



SATO  
Interim report  
1.1.-31.3.2009

# SATO

## The mission

- SATO is a provider of good housing.

## The vision

- Homes are our passion –  
50,000 satisfied residents in 2020.

## The business strategy

### SATO

- owns, rents, develops and builds housing
- operates in Finland's largest centres of urban growth and St. Petersburg
- expands its housing portfolio profitably
- operates on a customer-driven basis and efficiently
- is a bold pioneer in its field and stands out through excellent service
- communicates its activities transparently

## Shareholders in SATO Corporation, 17 April 2009

The ten biggest shareholders and their holdings (per cent)

Varma Mutual Pension Insurance Company	38.6
Ilmarinen Mutual Pension Insurance Company	15.9
Suomi Mutual Life Assurance Company	14.8
Tapiola Insurance Group	7.3
Pension Fennia Mutual Insurance Company	5.4
Tapiola Mutual Pension Insurance Company	5.1
Wärtsilä Corporation	4.4
Pohjola Insurance Ltd	2.7
Notalar Oy	2.0
Habinvest Oy	1.0
Others	2.8

On 17 April 2009, the Group had 29 shareholders entered in the book-entry securities register.

## Strategic strengths

- a high profile
- centrally located housing
- excellent service
- quality guarantee
- network of skilled partners

## SATO's values

- the personnel's expertise – skilled personnel is our strength
- partnership – we win by working together
- customer satisfaction – we keep our promises
- profitability – profit enables us to build the future

## SATO in brief

SATO is one of Finland's leading corporate investors in housing. SATO owns a total of some 23,000 rentable homes in the major growth centres of Finland and in St. Petersburg. The fair value of SATO's investment property is roughly 1.4 billion euros. The housing portfolio is actively developed to meet changing customer needs through servicing and maintenance combined with investment and divestment. In the past five years, investments have averaged 100 million euros and divestments have totalled approximately 34 million euros a year. SATO also develops new housing as investment housing for the Group and for sale. The company's main owners are Finnish pension insurance companies and other insurers. The SATO Group's turnover in 2008 was 290.4 million euros, operating profit was 74.3 million euros and the profit before taxes was 31.5 million euros.

# SATO

## Interim report

### 1.1.–31.3.2009

#### Summary of the period 1-3/2009 (1-3/2008)

- The Group's turnover was 56.8 (78.5) million euros and operating profit was 12.9 (21.6) million euros.
- Net rental income from leasing was 22.7 (22.6) million euros.
- Profit before taxes was 0.3 (11.9) million euros and earnings per share were EUR 0.00 (0.19). The downturn in profit was influenced by fluctuations in the volume of divestment, a reduction in owner-occupied housing construction, an increase in financial expenses, and reserves booked during the period under review.
- Return on equity was 0.2 (17.5) per cent and return on investment was 4.2 (7.4) per cent.
- Investments in investment properties were 41.4 (51.1) million euros.
- The fair value of the investment properties as at 31.3.2009 was 1,411.9 (1,278.7) million euros. The difference between book value and fair value was 210.0 million euros and the differential increased by 12.2 million euros during the period.
- The main thrust in SATO's business is on investment in housing and operations were accordingly reorganised as of 1 April.

#### Segment reporting and principles for recognition of sales

SATO Corporation's business operations will in the future emphasise investment in housing and after the financial statements for 2008 the segments concerning IFRS reporting have been refined to correspond to the updated strategy.

The segments reported on are, as of 1 January 2009, SATO business and VATRO business. SATO business includes privately financed investment homes as well as those state-subsidised and interest-subsidised homes, to which property-specific restrictions end mostly by 2016, although for some properties they will continue until 2025. Construction of owner-occupied housing and investment in housing in St. Petersburg are also included in SATO business. VATRO business includes housing subject to longer-term property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by the year 2047.

As of the beginning of 2009, SATO changed the method of income-recognising sales according to degree of completion in accordance with the new interpretation under IFRIC 15. Homes sold during construction are recognised at the time of completion of the property and completed homes are recognised on the date of sale. The change in the convention increases the net profit for the financial year 2008 by 3.6 million euros. After the change, the 2008 financial year's comparable profit before taxes is 31.5 million euros.

