BROAD AND FLEXIBLE FINANCING BASE SUPPORTS GROWTH

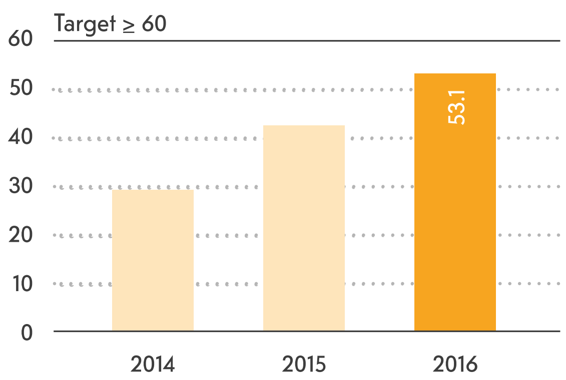
We are determined to develop SATO's financing structure to support our apartment investments in the long-term. To ensure the availability of financing and to reach an optimal cost level, our strategic goal is to strengthen our investment grade rating.

The purpose of SATO's capital structure management is to support the company's growth and to ensure the Group's operating conditions in capital markets. An optimal capital structure secures sufficient financing with competitive terms and the ability to pay dividends. SATO's target is to maintain equity ratio above 35 per cent.

AMOUNT OF UNENCUMBERED ASSETS INCREASES

To improve the management of financing risks, we have increased our unsecured borrowings and the amount of unencumbered assets. At the end of 2016, 53.1 per cent of our total assets were unencumbered.

Unencumbered assets, %



UNSECURED FINANCING IN VARIOUS WAYS

In March, SATO issued a EUR 300 million bond offered to European investors. The loan guaranteed by a Group company received a credit rating of Baa3 from Moody's, and is listed on the Irish stock exchange. The loan was well oversubscribed, with two-thirds of all investors coming from abroad.

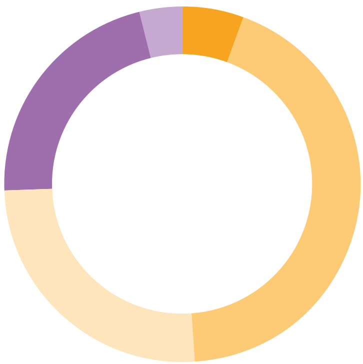
In June, we signed an agreement on syndicated credit facilities of EUR 400 million to refinance the company's existing credit facilities and to increase the total number of credit facilities.The facilities are guaranteed by a Group company and comprise two separate tranches: a five-year credit facility of EUR 200 million, and a three-year credit facility of 200 million, both with two one-year extension options. In addition, we increased the amount of our commercial paper program to EUR 400 million.

Bank financing is an important part of SATO's financing. It accounts for approximately 32 per cent of all of the company's loans. During the review period, SATO agreed on a long-term loan of EUR 150 million with the European Investment Bank. The loan is guaranteed by a Group company and will be used to construct new buildings of nearly zero energy and to carry out repairs that improve the energy efficiency of the Group's current apartments over the next few years.

In December, SATO and Aktia Bank plc agreed on a loan of EUR 50 million for the company's refinancing needs. The five-year loan has two one-year extension options and is also guaranteed by a Group company.

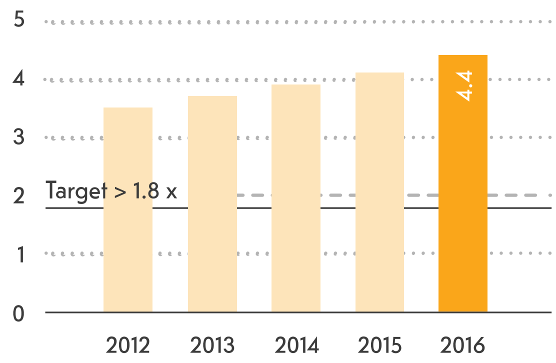
To support SATO's objectives, we will continue to diversify our financing structure and increase the amount of unencumbered assets.

Debt portfolio, Nominal values, 31 Dec 2016, total MEUR 1,957



- Commercial papers 110
- Corporate bonds 849
- Bank loans 502
- Interest subsidised 421
- State subsidised (ARAVA) 75

