structure.

SATO Corporation's majority shareholder is Balder Finska Otas AB, whose parent company is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.

HOUSING BUSINESS

Our housing business includes rental activities, customer service, life-cycle management and maintenance. Effective rental activities and digital services provide home-seekers with quick access to a home, and the Group with a steadily increasing cash flow. High-quality maintenance operations ensure the comfort of residents and that the apartments stay in good condition and retain their value. We serve our customers in daily housing issues through our customer-oriented service organisation.

SATO had approximately 50,000 customers at the end of the reporting year. The net promoter score measuring customer satisfaction, NPS, improved by 4 percentage points, and was 6 in the reporting year.

Due to an improved economic occupancy rate, rental income rose by 1.8 per cent and was EUR 295.6 (290.4) million. The economic occupancy rate of apartments in Finland was 98.1 (97.9) per cent on average, and the external tenant turnover was 29.6 (29.5) per cent. The rise in the economic occupancy rate was, above all, the result of measures based on the Customer First strategy.

The average monthly rent for SATO's rental apartments in Finland at the end of the reporting year was EUR 17.25 (16.86) per m^2.

Net rental income from apartments was EUR 207.1 (198.5) million.

INVESTMENT PROPERTIES

On 31 December 2019, SATO owned a total of 26,074 (25,893) apartments. Altogether 321 rental apartments were acquired or completed. The total number of divested rental apartments and shared ownership apartments redeemed by the owner-occupants was 140.

Fair value

The development of the value of rental apartments is a key factor for SATO. Its housing stock is concentrated in areas and apartment sizes which are expected to be the focus of increasing rental apartment demand over the longer term. The allocation of building repairs is based on life-cycle plans and repair need specifications.

At the end of December, the fair value of investment properties came to a total of EUR 4,657.9 (3,875.1) million. The change in the value of investment properties, including the investments and divestments during the year under review, was EUR 782.78 (242.6) million.

SATO Corporation switched to the yield-based valuation method to determine the value of the company's investment properties in its financial statements as of 31 December 2019. The sales prices of owner occupied apartments as well as investment apartments have grown significantly over the past years, whilst the interest rates have decreased to all time low level. The low interest rates have also decreased investor's yield requirements, and in many locations investment apartments are being paid more than those that are owner occupied. This development has been monitored in SATO for a long period of time, and we have now switched our valuation method in order to increase transparency and comparability. The switch of the valuation method increased the average square price of the apartments by 10 per cent.

The effect of the change of valuation method on the fair value of investment properties was approximately EUR 430 million. An external expert, JLL, issues quarterly a statement on the valuation of SATO's investment properties. The latest valuation statement was issued on the valuation prepared on 31 December 2019. The criteria for determining fair value are presented in the Notes to the Financial Statements.

In addition, the change in value was affected by investments and divestments, the adoption of the IFRS 16 standard, as well as the changes in the market prices and in the value of the rouble.

Of the value of apartments, the Helsinki metropolitan area accounted for 82 per cent, Tampere and Turku made up 12 per cent, Jyväskylä and Oulu 3 per cent, and St. Petersburg covered 3 per cent at the end of the year.

Investments, divestments and property development

Investment activities are used to manage the housing portfolio and prepare the ground for growth. Since 2000, SATO has invested more than EUR 2.0 billion in non-subsidised rental apartments. SATO acquires and builds entire rental buildings and single rental apartments. Property development allows for new investments in rental apartments in Finland. The rental potential and value of rental apartments owned by SATO are developed through renovation activities.

Investments in rental apartments amounted to EUR 185.9 (143.5) million. Investments in the Helsinki metropolitan area represented 93 per cent of all investments during the review year. Investments in new apartments represented 72 per cent of the investments. On 31 December 2019, binding purchase agreements in Finland totalled EUR 40.9 (107.9) million.

During the year under review, 29 (98) rental apartments were divested in Finland. Their total value was EUR 5.9 (12.7) million.

The book value of plot reserves totalled EUR 63.1 (40.9) million at the end of December. The value of new plots acquired by the end of December totalled EUR 37.0 (19.0) million.

The permitted building volume for approximately 2,800 apartments is being developed for the plots in the company's housing portfolio. This allows SATO to utilise existing infrastructure, create a denser urban structure and thus bring more customers closer to services and public transport connections.

In Finland, a total of 321 (403) rental apartments and 32 (0) owner-occupied apartments were completed. On 31 December 2019, a total of 769 (985) rental apartments and 99 (131) owner-occupied apartments were under construction.

A total of EUR 73.9 (53.6) million was spent on repairing apartments and improving their quality.

At the end of the year, SATO owned 534 (534) apartments in St. Petersburg. The economic occupancy rate of rental apartments in St. Petersburg was 92.8 (93.1) per cent on average. For the time being, SATO will refrain from making new investment decisions into Russia. The share of investments in Russia is limited to a maximum of 10 per cent of the Group's housing assets.

SUSTAINABILITY

During the reporting year, we released our sustainability programme for 2019–2022. The programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.

With the help of artificial intelligence, we improved housing comfort and further reduced energy consumption. We installed more than 6,000 sensors in our apartments to measure temperature and humidity. During the review year, electricity used in SATO´s buildings was produced by wind power and thus, emission free.

We improved our residents' recycling opportunities by bringing plastic recycling to roughly 10,000 SATO homes, which brings the percentage of households in our buildings who have plastic recycling to 69 per cent. During the reporting year, we also took the decision to purchase rugs and pillows made from recycled plastic for the shared spaces in SATO buildings. We launched a neighbour mentor programme that aims to help residents get to know one another. By the end of the reporting year, already 18 SATO residents were volunteering as neighbour mentors.

In 2019, we continued to develop an operating model related to housing health and safety. The operating model focusses particularly on a quick response rate, keeping customers informed, and the flow of information.

During the reporting year, we collaborated on a project with the non-profit organisations No Fixed Abode and the Rehabilitation Foundation to help participants in the project find two of life's essentials – a home and a job. By the end of the reporting year, 11 people who had participated in the project were living in a SATOhome.

We were again successful in the Global Real Estate Sustainability Benchmark (GRESB), scoring four out of five stars.

SATO reports its corporate sustainability annually in accordance with the Global Reporting Initiative (GRI) reporting guidelines. The environmental performance indicators presented in the report have been verified by an independent third party, KPMG Oy Ab.

The Corporate Governance Statement is published separately from the Report of the Board of Directors. SATO's Corporate Governance Statement, Code of Conduct and sustainability programme are available at sato.fi.

ENVIRONMENTAL IMPACTS

We reduce the load on the environment by regularly taking care of and repairing homes and properties according to the life-cycle principle, and by building properties in existing urban environments and near good transport connections.

Legislation governing the energy efficiency of residential buildings requires an energy efficiency figure of 90 for new buildings. SATO is committed to building remarkably more energy-efficient buildings, with our energy efficiency figure target being below 81 for new buildings.

We are committed to the targets in the Energy Efficiency Agreement for the property sector, aiming for a reduction in the total consumption of electricity and heat by 10.5 per cent between 2015 and 2025.

During the reporting year, we continued to make significant energy-efficiency and water-conservation investments in SATOhomes, and we also encouraged our residents to save energy and water.

During the year under review, our standardised heating consumption decreased by 2.2 per cent, specific electricity consumption by 0.8 per cent and water consumption by 0.5 per cent compared to 2018. Rated emissions from SATO's apartments decreased 15,4 per cent compared to 2018 and amounted to 28,1 (33,2) carbon dioxide equivalent kilograms per square metre. Emissions are calculated according to the absolute consumption of district heating. Electricity was produced by wind power, and did not produce any emissions.

The Group's environmental programme is included in the sustainability programme, which is available in its entirety at sato.fi.

DEVELOPMENT ACTIVITIES

SATO's development activities were focussed during the reporting year on further improving our customer-care processes. During the year under review, we introduced a new operating model, in which SATO House Experts assume some of the tasks of maintenance companies. The first five SATO House Experts started working in December 2019.

We also placed a high priority on developing new housing concepts. We launched a new form of part ownership housing, called FlexHome, which opens the door to home ownership within a period of five years with a small initial capital outlay. First FlexHome building will be completed in Helsinki Tali area in summer 2020.

In the reporting year, we introduced a planning principle, according to which studios are no longer bordered with supporting walls. This means that apartment distribution in the building can later be modified by joining studios with one- or two-bedroom apartments if demand shifts to larger apartments.

In digital development, we unified our online services for our customers for even more fluent service. In 2019, building-specific digital noticeboards, SATO's customer benefits and home temperature data were added to OmaSATO, the online service for residents that was launched in 2018.

Development activities also concentrated on strategy development and IT systems development.

A total of EUR 1.2 (1.7) million was spent on development, corresponding to 0.4 per cent of net sales.

EVENTS AFTER THE REVIEW PERIOD

SATO's EVP, Rental Housing Business, Antti Asteljoki left the company on 4th February 2020. SATO's EVP, Investments Antti Aarnio, was appointed also as the head of Rental Housing Business as of 5th February 2020.

RISK MANAGEMENT

Risk management is used to ensure that risks impacting the company's business are identified, managed and monitored.

The main risks of SATO's business are risks related to the business environment and financial risks.

The most significant risks in the renting of apartments are related to economic cycles and fluctuations in demand. A clear weakening in the housing market could have a negative impact on the market value of SATO's housing portfolio. In accordance with its strategy, SATO focusses its investments on growth centres, thus ensuring the rental potential of its apartments and the development of their value.

Changes in official regulations and legislation and uncertainty stemming from them can have a significant impact on the reliability of the investment environment and thus on SATO's business. SATO monitors and anticipates these changes and also calls attention to what it considers to be negative impacts of regulation.

The management of financial risks is steered by the Group's financial policy. Our financing related risk management principles have been defined in the financing policy approved by SATO's Board of Directors. Our most significant financial risks relate to liquidity, refinancing and interest rates. We manage our liquidity and refinancing risks by diversifying the financing sources and maturity of our loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other long-term financing commitments. In 2019, the company has established an EMTN (Euro Medium Term Notes) programme of 1.5 billion euros.

The means for managing the liquidity risk at SATO include cash assets, a bank account limit, committed credit facilities of EUR 400 million, and a commercial paper programme of EUR 400 million. We increase the amount of reserves as the funding requirements grow. Our objective is to keep the liquidity requirements of the next 12 months covered by committed agreements.

Floating rate loans form an interest rate risk which we manage by balancing the share of fixed and floating rate loans either by fixed rate loans or by interest rate hedges. According to our financing policy, our objective is to keep the ratio of fixed rate loans at over 60 per cent of debt portfolio after interest hedging.

In our operations in St. Petersburg, we are exposed to risks related to the business environment, including currency risk. The consolidation of foreign currency-denominated assets in the consolidated financial statements also involves a translation risk. Possibilities of hedging the translation risk are evaluated in accordance with our financing policy. For the time being, SATO will refrain from making new investments in Russia.

A more detailed description of risks and risk management is available on the Group's website www.sato.fi.

PENDING LEGAL PROCEEDINGS

SATO has no such proceedings with public authorities, litigations or arbitration proceedings pending that would have a significant impact on the company's financial standing or profitability, and SATO is not aware of any threat of such proceedings.

SHARES

On 31 December 2019, SATO Corporation's share capital amounted to EUR 4,442,192.00 and the number of shares was 56,783,067. The company has one series of shares. The shares are included in the book-entry system maintained by Euroclear Finland Oy.

SATO Corporation holds 160,000 treasury shares, representing 0.3 per cent of all shares and votes.

On 31 December 2019, the Board of Directors had no authorisation to acquire company's own shares or issue shares in SATO.

On 31 December 2019, the Board members or the CEO of SATO Corporation did not hold any shares in the company.

PERSONNEL

At the end of 2019, the Group had 229 (218) employees. There were 212 (203) permanent employees and 17 (15) employees with a fixed-term employment contract. During the year, the Group had an average of 223 (215) employees. The Group's salaries and remunerations in 2019 totalled EUR 15.8 (17.2) million.

SHAREHOLDERS' NOMINATION COMMITTEE

The Shareholders' Nomination Committee consists of representatives of SATO's four largest shareholders registered in the book-entry system on 1 October. If a shareholder chooses not to exercise its nomination right, the right will pass on to the next largest shareholder. The State Pension Fund, the company's fourth largest shareholder, did not exercise its nomination right, and the right was passed on to the Finnish Construction Trade Union, the fifth largest shareholder. The Committee consisted of representatives of the following shareholders: Balder Finska Otas AB (Erik Selin), Stichting Depositary APG Strategic Real Estate Pool (Hans Spikker), Elo Mutual Pension Insurance Company (Hanna Hiidenpalo) and the Finnish Construction Trade Union (Matti Harjuniemi).

BOARD OF DIRECTORS, CEO AND AUDITORS

The Annual General Meeting held on 3 April 2019 confirmed that the Board of Directors consists of seven members.

In 2019, the members of SATO's Board of Directors were Chairman Erik Selin, Deputy Chairman Jukka Hienonen and ordinary members Marcus Hansson, Esa Lager, Tarja Pääkkönen, Johannus (Hans) Spikker and Timo Stenius.

The Board of Directors convened 10 times in 2019. The Board's work is supported by two committees: the Nomination and Remuneration Committee and the Audit Committee.

SATO Corporation's CEO until 31 August 2019 was Saku Sipola, and as of 1 September 2019, SATO's CEO has been Sharam Rahi. Rahi is the company's interim CEO until a permanent CEO is appointed. Mr. Rahi is the Vice CEO at Fastighets AB Balder, the main owner of SATO.

The Annual General Meeting elected as the company's auditor the audit firm Deloitte Oy, which appointed APA Eero Lumme as the auditor in charge. The auditor's term in office is the financial year, and the auditor's duties end at the closing of the next Annual General Meeting.

MEMBERS OF THE MANAGEMENT TEAM

During the financial year 2019, members of the management team were CEO Saku Sipola (until 31 August 2019), CEO Sharam Rahi (since 1 September 2019), Antti Aarnio (EVP, Investments), Antti Asteljoki (EVP, Rental Housing Business), Miia Eloranta (EVP, Marketing and Communications) and Markku Honkasalo (CFO).

OUTLOOK

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

The Finnish economy is expected to continue its growth path, but growth is projected to slow down. Interest rates are expected to remain low in 2020, which will have a positive impact on SATO's financing costs.

Continuous urbanisation provides good long-term conditions for sustained investments in SATO's main operating areas in Finland. Net migration is expected to represent the largest share of the population increase in SATO's operating areas. Some 80 per cent of SATO's housing stock is located in the Helsinki metropolitan area, where the price development is expected to be more positive than in the rest of Finland.

According to estimates by Pellervo Economic Research (PTT), prices and rents will continue to rise.

The historically high rate of housing construction is expected to decrease in the coming years.

According to the Bank of Finland's forecast, economic growth will slow down in 2020. Finland´s most important trading partner's economic growth has already slown down, and this reflects to Finland´s economic growth. In Finland, the confidence of business and consumers has already grown weaker for long, which shows as moderate growth of consumption. Also, the employment is not expected to improve much.

In order to align its policy with that of its majority shareholder, SATO Corporation will not publish guidance on its 2020 earnings. The parent company of Balder Finska Otas AB is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFIT

On 31 December 2019, the parent company's distributable funds amounted to EUR 312,114,835.06, of which profit for the period was EUR 37,539,322.79. The company had 56,623,067 outstanding shares entitling to dividends for year 2019.

According to our dividend policy, annual dividends are at most 40 per cent of our operational cash flow, depending on the market situation, investment level, as well as the development of our equity and solvency ratios.

The Board of Directors proposes to the Annual General Meeting that dividends EUR 0,50 per share be paid in dividends for the 2019 financial period (EUR 0.50 per share for 2018), and that EUR 9,227,789.29 be transferred to retained earnings.

No material changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good, and in the Board of Directors' view, the proposed distribution of profit will not compromise the company's solvency.

sato

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	3	295.6	290.4
Property maintenance expenses		-88.5	-91.9
Net rental income		**207.1**	**198.5**
Fair value change of investment properties, realised	4, 13	1.0	3.8
Fair value change of investment properties, unrealised	13	552.2	102.0
Sales, marketing and administrative expenses	6, 7, 8, 9	-32.6	-33.4
Other operating income	5	1.9	3.8
Other operating expenses	5	-4.3	-1.3
Share of profit of associated companies and joint ventures		0.2	0.0
Operating profit		**725.6**	**273.3**
Financial income	10	0.9	0.9
Financial expenses	10	-56.0	-43.5
		-55.1	**-42.5**
Profit before tax		**670.5**	**230.8**
Income tax expenses	11	-135.5	-46.5
Profit for the period		**534.9**	**184.3**
Profit for the period attributable to			
Equity holders of the parent		535.0	184.3
Non-controlling interests		0.0	0.0
Profit for the period		**534.9**	**184.3**
Earnings per share attributable to equity holders of the parent	12		
Basic, EUR		9.45	3.26
Diluted, EUR		9.45	3.26
Average number of shares, million		56.6	56.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other comprehensive income			
Remeasurement of defined benefit liability, net of tax		0.0	0.0
Related tax		0.0	0.0
Items that will never be reclassified to income statement		**0.0**	**0.0**
Cash flow hedges	27	-6.7	1.2
Translation differences		0.1	-0.1
Related tax		1.3	-0.2
Items that may be reclassified subsequently to income statement		**-5.2**	**0.9**
Other comprehensive income, net of tax		**-5.2**	**0.9**
Total comprehensive income		**529.7**	**185.2**
Comprehensive income attributable to			
Equity holders of the parent		529.7	185.2
Non-controlling interest		0.0	0.0
		529.7	**185.2**

sato

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Investment property	13	4,657.9	3,875.1
Tangible assets	14	3.2	2.4
Intangible assets	9, 15	3.7	2.6
Investments in associated companies	17	0.2	0.0
Other non-current investments	18, 19	1.1	1.9
Other right-of-use assets	16	7.7	0.0
Non-current receivables	20, 27	6.3	8.5
Deferred tax assets	21	14.2	12.9
Total		**4,694.4**	**3,903.4**
Current assets			
Account and other receivables	22	10.9	11.9
Current tax assets		7.9	1.7
Cash and cash equivalents	18, 23	5.0	5.4
Total		**23.8**	**19.0**
TOTAL ASSETS		**4,718.2**	**3,922.4**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		4.4	4.4
Fair value and other reserves		-29.8	-24.4
Reserve fund		43.7	43.7
Reserve for invested non-restricted equity		114.8	114.8
Retained earnings		1,922.8	1,416.1
Total	24	**2,055.9**	**1,554.6**
Non-controlling interests		**-0.2**	**-0.1**
TOTAL SHAREHOLDERS' EQUITY		**2,055.8**	**1,554.5**

MEUR	note	31 Dec 2019	31 Dec 2018
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	387.4	273.2
Provisions	28	1.6	2.0
Lease liabilities	16	53.0	0.0
Derivative liabilities	18, 27	46.7	39.7
Long-term non-interest bearing liabilities	25	0.0	1.3
Long-term interest bearing liabilities	18, 26	1,673.8	1,635.0
Total		**2,162.4**	**1,951.3**
Current liabilities			
Accounts payable and other liabilities	29	65.3	64.4
Provisions	28	2.8	2.7
Lease liabilities	16	4.7	0.0
Current tax liabilities		2.6	2.3
Short-term interest bearing liabilities	18, 26	424.6	347.2
Total		**500.0**	**416.6**
TOTAL LIABILITIES		**2,662.4**	**2,367.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,718.2**	**3,922.4**

sato

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from operating activities			
Profit for the period		**534.9**	**184.3**
Adjustments:			
Non-cash items included in the profit	31	-549.3	-102.1
Gains and losses on sales of investment properties and fixed assets		-1.1	-3.9
Other adjustments		0.4	0.0
Interest expenses and other financial expenses	10	56.0	43.5
Interest income	10	-0.8	-0.9
Dividend income		0.0	0.0
Income taxes	11	135.5	46.5
Cash flow before change in net working capital		**175.6**	**167.4**
Change in net working capital:			
Changes in accounts receivable and other receivables		2.3	0.9
Change in accounts payable and other liabilities		0.2	5.7
Interest paid		-58.8	-45.2
Interest received		0.7	1.0
Taxes paid		-27.3	-29.2
Net cash flow from operating activities		**92.8**	**100.6**
Cash flow from investing activities			
Disposals of subsidiaries, net of disposed cash		0.0	1.6
Investments in investment properties		-211.3	-153.2
Net investment in tangible and intangible assets		-3.4	-2.4
Repayments of loans receivable		0.8	2.3
Payments of granted loans		0.0	0.0
Disposals of investment property		28.1	20.5
Net cash flow from investing activities		**-185.9**	**-131.2**