#### Turnover and profit

The Group's turnover for the early months of the year was 56.8 million euros (78.5 million euros Q1 2008), of which the turnover of SATO business was 47.4 (69.0) million euros and that of VATRO business was 9.4 (9.5) million euros.

The Group's profit before taxes for the period under review was 0.3 (11.9) million euros. The figure includes a 1.8 million euro reserve for completion costs on an owner-occupied property built in the Arabianranta district of Helsinki and a 0.5 million euro reserve associated with the reorganisation of SATO's operations. A drag on profit was also exerted by a change in the market value of interest-rate hedging to the tune of -2.4 (-0.8) million euros.

SATO business accounted for -0.2 (11.3) million euros of the profit and VATRO business for 0.5 (0.6) million euros.

#### Financial status and financing

The consolidated balance sheet total at the end of the period under review totalled 1,410.3 (1,347.0) million euros. Shareholders' equity was 194.4 (196.0) million euros. The equity ratio calculated at book values was 14.0 (15.0) per cent, and, when investment properties are calculated at fair value, 21.8 (21.7) per cent. The equity ratio of SATO business calculated at book values was 16.8 (19.2) per cent, and, when investment properties are calculated at fair value, 25.5 (26.9) per cent. The Group's return on equity was 0.2 (17.5) per cent and return on investment 4.2 (7.4) per cent.

The cash position of the Group and parent company was favourable during the period under review. The Group's financial assets at the end of the period under review were 34.5 (32.4) million euros.

Interest-bearing liabilities at the end of the period under review were 1,083.7 (1,005.8) million euros, of which market rate loans totalled 675.3 (603.7) million euros, interest-subsidised loans totalled 100.1 (100.4) million euros, and state-subsidised loans totalled 228.9 (245.1) million euros. There were debts in the amount of 79.4 (56.6) million euros on shares held in housing companies and mutual property holding companies included in investment properties.

Of the capital of market rate loans at the end of the period under review, 372.3 (324.5) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 2.8 (3.4) years. During the period under review, the computational effect of changes in the market value of hedging on the shareholders' equity was -3.9 (-1.6) million euros and the effect on net profit was -2.4 (-0.8) million euros.

#### Investments properties

The trend in the investment properties' value is of key importance to SATO's business operations. Housing property is consolidated in areas in which demand for rented housing is growing.

On 31 March 2009, SATO held a total of 22,701 (22,475) homes, of which 17,579 (17,191) were included in SATO business and 5,122 (5,284) were included in VATRO business. There were 21,325 (21,044) rented homes and 1,376 (1,431) shared ownership apartments. The number of homes increased during the period under review by 301 (88).

The book value of the rented homes totalled 1,201.9 (1,107.4) million euros, of which St. Petersburg accounted for 39.7 (33.5) million euros. The fair value of the investment properties totalled 1,411.9 (1,278.7) million euros. During the period under review, the book value of the housing portfolio grew by 38.4 (46.8) million euros and its fair value by 50.6

(53.8) million euros. The difference between the book value and the fair value was 210.0 million euros and it increased during the period under review by 12.2 million euros. The increase in the differential was due to a rise in housing rents and to the ending of restrictions on certain properties due to state-subsidised lending. SATO applies the historical cost method to investment properties and states the fair value of the investment properties in a note to the financial statements and interim statements.

## Investments

Investment business lays the foundations for growth and for a positive trend in the cash flow from renting.

During the period under review the Group's gross investments in investment properties totalled 41.4 (51.1) million euros, of which St. Petersburg accounted for 0.6 (4.6) million euros. The investments were all concentrated on SATO business. Investments were used to purchase a total of 304 (292) rented homes, 287 of which were in the Helsinki Metropolitan Area. The main investment of the period was 195 homes in the Helsinki Metropolitan Area purchased from Pension Fennia.

## Rental business

Rental business secures a steady trend in cash flow. By devoting effort to customer relationships, we aim to attain good customer satisfaction and a high rental occupancy rate.