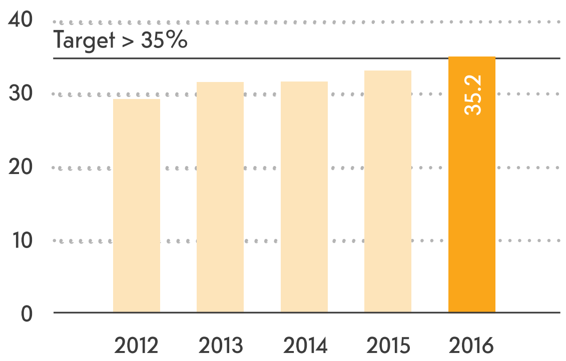
Interest coverage ratio



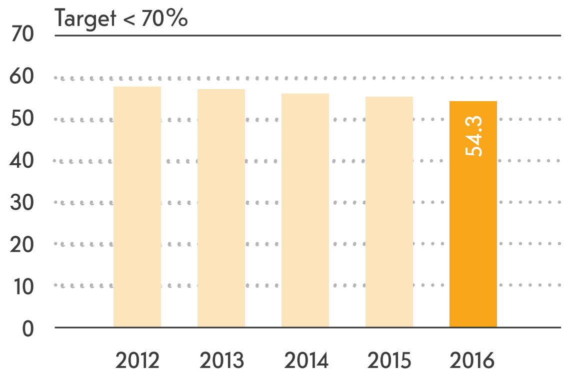
STRONGER EQUITY

During the review period, SATO carried out a directed share issue and a rights issue. In the directed share issue, shareholders of SVK Yhtymä Oy subscribed for a total of 728,763 SATO shares to complete the acquisition of SVK Yhtymä Oy shares. In the rights issue, shareholders of SATO subscribed for a total of 5,052,462 shares to collect assets of approximately EUR 98.7 million. The subscription price was recorded to the reserve for non-restricted equity.

Equity ratio, %



Solvency ratio, %



RISK MANAGEMENT

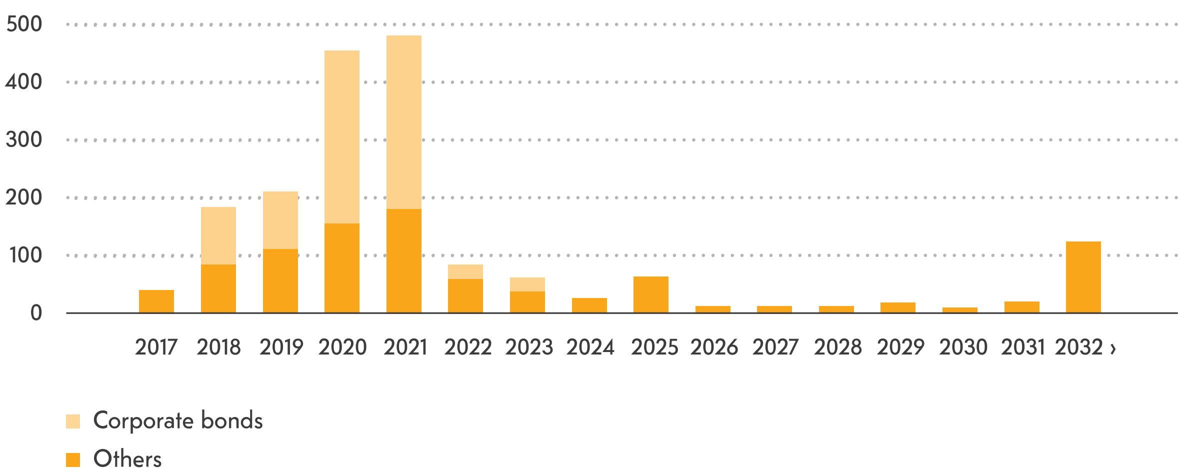
The principles of financial risk management are defined in the Treasury Policy approved by SATO's Board of Directors. The purpose of financial risk management is to reduce the impact of unfavourable movements in financial markets on the company and its financial results, and to give business operations time to adjust to a changing market environment.

Our most significant financial risks relate to liquidity, refinancing and interest rates. We manage our liquidity and refinancing risks by diversifying the maturity and financing sources of our loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other long-term financing commitments. We increase the reserves as the funding requirements grow. Our objective is to always keep the liquidity requirements covered by committed funding for the following 24 months.

Floating rate loans form an interest rate risk which we manage by balancing the share of fixed and floating rate debt either by issuing fixed rate loans or by interest rate hedges. Our objective is to maintain over 60 per cent of our debt portfolio fixed after interest hedging.

Our operations in St. Petersburg also contain a currency risk. To reduce this risk, SATO hedges the exposure relating to committed foreign currency cash flows with forward contracts. As the euro is the Group's reporting currency, the consolidation of foreign currency-denominated assets involves a translation risk. Possibilities of hedging translation risk are evaluated in accordance with our Treasury Policy.

Maturity profile of long term debt, MEUR



Key figures of financing	Target	2016	2015
Average loan maturity*, years	>5	**5.0**	5.7
Average interest fixing	3–5	**4.4**	3.8

period*, years			
Average interest rate, at end of period, %	-	**2.5**	2.5
Proportion of fixed rate debt*, %	>60	**82.2**	73.2

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