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from financing activities			
Repayments (–) / withdrawals (+) of current loans		50.1	42.0
Withdrawals of non-current loans		657.2	257.1
Repayments of non-current loans		-583.9	-249.0
Repayments of lease liabilities		-2.5	0.0
Repayment of capital and dividends paid	24	-28.3	-28.3
Net cash flow from financing activities		**92.6**	**21.9**
Change in cash and cash equivalents		**-0.5**	**-8.8**
Cash and cash equivalents at the beginning of period		5.4	14.2
Effect of exchange rate fluctuations on cash held		0.1	0.0
Cash M&A		0.0	0.0
Cash and cash equivalents at the end of period		5.0	5.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY, IFRS

	Attributable to owners of the parent							
MEUR	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Shareholders' equity 1 Jan 2018	**4.4**	**-25.4**	**43.7**	**114.8**	**1,260.2**	**1,397.7**	**-0.1**	**1,397.6**
Comprehensive income:								
Cash flow hedges, net of tax	-	1.0	-	-	-	1.0	-	1.0
Translation differences	-	-	-	-	-0.1	-0.1	-	-0.1
Profit for the period	-	-	-	-	184.3	184.3	0.0	184.3
Total comprehensive income	**0.0**	**1.0**	**0.0**	**0.0**	**184.2**	**185.2**	**0.0**	**185.2**
Transactions with shareholders:								
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3
Transaction with shareholders, total	**0.0**	**0.0**	**0.0**	**0.0**	**-28.3**	**-28.3**	**0.0**	**-28.3**
Other adjustments	0.0	-	-	-	-	0.0	-	0.0
Total of equity movements	**0.0**	**1.0**	**0.0**	**0.0**	**155.9**	**156.9**	**0.0**	**156.8**
Shareholders' equity 31 Dec 2018	**4.4**	**-24.4**	**43.7**	**114.8**	**1,416.1**	**1,554.6**	**-0.1**	**1,554.5**

	Attributable to owners of the parent							
MEUR	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total equity
Shareholders' equity 1 Jan 2019	**4.4**	**-24.4**	**43.7**	**114.8**	**1,416.1**	**1,554.6**	**-0.1**	**1,554.5**
Comprehensive income:								
Cash flow hedges, net of tax	-	-5.3	-	-	-	-5.3	-	-5.3
Translation differences	-	-	-	-	0.1	0.1	-	0.1
Profit for the period	-	-	-	-	535.0	535.0	0.0	534.9
Total comprehensive income	**0.0**	**-5.3**	**0.0**	**0.0**	**535.1**	**529.7**	**0.0**	**529.7**
Transactions with shareholders:								
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3
Transaction with shareholders, total	**0.0**	**0.0**	**0.0**	**0.0**	**-28.3**	**-28.3**	**0.0**	**-28.3**
Other adjustments	-	0.0	-	-	0.0	0.0	-	0.0
Total of equity movements	**0.0**	**-5.3**	**0.0**	**0.0**	**506.7**	**501.4**	**0.0**	**501.4**
Shareholders' equity 31 Dec 2019	**4.4**	**-29.8**	**43.7**	**114.8**	**1,922.8**	**2,055.9**	**-0.2**	**2,055.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. ACCOUNTING PRINCIPLES

General company information

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

The Board of Directors has approved the consolidated financial statements on 26 February 2020. A copy of the consolidated financial statements may be obtained from the abovementioned address and at www.sato.fi.

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

SATO's housing investments include both privately financed and state-subsidised housing assets. In respect of the latter SATO's business is affected by special features of non-profit activities, which are the result of restrictions set on the company's business for state-subsidised housing construction. The non-profit restrictions affect owner organisations through, *inter alia*, restrictions on distribution of the profit, divestment and risk-taking as well as through the prohibition 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.

General accounting principles

SATOs consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union observing the standards and interpretations effective on 31 December 2019. The notes to the consolidated financial statements are also in compliance with the Finnish accounting principles and corporate legislation.

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

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

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

New accounting standards and changes in accounting principles

From the beginning of the year 2019, the Group has adopted new or amended IFRS's and IFRIC interpretations, as described in the section "New and amended standards applied in financial year ended".

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.

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

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

Mutual property companies and housing companies, in which the rights of control over specified apartments are determined by shareholdings, are treated as joint operations in the consolidated financial statements. In a joint operation, SATO has rights to the assets and obligations for the liabilities of the arrangement. Joint operations are accounted for in the consolidated financial statements in the manner prescribed in the IFRS 11 *Joint Arrangements* standard, by recognising SATO's assets and liabilities in the arrangement, including its share of joint assets and liabilities, and its revenue and expenses, including its share of joint revenue and expenses. Joint ventures, in which the Group and another party have joint control in the arrangement and which give the Group rights to the net assets of the arrangement, are consolidated in SATO's consolidated financial statements in accordance with IFRS 11, i.e. by the equity method.

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

Transactions denominated in foreign currencies

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

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

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

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

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

Investment property

As defined in the IAS 40 *Investment Property* standard, investment properties are properties of which the Group retains possession to obtain rental income or appreciation in value and which are not occupied for use by the Group or for its operations, nor for sale in the ordinary course of business. From 1 January 2019, investment properties also include right-of-use assets that are classified as investment property based on their nature (right-of-use investment property), such as land leases. Housing companies that own so-called shared ownership apartments are treated by the Group as structured entities and thus not classified as investment property under IAS 40.

At initial recognition, owned investment properties are measured at acquisition value, which includes transaction costs. Subsequently, investment properties are valued at fair value in accordance with IFRS 13 *Fair value measurement*. Gains and losses from changes in fair value are booked through profit and loss in the period when they are incurred. Fair value of an investment property represents the price that would be received for the property in an orderly transaction, taking place in the local (principal) market at the reporting date, considering the condition and location of the property.

Some of SATO's 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 financed with ARAVA or interest-subsidised loans are measured at the original acquisition cost, including the transaction costs. Subsequently, they are valued at the original acquisition cost, plus accumulated investments and less accumulated depreciation and impairments. Unbuilt land and development projects, whose realisation is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably.

Right-of-use investment properties are measured at cost upon their recognition, and subsequently at fair value in accordance with IFRS 16 and IAS 40 standards. The valuation is based on the present value of future contractual lease payments, which is deemed to represent the fair value of the right-of-use assets arising from the lease agreements.

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

- the income value method is used for investment properties that can be sold without restrictions or that can be sold as entire properties and to a restricted group of buyers;
- sales comparison method is used for the investment properties in St. Petersburg (valuation prepared by an external appraiser); and
- the fair values of properties funded with ARAVA or interest-subsidised loans, as well as unbuilt land and development projects, whose realisation is uncertain, are estimated to be same as the remaining acquisition cost.

For the financial period ended 31 December 2018 and previous periods, SATO used the sales comparison method as the primary valuation method for properties in Finland that can be sold without restrictions. For the year ended 31 December 2019, SATO decided to change the valuation approach for these investment properties to the income value method. Since it constitutes a change in an accounting estimate, the change of valuation method is not applied retrospectively. See further information in notes 2 and 13.

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

Tangible assets

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

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

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

Intangible assets

An intangible asset is recognised in the balance sheet only if the asset is identifiable, its cost can be measured reliably and it is likely that an expected economic benefit attributable to the asset will flow to the Group.

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

Lease agreements (SATO as lessee)

Accounting principles applied from the beginning of 2019 (IFRS 16)

From 1 January 2019, SATO applies IFRS 16 *Leases* in its accounting for lease agreements. The Group makes assessment of whether an agreement is a lease agreement in the scope of the standard, and recognises, at the commencement date of the lease, a right-of-use asset and a lease liability (except for short-term leases and leases of low-value assets).

Based on their purpose, right-of-use assets are recognised either in investment properties, to the extent that they are classified as investment property, or in other right-of-use assets.

Other right-of-use assets than those classified as investment property are recognised in the statement of financial position at the amount of the lease liability, including any initial direct costs and excluding any lease incentives received, and they are depreciated over their expected economic lives. The economic life is estimated separately for each asset, based on the duration of the lease and other key terms of the contract, such as extension or purchase options, if applicable. The right-of-use assets classified as investment property are subsequently measured at fair value (see section "Investment property" above). The lease liability is recognised in the statement of financial position at an amount equal to the discounted present value of future lease payments.

If any extension or purchase options are included in the contract, the Group assesses whether such an option is reasonably certain to be exercised and considers its effect on the economic life and cost of the asset.

The Group applies the recognition exemptions allowed by IFRS 16 and does not recognise short-term lease agreements and lease agreements of low-value assets in the statement of financial position. Leases with a duration of 12 months or less are considered short-term. The lease payments from these agreements are expensed in profit and loss over the lease term.

Further information of the initial application of IFRS 16 can be found below in section "New and amended standards applied in financial year ended".

Accounting principles applied before 2019 (IAS 17)

Lease agreements, in which SATO is a lessee, were classified until 31 December 2019 as either financial or other leases at inception, as required by IAS 17 *Leases*.

According to IAS 17, a lease was classified as a financial lease, if the risks and benefits of ownership had been substantially transferred to SATO, whereby it was recognised, at the commencement of the lease term, on the balance sheet as an asset and liability at fair value or at the present value of the minimum lease payments, if lower. The leased asset was depreciated over the economic life of the asset or over the duration of the lease agreement. The lease payment was divided into interest expense recorded in profit and loss and repayment of the lease liability.

A lease was classified as other lease if the characteristic risks and benefits of ownership had not been transferred substantially. Rental payments of other lease agreements were recorded as expense in profit and loss over the lease period.

Lease agreements (SATO as lessor)

Rental income from investment properties is recognised in profit and loss over the lease period and presented in net sales in the income statement.

As a lessor, SATO has no agreements classified as financial lease agreements.

Impairment

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

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

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

Financial instruments

SATO's financial assets are classified, in accordance with IFRS 9 *Financial Instruments*, into the following categories: financial assets at fair value through profit and loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and financial assets at amortised cost. The classification is made at the time of the initial recognition and is based on the contractual terms of the instrument and the Group's business model for the type of financial instruments.

Financial liabilities are classified to financial liabilities at amortised cost and financial liabilities at fair value through profit and loss under IFRS 9. The instruments are classified at the time of the initial recognition, based on the purpose of the instrument. Sales and purchases of financial instruments, other than those associated with derivatives, are booked on the clearance date. All derivatives are booked on the balance sheet on the trade date.

Financial assets and liabilities at fair value through profit and loss
The category includes derivative instruments for which hedge accounting in accordance with IFRS 9 is not applied and are hence classified in trading portfolio. These instruments are valued at fair value and gains and losses arising from changes in the fair value, both realised and unrealised, are recognised in the income statement for the period.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income are principally stocks and shares, and they are presented in the statement of financial position in other non-current investments. Investments in listed securities are valued in the financial statements at the prices quoted in an active market at the closing date of the reporting period. Unlisted shares, the fair value of which cannot be determined reliably, are valued at acquisition cost. Unrealised changes in the value of the assets in this class are booked in other comprehensive income, with allowance for the deferred tax. Accumulated changes in fair value are not booked from the fair value reserve to profit and loss until the investment is sold.

Financial assets at amortised cost
Financial assets at amortised cost are non-derivative assets, for which the cash flows consist of payments of principal and interest, as applicable, and which are not held for trading purposes. On the statement of financial position, they are included in non-current receivables, accounts receivable and other receivables or cash and cash equivalents, according to their terms.

At initial recognition, loan receivables are measured at fair value including any transaction costs, and they are subsequently measured at amortised cost, using the effective interest rate method. Short-term accounts receivable are initially measured at the transaction value. For impairment of accounts receivable, the Group applies the simplified approach allowed by IFRS 9, whereby it makes an assessment of the lifetime expected credit losses for its accounts receivable at each reporting date, and based on this assessment, recognises the impairment through profit and loss.

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

Financial liabilities at amortised cost
Financial liabilities are initially recognised at fair value of the proceeds less transaction expenses. Subsequently, 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 at each reporting date. The fair value of derivatives is calculated by discounting the contractual cash flows. The fair value of interest-rate options is calculated by using the market prices at the balance sheet date and option valuation models.

The Group treats derivatives either as cash flow hedges for floating-rate loans or as derivatives for which hedge accounting under IFRS 9 is not applied. Changes in value of derivatives subject to hedge accounting are recorded in other comprehensive income. Gains and losses are transferred to the interest expenses in the income statement at the same time as the interest expenses on the hedged item. Any ineffective part of a hedging relationship is booked immediately in financial expenses. Changes in value of derivatives, for which hedge accounting is not applied, are recorded in profit and loss.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that settling the obligation will require a payment or cause an economic loss, and the amount can be reliably estimated.

The Group recognises a provision for statutory 10-year guarantees related to new apartments sold. The 10-year provision is measured based on prior experience of the realisation of these obligations. In addition, a warranty provision is recognised upon the recognition of revenue from the project. The amount of the warranty provision is based on prior experience of the actual warranty costs and the specific risks related to the project.

A provision for onerous contracts is recognised when the unavoidable costs of settling the obligations exceed the benefits received from the contract.

Principles of income recognition

SATO recognises those income items that are not in the scope of any other standard, according to the revenue recognition principles of IFRS 15 *Revenue from Contracts with Customers*. In addition, the rules in IAS 40 regarding disposals are applied to sale of investment properties. Under IFRS 15, a five-step model is applied to determine when, and at which amount, revenue is recognised. SATO makes an assessment of the performance obligations included in the contract, after which income is recognised when (or as) control is transferred, either over time or at a point in time.

Principles of income recognition for sales of investment property
Sales of the Group's investment property normally consist of a single performance obligation, for which income is recognised at a point in time, when control of the asset is transferred to the buyer. SATO assesses for each transaction whether the contract

includes other performance obligations, such as a material financing component, and determines the expected income from them. Income from any additional performance obligations are recognised over time or at a point in time, depending on their nature.

Principles of income recognition for sales of new homes

Income from sales of new homes is recognised at a point in time, when control of the sold asset is transferred to the buyer. The sale of an apartment is considered to form a single performance obligation. In respect of the homes sold during the construction, the risks and benefits are deemed to be transferred on the completion date of the property, whereas for completed homes, they are transferred on the sale date.

Income from services

Income from services, such as property management, is recognised as the service is performed.

Borrowing costs

Borrowing costs are capitalised as part of an asset's acquisition cost when they are due to acquisition, construction or manufacture of a qualifying asset. A qualifying asset is one for which the completion for its intended use or sale will necessarily take a substantial period of time. Other borrowing costs are expensed in the financial year when they have been incurred. Direct transaction costs from the raising of loans, which can be attributed to a particular loan, are included in the cost of the loan and amortised as an interest expense using the effective interest rate method.

Public grants

For SATO, the main form of public support is state-supported interest-subsidised loans and ARAVA loans, in which state-backed housing is funded by low-interest debt subsidised by the government. The real interest on these loans is lower than the interest expenses would be on loans with market terms. The interest benefit obtained through public support is therefore netted into interest expenses in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and is not separately presented as interest income.

Other direct public grants, such as investment grants, are recorded as reductions in the book values of the subsidised assets. The grants received therefore reduce the original acquisition cost of those assets.

Pension arrangements

SATO's current pension arrangements are classified as defined-contribution arrangements. Contributions to defined-contribution pension arrangements are recorded as expenses in profit and loss for the period when they are incurred. 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.

Income taxes

Income taxes include the taxes based on the taxable profit for the current year, adjustments to previous years' taxes, and changes in deferred taxes. Deferred tax assets and liabilities are calculated from the differences between the taxational values of assets and liabilities and their carrying values under IFRS. The tax rate approved by the financial statement date is used to determine the deferred taxes. For SATO, 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 other comprehensive income. Deferred tax assets are recorded up to the amount, for which it is likely that there will be taxable income in the future, against which the temporary difference can be used.

Net operating income

Net operating income is the sum of net sales less property maintenance expenses.

Operating profit

Operating profit is the net sum obtained from net operating income, by adding gains from divestments of investment properties, the share of the profit of joint ventures and associated companies, and other operating income, and deducting the sales, marketing and administrative expenses, losses from divestments of investment properties and other operating expenses. Also, it includes the gain or loss from unrealised fair value changes of investment properties. Exchange gains and losses are included in operating profit when they arise from items related to ordinary business operations. Exchange gains and losses attributable to financing are recorded in financial income and expenses.

New and amended standards applied in financial year ended

SATO has applied from 1 January 2019 the following new and amended standards that have become effective:

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. The new standard replaced the previous IAS 17 *Leases* standard and related interpretations.

(a) General impact of application of the standard

Due to the new standard, lessees will recognise most of the leases on the balance sheet and there will no longer be a distinction between operating and finance leases. Under IFRS 16, a lease asset (i.e. right-of-use asset), representing the right to use the underlying item, and a lease liability, representing an obligation to make lease payments, will be recognised. The new standard includes certain optional exemptions in respect of short-term leases and leases of low-value items.

Lessor accounting remains similar compared to the prior IAS 17 standard. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(b) Transition principles

The Group has applied IFRS 16 using the modified retrospective application, without restatement of comparatives. At the date of initial application of the standard, i.e. 1 January 2019, lease liabilities and right-of-use assets have been recognised, for leases classified as operating leases under the previous standard. The right-of-use assets are measured at the same amount as the related lease liabilities at the date of initial application.

The accounting for short-term lease agreements and lease agreements of low-value assets remained unchanged and these leases are not capitalised. Leases with a duration of 12 months or less are considered short-term.

The Group will make use of the following practical expedients on transition to IFRS 16, with respect to the leases that were classified as operating leases under IAS 17:

- The Group has elected not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continues to apply to those leases entered to or modified before 1 January 2019.
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

At the date of initial application of IFRS 16, SATO did not have leases that were classified as finance leases under IAS 17.

(c) Impact on consolidated financial statements
SATO has recognised right-of-use assets arising from leases in the scope of the standard under the balance sheet item "Investment property" and under a new balance sheet item "Other right-of-use assets". The right-of-use assets recorded in investment properties consist entirely of land lease agreements, related to several of the Group's residential investment properties. The other right-of-use assets include leases for premises in SATO's own use and they are presented in the item "Other right-of-use assets" in the statement of financial position. The lease liabilities arising from the lease agreements are presented in non-current and current liabilities in the statement of financial position, under the line item "Lease liabilities". These liabilities are measured by discounting the future fixed lease payments of the leases to their present value, using a discount rate that represents the management's estimate of the Group's incremental borrowing rate at the transition date.

The fair value change of right-of-use assets classified as investment property is presented in the income statement under item "Fair value change of investment properties, unrealised". Depreciation charges of other right-of-use assets are included in the sales, marketing and administration expenses. The financial expense component of lease payments, arising from the discounting of lease liabilities, is included in finance expenses.

The discount rate used in the measurement of lease liabilities at the date of initial application was 6.27% for land leases and 2.05% for other leases. The discount rates are based on an estimate made by SATO of the incremental borrowing rates. At the transition date 1 January 2019, the average maturity of the Group's land leases was 19.0 years and the average maturity of other leases recognised in the balance sheet was approximately four years.

The impact of the initial application of the standard to SATO's financial performance in the period of 1 January to 31 December 2019 and to the statement of financial position at 1 January 2019 were as follows:

CONSOLIDATED INCOME STATEMENT

MEUR	1 Jan–31 Dec 2019
Property maintenance expenses	3.6
Net operating income	**3.6**
Fair value change of investment properties, unrealised	-0.7
Sales, marketing and administrative expenses	0.1
Operating profit	**3.0**
Financial expenses	-3.1
Profit before tax	**-0.1**
Deferred taxes	0.0
Profit for the period	**0.0**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	1 Jan 2019
Investment property	47.3
Other right-of-use assets	7.6
Non-current assets	**54.9**
Total assets	**54.9**
Lease liabilities	49.6
Non-current liabilities	**49.6**
Lease liabilities	5.3
Current liabilities	**5.3**
Total liabilities	**54.9**

The effect of initial application of IFRS 16 to the Group's net cash flow from operating and financing activities amounted to EUR 2.5 million and EUR -2.5 million, respectively, in the period 1 January–31 December 2019.