The financial occupancy rate of rented homes during the period under review averaged 96.5 (97.8) per cent and that of shared ownership apartments was 100.0 (100.0) per cent. The downturn in the occupancy rate was influenced by the start-up of renting new luxury apartment properties during the period under review. The tenant turnover rate of rental homes was 30.6 (29.5) per cent and that of shared ownership apartments was 7.5 (8.6) per cent.

The average monthly rent per square metre during the period under review was EUR 11.55 (EUR 10.69) for rental housing and EUR 9.21 (EUR 8.96) for shared ownership apartments.

The net rental income on the housing portfolio was 22.7 (22.6) million euros. The net rental income annualised on the book value of rental housing was 8.0 (8.0) per cent and 6.8 (6.9) on the fair value.

## Divestments

SATO divests investment properties for which there is no long-term rental housing demand.

During the period under review none of the Group's holdings of rented housing was divested (divestments 6.6 million euros in Q1 2008). Other divestments totalled 0.5 (0) million euros.

## Property development

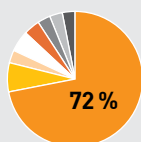
Property development is used to create a basis for the construction of both investment properties and owner-occupied homes.

The book value of the building land inventory held at the end of the period under review was 72.0 (65.8) million euros. No new plots were purchased during the period (plot acquisitions in Q1 2008 had a value of 0.5 million euros). The city of Helsinki allocated to SATO a total of 11,950 square metres of floor area of permitted building area in the Kalasatama district and Pakila. As a result of a change in land use zoning in the Kupittaa district of Turku, a total of 47,690 square metres of floor area of permitted building area was confirmed for a former industrial block, of which SATO's share is 17,800 square metres of floor area.

During the period under review, a total 42 (193) owner-occupied apartments were completed. Under construction at the end of March 190 (483) in all were owner-occupied apartments and 21 (0) rented apartments for Group ownership. No new construction projects were started during the period under review.

During the period under review, a total of 41 (74) owner-occupied apartments were sold, to a value of 10.8 (19.4) million euros, of which 10 apartments to a value of 1.9 million euros were transferred to Investment Property for rental use. Unsold at the end of the period under review were 125 (238) owner-occupied apartments under construction and 35 (59) completed ones.

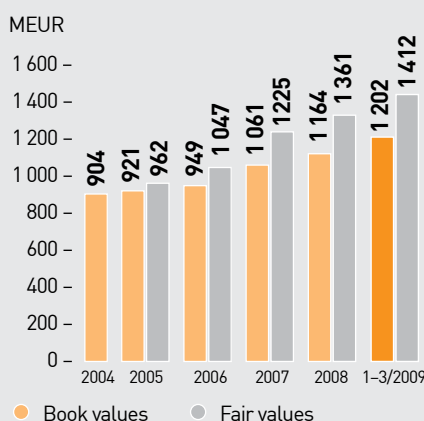
### Regional distribution of housing portfolio, 31 March 2009



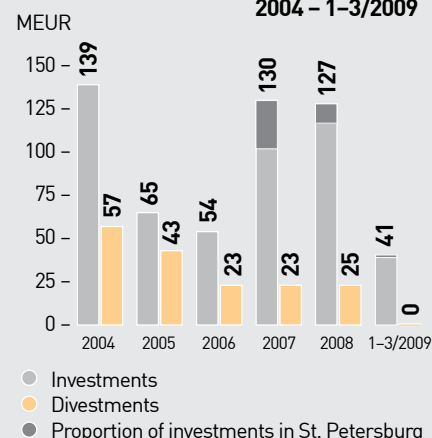
- Helsinki Metropolitan Area 72 %
- Rest of Helsinki Region 7 %
- Turku Region 3 %
- Tampere Region 5 %
- Jyväskylä Region 4 %
- Oulu Region 3 %
- Rest of Finland 3 %
- St. Petersburg 3 %