Further information on the impact of IFRS 16 on the consolidated financial statements can be found in note 16.

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The interpretation requires entities to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept the tax treatment selected by the entity. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment.

The interpretation has no significant impact on SATO's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
The amendments enable entities to measure some financial assets that include a prepayment feature with so-called negative compensation at amortised cost. The amendments have no impact on SATO's consolidated financial statements

Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement
The amendments clarify the calculation of service costs and the measurement of the defined benefit liability (asset) in defined benefit plans. The amendments have no impact on SATO's consolidated financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
The amendments clarify that IFRS 9 *Financial Instruments*, including its impairment requirements, applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments have no impact on SATO's consolidated financial statements.

Annual Improvements to IFRSs (2015–2017 cycle)
The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to four standards: IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*. The amendments have no impact on SATO's consolidated financial statements.

Adoption of new and amended standards and interpretations applicable in upcoming 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.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)
The objective of the amendments is to respond to the effects that the reform of IBOR benchmark interest rates will have on financial reporting of entities. They concern entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the reform. The changes will mandatorily apply to all hedging relationships that are directly affected by the reform. The amendments are not intended to provide relief from any other consequences arising from the reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended standards, then discontinuation of hedge accounting is still required. The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments. The amendments are expected to have no impact on SATO's consolidated financial statements.

IFRS 17 Insurance Contracts* (effective for financial years beginning on or after 1 January 2021)
The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces the IFRS 4 standard. The standard is expected to have no impact on SATO's consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The amendments are expected to have no impact on SATO's consolidated financial statements.

Amendments to IFRS 3: Definition of a Business
The amendments in Definition of a Business (Amendments to IFRS 3) bring clarifications to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments are expected to have no impact on SATO's consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial years beginning on or after 1 January 2020)
The amendments to IAS 1 and IAS 8 clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards. The amendments are expected to have no impact on SATO's consolidated financial statements.

* not yet endorsed for use by the European Union as of 31 December 2019.

Changes in accounting principles

From the beginning of 2019, the Group changed its accounting principle regarding the treatment of property taxes. According to the new principle, property taxes are expensed, based on IFRIC 21 *Levies* interpretation, at their full amount when the obligation for payment arises. The change had no effect on the consolidated financial statements of 31 December 2019 or 31 December 2018.

2. MANAGEMENT JUDGEMENTS AND KEY ESTIMATES AND ASSUMPTIONS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

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

Management judgements

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

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

Key estimates and assumptions

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

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

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

- The fair value of investment property is determined using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. Due to the fact that market prices for properties are not observable on a quoted market, the fair value measurement for investment property is performed using indirect valuation techniques that require the use of several assumptions by the Group management. For the majority of the Group's investment property, the fair value measurement is done with income value method, where the most significant estimates and assumptions concern the forecasted net rental income of the properties and the yields used in the capitalisation.

  For the financial period ended 31 December 2018 and previous periods, SATO used the sales comparison method as the primary valuation method for properties in Finland that can be sold without restrictions. For the year ended 31 December 2019, SATO decided to change the valuation approach for these investment properties to the income value method. The income value method is a generally accepted valuation method in the real estate industry, and it is widely used by other market participants. SATO considers that using the income value method provides for improved comparability of valuations within the industry, as opposed to the sales comparison method.

  More information of the methods and assumptions used by the Group in fair value measurement of investment property are set out in note 13.
- The amount of provisions recognised on property development projects requires estimates of the obligations arising from the projects. The amounts recorded as provisions are based on the management's assessment of the specific risks in each project. Key considerations in the management's assessment include technical, contractual and legal aspects related to the project, as well as the Group's prior experience on similar projects.

3. SEGMENT INFORMATION

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

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

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

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales by geographical region		
Finland	289.3	284.4
Russia	6.2	6.0
Total	**295.6**	**290.4**

	31 Dec 2019			31 Dec 2018		
MEUR	Finland	Russia	Total	Finland	Russia	Total
Non-current assets by geographical region						
Investment property*	4,533.8	124.0	4,657.9	3,770.3	104.8	3,875.1
Tangible assets	3.2	0.1	3.2	2.3	0.0	2.4
Intangible assets	3.7	0.0	3.7	2.6	0.0	2.6
Other right-of-use assets*	7.7	-	7.7	-	-	-
Investments in associated companies	0.2	-	0.2	0.0	-	0.0
Total	**4,548.6**	**124.1**	**4,672.8**	**3,775.3**	**104.8**	**3,880.1**

* SATO has, from 1 January 2019, recognised right-of-use assets in the statement of financial position under IFRS 16 *Leases*. Since the Group has initially applied IFRS 16 using the modified retrospective application, no restatement of comaratives has been made. For further information, see notes 1 and 16.

4. RESULT ON DISPOSAL OF INVESTMENT PROPERTIES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Gains and losses on sales of investment properties		
Gains on sales of investment properties	1.6	4.3
Losses on sales of investment properties	-0.7	-0.4
Total	**1.0**	**3.8**

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

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

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Sale of residential investment properties		
Proceeds from disposal of residential investment properties	9.0	15.4
Carrying value of investment properties sold	-9.1	-14.9
Total	**0.0**	**0.4**

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Sale of land plots		
Sales income, land plots	12.1	10.0
Carrying value of land plots sold	-11.1	-6.7
Total	**1.0**	**3.4**

5. OTHER OPERATING INCOME AND EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating income		
Sales income, new production	13.3	1.0
New production expenses	-11.8	-0.1
Proceeds from disposal of subsidiaries	0.0	1.7
Carrying value of subsidiaries divested	0.0	-0.2
Other income	0.4	1.5
Total	**1.9**	**3.8**

Proceeds from disposal of subsidiaries are related to the divestment of SATO HotelliKoti Oy in February 2018.

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating expenses		
Bad debts expensed in the period	-3.6	-2.4
Post-collection income	1.3	1.3
Other expenses	-1.9	-0.2
Total	**-4.3**	**-1.3**

6. PERSONNEL EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Personnel expenses		
Salaries and wages	13.3	14.3
Defined contribution pension plans	2.2	2.5
Other personnel expenses	0.3	0.4
Total	**15.8**	**17.2**

Management employee benefits are presented in note 33. Related party transactions. Average number of personnel during the period has been 223 (215).

7. AUDITORS' FEES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Auditors' fees		
Audit	0.2	0.1
Other audit related assignments	0.1	0.0
Tax advisory	0.0	0.0
Other services	0.0	0.0
Total	**0.3**	**0.1**

Deloitte Oy, Authorised Public Accountants, have acted as SATO's auditors.

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

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Depreciation, amortisation and impairment charges by asset class:			
Tangible assets	14	0.7	0.5
Intangible assets	15	0.9	0.8
Other right-of-use assets	16	1.8	0.0
Total		**3.4**	**1.3**

Depreciation of other right-of-use assets is related to the right-of-use assets recognised, according to IFRS 16 *Leases*, in the statement of financial position from 1 January 2019. Since the Group has initially applied IFRS 16 using the modified retrospective application, no restatement of comparatives has been made.

9. RESEARCH AND DEVELOPMENT

Research and development expenses during 2019 were EUR 0.2 (0.2) million and capitalised development costs were EUR 1.0 (1.5) million.

10. FINANCIAL INCOME AND EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Financial income		
Interest income on loans and other receivables	0.7	1.0
Dividend income on other non-current investments	0.0	0.0
Foreign exchange gain	0.1	-0.1
Total	**0.9**	**0.9**

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Financial expenses		
Interest expense on financial liabilities measured at amortised cost	-23.9	-27.3
Interest expense on effective cash flow hedges	-11.7	-11.6
Interest expense on non-hedge accounted derivatives	0.0	0.0
Interest expense on lease liabilities*	-3.1	0.0
Change in fair value, non-hedge accounted derivatives	0.0	0.0
Other financial expenses**	-17.3	-4.6
Total	**-56.0**	**-43.5**
Financial income and expenses, net	**-55.1**	**-42.5**

* Includes the financial expense component from lease agreements recognised in accordance with IFRS 16 *Leases*. See notes 1 and 16 for further information.
** Includes a one-off cost of EUR 11.8 million due to the repurchase of outstanding bonds with maturities in 2020 and 2021.

11. INCOME TAXES

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Income taxes recognised in income statement:			
Current tax from accounting period		20.6	24.4
Current tax from previous period		0.7	0.9
Changes in deferred tax assets and liabilities	21	114.2	21.2
Total		**135.5**	**46.5**

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

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Profit before taxes	670.5	230.8
Income tax calculated with domestic corporate tax rate of the parent	134.1	46.2
Non-deductible expenses and tax-exempt income	0.1	-0.4
Effect of different tax rates in foreign operations	0.9	0.7
Taxes from prior periods	-0.2	-0.1
Other items	0.6	0.2
Total adjustments	**1.4**	**0.4**
Income tax expense in income statement	**135.5**	**46.5**
Effective tax rate, per cent	20.2	20.2

12. EARNINGS PER SHARE

Undiluted earnings per share is calculated by dividing parent company profit attributable to equity holders with weighted average number of shares outstanding. The total number of SATO's shares at 31 December 2019 was 56,783,067. At the end of the reporting period, SATO held 160,000 of its own shares.

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Profit attributable to equity holders of the parent	535.0	184.3
Weighted average of shares	56.6	56.6
Earnings per share (EUR)		
Basic	9.45	3.26
Diluted	9.45	3.26

13. INVESTMENT PROPERTIES

MEUR	note	2019	2018
Fair value of investment properties, 1 January (without right-of-use investment properties)		3,875.1	3,632.5
Effect of initial application of IFRS 16*	16	47.3	0.0
Fair value of investment properties, 1 January (with right-of-use investment properties)		**3,922.4**	**3,632.5**
Acquisitions of properties		31.1	5.6
New construction and other investments in properties		180.0	155.0
Disposals of investment properties		-32.2	-21.7
Capitalised borrowing costs	34	2.6	1.7
Reclassified from other items		0.8	0.1
Gains and losses from changes in fair value**		552.2	102.0
Remeasurement of right-of-use investment properties, no P/L effect	16	0.9	0.0
Fair value of investment properties, 31 December		**4,657.9**	**3,875.1**

* Includes land lease contracts accounted for as right-of-use assets under IFRS 16, which are recognised in investment property and measured at fair value in accordance with IAS 40 from 1 Jan 2019. Since the Group has initially applied the standard using the modified retrospective application, no restatement of comparatives has been made.

** Gains and losses from changes in fair value include foreign exchange gains and losses of EUR 14.8 (-15.3) million, and for 2019, the effect of the change of valuation method, approx. EUR 430 million.

Significant acquisitions of investment properties during the period:

SATO did not make significant acquisitions of completed investment properties during the reporting period. The most significant of other acquisitions during the period was the acquisition of a property under development in Oulunkylä, Helsinki from VR Group, which took place in December 2019.

Significant disposals of investment properties during the period:

In total, 31 (98) rental apartments and commercial premises were divested in Finland, with a combined value of EUR 9.1 (12.7) million. Of other property divestments, the most significant were the sales of owner-occupied HITAS apartments in Jätkäsaari, Helsinki, and the sales of plots in Kirkkonummi (to Avain Group and T2H) and Kangasala (to Pohjola Rakennus).

Valuation methods

SATO's investment properties mainly comprise of residential properties. In addition, the investment properties include commercial and parking space, unbuilt land and development projects as well as right-of-use investment properties.

The housing properties are located in the largest growth centres, with approximately 80.0 per cent of them located in the Helsinki region. The quality of investment properties is maintained by renovation and repair activities based on their lifecycle and repair plans. Change 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, and the change in valuation method (see below section "Income value method").

Some of the residential 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 rents and divestment of apartments, and they are fixed-term.

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

At inception, owned investment properties are recognised at acquisition value, which includes transaction costs. Thereafter, they are recorded at fair value. Gains and losses from changes in fair value are recorded through profit and loss in the period when they are incurred. Fair value of an investment property represents the price that, according to the Group's estimate, would be received for the property in an orderly transaction taking place in the local (principal) market at the reporting date, considering the condition and location of the property. Unbuilt land and development projects, whose realization is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably. The valuation methods for SATO's owned investment properties are income value method, sales comparison method and acquisition cost method.

SATO's right-of-use investment properties include land plots leased for residential construction. From 1 January 2019. the land lease agreements, which were previously treated as other lease agreements, are accounted for as right-of-use assets classified as investment property and measured at fair value in accordance with the IFRS 16 *Leases* and IAS 40 *Investment property* standards. They are valued at the present value of future lease payments of the underlying agreements, which is considered to be equivalent to their fair value. Further details about the Group's lease portfolio are presented in note 16.

Income value method

Most of the Group's investment properties that are currently let to tenants are valued using the income value method. SATO has, from 31 December 2019, changed its valuation method from sales comparison method to income value method, for investment properties located in Finland that can be sold without restrictions, or can be sold as entire properties and to a restricted group of buyers. The effect of the change of valuation method on the fair value of investment properties was approximately EUR 430 million. Since it constitutes a change in an accounting estimate, the change of valuation method is not applied retrospectively. Income value is determined by capitalising forecasted net rental income with a yield percentage. The yields are determined based on location, age and technical condition of the properties. The determination of the fair value of investment property requires estimates and assumptions in relation to the future development of yield requirements, maintenance expenses, vacancy and rent levels.

SATO's weighted average yield requirements by region, at 31 December 2019, were as follows: Helsinki metropolitan area 4.35 %, other regions in Finland 4.98 % and weighted average for the entire Group 4.46 %. An external expert (JLL) has issued a statement regarding the SATO's valuation method, and the statement is consistent with the valuation of investment properties in the consolidated financial statements.

Sales comparison method

SATO's investment properties located in St. Petersburg are valued by an external expert (JLL) with sales comparison method.

Acquisition cost

Properties funded with ARAVA or interest-subsidised loans are valued at cost less any impairments, which is estimated to represent their fair value. Unbuilt land and development projects, whose realization is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably.

MEUR	note	2019	2018
Investment property by valuation classes			
Income value method		4,226.6	516.2
Sales comparison method		124.0	3,138.0
Acquisition cost		257.5	220.8
Owned investment properties, total		**4,608.1**	**3,875.1**
Right-of-use investment properties	16	49.7	0.0
Total		**4,657.6**	**3,875.1**

Sensitivity analysis of investment properties

	-10%		-5%		5%		10%	
MEUR	Change	Change, %	Change	Change, %	Change	Change, %	Change	Change, %
Properties measured by income value								
Yield requirement	469.6	11.1%	222.5	5.3%	-201.3	-4.8%	-384.2	-9.1%
Net rental income	-422.7	-10.0%	-211.3	-5.0%	211.3	5.0%	422.7	10.0%

All SATO's investment properties are classified in 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

14. TANGIBLE ASSETS

2019

MEUR	note	Machinery and equipment	Other tangible assets	2019 total
Acquisition cost, 1 January		4.9	1.4	6.4
Additions		1.5	0.2	1.6
Disposals		-0.3	0.0	-0.3
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		**6.1**	**1.6**	**7.7**
Accumulated depreciation, 1 January		3.4	0.6	4.0
Disposals		-0.2	0.0	-0.2
Depreciation and impairments for the period	8	0.6	0.1	0.7
Transfers between items		0.0	0.0	0.0
Accumulated depreciation, 31 December		**3.8**	**0.7**	**4.5**
Carrying value, 1 January		**1.5**	**0.8**	**2.4**
Carrying value, 31 December		**2.3**	**0.9**	**3.2**

2018

MEUR	note	Machinery and equipment	Other tangible assets	2018 total
Acquisition cost, 1 January		4.7	1.3	6.0
Additions		0.7	0.0	0.8
Disposals		-0.4	0.0	-0.4
Transfers between items		-0.1	0.1	0.0
Acquisition cost, 31 December		**4.9**	**1.4**	**6.4**
Accumulated depreciation, 1 January		3.6	0.3	3.8
Disposals		-0.4	0.0	-0.4
Depreciation for the period	8	0.3	0.1	0.5
Transfers between items		-0.2	0.2	0.0
Accumulated depreciation, 31 December		**3.4**	**0.6**	**4.0**
Carrying value, 1 January		**1.1**	**1.1**	**2.2**
Carrying value, 31 December		**1.5**	**0.8**	**2.4**

15. INTANGIBLE ASSETS

2019

MEUR	note	Intangible rights	Other intangible assets	2019 total
Acquisition cost, 1 January		0.0	8.2	8.2
Additions		0.0	2.0	2.0
Disposals		0.0	0.0	0.0
Transfers between items		0.0	0.0	0.0
Acquisition cost, 31 December		**0.0**	**10.2**	**10.2**
Accumulated amortisation, 1 January		0.0	5.6	5.6
Disposals		0.0	0.0	0.0
Amortisation for the period	8	0.0	0.9	0.9
Transfers between items		0.0	0.0	0.0
Accumulated amortisation, 31 December		**0.0**	**6.5**	**6.5**
Carrying value, 1 January		**0.0**	**2.6**	**2.6**
Carrying value, 31 December		**0.0**	**3.7**	**3.7**

2018

MEUR	note	Intangible rights	Other intangible assets	2018 total
Acquisition cost, 1 January		0.3	6.9	7.2
Additions		0.0	1.7	1.7
Disposals		-0.3	-0.4	-0.7
Transfers between items		0.0	-0.1	-0.1
Acquisition cost, 31 December		**0.0**	**8.2**	**8.2**
Accumulated amortisation, 1 January		0.3	5.1	5.4
Disposals		-0.3	0.0	-0.3
Amortisation for the period	8	0.0	0.8	0.8
Transfers between items		0.0	-0.4	-0.4
Accumulated amortisation, 31 December		**0.0**	**5.6**	**5.6**
Carrying value, 1 January		**0.0**	**1.8**	**1.8**
Carrying value, 31 December		**0.0**	**2.6**	**2.6**

16. LEASES

Right-of-use assets

MEUR	note	Right-of-use investment properties*	Other right-of-use assets	2019 total
Carrying value, 1 January		47.3	7.6	54.9
Additions		2.1	0.2	2.3
Remeasurement of lease agreements		0.9	1.8	2.8
Changes of fair value in profit and loss	13	-0.7	-	-0.7
Depreciation for the period	8	-	-1.8	-1.8
Carrying value, 31 December		**49.7**	**7.7**	**57.5**

* Right-of-use investment properties are measured at fair value and presented under investment properties in the statement of financial position. See further details in note 13.

SATO applies the IFRS 16 *Leases* standard from 1 January 2019. SATO has recognised right-of-use assets in scope of the standard under investment properties, to the extent that they are classified as investment property (right-of-use investment properties, see note 13), and otherwise under a new balance sheet item "Other Right-of-use assets". Since the Group has initially applied IFRS 16 using the modified retrospective application, no restatement of comparatives has been made.

The right-of-use investment properties include land lease agreements, which are related to residential investment properties. At the end of reporting period, the average remaining lease term of the Group's land leases was 19.6 (19.0) years. Their lease payments are index dependent. Other Right-of-use assets include leases for premises in SATO's own use. All lease agreements for SATO's own premises mature in less than ten years and their lease payments are index-based.

The Group has sublet office premises at Panuntie, Helsinki, in 2019 and 2018. The rental income recognised in the income statement from these sublease agreements amounted to EUR 0.4 (0.4) million.

In the current period, the Group has recorded EUR 0.2 million of lease expenses from short-term lease agreements in the sales, marketing and administrative expenses. Total cash outflows for the Group's leases during the period amounted to EUR 5.7 million.

For further information on the initial application of IFRS 16, see note 1.

Lease liabilities

MEUR	31 Dec 2019
Non-current	
From land lease agreements	46.4
From other lease agreements	6.6
Total	**53.0**

MEUR	31 Dec 2019
Current	
From land lease agreements	3.5
From other lease agreements	1.2
Total	**4.7**
Total	**57.7**

At 1 January 2019, SATO recognised lease liabilities arising from the leases taken to the statement of financial position under IFRS 16. Since the Group has initially applied the standard using the modified retrospective application, no restatement of comparatives has been made.

The following table presents a reconciliation between the off-balance sheet lease commitments disclosed according to the IAS 17 standard in the financial statements at 31 December 2018 and the lease liabilities recognised at 1 January 2019 under IFRS 16.

MEUR	
Minimum rents to be paid on the basis of other lease agreements at 31 Dec 2018	125.3
Optional relief regarding short-term leases	-0.1
Other adjustments	0.2
Lease liabilities, nominal amount at 1 Jan 2019	**125.5**
Discounting	-70.6
Lease liabilities, amount recognised at 1 Jan 2019	**54.9**

Lease commitments from other lease agreements (IAS 17)

MEUR	31 Dec 2018
Minimum rents to be paid on the basis of other lease agreements:	
Within one year	5.6
Within two to five years	20.0
Over five years	99.8
Total	**125.3**

17. INTERESTS IN OTHER ENTITIES

Group composition

SATO has 25 (26) subsidiaries that are individually material to the Group. Subsidiaries are entities over which SATO has control and they are consolidated to the Group. There are no material non-controlling interests in any of the Group's subsidiaries.

Mutual property companies and housing companies, in which the rights of control over specified apartments are determined by shareholdings, are treated as joint operations in the consolidated financial statements. None of these entities is individually material to the Group. Joint operations are accounted for in the consolidated financial statements in the manner prescribed in the IFRS 11 *Joint Arrangements* standard, by recognising SATO's assets and liabilities in the arrangement, including its share of joint assets and liabilities, and its revenue and expenses, including its share of joint revenue and expenses.

A list of all entities owned by the Group or the parent company is presented in note 36.

Significant restrictions

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

Structured entities

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

The Group's interests in unconsolidated structured entities are estimated to entail no significant risks to the Group. For more information on the shared ownership entities, please refer to accounting principles (note 1). Information on the Group's loan receivables from, and purchase commitments related to, these entities is presented in notes 20 and 32, respectively. The structured entities do not have a significant impact on other items in the consolidated financial statements.

Joint ventures and associated companies

SATO did not have joint ventures or associated companies material to the Group in 2019 or 2018.

18. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

31 Dec 2019 MEUR	note	Fair value, other comprehensive income	Assets and liabilities at amortised cost	2019 Carrying amount total	Fair value hierarchy Level 1	Level 2	Level 3
Non-current financial assets							
Other non-current investments	19	1.1	-	1.1	-	1.1	-
Loans receivable	20	-	6.3	6.3	-	6.3	-
Derivative assets	20, 27	0.0	-	0.0	-	0.0	-
Total		**1.1**	**6.3**	**7.4**			
Current financial assets							
Accounts receivable	22	-	6.0	6.0	-	6.0	-
Cash and cash equivalents	23	-	5.0	5.0	-	5.0	-
Total		**0.0**	**11.0**	**11.0**			
Non-current financial liabilities							
Corporate bonds	26	-	546.5	546.5	537.0	24.0	-
Other loans	26	-	1,127.3	1,127.3	-	1,127.3	-
Derivative liabilities	27	46.7	-	46.7	-	46.7	-
Total		**46.7**	**1,673.8**	**1,720.5**			
Current financial liabilities							
Corporate bonds	26	-	100.0	100.0	101.0	-	-
Other loans	26	-	324.6	324.6	-	324.6	-
Derivative liabilities	27	1.9	-	1.9	-	1.9	-
Accounts payable	29	-	6.0	6.0	-	6.0	-
Total		**1.9**	**430.6**	**432.5**			

31 Dec 2018 MEUR	note	Fair value, other comprehensive income	Assets and liabilities at amortised cost	2018 Carrying amount total	Fair value hierarchy Level 1	Level 2	Level 3
Non-current financial assets							
Other non-current investments	19	1.9	-	1.9	-	1.9	-
Loans receivable	20	-	8.4	8.4	-	8.4	-
Derivative assets	20, 27	0.0	-	0.0	-	0.0	-
Total		**1.9**	**8.4**	**10.3**			
Current financial assets							
Accounts receivable	22	-	7.0	7.0	-	7.0	-
Cash and cash equivalents	23	-	5.4	5.4	-	5.4	-
Total		**0.0**	**12.4**	**12.4**			
Non-current financial liabilities							
Corporate bonds	26	-	647.0	647.0	643.4	24.0	-
Other loans	26	-	987.9	987.9	-	991.8	-
Derivative liabilities	27	39.7	-	39.7	-	39.7	-
Total		**39.7**	**1,635.0**	**1,674.7**			
Current financial liabilities							
Corporate bonds	26	-	100.0	100.0	100.9	-	-
Other loans	26	-	247.2	247.2	-	247.2	-
Derivative liabilities	27	1.1	-	1.1	-	1.1	-
Accounts payable	29	-	4.9	4.9	-	4.9	-
Total		**1.1**	**352.2**	**353.2**			

The cash flow hedging derivatives are valued at fair value through other comprehensive income.

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.

19. OTHER NON-CURRENT INVESTMENTS

MEUR	31 Dec 2019	31 Dec 2018
Other non-current investments		
Other holdings	1.1	1.9
Total	**1.1**	**1.9**

SATO presents its other non-current investments categorised into quoted shares and other holdings. Unrealised valuation gains and losses from other non-currents investments are recognised in other comprehensive income and in fair value reserve, after accounting for tax effects. Other holdings include shares in unlisted companies, and are valued at acquisition cost if their fair value cannot be reliably determined.

20. NON-CURRENT RECEIVABLES

MEUR	note	31 Dec 2019	31 Dec 2018
Non-current receivables			
Derivatives	18, 27	0.0	0.0
Loans receivable	18	6.3	8.4
Non-current receivables total		**6.3**	**8.5**

The loans receivable are mainly receivables from housing companies that own shared ownership apartments. They are valued at amortised cost in the consolidated financial statements and, according to the Group's assessment, they are not exposed to significant credit risk.

21. CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES

MEUR	1 Jan 2019	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	31 Dec 2019
Deferred tax assets					
Valuation of financial instruments at fair value	6.6	0.0	-	1.3	7.9
Periodisation and temporary differences	6.3	0.0	-	-	6.3
Total	**12.9**	**0.0**	**0.0**	**1.3**	**14.2**
Deferred tax liabilities					
Valuation of investment properties at fair value	215.2	118.4	-	-	333.6
Valuation of financial instruments at fair value	1.0	0.2	-	0.0	1.2
Reclassification of housing provisions and depreciation differences	55.4	-4.4	-	-	51.0
Periodisation and temporary differences	0.0	-	-	-	0.0
Allocated acquisition costs	1.6	-	-	-	1.6
Total	**273.2**	**114.2**	**0.0**	**0.0**	**387.4**

MEUR	1 Jan 2018	Recognised through profit or loss	Transfers between items	Recognised through other comprehensive income	31 Dec 2018
Deferred tax assets					
Valuation of financial instruments at fair value	6.8	0.1	-	-0.2	6.6
Periodisation and temporary differences	6.4	-0.1	-	-	6.3
Total	**13.2**	**0.0**	**0.0**	**-0.2**	**12.9**
Deferred tax liabilities					
Valuation of investment properties at fair value	191.4	23.8	-	-	215.2
Valuation of financial instruments at fair value	1.1	-0.1	-	-	1.0
Reclassification of housing provisions and depreciation differences	58.0	-2.6	-	-	55.4
Periodisation and temporary differences	0.0	-	-	-	0.0
Allocated acquisition costs	1.6	-	-	-	1.6
Total	**252.1**	**21.2**	**0.0**	**0.0**	**273.2**

At 31 Dec 2018, SATO changed its accounting principle concerning the measurement of deferred tax on investment property. The impact of the standard on the Group's deferred tax libilities amounted to EUR 12.1 million at 1 January 2018, as compared to prior reporting practice.

22. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

MEUR	note	31 Dec 2019	31 Dec 2018
Accounts receivable and other receivables			
Accounts receivable	18	6.0	7.0
Prepaid expenses and accrued income		2.2	0.9
Other receivables		2.7	4.0
Total		**10.9**	**11.9**

	31 Dec 2019			31 Dec 2018		
MEUR	Gross amount	Expected credit loss	Carrying amount	Gross amount	Expected credit loss	Carrying amount
Aging structure of accounts receivable						
Not due and less than one month overdue	3.7	-0.3	3.4	3.8	-0.2	3.6
1 to 6 months overdue	2.0	-0.6	1.4	2.0	-0.4	1.6
More than 6 months overdue	2.6	-1.4	1.2	3.5	-1.6	1.9
Total	**8.2**	**-2.2**	**6.0**	**9.2**	**-2.2**	**7.0**

SATO recognises the allowance for bad debts for accounts receivable according to IFRS 9. For measurement of the impairment of accounts receivable, the Group applies the simplified approach allowed by the standard, whereby it makes an assessment of the lifetime expected credit losses for its accounts receivable at each reporting date, and based on this assessment, recognises the impairment through profit and loss. The recorded allowance for bad debts amounted to EUR 2.2 (2.2) million at the end of period.

MEUR	31 Dec 2019	31 Dec 2018
Specification of prepaid expenses and accrued income		
Prepaid expenses and accrued income related to rental services	0.2	0.0
Prepaid expenses and accrued income related to new constructions	0.1	0.1
Prepayments	0.2	0.1
Purchase price receivable	1.1	0.1
Interest receivables	0.2	0.2
Other	0.5	0.3
Total	**2.2**	**0.9**

23. CASH AND CASH EQUIVALENTS

MEUR	note	31 Dec 2019	31 Dec 2018
Cash and bank balances	18	5.0	5.4
Total		**5.0**	**5.4**

The cash assets of group companies subject to non-profit restrictions are kept separately from other companies' cash assets. At the reporting date, such restricted companies' cash assets totalled EUR 1.2 (1.0) million.

24. SHAREHOLDERS' EQUITY

MEUR	31 Dec 2019	31 Dec 2018
The following dividend and repayment of capital were declared and paid by the company:		
Dividends, EUR 0.50 (0.50) per share	-28.3	-28.3
Total	**-28.3**	**-28.3**

No capital repayments were made by SATO in 2019 or 2018.

Description of items in shareholders' equity

Shares and share capital
As at 31 December 2019, the share capital of SATO Corporation totalled EUR 4,442,192, fully paid and divided to 56,783,067 shares. The number of own shares held by the company at the reporting date was 160,000. SATO has one class of shares, each of which entitles to one vote at the Annual General Meeting. The shares do not have a nominal value.

During the period, there were no changes in the number of the company's shares or the number of own shares held. At the reporting date 31 December 2019, the Board of Directors did not have authorisations for arrangement of new share issues.

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 the subscription price of shares, to the extent that it is not recorded in share capital.

Dividends
After the balance sheet date 31 December 2019, the Board of Directors has proposed dividend distribution of EUR 0.50 per share (2018: dividend of EUR 0.50 per share).

Restrictions concerning SATO's shareholders' equity
SATO's retained earnings at the end of period, EUR 1,922.8 (1,416.1) million, included distribution-restricted capital totalling EUR 292.7 (185.2) million attributable to subsidised, non-profit businesses. The figure includes the share of the change in the fair value reported in the income statement. Part of the Group companies are under statutory, non-profit restrictions according to which a company is allowed to distribute only a regulated amount of capital.

Management of capital structure
The aim of SATO's management of capital structure is to support the growth targets and to secure the ability to pay dividend. Another aim is to ensure SATO's prospects of operating in the equity market. SATO's targeted equity ratio measured at fair value is at least 40 per cent. At the end of period, SATO's equity ratio measured at fair value was 43.6 (39.6) per cent. The Board of Directors reviews and assesses SATO's capital structure regularly.

Some of SATO's interest-bearing financial agreements include covenants relating to capital structure and profitability (see note 30). SATO complied with the capital structure and profitability covenants during the reporting period.

25. LONG-TERM NON-INTEREST-BEARING LIABILITIES

The long-term non-interest-bearing liabilities, EUR 0.0 (1.3) million, are related entirely to the Group's property development projects.

26. FINANCIAL LIABILITIES

MEUR	31 Dec 2019	31 Dec 2018
Non-current		
Corporate bonds	546.5	647.0
Bank loans	917.2	693.9
Interest-subsidised loans	166.9	243.9
State-subsidised ARAVA loans	43.2	50.2
Total	**1,673.8**	**1,635.0**

MEUR	31 Dec 2019	31 Dec 2018
Current		
Corporate bonds	100.0	100.0
Commercial papers	233.0	182.9
Bank loans	33.4	26.3
Interest-subsidised loans	51.4	31.5
State-subsidised ARAVA loans	6.8	6.5
Total	**424.6**	**347.2**

During the reporting period, a total of EUR 657.2 (257.1) million of new long-term debt was drawn. At the reporting date, the average interest on the SATO debt portfolio was 1.7 (2.1) per cent.

For purposes of short-term financing, SATO has a commercial paper programme of EUR 400 (400) million, committed credit limits of EUR 400 (400) million, of which EUR 400 (400) million were unused, and a non-committed current overdraft limit of EUR 5 (5) million, of which EUR 1.5 (5) million were unused.

SATO established a EUR 1,500 million Euro Medium Term Note (EMTN) programme in May 2019, under which SATO issued EUR 350 million in unsecured bonds on 31 May 2019. The cash proceedings were used to repurchase SATO's EUR 300 million bonds issued in 2016 and 2015. The amount of notes issued in 2016 accepted for purchase pursuant to the tender offer was set at an aggregate principal amount of EUR 150 million and the amount of notes issued in 2015 accepted for purhase pursuant to the tender offer was set at an aggregate principal amount of EUR 200 million.

Corporate bonds include the following bonds issued by SATO Corporation: EUR 350 million unsecured bond maturing on 31 May 2024 and carrying a fixed annual coupon of 1.375 per cent, EUR 100 million unsecured bond maturing on 10 September 2020 and carrying a fixed annual coupon of 2.25 per cent and EUR 150 million unsecured bond maturing on 24 March 2021 and carrying a fixed annual coupon of 2.375 per cent. The bonds are listed on the Irish Stock Exchange and have a public BBB credit rating from Standard & Poor's. The bonds maturing in 2020 and 2021 are guaranteed by a subsidiary. Corporate bonds also include the secured bonds issued by SATO Corporation. The EUR 24 million and EUR 25 million secured bonds issued in 2013 will mature in June 2023 and December 2022, and they both carry an annual interest consisting of a margin and a floating Euribor rate. The secured bonds are listed on Nasdaq Helsinki Ltd, and they do not have credit ratings.

27. DERIVATIVES

Fair values of derivative instruments

MEUR	Positive	Negative	31 Dec 2019 net	Positive	Negative	31 Dec 2018 net
Non-current						
Interest rate swaps, cash flow hedge	-	-32.7	-32.7	-	-25.7	-25.7
Cross-currency and interest rate swaps, cash flow hedge	-	-14.0	-14.0	-	-14.0	-14.0
Foreign exchange forward contracts, cash flow hedge	-	-	0.0	-	-	-
Non-current derivatives, total	**0.0**	**-46.7**	**-46.7**	**0.0**	**-39.7**	**-39.7**
Current						
Interest rate swaps, cash flow hedge	-	-1.9	-1.9	0.0	-1.1	-1.1
Cross-currency and interest rate swaps, cash flow hedge	-	-	0.0	-	-	0.0
Foreign exchange forward contracts, cash flow hedge	0.0	-	0.0	-	-	-
Current derivatives, total	**0.0**	**-1.9**	**-1.9**	**0.0**	**-1.1**	**-1.1**
Derivatives, total	**0.0**	**-48.6**	**-48.6**	**0.0**	**-40.8**	**-40.8**

MEUR	31 Dec 2019	31 Dec 2018
Nominal values of derivative instruments		
Interest rate swaps, cash flow hedge	658.4	775.5
Cross-currency and interest rate swaps, cash flow hedge	73.4	73.4
Foreign exchange forward contracts	0.6	-
Total	**732.4**	**848.9**

Change in fair value of designated interest rate hedges, booked to hedge reserve in other comprehensive income, totalled EUR -5.3 (1.0) million and that of foreign exchange hedges totalled EUR 0.0 (0.0) million. Interest rate swaps are used to hedge interest cash flows against fluctuation in market interest rates. SATO also hedges the interest rate risk with forward start swaps. On the reporting date, the forward start swaps amounted to EUR 115.0 (275.0) million in nominal value. Cross-currency and interest rates swaps additionally hedge the currency risks of interest and repayment cash flows of loan contracts denominated in foreign currency. Currency forward contracts are used to hedge contractual cash flow relating to binding purchase agreements denominated in foreign currency. Interest rate hedges have maturities ranging between 1–10 years and forward contracts within one year. Typically netting agreements are applied to derivative contracts, however the contracts are represented in gross value in financial statements. The method of presentation has no significant impact on figures on reporting or comparative period.

28. PROVISIONS

MEUR	Provision for refund claims	Other provisions	Total
Total provisions, 1 January 2019	2.9	1.8	4.7
Increases	0.7	-	0.7
Provisions used	-0.4	0.0	-0.4
Reversals	-0.6	-	-0.6
Total provisions, 31 December 2019	**2.6**	**1.8**	**4.4**

MEUR	31 Dec 2019	31 Dec 2018
Non-current provisions	1.6	2.0
Current provisions	2.8	2.7
Total	**4.4**	**4.7**

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

29. ACCOUNTS PAYABLE AND OTHER LIABILITIES

MEUR	note	31 Dec 2019	31 Dec 2018
Accounts payable and other liabilities			
Advances received		19.5	17.6
Accounts payable	18	6.0	4.9
Other liabilities		2.9	3.2
Accrued expenses and prepaid income		36.9	38.6
Total accounts payable and other liabilities		**65.3**	**64.4**

MEUR	note	31 Dec 2019	31 Dec 2018
Accrued expenses and prepaid income			
Personnel expenses		5.5	6.2
Interest expenses		10.3	13.2
Derivative instruments	27	1.9	1.1
Accrued expenses and prepaid income related to new constructions		6.6	8.2
Accrued expenses and prepaid income related to rental services		8.7	9.6
Other accrued expenses		3.4	0.3
Other		0.4	0.0
Total accrued expenses and prepaid income		**36.9**	**38.6**

30. FINANCIAL RISK MANAGEMENT

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

Interest rate risk

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

Market-based loans are primarily drawn at floating rates. In accordance with the Treasury Policy, the interest rate risk arising from these contracts is hedged using derivative instruments, mainly interest rate swaps and options, so that when hedging is applied, the fixed rate portion exceeds 60 per cent of the nominal value of the total loan portfolio. At 31 December 2019, the fixed rate portion of the loan portfolio after hedging is 62.0 (68.9) per cent, the average maturity being 4.0 (4.4) years.

The interest rate derivatives are accounted for as designated cash flow hedges. No ineffectiveness has occurred, as the hedged items and the hedging instruments have the same interest periods. The effect of changes in market interest rates on net financial expenses is examined in the "sensitivity analysis" table below.

Changes in market interest rates also affect interest expense on interest-subsidised loans. However, in interest-subsidised loans, a subsidy is received for the part exceeding the deductible rate, so the risk of increases in interest rates for interest-subsidised loans are considerably lower than for market-based loans. The deductible rate on interest-subsidised loans varies between 2.75 to 3.50 per cent and on the so-called interim model interest-subsidy loans, funded in years 2009 to 2011, is 3.40 per cent. A major part of the interest-subsidised loans is tied to long reference rates, ranging from 3 to 10 years. Due to the subsidies and long reference rates, the interest rate risk on these loans is not material. In accordance with the Treasury Policy, SATO does not apply hedging to interest-subsidised loans.

In operations financed with state subsidies, rents are based on absorption cost, and hence any interest risk can be transferred to the rents. The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. The ARAVA rate is fixed in advance for the following financial period and hence there is no uncertainty of the following period interest expense. Some state-subsidised loans have an 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.