Total housing portfolio, fair value MEUR 1,411.9

### Trend in the housing portfolio, book values 2004 - 1-3/2009 and fair values 2005 - 1-3/2009



### Investments and divestments in housing 2004 - 1-3/2009

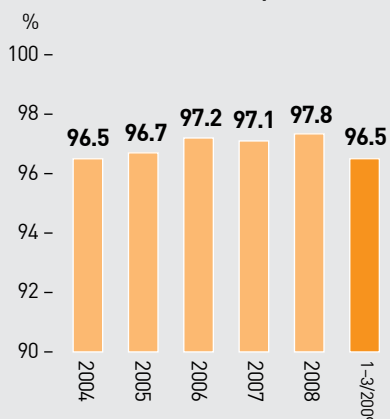


## Information on segments

SATO business includes privately financed investment homes as well as those state-subsidised and interest-subsidised homes, to which property-specific restrictions end mostly by 2016, although for some properties they will continue until 2025. Construction of owner-occupied housing and investment in housing in St. Petersburg are also included in SATO business. VATRO business includes housing subject to longer-term property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by the year 2047.

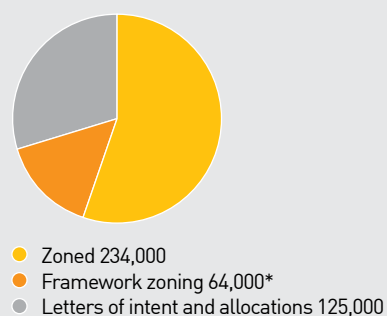
	SATO business	VATRO business	Total	SATO business	VATRO business	Total
	31.3.2009	31.3.2009	31.3.2009	31.3.2008	31.3.2008	31.3.2008
Investment Property						
- book value, MEUR	953.6	248.3	1,201.9	848.4	259.0	1,107.4
- fair value, MEUR	1,163.6	248.3	1,411.9	1,019.7	259.0	1,278.7
- differential, MEUR	210.0	-	210.0	171.3	-	171.3
Homes owned, total	17,579	5,122	22,701	17,191	5,284	22,475
- rented homes	16,203	5,122	21,325	15,760	5,284	21,044
- share ownership apartments	1,376	-	1,376	1,431	-	1,431
Completed owner-occupied homes	42	-	42	193	-	193
	<b>1-3/2009</b>	<b>1-3/2009</b>	<b>1-3/2009</b>	<b>1-3/2008</b>	<b>1-3/2008</b>	<b>1-3/2008</b>
Turnover, MEUR	47.4	9.4	56.8	69.0	9.5	78.5
Profit before taxes, MEUR	-0.2	0.5	0.3	11.3	0.6	11.9
Gross investment, MEUR	41.4	-	41.4	51.1	-	51.1
- old stock, MEUR	31.7	-	31.7	37.1	-	37.1
- new homes, MEUR	8.7	-	8.7	12.7	-	12.7
- repairs, MEUR	1.0	-	1.0	1.3	-	1.3
Net rental income on the housing portfolio, MEUR	17.8	4.9	22.7	17.2	5.4	22.6
Net rental income of rented homes, %						
- on book value	8.0	8.3	8.0	8.1	7.6	8.0
- on fair value	6.5	8.3	6.8	6.7	7.6	6.9
Financial rental occupancy rate of rented homes, %	95.9	98.2	96.5	97.6	98.6	97.8
Tenant turnover, %	31.4	28.1	30.6	28.8	31.9	29.5
Average rent, €/sq.m./month	11.89	10.54	11.55	10.93	10.00	10.69
Divestments, MEUR	0.5	-	0.5	6.6	-	6.6

Financial rental occupancy rate of rented homes 2004 – 1-3/2009



Reserve of plots 31 March 2009 (sq.m. floor area)

Total approx. 423,000, approx. 5,000 units



\* Permitted building volume in zoning proposals

## Personnel

At the end of the period under review, the Group had 143 (170) employees and during the period under review it had an average of 147 (170) employees.

## Reorganisation of operations

It is SATO's strategic intent to focus on investment in housing and to reduce the company's dependency on cyclical fluctuations in the construction of owner-occupied housing. In its own operations, SATO will concentrate on expanding the competitiveness and profitability of the housing portfolio and on managing and enhancing customer relationships. Duties related to the management and maintenance of SATO's properties as well as renovation and construction projects are carried out by means of partnership arrangements.