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, which are accounted for as cash flow hedges. On the financial statement date, SATO didn't have any rouble-denominated commitments related to the investments. The translation risk, i.e. the consolidation of foreign currency-denominated subsidiary accounts, arises due to the investment properties in St. Petersburg. The fair values of the properties are translated to euros in consolidated financial statements using the closing exchange rate on the reporting date. The operations in St. Petersburg are limited to maximum 10 per cent of the Group's total assets.

The Group's foreign currency-denominated loans are exposed to foreign exchange risk, which is fully hedged with cross-currency and interest rate swaps. The effect of changes in foreign exchange rates on net financial expenses is examined in the "sensitivity analysis" table below.

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. The majority of SATO's accounts receivable consists of rent receivables. SATO has over 26,000 tenants, so the risk entailed in a single receivable is insignificant. The use of security deposit decreases the credit risk associated with rent receivables. SATO's actual credit losses have averaged the equivalent of 1.2 (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 400 (400) million, committed credit limits EUR 400 (400) million, and non-committed credit limits, EUR 5 (5) million. At 31 December 2019, the commercial papers issued amounted to EUR 233.0 (183.0) million in nominal value. The credit facilities in use were EUR 3.5 million (EUR 0 in use at 31 December 2018). In liquidity management, it is taken into account that the assets of Group companies subject to non-profit restrictions due to interest subsidies or state-subsidised ARAVA loans, are kept separately and allocated to those non-profit operations.

Standard & Poor's has assigned SATO with BBB credit rating with stable outlook. With the investment grade credit rating, SATO aims to widen the investor base and to further limit depencency on any single financing counterparties.

SATO's funding agreements contain covenant clauses relating to the Group's capital structure and interest payment capacity. These clauses set a ratio of unencumbered assets to total assets at least 42.5 per cent, a solvency ratio maximum of 65 per cent, a secured solvency ratio maximum 45 per cent and interest coverage ratio of at least 1.8. At the reporting date, the ratio of unencumbered assets was 80.8 (74.1) per cent, the solvency ratio was 44.4 (50.5) per cent, the secured solvency ratio was 10.2 (17.5) per cent and the interest coverage ratio was 3.3 (4.4).

Sensitivity analysis, interest rate risk

	2019				2018			
	Profit and Loss		Equity		Profit and Loss		Equity	
MEUR	0.1%	-0.1%	0.1%	-0.1%	0.1%	-0.1%	0.1%	-0.1%
Floating rate loans	-0.5	0.5	-	-	-0.7	0.7	-	-
Cross-currency and interest rate swaps	0.1	-0.1	0.1	-0.1	0.1	-0.1	0.2	-0.2
Interest rate swaps	0.5	-0.5	3.2	-3.2	0.4	-0.4	3.4	-3.4
Total	**0.0**	**0.0**	**3.3**	**-3.3**	**-0.2**	**0.2**	**3.6**	**-3.6**

Sensitivity analysis, currency risk

	2019				2018			
	Profit and Loss		Equity		Profit and Loss		Equity	
MEUR	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Foreign currency-denominated loans	5.7	-7.0	-	-	5.8	-7.1	-	-
Cross-currency and interest rate swaps	-5.7	7.0	-	-	-5.8	7.1	-	-
Foreign exchange forward contracts	-	-	0.0	-0.1	-	-	-	-
Total	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**

Maturity analysis on financial instruments

31 Dec 2019

MEUR	Within 1 year	2–5 years	6–10 years	11–15 years	After 15 years	2019 total
Financial liabilities						
Market-based loans	-384.4	-1,003.4	-515.6	-20.7	-18.6	-1,942.7
Interest-subsidised loans	-52.7	-81.3	-38.4	-44.6	-11.9	-228.9
State-subsidised ARAVA loans	-7.1	-20.9	-17.4	-2.9	-0.2	-48.5
Accounts payable	-6.0	-	-	-	-	-6.0
Financial liabilities total	**-450.2**	**-1,105.6**	**-571.5**	**-68.2**	**-30.7**	**-2,226.2**
Derivative contracts						
Interest rate derivatives	-11.4	-24.7	-4.6	-	-	-40.7
Derivative contracts total	**-11.4**	**-24.7**	**-4.6**	**0.0**	**0.0**	**-40.7**
Lease liabilities						
From land lease agreements	-3.6	-14.4	-17.8	-17.7	-70.8	-124.2
From other lease agreements	-1.3	-4.3	-2.9	0.0	0.0	-8.4
Lease liabilities total	**-4.9**	**-18.6**	**-20.6**	**-17.7**	**-70.8**	**-132.7**
Total	**-466.5**	**-1,149.0**	**-596.7**	**-85.8**	**-101.5**	**-2,399.6**

31 Dec 2018

MEUR	Within 1 year	2–5 years	6–10 years	11–15 years	After 15 years	2018 total
Financial liabilities						
Market-based loans	-329.5	-1,034.4	-348.4	-29.5	-36.9	-1,778.6
Interest-subsidised loans	-40.6	-142.5	-38.5	-42.9	-34.8	-299.2
State-subsidised ARAVA loans	-7.1	-23.8	-20.4	-4.2	-3.6	-59.2
Accounts payable	-4.9	-	-	-	-	-4.9
Financial liabilities total	**-382.1**	**-1,200.7**	**-407.3**	**-76.6**	**-75.2**	**-2,141.9**
Derivative contracts						
Interest rate derivatives	-10.7	-27.9	-6.9	-	-	-45.5
Derivative contracts total	**-10.7**	**-27.9**	**-6.9**	**0.0**	**0.0**	**-45.5**
Total	**-392.8**	**-1,228.6**	**-414.2**	**-76.6**	**-75.2**	**-2,187.4**

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

31. NOTES TO THE CASH FLOW STATEMENT

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Non-cash items included in the profit			
Depreciation and amortisation	8	3.4	1.3
Gains and losses from changes in fair value of investment properties	13	-552.2	-102.0
Change in provisions	28	-0.3	-1.4
Share of profit of associated companies and joint ventures		-0.2	0.0
Total		**-549.3**	**-102.1**

MEUR	2019	2018
Changes in interest-bearing debt during the period		
Interest-bearing debt, 1 Jan	**1,982.2**	**1,931.7**
Cash changes in interest-bearing debt during the period, total	123.4	50.2
Non-cash changes:		
Change in foreign exchange rates	-1.2	0.1
Interest accrued by the effective interest rate method	1.3	0.7
Transfers of debt to buyers upon disposals of investment property and other adjustments	-7.3	-0.5
Interest-bearing debt, 31 Dec	**2,098.4**	**1,982.2**

32. COLLATERAL, COMMITMENTS AND CONTINGENCIES

MEUR	31 Dec 2019	31 Dec 2018
Mortgages and pledges for secured borrowings		
Secured borrowings	466.2	671.2
Pledges and mortgages provided, fair value	905.9	1,015.4
Guarantees for others		
Shared ownership apartment purchase commitments	5.9	7.8
Rs-guarantees	3.7	4.2
Other collateral provided		
Mortgages provided to secure payment of rent and street maintenance	6.9	6.9
Guarantees and mortgages provided to secure payments of land use contracts	18.2	9.1
Binding purchase agreements		
For acquisitions of investment properties	40.9	107.9
Commitments for land use payments on zoned plots	4.3	0.8
Commitments to cleaning and removal charges	0.0	0.0
Letters of intent on land for which there is a zoning condition	9.2	39.3

Housing companies which hold so-called shared ownership apartments are treated as structured entities, which are established for a fixed period, and are not included in the consolidation.

On the reporting date, the loans of such housing companies included in the shared ownership systems, totalled EUR 13.5 (21.8) million.

33. RELATED PARTY TRANSACTIONS

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

Shareholders that are considered as SATO's related party in 2019 are Balder Finska Otas AB, Erik Selin Fastigheter AB and Balder-group companies (owner: Fastighets Ab Balder, 100 per cent), Stichting Depositary APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95 per cent; manager: APG Asset Management NV) and Elo Mutual Pension Insurance Company.

The members of the Board of Directors of SATO, the CEO and the members of the Extended Corporate Management Group and their close family members and the entities controlled or jointly controlled by them and joint venture SV-Asunnot Oy are considered as SATO's related party. The Extended Corporate Management Group comprises of SATO Corporation's President and CEO, Vice Presidents, Director of Marketing and Communications, Chief Financial Officer, Chief Digital Officer, Director of Human Resources and General Counsel.

The terms and conditions used in the related party transactions are equivalent to the terms used in transactions between independent parties.

The following transactions were made with related parties:

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Transactions with related parties		
Rental agreements	0.0	0.0
Other transactions	0.0	0.0
Total	**0.0**	**0.0**

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Management employee benefits		
Salaries and other short-term employee benefits	1.2	1.9
Other long-term employee benefits	0.1	0.1
Total	**1.3**	**2.1**

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Salaries and remuneration paid		
President and CEO	0.6	0.5
Members of the Board of Directors	0.2	0.2
Total	**0.8**	**0.7**

Thousand EUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Compensation paid to the members of the Board of Directors and the President & CEO		
Saku Sipola (until 31 Aug 2019)	530	531
Sharam Rahi (from 1 Sep 2019)	103	0
Erik Selin	43	42
Jukka Hienonen	29	28
Esa Lager	25	24
Tarja Pääkkönen	24	24
Timo Stenius	23	25
Marcus Hansson	25	25
Hans Spikker	23	24
Total	**822**	**722**

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.

In addition to the members of the Corporate Management Group, the PRP system covers around 80 SATO employees in executive, managerial and expert roles. The terms and conditions of the PRP system and the payment of performance bonuses are approved by the Board of Directors. The aim of the PRP system is to harmonise the objectives of shareholders, management and key persons, bolster the commitment of key persons, improve competitiveness and promote long-term financial success.

34. BORROWING COSTS

	note	31 Dec 2019	31 Dec 2018
Capitalised expenses of borrowing costs during the period, MEUR	13	2.6	1.7
Financial expense index, %		2.1	2.4

35. SUBSEQUENT EVENTS

SATO's EVP, Rental Housing Business, Antti Asteljoki left the company on 4 February 2020. SATO's EVP, Investments Antti Aarnio, was appointed also as the head of Rental Housing Business as of 5 February 2020.

36. SUBSIDIARIES OWNED BY THE GROUP AND PARENT COMPANY

31 Dec 2019	Group's holding, %	Parent company's holding, %
Holding percentages are the same as voting rights.		
Subsidiaries held by SATO Corporation		
Sato-Asunnot Oy	100.0	100.0
Sato-Rakennuttajat Oy	100.0	100.0
SATOkoti Oy	100.0	100.0
SATOkoti 18 Oy	100.0	100.0
SATOkoti 21 Oy	100.0	100.0
SATOkoti 23 Oy	100.0	100.0
SATOkoti 24 Oy	100.0	100.0
Suomen Vuokrakodit 3 Oy	100.0	100.0
Suomen Satokodit 19 Oy	100.0	100.0
Suomen Satokodit 21 Oy	100.0	100.0
Suomen Satokodit 22 Oy	100.0	100.0
Suomen Satokodit 24 Oy	100.0	100.0
Sato VK 18 Oy	100.0	100.0
Sato VK 19 Oy	100.0	100.0
Sato VK 20 Oy	100.0	100.0
Sato VK 21 Oy	100.0	100.0
Sato VK 22 Oy	100.0	100.0
Vatrotalot 2 Oy	100.0	100.0
Vatrotalot 3 Oy	100.0	100.0
Vatrotalot 5 Oy	100.0	100.0
Sato KT-Asunnot Oy	100.0	100.0
Uusi Sarfvik Oy	60.0	18.3
Sarfvikin Vesialue Oy	60.0	18.3
Vantaan Sato-Kartano KOy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Joint ventures and associated companies		
SV-Asunnot Oy	50.0	50.0
Other shares		
Outakessa Koy	100.0	100.0
Espoon Aallonrivi As Oy	100.0	100.0
Jyväskylän Lyseonlinna As Oy	6.8	2.2
Companies held by subsidiaries		
Sato-Asunnot Oy		
Sato-Pietari Oy	100.0	100.0
Sato-Neva Oy	100.0	100.0
OOO SATO RUS	100.0	100.0
Agricolankuja 3 As Oy	3.0	3.0
Agricolankuja 8 As Oy	80.7	80.7
Agricolankulma As Oy	0.8	0.8
Albertus As Oy	1.1	1.1
Amos As Oy	0.5	0.5
Arabian Valo, Helsinki As Oy	52.2	52.2
Asunto - Oy 4 linja 24	33.6	33.6
Asunto Oy Kalasataman Fregatti, Helsinki	25.3	25.3
Björneborgsvägen 5 Bost. Ab	0.5	0.5
Bostads Ab Munksnäs N:o 25 Asunto Oy	14.1	14.1
Erkintalo As Oy	1.1	1.1
Espoon Elosalama As Oy	73.7	73.7
Espoon Elosalama As Oy (Uudisosa)	26.3	26.3

31 Dec 2019	Group's holding, %	Parent company's holding, %
Espoon Hassel As Oy	4.4	4.4
Espoon Heinjoenpolku As Oy	100.0	100.0
Espoon Henttaan puistokatu 6 As Oy	100.0	100.0
Espoon Henttaan puistokatu 8 As Oy	100.0	100.0
Espoon Honkavaarantie 5 As Oy	10.3	10.3
Espoon Hopeavillakko As Oy	100.0	100.0
Espoon Interior As Oy	11.4	11.4
Espoon Jousenkaari 5 As Oy	100.0	100.0
Espoon Kala-Maija 4 As Oy	100.0	100.0
Espoon Kaupinkalliontie 5 As Oy (Sato-Asunnot)	48.7	48.7
Espoon Kilvoituksentie 1 Asunto Oy	100.0	100.0
Espoon Kiskottajankuja 4 As Oy	100.0	100.0
Espoon Kivenhakkaajankuja 3 As Oy	2.3	2.3
Espoon Kuunkierros 2 As Oy	13.5	13.5
Espoon Kuunsirppi As Oy	100.0	100.0
Espoon Kyyhkysmäki 16 As Oy	100.0	100.0
Espoon Kyyhkysmäki 9 As Oy	100.0	100.0
Espoon Lansantie 3 As Oy	100.0	100.0
Espoon Likusterikatu 1 D As Oy	100.0	100.0
Espoon Linnustajantie 17 As Oy	100.0	100.0
Espoon Lounaismeri As Oy	100.0	100.0
Espoon Magneettikatu 8 As Oy	100.0	100.0
Espoon Matinniitynkuja 8 As Oy	100.0	100.0
Espoon Merituulentie 38 As Oy	100.0	100.0
Espoon Myötätuulenmäki As Oy	8.5	8.5
Espoon Niittyhuippu As Oy	28.1	28.1
Espoon Niittymaantie 1 As Oy	100.0	100.0
Espoon Niittymaantie 3 As Oy	100.0	100.0
Espoon Niittysillankulma 2 C-D As Oy	100.0	100.0
Espoon Numersinkatu 11 As Oy	18.8	18.8
Espoon Omenapuu As Oy	16.0	16.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Espoon Paratiisiomena As Oy	18.3	18.3
Espoon Perkkaankuja 3 As Oy	100.0	100.0
Espoon Porarinkatu 2 D-E As Oy	100.0	100.0
Espoon Porarinkatu 2 F As Oy	100.0	100.0
Espoon Puikkarinmäki As Oy	100.0	100.0
Espoon Puropuisto As Oy (VA)	58.4	55.8
Espoon Pyhäjärventie 1 As Oy	100.0	100.0
Espoon Rastaspuistonpolku As Oy	22.6	22.6
Espoon Rastaspuistontie 8 As Oy	7.3	7.3
Espoon Rummunlyöjänkatu 11 D - E As Oy	100.0	100.0
Espoon Runoratsunkatu 5 As Oy	100.0	100.0
Espoon Ruorikuja 4 As Oy	3.8	3.8
Espoon Ruusulinna As Oy	100.0	100.0
Espoon Satokallio As Oy	11.6	11.6
Espoon Saunalyhty As Oy	6.8	6.8
Espoon Sepetlahdentie 6 As Oy	100.0	100.0
Espoon Siniheinä As Oy	100.0	100.0
Espoon Sokerilinnantie 1 As Oy	5.8	4.3
Espoon Soukanniementie 1 As Oy	100.0	100.0
Espoon Suvikäytävä As Oy	29.9	29.9
Espoon Taivalmäki 5 As Oy	100.0	100.0
Espoon Taivalrinne As Oy	100.0	100.0
Espoon Tähtimötie As Oy	100.0	100.0
Espoon Vanharaide As Oy	90.1	90.1
Espoon Vasaratörmä As Oy	5.2	5.2
Espoon Viherlaaksonranta 3-5 As Oy	100.0	100.0
Espoon Viherlaaksonranta 7 As Oy	100.0	100.0
Espoon Yläkartanonpiha As Oy	10.9	10.9
Espoon Zanseninkuja 6 As Oy	100.0	100.0
Etelä-Hämeen Talo Oy (Sato-as.)	81.3	81.3
Eura III As Oy	100.0	100.0

sato

31 Dec 2019	Group's holding, %	Parent company's holding, %
Fredrikinkatu 38 As Oy	2.7	2.7
Haagan Pappilantie 13 As Oy	2.6	2.6
Haagan Talontie 4 As Oy	3.1	3.1
Hakaniemenranta As Oy	2.5	2.5
Hannanpiha As Oy	19.1	19.1
Harjulehmus As Oy	14.1	14.1
Helkalax As Oy	1.3	1.3
Helsingin Akaasia As Oy	13.9	13.9
Helsingin Aleksis Kiven katu 52-54 As Oy	0.5	0.5
Helsingin Ansaritie 1 As Oy	100.0	100.0
Helsingin Ansaritie 2-4 As Oy	100.0	100.0
Helsingin Ansaritie 3 As Oy	100.0	100.0
Helsingin Apollonkatu 19 As Oy	38.2	38.2
Helsingin Arabian Kotiranta As Oy	4.2	4.2
Helsingin Arabiankatu 3 As Oy	13.4	13.4
Helsingin Aurinkotuulenkatu 6 As Oy	100.0	100.0
Helsingin Casa Canal As Oy	13.3	13.3
Helsingin Castreninkatu 3 As Oy	100.0	100.0
Helsingin Cirrus As Oy	1.7	1.7
Helsingin Corona As Oy	17.0	17.0
Helsingin Eiranrannan Estella As Oy	30.8	30.8
Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1
Helsingin Finniläntalo As Oy	80.2	80.2
Helsingin Gadolininkatu 1 As Oy	100.0	100.0
Helsingin Gerbera As Oy	12.7	12.7
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0
Helsingin Hakaniemenkatu 9 As Oy	100.0	100.0
Helsingin Happiness As Oy	22.2	22.2
Helsingin Heikkiläntie 10 K Oy	100.0	100.0
Helsingin Hildankulma As Oy	80.1	80.1
Helsingin Hämeenpenger As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0
Helsingin Isopurje As Oy	3.2	3.2
Helsingin Juhani Ahon tie 12-14 As Oy	100.0	100.0
Helsingin Junonkatu 4 As Oy	100.0	100.0
Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Helsingin Kalevankatu 53 As Oy	30.5	30.5
Helsingin Kalliolinna As Oy	0.8	0.8
Helsingin Kanavaranta As Oy	8.8	8.8
Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0
Helsingin Kangaspellontie 4 As Oy	10.0	10.0
Helsingin Kaustisenpolku 1 As Oy	100.0	100.0
Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Helsingin Kiillekuja 4 As Oy	100.0	100.0
Helsingin Kirjala As Oy	100.0	100.0
Helsingin Klaavuntie 8-10 As Oy	100.0	100.0
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Helsingin Koralli As Oy	4.1	4.1
Helsingin Koroistentie As Oy	9.4	9.4
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0
Helsingin Kultareuna 1 As Oy	39.0	39.0
Helsingin Kutomotie 10a KOy	75.5	75.5
Helsingin Kutomotie 12a As Oy	100.0	100.0
Helsingin Kutomotie 14 A As Oy	100.0	100.0
Helsingin Kutomotie 8a As Oy	100.0	100.0
Helsingin Kuusihovi As Oy	25.4	25.4
Helsingin Kyläkirkontie 13 As Oy	68.5	68.5
Helsingin Köysikuja 2 As Oy	9.5	9.5
Helsingin Lapponia As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Lauttasaarentie 19 KOy	58.3	58.3
Helsingin Leikopiha As Oy	9.6	9.6
Helsingin Leikosaarentie 31 As Oy	18.7	18.7
Helsingin Leikovuo As Oy	9.1	9.1
Helsingin Leirikuja 3 As Oy	100.0	100.0
Helsingin Lontoonkatu 9 As Oy	100.0	100.0
Helsingin Lönnrotinkatu 32 As Oy	55.1	55.1
Helsingin Malagankatu 7 As Oy	100.0	100.0
Helsingin Mariankatu 19 As Oy	1.0	1.0
Helsingin Mechelininkatu 12-14 As Oy	100.0	100.0
Helsingin Merenkävijä As Oy	5.1	5.1
Helsingin Meripellonhovi KOy	98.3	98.3
Helsingin Mestari As Oy	100.0	100.0
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1
Helsingin Myllypellonpolku 4 As Oy	5.1	5.1
Helsingin Mylläri As Oy	2.3	2.3
Helsingin Nautilus As Oy	26.0	26.0
Helsingin Navigatortalo KOy	44.7	44.7
Helsingin Nils Westermarckin kuja 18 As Oy	100.0	100.0
Helsingin Nukkeruusunkuja 3 As Oy	15.5	15.5
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0
Helsingin Otto Brandtin polku 4 As Oy	4.4	4.4
Helsingin Näkinkuja 6 As Oy	100.0	100.0
Helsingin Pajamäentie 6 As Oy	100.0	100.0
Helsingin Pajamäentie 7 As Oy	100.0	100.0
Helsingin Pakilantie 17 As Oy	52.7	52.7
Helsingin Pakilantie 17 As Oy (uudisosa)	47.3	47.3
Helsingin Pasilantornit As Oy	53.4	53.4
Helsingin Perustie 16 As Oy	56.0	56.0
Helsingin Piispantie 3 As Oy	100.0	100.0
Helsingin Piispantie 5 As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Piispantie 7 As Oy	100.0	100.0
Helsingin Piispantie 8 As Oy	100.0	100.0
Helsingin Pirta As Oy	17.1	17.1
Helsingin Porthaninkatu 4 As Oy	0.7	0.7
Helsingin Puuskarinne 1 As Oy	98.2	98.2
Helsingin Päivöläntie 72 As Oy	7.7	7.7
Helsingin Pääskylänrinne As Oy	100.0	100.0
Helsingin Reginankuja 4 As Oy	11.8	11.8
Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0
Helsingin Riontähti As Oy	100.0	100.0
Helsingin Rosas As Oy	9.6	9.6
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0
Helsingin Ruusutarhantie 2-4 As Oy	30.7	30.7
Helsingin Ruusutarhantie 7 As Oy	19.7	19.7
Helsingin Sateenkaari As Oy	100.0	100.0
Helsingin Satoaalto As Oy	8.6	8.6
Helsingin Satorinne As Oy	8.5	8.5
Helsingin Serica As Oy	3.8	3.8
Helsingin Siltavoudintie 20 As Oy	100.0	100.0
Helsingin Snellmaninkatu 23 As Oy (asunnot)	85.2	85.2
Helsingin Snellmaninkatu 23 As Oy (muut tilat)	14.9	14.9
Helsingin Solarus As Oy (ASSI)	5.9	5.9
Helsingin Solnantie 22 As Oy	71.0	71.0
Helsingin Solnantie 22 As Oy (LT)	27.0	27.0
Helsingin Stenbäckinkatu 5 KOy	60.0	60.0
Helsingin Ståhlbergintie 4 As Oy	93.5	93.5
Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0
Helsingin Tapaninkulo As Oy	4.7	4.7
Helsingin Tila As Oy (Sato-As.)	24.5	13.1
Helsingin Tilkankatu 15 As Oy	100.0	100.0
Helsingin Tilkankatu 2 As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Tilkankatu 6 As Oy	100.0	100.0
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6
Helsingin Tulvaniitynpolku 5 As Oy	4.1	4.1
Helsingin Tunturinlinna As Oy	9.5	9.5
Helsingin Töölön Oscar As Oy	25.3	25.3
Helsingin Vanha viertotie 16 As Oy	68.8	68.8
Helsingin Vanha viertotie 18 As Oy	42.8	42.8
Helsingin Vanha viertotie 6 As Oy	100.0	100.0
Helsingin Vanha Viertotie 8 As Oy	100.0	100.0
Helsingin Venemestarintie 4 As Oy	100.0	100.0
Helsingin Vervi As Oy	100.0	100.0
Helsingin Vetelintie 5 As Oy	100.0	100.0
Helsingin Villa Kuohu As Oy	25.6	25.6
Helsingin Viulutie 1 As Oy	100.0	100.0
Helsingin Vuosaaren Helmi As Oy	100.0	100.0
Helsingin Välskärinkatu 4 KOy	100.0	100.0
Hervannan Juhani As Oy	14.9	14.9
Hiihtomäentie 34 As Oy	3.7	3.7
Humalniementie 3–5 As Oy	1.1	1.1
Hämeenlinnan Aaponkuja 3 As Oy	33.4	33.4
Iidesranta 42 Tampere As Oy	9.9	6.6
Jukolanniitty As Oy	7.7	7.7
Jukolantanner As Oy	7.8	7.8
Jussinhovi As Oy	3.5	3.5
Jyväskylän Ailakinraitti As Oy	100.0	100.0
Jyväskylän Harjukartano As Oy	23.0	23.0
Jyväskylän Harjunportti As Oy	18.7	18.7
Jyväskylän Lyseonlinna As Oy (asunnot)	6.8	4.6
Jyväskylän Taitoniekansato As Oy	17.4	17.4
Jyväskylän Tanhurinne As Oy	24.1	24.1
Jyväskylän Torihovi As Oy (asunnot)	2.7	2.7

31 Dec 2019	Group's holding, %	Parent company's holding, %
Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0
Jyväskylän Äijälänrannan Ansaritie 4 As Oy	100.0	100.0
Järvenpään Alhonrinne As Oy	18.4	18.4
Järvenpään Kotokartano As Oy	100.0	100.0
Kaarenkunnas As Oy	100.0	100.0
Kaarinan Auranpihat As Oy	100.0	100.0
Kaarinan Katariinanrinne As Oy	12.2	6.9
Kaarinan Verkapatruuna As Oy	17.4	5.2
Kaidanpääty As Oy	100.0	100.0
Kajaneborg Bost. Ab	7.3	7.3
Kangasalan Kukkapuisto As Oy	6.3	6.3
Kasarmikatu 14 As Oy	12.2	12.2
Kangasalan Unikkoniitty KOy	100.0	100.0
Kapellimestarinparkki KOy	9.1	9.1
Kasarminkatu 10 As Oy	26.7	26.7
Kastevuoren Palvelutalo As Oy	100.0	100.0
Kaukotie 10–12 As Oy	3.1	3.1
Kauniaisten Ersintie 9–11 As Oy	5.5	5.5
Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4
Kauniaisten Ratapolku 6 As Oy	100.0	100.0
Keravan Papintie 1 As Oy	100.0	100.0
Ketturinne As Oy	1.3	1.3
Kilonkallionkuja 5 As Oy	100.0	100.0
Kirkkonummen Sarvvikinrinne 4 As Oy	100.0	100.0
Kirkkosalmentie 3 As Oy	0.9	0.9
Kivisaarentie As Oy	2.7	2.7
Kolehmaisentori As Oy	11.6	11.6
Kotipiennar As Oy	2.8	2.8
Kristianinkatu 2 As Oy	1.7	1.7
Kuhakartano As Oy	1.3	1.3
Kukkolan Koivu As Oy	4.3	4.3

31 Dec 2019	Group's holding, %	Parent company's holding, %
Kulmakatu 12 As Oy	2.1	2.1
Kulmavuorenpiha As Oy	100.0	100.0
Kulmavuorenrinne As Oy	1.0	1.0
Kupittaan Kotka, Turku As Oy	10.9	10.9
Kupittaan Kurki, Turku As Oy	6.1	6.1
Kupittaan Kyyhky, Turku As Oy	100.0	100.0
Kupittaan Satakieli As Oy	6.1	6.1
Kuuselanpuisto As Oy	23.0	23.0
Kuusihalme As Oy	2.3	2.3
Kuusitie 15 As Oy	1.5	1.5
Kuusitie 3 As Oy	1.8	1.8
Kuusitie 9 As Oy	2.3	2.3
Kvarnhyddan Bost. Ab	1.8	1.8
Laajalahdentie 26 As Oy	6.5	6.5
Lahden Jyrkkärinteenpuisto As Oy	41.2	41.2
Lahden Kauppakatu 36 As Oy	7.9	3.6
Lahden Mesisurri As Oy	100.0	100.0
Lahden Nuolikatu 9 As Oy	100.0	100.0
Lahden Roopenkuja As Oy	25.6	25.6
Lapinniemen Pallopurje As Oy	1.9	1.9
Lapintalo As Oy	1.0	1.0
Lappeenrannan Kanavansato 2 As Oy	12.5	12.5
Lauttasaarentie 11 As Oy	1.6	1.6
Lempäälän Moisionaukea 25 As Oy	100.0	100.0
Lielahdentie 10 As Oy	9.1	9.1
Linjala 14 As Oy	4.2	4.2
Läntinen Brahenkatu 8 As Oy	0.8	0.8
Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6
Malmeken Ömsesidiga Fastighet	12.8	12.8
Mannerheimintie 100 As Oy	0.9	0.9
Mannerheimintie 108 As Oy	3.0	3.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Mannerheimintie 148 As Oy	2.5	2.5
Mannerheimintie 170 KOy	63.3	16.1
Mannerheimintie 170 KOy	63.3	47.2
Mannerheimintie 77 As Oy	1.2	1.2
Mannerheimintie 83–85 As Oy	0.7	0.7
Mannerheimintie 93 As Oy	0.3	0.3
Mariankatu 21 As Oy	1.3	1.3
Matinkylän Poutapilvi As Oy	100.0	100.0
Matinraitti 14 As Oy	1.0	1.0
Meiramikuja As Oy	0.0	0.0
Mellunsusi As Oy	1.5	1.5
Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Messeniuksenkatu 8 As Oy	2.0	2.0
Messilä As Oy	70.0	70.0
Minna Canthin katu 22 As Oy	2.4	2.4
Muotialantie 31 As Oy	7.0	7.0
Mursu As Oy	0.5	0.5
Myllysalama As Oy	59.8	59.8
Myyrinhaukka As Oy	100.0	100.0
Naantalin Kastovuorenrinne As Oy	16.7	16.7
Nekalanpuisto KOy	2.9	2.9
Nervanderinkatu 9 As Oy	2.6	2.6
Neulapadontie 4 As Oy	1.2	1.2
Niittaajankadun Klaava As Oy	100.0	100.0
Niittyhovi K Oy	100.0	100.0
Niittykummun Huippuparkki K Oy	36.5	36.5
Nokian Miharintie 38–40 As Oy	32.4	32.4
Nokian Virran Ritari As Oy	100.0	100.0
Nordenskiöldinkatu 8 As Oy	2.5	2.5
Näkinkuja 2 As Oy	2.5	2.5
Näsinlaine As Oy	1.0	1.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Näyttelijäntien Pistetalot As Oy	1.4	1.4
Oskelantie 5 As Oy	4.1	4.1
Oskelantie 8 As Oy	2.1	2.1
Otavantie 3 As Oy	0.6	0.6
Otavantie 4 As Oy	1.8	1.8
Oulun Aleksanteri As Oy	100.0	100.0
Oulun Aleksinranta As Oy	100.0	100.0
Oulun Arvolankartano As Oy	2.1	2.1
Oulun Arvolanpiha As Oy	0.0	0.0
Oulun Arvolanpuisto As Oy	9.0	9.0
Oulun Hoikantie 14–22 As Oy	100.0	100.0
Oulun Kalevalantie As Oy	100.0	100.0
Oulun Laamannintie 1 As Oy	12.8	12.8
Oulun Laanila I As Oy	100.0	100.0
Oulun Laanila IV As Oy	100.0	100.0
Oulun Laaniranta As Oy	6.0	6.0
Oulun Marsalkka As Oy	5.7	5.7
Oulun Notaarintie 1 As Oy	24.4	24.4
Oulun Notaarintie 3 As Oy	5.0	5.0
Oulun Paalikatu 23 As Oy	100.0	100.0
Oulun Peltolantie 18 B As Oy	100.0	100.0
Oulun Rautatienkatu 74 As Oy	100.0	100.0
Oulun Rautatienkatu 78 Asunto Oy	100.0	100.0
Oulun Tullikartano As Oy	17.0	17.0
Oulun Tulliveräjä As Oy	40.7	40.7
Peltohuhta As Oy	1.2	1.2
Pengerkatu 27 As Oy	2.6	2.6
Pihlajatie N:o 23 As Oy	3.0	3.0
Pohjankartano As Oy	0.0	0.0
Pohjanpoika As Oy	8.0	8.0
Poutuntie 2 As Oy	3.7	3.7

31 Dec 2019	Group's holding, %	Parent company's holding, %
Puistokaari 13 As Oy	1.9	1.9
Puolukkasato As Oy	5.9	5.9
Puolukkavarikko As Oy	33.9	33.9
Raikukuja II As Oy	100.0	100.0
Raikurinne 1 As Oy	1.3	1.3
Raision Tasontorni As Oy	39.3	39.3
Raision Toripuisto As Oy	56.9	20.8
Rantasentteri As Oy	1.5	1.5
Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5
Ristolantie 7 As Oy	2.5	2.5
Riviuhkola As Oy	4.4	4.4
Ryytikuja 5 As Oy	0.8	0.8
Saarenkeskus As Oy	0.4	0.4
Salpakolmio As Oy	31.3	31.3
Sammon Parkki K Oy	21.2	21.2
Satakallio As Oy	0.2	0.2
Satokaunokki As Oy	7.5	7.5
Satosorsa As Oy	19.9	19.9
Satosyppi As Oy	12.1	12.1
Satulaparkki KOy	53.3	53.3
Savilankatu 1 b As Oy	33.3	33.3
Solnantie 32 As Oy	0.9	0.9
Spargäddan Bost. Ab As Oy	1.3	1.3
Sulkapolku 6 As Oy	0.4	0.4
Säästökartano As Oy	0.3	0.3
Taapuri As Oy	2.5	2.5
Tallbergin puistotie 1 As Oy	2.0	2.0
Tammitie 21 As Oy	0.9	0.9
Tampereen Aitolahdentie 22 As Oy	100.0	100.0
Tampereen Aitolahdentie 24 As Oy	100.0	100.0
Tampereen Alapeusonkatu 6 As Oy	100.0	100.0

sato

31 Dec 2019	Group's holding, %	Parent company's holding, %
Tampereen Atanväylä 4A As Oy	100.0	100.0
Tampereen Atanväylä 4B As Oy	100.0	100.0
Tampereen Charlotta As Oy (ASSI)	2.0	2.0
Tampereen Hannulanpolku 10 As Oy	100.0	100.0
Tampereen Hervannan Puistokallio As Oy	100.0	100.0
Tampereen Härmälänrannan Aurinkokallio KOy	100.0	100.0
Tampereen Härmälänrannan Sisu As Oy	100.0	100.0
Tampereen Iidesranta 18 As Oy	100.0	100.0
Tampereen Jankanpuisto As Oy	100.0	100.0
Tampereen Kanjoninkatu 15 As Oy	56.3	56.3
Tampereen Kauppa-aukio As Oy	100.0	100.0
Tampereen Kokinpellonrinne 2 As Oy	86.9	86.9
Tampereen Kristiina As Oy	19.1	19.1
Tampereen Kuikankatu 2 As Oy	9.7	9.7
Tampereen Kyyhky As Oy	11.1	8.1
Tampereen Linnanherra As Oy	100.0	100.0
Tampereen Pappilan Herra As Oy	100.0	100.0
Tampereen Puistofasaani As Oy	100.0	100.0
Tampereen Rotkonraitti 6 As Oy	48.2	48.2
Tampereen Ruovedenkatu 11 As Oy	100.0	100.0
Tampereen Sammon Kalervo As Oy	100.0	100.0
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6
Tampereen Strada As Oy	46.6	46.6
Tampereen Tarmonkatu 6 As Oy	100.0	100.0
Tampereen Tieteenkatu 14 As Oy	100.0	100.0
Tampereen Tuiskunkatu 7 As Oy	100.0	100.0
Tampereen Waltteri As Oy (ASSI)	23.9	23.9
Tapiolan Itäkartano, Espoo As Oy	53.6	53.6
Tapiolan Tuuliniitty, Espoo As Oy (ASSI)	6.8	6.8
Tarkkampujankatu 14 As Oy	44.1	44.1
Tasatuomo As Oy	1.3	1.3

31 Dec 2019	Group's holding, %	Parent company's holding, %
Terhokuja 3 As Oy	100.0	100.0
Terhokuja 6 As Oy	11.3	11.3
Tikkamatti As Oy	9.8	9.8
Tohlopinkontu Koy (Sato-As.)	100.0	60.0
Turun Asemanlinna As Oy	20.9	20.9
Turun Eteläranta II As Oy	3.2	3.2
Turun Eteläranta III As Oy	2.9	2.9
Turun Eteläranta IV As Oy (ASSI)	3.0	3.0
Turun Fregatinranta As Oy	4.7	4.7
Turun Förinranta II As Oy	1.0	1.0
Turun Gränsbackankuja 3 As Oy	100.0	100.0
Turun Hehtokatu As Oy	39.4	19.1
Turun Ipnoksenrinne As Oy (ASSI)	6.7	6.7
Turun Joutsenpuisto 7 As Oy	100.0	100.0
Turun Kaivokatu 10 As Oy	100.0	100.0
Turun Kivimaanrivi As Oy	6.5	6.5
Turun Kiviniemenpuisto As Oy	1.1	1.1
Turun Kupittaan Peippo, As Oy	34.6	34.6
Turun Linnanhuippu As Oy	1.1	1.1
Turun Linnankatu 37 a As Oy	1.7	1.7
Turun Linnanpuisto As Oy	8.8	8.8
Turun Marmoririnne 2 As Oy	100.0	100.0
Turun Metallikatu As Oy	100.0	100.0
Turun Mietoistenkuja As Oy	9.4	9.4
Turun Pernon Kartanonlaakso As Oy	42.3	42.3
Turun Pryssinkatu 13 As Oy	100.0	100.0
Turun Pulmussuonpuisto As Oy	7.6	7.6
Turun Puutarhakatu 50 As Oy	13.1	13.1
Turun Ratavahdinrinne As Oy	100.0	100.0
Turun Rauhankatu 8 As Oy	100.0	100.0
Turun Sato-Koto As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Turun Seiskarinkulma As Oy	24.0	14.0
Turun Sipimetsä As Oy	8.5	8.5
Turun Sukkulakoti As Oy	100.0	100.0
Turun Tallgreninkartano As Oy	37.1	37.1
Turun Tervaporvari As Oy	100.0	100.0
Turun Uudenmaanlinna As Oy (SATOhousing)	100.0	100.0
Turun Veistämöntori As Oy	100.0	100.0
Turun Westparkin Tuija As Oy	100.0	100.0
Turuntie 112 As Oy	1.4	1.4
Turuntie 63 As Oy	1.6	1.6
Tykkikuja 7 As Oy	100.0	100.0
Työväen Asunto-osakeyhtiö Rauha	10.2	10.2
Töölön Estradi, Helsinki As Oy	63.0	63.0
Töölön Gaala As Oy	50.3	50.3
Ulpukkaniemi As Oy	25.4	25.4
Ulvilantie 11 b As Oy	0.6	0.6
Urheilukatu 38 As Oy	56.0	56.0
Vaasankatu 15 As Oy	0.8	0.8
Vallikallionpolku KOy	100.0	100.0
Vallinkyyhky As Oy	6.0	6.0
Valtapolku As Oy	1.2	1.2
Vantaan Aapramintie 4 As Oy	100.0	100.0
Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0
Vantaan Heporinne 4 As Oy	100.0	100.0
Vantaan Horsmakuja 4a As Oy	100.0	100.0
Vantaan Kaarenlehmus As Oy	100.0	100.0
Vantaan Kesäniitty As Oy	100.0	100.0
Vantaan Kevätpuro As Oy	100.0	100.0
Vantaan Kilterinpuisto As Oy	56.2	56.2
Vantaan Kivivuorentie 8 A-B As Oy	100.0	100.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Vantaan Kivivuorentie 8 C As Oy	100.0	100.0
Vantaan Krassipuisto As Oy	100.0	100.0
Vantaan Kukinkuja 2 As Oy	100.0	100.0
Vantaan Käräjäkuja 3 As Oy	19.8	19.8
Vantaan Leksankuja 3 As Oy	100.0	100.0
Vantaan Liesitorin palvelutalo As Oy (ASSI)	2.5	2.5
Vantaan Lummepiha As. Oy	100.0	100.0
Vantaan Maarinrinne As Oy	12.0	12.0
Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Vantaan Martinpääsky As Oy	100.0	100.0
Vantaan Minkkikuja As Oy	49.0	49.0
Vantaan Myyrinmutka As Oy	100.0	100.0
Vantaan Oritie 1 As Oy	100.0	100.0
Vantaan Orvokkikuja 1a As Oy	100.0	100.0
Vantaan Orvokkikuja 1b As Oy	100.0	100.0
Vantaan Orvokkitie 17 As Oy	14.3	14.3
Vantaan Pakkalanportti As Oy	100.0	100.0
Vantaan Pakkalanrinne 3 As Oy	41.8	41.8
Vantaan Pakkalanrinne 5–7 As Oy	100.0	100.0
Vantaan Pakkalanruusu As Oy	3.1	3.1
Vantaan Peltolantie 14 As Oy	100.0	100.0
Vantaan Pronssikuja 1 As Oy	100.0	100.0
Vantaan Raikukuja 4B As Oy	100.0	100.0
Vantaan Ravurinmäki As Oy	33.2	33.2
Vantaan Ruostekuja 3 As Oy	100.0	100.0
Vantaan Solkikuja 2 As Oy	100.0	100.0
Vantaan Solkikuja 5 As Oy	100.0	100.0
Vantaan Sompakuja 2–4 As Oy	100.0	100.0
Vantaan Talvikkitie 38 As Oy	96.1	96.1
Vantaan Tammiston Tringa As Oy	8.3	8.3
Vantaan Tammistonkatu 29 As Oy	29.1	29.1