During the period under review, consultative discussions concerning the entire personnel were initiated for the reorganisation of operations to comply with the strategic aims. As a result of the negotiations, the total number of personnel will decline this year by 22 employees through dismissals, pension arrangements and outsourcing. SATO's regional operations in Jyväskylä will be handled in the future by a partnership solution.

## Targeted share issue

In January 2009, Pension Fennia Mutual Insurance Company subscribed in a targeted issue 950,769 SATO Corporation shares, which is the equivalent of 2.1 per cent of the total number of shares after the issue. The share issue was based on an authorisation granted by the annual general meeting of 26 March 2008. Following the share issue, the total number of SATO Corporation shares is 45,372,689.

## Annual general meeting, 5 March 2009

The annual general meeting adopted the company's financial statements and released the members of the Board of Directors and the President and CEO from personal liability for the financial year 2008. It was decided to distribute 0.24 euros per share in dividend for 2008, totalling 10.7 million euros.

The number of members on SATO Corporation's Board of Directors was confirmed as six. There were no changes in the line-up of the Board of Directors for the present term in office. Juha Laaksonen continues as chairman of the Board. The members of the Board of Directors are Timo Hukka, Jorma Kuokkanen, Raimo Lind, Asko Salminen and Esko Torsti. The firm of Authorised Public Accountants KPMG Oy Ab was elected as the auditor, with Markku Sohlman, APA, as the auditor in charge.

## The arrangements of the Board of Directors

At its meeting on 18 March 2009, the Board of Directors elected Raimo Lind from its membership to serve as deputy chairman. Juha Laaksonen was re-elected as chairman of the

Nomination and Compensation Committee with Jorma Kuokkanen and Timo Hukka as its members. Raimo Lind continues as chairman of the Audit Committee, with Asko Salminen and Esko Torsti as members.

## Risks and uncertainty factors in the near future

The change in the market prices of housing will have an impact on the value of SATO's housing portfolio. A favourable trend in the value of the housing portfolio and the rental attractiveness of the apartments will be secured by concentrating on the urban centres of growth.

Changes in interest rates will affect SATO's profits in the form of changes in interest expenses and in the market value of interest rate hedging. In line with the Group's financing policy, 50–80 per cent of the market-rate loans' interest positions are hedged. The adequacy of financing is monitored on an ongoing basis by liquidity forecasting.

The reorganisation of operations will reduce the company's dependency on cyclical fluctuations in the construction of owner-occupied housing. In the market conditions, SATO will not initiate new owner-occupied housing projects due to weak demand for owner-occupied homes.

The economic uncertainty is also reflected in the housing market in St. Petersburg, as a result of which SATO will concentrate in 2009 in stabilising rental business and operations in its activities in St. Petersburg.

Lawsuits and countersuits between the contracting parties are pending in respect of the implementation and invoicing for the construction project known as Asunto Oy Helsingin Tila.

## Outlook

Demand for rented housing is forecast to remain positive. Demand will focus in particular on small apartments in the urban centres of growth, for which the trend in rents will continue to be favourable. As a result of the deterioration in overall economic conditions, there will be less demand for larger rented apartments and changes in rents will be modest.

In accordance with its strategy, SATO has consolidated its holdings of rented homes on a long-term basis in the five largest urban growth centres and the proportion of small rented homes has been stepped up. In 2009, the net rental income from the Group's rented homes is expected to be an improvement on the previous year's figure.

In view of the uncertainty in the financial market, SATO's investments in housing will be lower than last year. A new, ten-year interest-subsidised lending model will facilitate investment in new construction.

Due to the low demand for owner-occupied apartment, SATO will not consider starting new owner-occupied apartment projects before the autumn at the earliest.

Due to the smaller volume of owner-occupied housing construction and higher non-recurring items, the Group's overall profit is expected to be lower than that of 2008.

## Consolidated profit and loss account, IFRS

MEUR	1.1.-31.3.2009	1.1.-31.3.2008*	1.1.-31.12.2008*
<b>Turnover</b>	56.8	78.5	290.4
Capital gains/losses on Investment Properties	0.1	3.7	9.6
Share of profit in associated companies	0.0	0.0	0.1
Other income from business operations	0.0	0.0	0.3
Consumption of materials and services	-16.0	-35.0	-121.0
Personnel expenses	-2.9	-2.6	-10.7
Depreciation and write-downs	-4.7	-4.3	-17.6
Losses from disposals of Investment Properties	0.0	-0.3	0.1
Other expenses of business operations	-20.3	-18.5	-76.8
<b>Operating profit</b>	<b>12.9</b>	<b>21.6</b>	<b>74.3</b>
Financial income	0.3	0.5	2.4
Financial expenses	-12.9	-10.2	-45.3
	-12.6	-9.6	-42.9
<b>Profit before taxes</b>	<b>0.3</b>	<b>11.9</b>	<b>31.5</b>
Income taxes	-0.2	-3.1	-7.9
<b>Profit for the period</b>	<b>0.1</b>	<b>8.8</b>	<b>23.5</b>
<b>Other comprehensive income items</b>			
Hedging of cash flow	-5.4	-2.1	-12.5
Financial assets available for sale	-0.1	-0.1	-0.2
Translation difference	0.0	0.0	0.0
Taxes applied to other comprehensive income items	1.4	0.6	3.3
Other comprehensive income items for the accounting period after taxes	-4.0	-1.7	-9.4
<b>Comprehensive income for the accounting period, total</b>	<b>-3.9</b>	<b>7.2</b>	<b>14.1</b>
Distribution of net profit for financial period			
To the owners of the parent company	0.1	8.8	23.4
To minorities	0.0	0.1	0.2
	0.1	8.8	23.5
Distribution of comprehensive income			
To the owners of the parent company	-4.0	-1.7	-9.4
To minorities	0.0	0.0	0.0
	-4.0	-1.7	-9.4
Profit per share calculated on the profit due to the owners of the parent enterprise			
Earnings per share, €	0.00	0.19	0.52
Average number of shares, million	45.4	45.4	45.4

\*) Equivalent to existing, amended accounting conventions (backdated correction as per IFRIC 15)

## Consolidated balance sheet, IFRS

MEUR	31.3.2009	31.3.2008*	31.12.2008*
<b>Assets</b>			
<b>Non-current assets</b>			
Investment Properties	1,201.9	1,107.4	1,163.5
Tangible assets included in fixed assets	1.6	2.0	1.8
Intangible assets	1.1	1.2	1.2
Holdings in associated companies	0.6	0.5	0.6
Financial assets for sale	2.2	2.2	2.2
Receivables	9.6	8.0	9.1
Deferred tax credits	20.9	13.2	18.0
	1,237.9	1,134.6	1,196.3
<b>Current assets</b>			
Inventories	121.8	161.3	128.6
Trade receivables and other receivables	16.1	18.1	16.1
Tax credits based on taxable income for period	0.0	0.6	1.6
Cash and cash equivalents	34.5	32.4	46.8
	172.4	212.3	193.3
<b>Assets, total</b>	<b>1,410.3</b>	<b>1,347.0</b>	<b>1,389.6</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity belonging to the owners of the parent company</b>			
Share capital	4.4	4.4	4.4
Value adjustment fund	-10.6	1.1	-6.6
Reserve fund	43.7	43.7	43.7
Other funds	9.3	3.2	3.2
Retained profits	147.5	143.5	158.1
	194.4	196.0	202.8
Minority interest	1.5	1.4	1.5
<b>Shareholders' equity, total</b>	<b>195.9</b>	<b>197.4</b>	<b>204.3</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Deferred tax liability	63.6	59.4	63.3
Reserves	7.8	5.6	6.1
Interest-bearing debts	847.3	824.0	846.9
	918.6	889.1	916.3
<b>Current liabilities</b>			
Accounts payable and other debts	59.4	78.7	58.8
Tax liability based on taxable income for period	0.0	0.0	0.0
Interest-bearing debts	236.4	181.8	210.3
	295.8	260.5	269.0
<b>Liabilities, total</b>	<b>1,214.4</b>	<b>1,149.6</b>	<b>1,185.3</b>
<b>Shareholders' equity and liabilities, total</b>	<b>1,410.3</b>	<b>1,347.0</b>	<b>1,389.6</b>