31 Dec 2019	Group's holding, %	Parent company's holding, %
Vantaan Tempo Koy	100.0	100.0
Vantaan Teodora KOy	100.0	100.0
Vantaan Tuurakuja 4 As Oy	34.1	34.1
Vantaan Tykkikuja 11 As Oy	100.0	100.0
Vantaan Tähkiö As Oy	33.2	33.2
Vantaan Uomarinne 5 As Oy	100.0	100.0
Vantaan Vihvilätie 3 As Oy	100.0	100.0
Viides linja 16 As Oy	1.1	1.1
Viikinkisankari As Oy	31.1	31.1
Vilhonvuorenkatu 8 As Oy – Bost. Ab Vilhelmsbergsgatan 8	1.1	1.1
Vuomeren-Salpa As Oy	2.7	2.7
Vuorastila As Oy	99.0	99.0
Vuoreksen Vega, Tampere As Oy	88.8	88.8
Vuosaaren Meripihka As Oy, Helsinki	42.7	42.7
Välkynkallio As Oy	0.8	0.8
Yläaitankatu 4 As Oy	0.0	0.0
Ylöjärven Soppeenkataja As Oy	100.0	100.0
Ylöjärven Viljavainio As Oy	100.0	100.0
Sato-Rakennuttajat Oy		
Helsingin Tila As Oy (SATO-Rak.)	24.5	11.4
Helsinki, Kalasataman Huvilat As Oy	0.0	0.0
Oulun Peltopyy As Oy	100.0	100.0
Oulun Peltokerttu As Oy	100.0	100.0
Puutorin Pysäköinti KOy	51.6	51.6
Uudenmaantulli KOy	24.3	24.3
Uusi Sarfvik Oy	60.0	41.7
Sarfvikin Vesialue Oy	60.0	41.7

31 Dec 2019	Group's holding, %	Parent company's holding, %
SATOkoti Oy		
Ida Aalbergintie 1 KOy	100.0	100.0
Tohlopinkontu Koy (SATOkoti)	100.0	40.0
SATOkoti 18 Oy		
Espoon Jousenkaari 7 As Oy	100.0	100.0
Vantaan Hiekkaharjuntie 16 As Oy	100.0	100.0
SATOkoti 21 Oy		
Helsingin Keinulaudantie 7 As Oy	100.0	100.0
Suomen Vuokrakodit 3 Oy		
Turun Westparkin Eeben As Oy	100.0	100.0
Vantaan Piparminttu As Oy	100.0	100.0
Vantaan Rubiinikehä 1B As Oy	100.0	100.0
Suomen Satokodit 19 Oy		
Pellervon Pysäköinti KOy	16.0	16.0
Suomen Satokodit 21 Oy		
Espoon Kaskenkaatajantie 5 As Oy	100.0	100.0
Helsingin Arhotie 22 As Oy	100.0	100.0
Helsingin Myllymatkantie 1 As Oy	100.0	100.0
Suomen Satokodit 22 Oy		
Vantaan Kortteeri As Oy	6.4	6.4
Sato VK 18 Oy		
Espoon Ristiniementie 22 As Oy	8.2	5.4
Helsingin Mustankivenraitti 5 As Oy	94.6	94.6
Helsingin Pasuunatie 8 As Oy	9.4	5.8

31 Dec 2019	Group's holding, %	Parent company's holding, %
Helsingin Taimistontie 9 As Oy	2.8	2.8
Helsingin Tulisuontie 20 As Oy	100.0	100.0
Kuovi As Oy	100.0	100.0
Tampereen Haapalinnan Antintalo As Oy	66.7	50.7
Sato VK 19 Oy		
Jyväskylän mlk:n Kirkkotie 3 As Oy	61.6	12.1
Kaarinan Katariinankallio As Oy	35.8	23.5
Kaarinan Kultarinta As Oy	39.8	26.5
Tampereen Rantatie 13 E-G As Oy	44.7	41.6
Turun Merenneito As Oy	24.7	14.6
Turun Meripoika As Oy	40.8	26.0
Tuusulan Naavankierto 10 As Oy	29.2	5.3
Sato VK 20 Oy		
Espoon Säterinkatu 10 As Oy	75.4	6.1
Helsingin Lintulahdenpuisto As Oy	100.0	100.0
Helsingin Vanhanlinnantie 10 As Oy	14.0	10.2
Oulun Laamannintie As Oy	96.4	43.5
Sato VK 21 Oy		
Espoon Zanseninkuja 4 As Oy	77.7	17.4
Jyväskylän Vaneritori 4 As Oy	85.9	19.8
Kaarinan Mattelpiha As Oy	93.0	36.0
Turun Unikkoniitty As Oy	82.4	13.9
Vantaan Herttuantie 3 As Oy	82.5	31.2
Sato VK 22 Oy		
Espoon Numersinkatu 6 As Oy	80.6	9.2
Kaarinan Kiurunpuisto As Oy	86.3	29.6
Oulun Laamannintie 14 ja 17 As Oy	96.2	61.9

31 Dec 2019	Group's holding, %	Parent company's holding, %
Tampereen Kyläleni As Oy	96.3	70.7
Turun Maarianportti As Oy	100.0	100.0
Sato-Osaomistus Oy		
Espoon Nostoväenkuja 1 As Oy (VA)	3.8	3.8
Espoon Numersinkatu 6 As Oy (OOA)	80.6	71.4
Espoon Puropuisto As Oy (VA)	58.4	2.5
Espoon Ristiniementie 22 As Oy (VA)	8.2	2.8
Espoon Sokerilinnantie 1 As Oy (VA)	5.8	1.6
Espoon Säterinkatu 10 As Oy (OOA)	75.4	69.3
Espoon Zanseninkuja 4 As Oy (OOA)	77.7	60.3
Helsingin Pasuunatie 8 As Oy (OOA)	9.4	3.6
Helsingin Taavetinaukio 4 As Oy (VA) 1	3.9	3.9
Helsingin Vanhanlinnantie 10 As Oy (OOA)	14.0	3.8
Iidesranta 42 Tampere As Oy (VA)	9.9	3.4
Jyväskylän mlk:n Kirkkotie 3 As Oy (OOA)	61.6	49.5
Jyväskylän Vaneritori 4 As Oy (OOA)	85.9	66.0
Kaarinan Katariinankallio As Oy (OOA)	35.8	12.3
Kaarinan Katariinanrinne As Oy (VA)	12.2	5.3
Kaarinan Kiurunpuisto As Oy (OOA)	86.3	56.7
Kaarinan Kultarinta As Oy (OOA)	39.8	13.4
Kaarinan Mattelpiha As Oy (OOA)	93.0	56.9
Kaarinan Verkapatruuna As Oy (VA)	17.4	12.2
Lahden Kauppakatu 36 As Oy (VA)	7.9	4.3
Oulun Laamannintie 14 ja 17 As Oy (VA)	96.2	34.3
Oulun Laamannintie As Oy (OOA)	96.4	52.9
Raision Siirinsopukka As Oy (VA)	15.3	15.3
Raision Toripuisto As Oy (VA)	56.9	36.2
Tampereen Haapalinnan Antintalo As Oy (OOA)	66.7	16.0
Tampereen Kyläleni As Oy (OOA)	95.3	24.6
Tampereen Kyyhky As Oy (VA)	11.1	3.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Tampereen Rantatie 13 E-G As Oy (OOA)	44.7	3.0
Turun Hehtokatu As Oy (VA)	51.2	32.1
Turun Merenneito As Oy (OOA)	24.7	10.1
Turun Meripoika As Oy (OOA)	40.8	14.8
Turun Pakanpoika As Oy	50.0	50.0
Turun Seiskarinkulma As Oy (VA)	24.0	10.0
Turun Unikkoniitty As Oy (OOA)	82.4	68.5
Tuusulan Naavankierto 10 As Oy (OOA)	29.2	23.9
Vantaan Herttuantie 3 As Oy (OOA)	82.5	51.3
Vatrotalot 2 Oy		
Sato-Osaomistus Oy	100.0	100.0
Vatrotalot 3 Oy		
Kirkkonummen Riihipolku As Oy	100.0	100.0
Kylänpäänpelto As Oy	43.8	43.8
Nurmijärven Kylänpäänniitty As Oy	35.2	35.2
Nurmijärven Kylänpäänkaari As Oy	45.0	45.0

31 Dec 2019	Group's holding, %	Parent company's holding, %
Vatrotalot 5 Oy		
Helsingin Laivalahdenportti 5 As Oy	75.5	75.5
Helsingin Toini Muonan katu 8 As Oy	10.6	10.6
Laakavuorentie 4 As Oy	39.1	39.1
Meriramsi As Oy	25.6	25.6
Meri-Rastilan tie 5 As Oy	23.5	23.5
Meri-Rastilan tie 9 As Oy	9.1	9.1
Raudikkokuja 3 KOy	100.0	100.0
Vantaan Ravurinpuisto As Oy	61.1	61.1

FINANCIAL STATEMENTS OF THE PARENT COMPANY, FAS

PARENT COMPANY INCOME STATEMENT, FAS

MEUR	note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	2	9.9	11.0
Other operating income	3	0.1	0.2
Materials and services	4	-0.1	0.6
Personnel expenses	5, 6, 7	-2.3	-3.6
Deprecation, amortisation and impairment charges	8	-1.6	-1.3
Other operating expenses	9	-14.1	-26.4
Operating profit		**-8.1**	**-19.5**
Financial income and expenses	10	-48.0	-41.0
Profit/loss before appropriations and taxes		**-56.2**	**-60.5**
Group contribution	11	105.0	127.2
Income taxes	12	-11.3	-17.0
Profit for the period		**37.5**	**49.7**

PARENT COMPANY BALANCE SHEET, FAS

MEUR	note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	13	4.1	3.0
Tangible assets	14	2.6	1.9
Holdings in Group companies	15	1,066.9	1,066.9
Holdings in associated companies	16	0.0	0.0
Other holdings and shares	17	1.1	1.0
Total		**1,074.7**	**1,072.9**

MEUR	note	31 Dec 2019	31 Dec 2018
Current assets			
Inventories	18	1.4	1.4
Long-term receivables, group	19	793.6	599.5
Long-term receivables, external	19	0.2	0.3
Short-term receivables, group	20	358,0	260.4
Short-term receivables, external	20	6.0	0.7
Cash and cash equivalents		0.6	2.0
Total		**1,159.7**	**864.3**
TOTAL ASSETS		**2,234.4**	**1,937.2**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	21, 22		
Share capital	23	4.4	4.4
Reserve fund		43.7	43.7
Other funds		116.0	116.0
Retained earnings		158.6	137.2
Profit for the period		37.5	49.7
Total		**360.2**	**351.0**
Liabilities			
Non-current liabilities, external	24	1,358.3	1,195.4
Current liabilities, group	25	138.4	81.2
Current liabilities, external	25	377.2	309.5
Total		**1,874.2**	**1,586.2**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**2,234.4**	**1,937.2**

sato

PARENT COMPANY'S CASH FLOW STATEMENT, FAS

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the financial year	37.5	49.7
Adjustments:		
Depreciation	1.6	1.3
Financial income (–) and expenses (+)	48.0	41.0
Income tax	11.3	17.0
Proceeds (–) and losses (+) on sales of non-current assets	-0.1	-1.8
Group contribution	-105.0	-127.2
Other adjustments	0.0	15.7
Cash flow before change in working capital	**-6.6**	**-4.4**
Change in working capital		
Decrease (+)/increase (–) in current non-interest bearing receivables	0.2	1.5
Decrease (+)/increase (–) in inventories	0.0	0.1
Decrease (–)/increase (+) in current loans	20.1	-0.5
Cash flow before financial items and taxes	**13.7**	**-3.3**
Interest paid	-33.6	-35.1
Interest received	10.9	6.5
Other financial expenses	-19.4	-9.5
Direct taxes paid	-18.3	-18.0
Cash flow from operating activities (A)	**-46.8**	**-59.4**

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-3.4	-2.5
Income from disposals of tangible assets	0.2	0.1
Other investments to subsidiaries	0.0	0.0
Placements in other investments	-0.1	0.0
Proceeds from subsidiary shares	0.0	1.7
Proceeds from other investments	0.0	0.1
Loans granted	-257.0	-204.5
Instalments on loan receivable	63.0	0.0
Cash flow from investing activities (B)	**-197.3**	**-205.2**
CASH FLOW FROM FINANCING ACTIVITIES		
Loans taken	1,443.3	272.0
Payments on loans	-1,218.1	-100.0
Changes in short-term cash pool liabilities and receivables	-81.4	-2.8
Group contributions (contribution-based)	127.2	125.6
Dividends paid and other distribution of profit	-28.3	-28.3
Cash flow from financing activities (C)	**242.6**	**266.5**
Change in cash equivalents	**-1.4**	**1.9**
Cash and cash equivalents at the beginning of the year	**2.0**	**0.0**
Cash and cash equivalents at the end of the year	**0.6**	**2.0**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. SATO CORPORATION, PARENT COMPANY ACCOUNTING PRINCIPLES

Basic information

Sato Corporation is domiciled in Helsinki and its registered address is Panuntie 4, 00610 Helsinki.

Sato Corporation is a part of Balder Fastighets Ab Group. The largest shareholder of Sato Corporation is Balder Finska Otas Ab with 54.6% shareholding. Balder Finska Otas Ab is a subsidiary of Balder Fastighets Ab Plc.

General principles

Sato Corporation's financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act and the Finnish Limited Liability Companies Act.

Income related to rental operations and compensation for administration costs

Income related to rental operations and compensation for administration costs are recognised on an accrual basis during the agreement period.

Valuation of fixed assets

Tangible and intangible assets are recognised in the balance sheet at original acquisition cost less depreciation according to plan and possible impairment. Depreciations according to plan are calculated as straight-line depreciation on the basis of the estimated useful life of the assets.

Depreciation periods:

Other intangible long-term expenses	10 years
Buildings	67 years
Structures	15 years
Machinery and equipment	5–10 years
Other tangible assets	3–6 years
Shelters	40 years
Vehicles	4 years

Shares in subsidiaries are valued based on acquisition costs less possible impairments.

Pension costs

The pension cover of Group companies is handled by external pension insurance companies in all respects. Pension costs are recognized as costs in the income statement on an accrual basis.

Development expenditues

Development costs are recognized as expenses in the income statement in the financial year in which they are generated.

Valuation of inventories

Inventories have been recognized at the lower of cost or probable sales price on the balance sheet date.

Derivatives

Interest rate derivatives are used for hedging against the interest rate risks of floating term loans. The interest income and expenses based on derivative instruments are allocated over the agreement period.

The company has recorded the negative fair values of the derivates as a non-current and current liability in full in its balance sheet. No deferred tax assets have been recorded from the derivative liability.

Derivatives having positive fair values are not entered into the balance sheet and positive fair values are reported only in the notes to the financial statements.

Methods used in derivative fair valuations have been discussed under the Group Financial Statements note number 27.

Restatements of information presented for prior period

The presentation of balance sheet items for the prior period has been made consistent with the presentation for the current period, in respect of the group cash pool account managed by the company. As a result of the change, short-term receivables from group companies increased by EUR 78.8 million, cash and cash equivalents increased by EUR 1.9 million and current liabilities to group companies increased by EUR 80.7 million for the comparison period. The changes have also been accounted for in the prior period cash flow statement.

sato

NOTES TO INCOME STATEMENT

2. NET SALES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Rental income and compensation charges	2.5	2.5
Other income	0.6	2.0
Management service charges	6.8	6.5
Total	**9.9**	**11.0**

3. OTHER OPERATING INCOME

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating income	0.0	0.0
Commission, sold property	0.0	0.1
Profit on sales of fixed assets	0.1	0.1
Total	**0.1**	**0.2**

4. MATERIALS AND SERVICES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Materials and consumables		
Purchases	0.0	0.0
Change in inventories	0.1	-0.6
Total	**0.1**	**-0.6**

5. PERSONNEL EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Salaries and wages	1.9	3.0
Pension expenses	0.4	0.5
Other personnel expenses	0.0	0.1
Total	**2.3**	**3.6**

6. MANAGEMENT SALARIES AND COMPENSATIONS

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Presidents and members of the Board of Directors	0.8	0.7

7. AVERAGE NUMBER OF PERSONNEL

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Employees	16	16

8. DEPRECIATION AND AMORTISATION

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Amortisation of intangible assets	0.9	0.8
Depreciation of tangible assets	0.7	0.5
Total	**1.6**	**1.3**

9. OTHER OPERATING EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Rents	0.5	0.5
Maintenance expenses	1.0	0.6
Other fixed expenses*	11.2	11.3
Other operating expenses	1.5	0.0
Merger loss, SVK Group Corporation	0.0	14.0
Total	**14.1**	**26.4**

* Audit fees were EUR 0.1 (0.0) million and audit related assignment fees were EUR 0.1 (0.0) million in 2019 and 2018. Tax and other consultancy services purchased from auditors were EUR 0.0 million in 2019 and in 2018.

10. FINANCIAL INCOME AND EXPENSES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Interest income and other financial income on long-term investments		
From Group companies	10.9	6.5
Sales profit on long-term investments, subsidiary SATO Hotelhome Corp.	0.0	1.7
From others	0.0	0.0
Total	**10.9**	**8.2**

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Interest expenses and other financing expenses		
To Group companies	0.0	-5.6
To others:		
Interest Income	-32.8	-33.2
Other financial expenses	-18.4	-4.3
Change of derivative fair values	-7.8	-6.0
Total	**-59.0**	**-49.2**
Financial income and expenses, total	**-48.0**	**-41.0**

11. GROUP CONTRIBUTIONS

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Group contributions received	105.0	127.2
Total	**105.0**	**127.2**

12. INCOME TAXES

MEUR	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Income taxes, business operations	11.3	17.0
Total	**11.3**	**17.0**

NOTES TO BALANCE SHEET

13. INTANGIBLE ASSETS

MEUR	2019	2018
Other long-term expenditure		
Acquisition cost, 1 Jan	8.3	6.6
Increases	2.0	1.7
Decreases	0.0	0.0
Acquisition cost, 31 Dec	10.3	8.3
Accumulated amortisation and impairment, 1 Jan	5.3	4.5
Accumulated amortisation of decreases	0.0	0.0
Amortisation, current year	0.9	0.8
Accumulated amortisation and impairment, 31 Dec	6.2	5.3
Book value, 31 Dec	**4.1**	**3.0**
Intangible assets, total	**4.1**	**3.0**

14. TANGIBLE ASSETS

MEUR	2019	2018
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 impairment, 1 Jan	0.0	0.0
Accumulated depreciation and impairment, 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**

MEUR	2019	2018
Machinery and equipment		
Acquisition cost, 1 Jan	4.1	3.5
Increases	1.2	0.7
Decreases	-0.3	-0.2
Acquisition cost, 31 Dec	5.0	4.1
Accumulated depreciation and impairment, 1 Jan	2.7	2.5
Accumulated depreciation of decreases	-0.2	-0.1
Depreciation, current year	0.5	0.3
Accumulated depreciation and impairment, 31 Dec	3.1	2.7
Book value, 31 Dec	**1.9**	**1.3**
Other tangible assets		
Acquisition cost, 1 Jan	1.4	1.4
Increases	0.2	0.0
Acquisition cost, 31 Dec	1.6	1.4
Accumulated depreciation and impairment, 1 Jan	0.8	0.7
Depreciation, current year	0.1	0.1
Accumulated depreciation and impairment, 31 Dec	0.9	0.8
Book value, 31 Dec	**0.6**	**0.6**
Assets in progress		
Acquisition cost, 1 Jan	0.0	0.0
Increases	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Book value, 31 Dec	**0.0**	**0.0**
Tangible assets, total	**2.6**	**1.9**

15. HOLDINGS IN GROUP COMPANIES

MEUR	2019	2018
Acquisition cost, 1 Jan	1,066.9	1,081.2
Transfers	0.0	0.2
Decreases	0.0	-14.5
Acquisition cost, 31 Dec	1,066.9	1,066.9
Book value, 31 Dec	**1,066.9**	**1,066.9**

16. HOLDINGS IN ASSOCIATED COMPANIES

MEUR	2019	2018
Acquisition cost, 1 Jan	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
Book value, 31 Dec	**0.0**	**0.0**

17. OTHER STOCKS AND SHARES

MEUR	2019	2018
Acquisition cost, 1 Jan	1.1	1.0
Increases	0.0	0.0
Decreases	0.0	0.0
Acquisition cost, 31 Dec	1.1	1.1
Accumulated depreciation and impairment, 1 Jan	0.0	0.0
Accumulated depreciation and impairment, 31 Dec	0.0	0.0
Book value, 31 Dec	**1.1**	**1.0**
Investments, total	**1,068.0**	**1,067.9**

18. INVENTORIES

MEUR	2019	2018
Land areas and land area companies	1.2	1.1
Other inventories	0.2	0.3
Book value, 31 Dec	**1.4**	**1.4**

19. NON-CURRENT RECEIVABLES

MEUR	2019	2018
Receivables from Group companies		
Notes receivable	793.6	599.5
Total	**793.6**	**599.5**

MEUR		
Receivables from others		
Notes receivable	0.2	0.3
Total	**0.2**	**0.3**
Non-current receivables, total	**793.8**	**599.8**

20. CURRENT RECEIVABLES

MEUR	2019	2018
Receivables from Group companies		
Other receivables	357.8	260.4
Prepaid expenses and accrued income	0.1	0.0
Total	**358.0**	**260.4**
Receivables from others		
Accounts receivable	0.2	0.5
Prepaid expenses and accrued income	5.8	0.2
Total	**6.0**	**0.7**
Current receivables, total	**364.0**	**261.1**
Receivables total	**1,157.8**	**860.9**

MEUR	2019	2018
Specification of prepaid expenses and accrued income		
Interest receivables	0.0	0.1
Current tax receivables	5.6	0.0
Other	0.2	0.1
Total	**5.8**	**0.2**

21. SHAREHOLDERS' EQUITY

MEUR	2019	2018
Share capital, 1 Jan	4.4	4.4
Share capital, 31 Dec	4.4	4.4
Reserve fund, 1 Jan	43.7	43.7
Reserve fund, 31 Dec	43.7	43.7
Other funds, 1 Jan	1.1	1.1
Other funds, 31 Dec	1.1	1.1
Invested unrestricted equity fund, 1 Jan	114.8	114.8
Invested unrestricted equity fund, 31 Dec	114.8	114.8
Retained earnings, 1 Jan	186.9	165.6
Dividend payment	-28.3	-28.3
Retained earnings, 31 Dec	158.6	137.2
Profit for the period	**37.5**	**49.7**
Shareholders' equity, total, 31 Dec	**360.2**	**351.0**

22. CALCULATION OF DISTRIBUTABLE FUNDS

MEUR	2019	2018
Other funds	1.1	1.1
Invested unrestrited equity fund	114.8	114.8
Retained earnings	158.6	137.2
Profit for the period	37.5	49.7
Distributable funds, 31 Dec	**312.1**	**302.9**

23. SHARE CAPITAL AND SHARES

	2019	2018
Total number of shares	56,783,067	56,783,067

SATO Corporation has one class of shares, each of which entitles to one vote at the Annual General Meeting. The shares do not have a nominal value. The share capital of the company totalled EUR 4,442,192.00 at the financial statement date, and it was fully paid. The company held 160,000 of its own shares at the financial statement date.

24. LONG-TERM LIABILITIES

MEUR	2019	2018
Loans from financial institutions		
Bonds*	549.0	648.1
Loans from financial institutions	776.7	521.7
Derivative liabilities	32.7	25.7
Total	**1,358.3**	**1,195.4**
Long-term liabilities, total	**1,358.3**	**1,195.4**

* More information on Group financial statements note 26.

Sensitivity analysis, interest rate risk	2019			
	Profit and Loss		Equity	
MEUR	0.1%	-0.1%	0.1%	-0.1%
Interest rate swaps	3.2	-3.2	3.2	-3.2
Total	3.2	-3.2	3.2	-3.2

	2018			
	Profit and Loss		Equity	
MEUR	0.1%	-0.1%	0.1%	-0.1%
Interest rate swaps	3.4	-3.4	3.4	-3.4
Total	3.4	-3.4	3.4	-3.4

Hedge accounting is not applied on SATO Corporation level, therefore the sensitivity impact on equity and profit and loss is the same.

Loans maturing in more than five years	**481.7**	**304.2**

Derivatives

MEUR	2019	2018
Nominal values of derivative instruments		
Interest rate swaps, liabilities	658.4	755.4
Net	**658.4**	**755.4**

MEUR	2019	2018
Fair values of derivative instruments		
Interst rate swaps		
Positive	0.0	0.0
Negative	-34.6	-26.8
Net	**-34.6**	**-26.8**

sato

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

No deferred tax assets have been recorded in relation to derivative liabilities. The deferred tax asset would have been EUR 6.9 million on 31 December 2019 and EUR 5.4 million on 31 December 2018.

25. CURRENT LIABILITIES

MEUR	2019	2018
Loans to Group companies		
Accounts payable	0.4	0.4
Other liabilities	138.2	80.8
Accrued expenses and prepaid income to 100% owned housing companies	0.0	0.0
Total	**138.7**	**81.2**

MEUR	2019	2018
Loans to others*		
Loans from financial institutions	261.5	191.3
Bonds	100.0	100.0
Advances received	0.2	0.2
Accounts payable	1.4	0.6
Other liabilities	1.7	0.9
Accrued expenses and prepaid income	12.4	16.6
Total	**377.2**	**309.5**
Current liabilities, total	**515.9**	**390.7**
Liabilities, total	**1,874.2**	**1,586.2**

* Short-term liabilities include derivative liabilities EUR 1.9 million (2018: EUR 1.1 million)

For purposes of short-term financing, SATO has a commercial paper programme of EUR 400 (400) million, committed credit limits of EUR 400 (400) million, of which EUR 400 (400) million were unused, and a non-committed current overdraft limit of EUR 5 (5) million, of which EUR 1.5 (5) million were unused.

MEUR	2019	2018
Specification of accrued expenses and prepaid income		
Wages and salaries including employee benefits	1.5	2.6
Interest payable	9.7	12.5
Current tax liabilities	0.0	1.4
Others	1.3	0.2
Total	**12.4**	**16.6**

26. COLLATERALS, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

MEUR	2019	2018
Guarantees		
Guarentees for debts and derivatives of Group companies	134.9	169.6
Bank guarantees for Group companies	12.6	6.5
Total	**147.5**	**176.1**

MEUR	2019	2018
Other commitments		
Lease agreements for office premises, amounts due (incl.VAT)		
Within one year	1.3	1.8
Later than one year but within five years	4.4	5.3
Over five years	2.8	0.0
Utilities and other commitments	0.5	0.3
Pledges and contingent liabilities, total	**9.0**	**7.3**

SATO has sublet its office premises in Panuntie, Helsinki, in 2019 and 2018. In the current period, rental income recognised in income statement from these sublease agreements amounted to EUR 0.4 (0.4) million.

SATO has granted a community guarantee included in bank guarantee for Sato-Asunnot Oy, SATOkoti Oy and Sato-Rakennuttajat Oy.

SATO's funding agreements contain covenant clauses relating to the Group's capital structure and interest payment capacity. These clauses set a ratio of unencumbered assets to total assets at least 42.5 per cent, a solvency ratio maximum of 65 per cent, a secured solvency ratio maximum 45 per cent and interest coverage ratio of at least 1.8. At the reporting date, the ratio of unencumbered assets was 80.8 (74.1) per cent, the solvency ratio was 44.4 (50.5) per cent, the secured solvency ratio was 10.2 (17.5) per cent and the interest coverage ratio was 3.3 (4.4).

sato

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFIT

On 31 December 2019, the parent company's distributable funds amounted to EUR 312,114,835.06 of which profit for the period was EUR 37,539,322.79. The company had 56,623,067 outstanding shares entitling to dividends for year 2019.

The Board of Directors proposes to the Annual General Meeting that EUR 0.50 per share be paid in dividends for the 2019 financial period (EUR 0.50 per share for 2018), EUR 28,311,533.50 in total, and that EUR 9,227,789.29 be transferred to retained earnings.

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

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

Helsinki, 26 February 2020

Erik Selin	Jukka Hienonen	Marcus Hansson
Esa Lager	Tarja Pääkkönen	Timo Stenius
Hans Spikker	Sharam Rahi CEO	

The auditors' note
Our report on the conducted audit has been issued today.

Helsinki, 26 February 2020
Deloitte Oy, Authorised Public Accountants

Eero Lumme,
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of SATO Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SATO Oyj (business identity code 0201470-5) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

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

Key Audit Matters

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

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

Valuation of investment properties

Key audit matter

Refer to note 13 to the consolidated financial statements.

Consolidated financial statements as of 31 December 2019 include investment properties amounting to EUR 4,657.9 million.

Investment properties, as defined in IAS 40, are measured at fair value in accordance with IFRS 13.

Fair value measurement of investment properties requires management judgment and assumptions, since market prices for investment properties are not available in publicly traded markets. For previous financial years until 31 December 2018, the group used sales comparison method as its primary valuation method for properties located in Finland that can be sold without restrictions. In the financial statements as of 31 December 2019 the group changed the valuation method for these properties to income value method. The impact of the change in valuation method on the gain from fair value change of investment properties was approximately EUR 430 million.

This matter is regarded as significant risk of material misstatement in accordance with EU Audit Regulation (537/2014) Article 10 paragraph 2 c.

How our audit addressed the key audit matter

We have assessed and challenged the principles and methods applied in the fair value measurement. Our audit procedures included the following, among others:

- assessment of the appropriateness of valuation methods and the reasonableness of management assumptions
- testing the applied valuation model for mathematical accuracy
- comparison of the valuation of investment properties by region against externally available market data sources
- evaluation of the appropriateness of the input data used in the valuation
- evaluation of the competence and objectivity of the external valuation expert used by the management
- testing the key controls for operating effectiveness.

We have assessed the appropriateness of the presentation in the consolidated financial statements.

sato

Fair value measurement of derivative instruments and application of hedge accounting

Key audit matter

Refer to note 27 to the consolidated financial statements and note 24 to the parent company's financial statements.

Derivative liabilities as of 31 December 2019 in the consolidated financial statements and in the parent company's financial statements amount to EUR 48.6 million and EUR 34.6, respectively.

Management estimates are used in the fair value measurement of derivatives and in the application of hedge accounting. These estimates contain management assumptions.

How our audit addressed the key audit matter

Our audit procedures have included an assessment of internal control environment and processes over the hedge accounting documentation, effectiveness testing, and fair value measurement.

We have also assessed the procedures and assumptions used by the management in fair value measurement.

- We have assessed the appropriateness of valuation methods and accounting polices used against the requirements set in IFRS 9 and IFRS 13 for consolidated financial statements and against requirements of the Finnish Accounting Act for parent company's financial statements.
- We have compared the assumptions used by management in valuation against externally available market data.
- We have assessed the existence and completeness of outstanding derivative contracts by requesting confirmations from the counterparties.
- We have assessed that financial instruments included in hedge relationships are accounted for in accordance with IFRS 9 in the consolidated financial statements.

We have assessed the appropriateness of the presentation for derivative financial instruments and hedge accounting applied in the consolidated financial statements and in the parent company's financial statements.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 23 March 2018, and our appointment represents a total period of uninterrupted engagement of two years.

Other Information

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

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 26 February 2020

Deloitte Oy
Audit Firm

Eero Lumme
Authorised Public Accountant (KHT)

FIVE YEAR INDICATORS

Key financial indicators	2019	2018*	2017*	2016‹*	2015‹*
Net sales, MEUR	295.6	290.4	280.1	262.7	249.4
Net rental income, MEUR	207.1	198.5	188.4	167.1	151.8
Operating profit, MEUR	725.6	273.3	230.1	267.2	196.5
Net financing expenses, MEUR	-55.1	-42.5	-45.8	-47.8	-37.0
Profit before taxes, MEUR	670.5	230.8	184.4	219.4	159.4
Balance sheet total, MEUR	4,718.2	3,922.4	3,693.1	3,562.2	2,979.6
Shareholders' equity, MEUR	2,055.8	1,554.5	1,397.6	1,252.6	993.2
Interest bearing liabilities, MEUR	2,098.4	1,982.2	1,931.7	1,943.0	1,676.2
Return on invested capital, % (ROI)	18.9%	7.9%	7.1%	9.1%	7.6%
Return on equity, % (ROE)	29.6%	12.4%	11.0%	15.6%	13.5%
Equity ratio, %	43.6%	39.6%	37.8%	35.2%	33.3%
Personnel, average**	223	215	206	170	172
Personnel at the end of period	229	218	212	175	170
Key indicators per share					
Earnings per share, EUR	9.45	3.26	2.55	3.22	2.49
Equity per share, EUR***	36.31	27.46	24.68	22.12	19.53
Number of shares, million****	56.6	56.6	56.6	56.6	50.8
Operational key figures and net asset value					
Operational earnings, MEUR	91.4	98.7	82.8	69.5	64.5
Operational earnings per share, EUR	1.61	1.74	1.46	1.28	1.27
Net asset value, MEUR	2,477.7	1,855.7	1,678.7	1,517.5	1,227.8
Net asset value per share, EUR	43.76	32.77	29.65	26.80	24.15
Cash earnings, MEUR	91.2	97.9	92.4	86.2	78.1
Cash earnings per share, EUR	1.61	1.73	1.63	1.59	1.54

‹ Key figures of 2017 and more recent include the effects of adoption of IFRS 9 *Financial Instruments*. The figures of prior years are unadjusted.
* Key figures of 2019 include the effects of adoption of IFRS 16 *Leases*. The figures of prior years are unadjusted.
** Including summer trainees.
*** Equity excluding non-controlling interests.
**** The 160,000 shares held by the Group have been deducted from the number of shares.

FORMULAS USED IN CALCULATION

Net rental income, EUR

Rental income
– Property, maintenance and reparation expenses
– Ground rents

Return on investment, %

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

Return on equity, %

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

Equity ratio, %

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

Earnings per share, EUR

$$= \frac{\text{Profit for the period attributable to owners of the parent}}{\text{Adjusted number of shares (average during the financial year)}}$$

Equity per share, EUR

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

Operational earnings

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

Net asset value

Shareholders' equity attributable to owners of the parent
–/+ 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 based taxes
+/– Other items

INFORMATION FOR SHAREHOLDERS

THE ANNUAL GENERAL MEETING OF SATO CORPORATION

Notice is given to the shareholders of SATO Corporation of the Annual General Meeting to be held on Wednesday, 1 April 2020 at 13.00 in the SATO building auditorium at the address Panuntie 4, FI-00610 Helsinki. The reception of registered participants and the distribution of voting tickets will commence at 12.30.

The matters defined in section 5 in SATO Corporations's Articles of Association will be handled in the Annual General Meeting.

DOCUMENTS OF THE GENERAL MEETING

The notice of the meeting and the agenda with the draft resolutions will be available on the SATO Corporation's website www.sato.fi as of 27 February 2020. SATO Corporation's financial statements, report of the Board of Directors and the auditor's report will be available on the website no later than on 5 March 2020. The draft resolutions and the other above-mentioned documents will also be available at the General Meeting. The minutes of the General Meeting will be available on the said website on 15 April 2020 at the latest.

INSTRUCTIONS FOR PARTICIPANTS OF THE GENERAL MEETING

Right to attend and registration

Each shareholder who is on 20 March 2020 registered in the shareholders register of the company maintained by Euroclear Finland Ltd has the right to attend the General Meeting. A shareholder whose shares have been entered into his/her personal Finnish book-entry account, is registered in the shareholders register of the company.

A shareholder who is entered into the shareholders register and who wish to attend the General Meeting shall register for the meeting no later than on Friday 27 March 2020 at 16.00, by which time the registration shall be received by the company. The registration may be made as follows:

- by regular mail to the address SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki
- by telephone (+358 201 34 4002/Kati Laakso) Mon-Fri 9.00–16.00 or
- by e-mail to yhtiokokous@sato.fi

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

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

Holders of nominee registered shares

A holder of nominee registered shares is entitled to attend the General Meeting by virtue of shares on the basis of which he/she on 20 March 2020 would be entitled to be registered in the shareholders register of the company maintained by Euroclear Finland Ltd. The attendance also requires that the shareholder is temporarily entered into the shareholders register maintained by Euroclear Finland Oy on the basis of such shares by 27 March 2020 by 10.00. For shares entered in the nominee register, this will be deemed as registration for the General Meeting.

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

Representatives and powers of attorney

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

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

Other instructions

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

FINANCIAL PUBLICATIONS

Publication dates for interim reports and half year financial report:

- Interim report January–March 8 May 2020
- Half year financial report January–June 16 July 2020
- Interim report January–September 5 November 2020

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

ARTICLES OF ASSOCIATION AND SHARES

SATO Corporation's Articles of Association as in force was registered on 19 April 2018. The Articles of Association does not include any provisions on redemption of shares.

On 31 December 2018, the company's share capital was EUR 4,442,192. The company has 56,783,067 shares. The share has no par value.

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

DISTRIBUTION OF SHARES ON 31 DECEMBER 2019

Shareholder	Number of shares	Holdings %
Balder Finska Otas AB (Fastighets AB Balder, 100%)	30,992,806	54.6
Stichting Depositary APG Strategic Real Estate Pool	12,811,647	22.6
Elo Mutual Pension Insurance Company	7,233,081	12.7
The State Pension Fund	2,796,200	4.9
The Finnish Construction Trade Union	619,300	1.19
Erkka Valkila	390,000	0.7
Hengityssairauksien tutkimussäätiö	227,000	0.4
Tuula Entelä	179,000	0.3
SATO Corporation	160,000	0.3
Erkki Heinonen	156,684	0.3
Others (109 shareholders)	1,211,349	2.1

On 31 December 2019, the Group had 119 shareholders entered in the book-entry register.
The turnover of SATO Corporation's shares was 0.23 per cent during the reporting year.

asiakaspalvelu@sato.fi
tel. +358 20 334 443
sato.fi/en
kotona.fi/en