\*) Equivalent to existing, amended accounting conventions (backdated correction as per IFRIC 15)



## Consolidated cash flow statement, IFRS

MEUR	1.1.- 31.3.2009	1.1.- 31.3.2008	1.1.- 31.12.2008
<b>Cash flow from operating activities</b>			
Net profit for period	0.1	8.8	23.5
Adjustments:			
Business activities not associated with payments	7.1	5.9	21.7
Capital gains on fixed assets		-3.5	-9.7
Interest expenses and other financial expenses	10.5	9.4	40.7
Interest income	-0.3	-0.5	-2.3
Dividend income		0.0	-0.1
Taxes	0.2	3.1	7.9
Change in fixed assets:			
Change in trade receivables and other receivables	-8.5	-3.7	-2.2
Change in inventory	6.9	17.0	45.0
Change in accounts payable and other debts	3.1	-10.4	-36.6
Change in reserves	1.6	0.1	0.6
Interest paid	-14.2	-12.8	-38.3
Interest received	0.7	1.9	1.9
Taxes paid	-0.1	-2.0	-7.1
<b>Net cash flow from operating activities</b>	<b>7.1</b>	<b>13.2</b>	<b>45.0</b>
<b>Cash flow from investments</b>			
Investments in tangible fixed assets	-25.5	-50.7	-117.9
Investments in intangible assets	0.0	0.0	-0.3
Instalment on notes receivable	0.0	0.6	1.9
Loans granted	-0.3	-0.6	-2.3
Sales of associated companies	0.0	0.2	0.0
Sales of tangible fixed assets	0.0	6.5	23.8
Interest received	0.0	0.0	0.0
<b>Net cash flow from investments</b>	<b>-25.8</b>	<b>-44.1</b>	<b>-94.8</b>
<b>Cash flow from financing</b>			
Payments received from share issues	0.0	0.0	0.0
Repayments (-) / withdrawals (+) of short-term loans	22.9	2.3	53.1
Withdrawals of long-term loan	4.4	34.0	86.4
Repayments of long-term loans	-10.3	-7.0	-61.0
Interest paid	-10.7	0.0	-16.0
<b>Net cash flow from financing</b>	<b>6.3</b>	<b>29.2</b>	<b>62.6</b>
<b>Change in cash and cash equivalents</b>	<b>-12.4</b>	<b>-1.6</b>	<b>12.8</b>
Cash and cash equivalents at start of period	46.8	34.0	34.0
<b>Cash and cash equivalents at end of period</b>	<b>34.5</b>	<b>32.4</b>	<b>46.8</b>

## Calculation of changes in Group shareholders' equity, 1.1.–31.3.2009

MEUR	Shareholders' equity belonging to owners of parent company						Minority interest	Shareholders' equity, total
	Share capital	Value adjustment fund	Reserve fund	Other funds	Retained profits	Total		
<b>Shareholders' equity 1.1.2009</b>	<b>4.4</b>	<b>-6.6</b>	<b>43.7</b>	<b>3.2</b>	<b>158.1</b>	<b>202.8</b>	<b>1.5</b>	<b>204.3</b>
Comprehensive income for the accounting period, total		-4.0			0.1	-4.0		-4.0
Dividend payment					-10.7	-10.7		-10.7
Targeted share issue				6.2		6.2		6.2
Other adjustments					0.0	0.0	0.0	0.0
<b>Shareholders' equity 31.3.2009</b>	<b>0.0</b>	<b>-4.0</b>	<b>0.0</b>	<b>6.2</b>	<b>-10.6</b>	<b>-8.4</b>	<b>0.0</b>	<b>-8.4</b>
	<b>4.4</b>	<b>-10.6</b>	<b>43.7</b>	<b>9.3</b>	<b>147.5</b>	<b>194.4</b>	<b>1.5</b>	<b>195.9</b>

## Calculation of changes in Group shareholders' equity, 1.1.–31.3.2008

MEUR	Shareholders' equity belonging to owners of parent company						Minority interest	Shareholders' equity, total
	Share capital	Value adjustment fund	Reserve fund	Other funds	Retained profits	Total		
<b>Shareholders' equity 1.1.2008</b>	<b>4.4</b>	<b>2.8</b>	<b>43.7</b>	<b>3.2</b>	<b>150.8</b>	<b>204.9</b>	<b>1.4</b>	<b>206.1</b>
Comprehensive income for the accounting period, total		-1.7			8.8	7.1	0.1	7.2
Dividend payment					-16.0	-16.0		-16.0
Targeted share issue						0.0		0.0
Other adjustments						0.0		0.0
<b>Shareholders' equity 31.3.2008</b>	<b>0.0</b>	<b>-1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>-7.2</b>	<b>-8.9</b>	<b>0.1</b>	<b>-8.8</b>
	<b>4.4</b>	<b>1.1</b>	<b>43.7</b>	<b>3.2</b>	<b>143.5</b>	<b>196.0</b>	<b>1.4</b>	<b>197.4</b>

## Notes to the interim report

SATO's interim report for the period 1.1.-31.3.2009 has been drawn up in compliance with on the IAS 34 Interim Report Standard as approved for use by the EU. The interim report is unaudited.

As of the beginning of 2009, SATO changed the method of income-recognising sales of newly built housing according to degree of completion in accordance with the new interpretation under IFRIC 15. Homes sold during construction are recognised at the time of completion of the property and completed homes are recognised on the date of sale. The change in the convention increases the net profit for the financial year 2008 by 3.6 million euros. After the change, the 2008 financial year's comparable profit before taxes is 31.5 million euros. Since 1 January 2009, SATO has applied the following new and amended standards: IFRS 8 Operating Segments and IAS 1 Presentation of Financial Statements. In other respects, the same accounting conventions have been applied in the production of the interim report as were used in the IFRS consolidated financial statements for the financial year 1.1-31.12.2008.

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

The earnings and expenses shown for the segments are the direct earnings and expenses due to the segments plus those earnings and expenses which are reasonably attributable to the segments. Within SATO, the segments' earnings and expenses are also taken to include financial income and expenses, as these are considered to be such a crucial factor in forming the net profit of the segment that leaving them out would not give a fair view of the segments' net profit.

The assets and liabilities of a segment are such business items as the segment uses in its business operations or are reasonably attributable to the segments. All items are included in the segments' assets and liabilities which give rise to items in the profit and loss account which are shown into the segments' net profits, including the segments liabilities which are deemed to constitute an important part in describing the segments' financial position.

The unallocated assets include deferred tax credits as well as the Group's common items. The unallocated debts are comprised mainly of deferred tax liabilities.

Investments are comprised of increases in investment properties, tangible fixed assets, and intangible assets which are used in more than one financial year.

Pricing between segments is done at appropriate market rate.

### Calculation of net rental income

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

## 1. Segment information 1.1.–31.3.2009

MEUR	SATO business	VATRO business	Eliminations	Total SATO Group
External turnover	47.4	9.4		56.8
Internal turnover		0.0		0.0
Turnover, total	47.4	9.4		56.8
Profits/losses on surrender of Investment Properties	0.0			0.0
Depreciation and write-downs	-3.5	-1.2		-4.7
Operating profit	9.9	3.0		12.9
Financial expenses (net)	10.1	2.5		12.6
Profit before taxes	-0.2	0.5		0.3
Net rental income on the housing portfolio	17.8	4.9		22.7
Net rental income, % of book value (%)	8.0	8.3		8.0
Investments	41.4			41.4
Acquisition of land for inventor				0.0
Depreciation	-3.5	-1.2		-4.7
Impairments	0.0			0.0
Investment Properties	953.6	248.3		
Cash and cash equivalents	23.1	1.1		
Other assets of the segment	150.8	1.6		
Share in joint venture	0.3	0.3		
Total assets and eliminations allocated to segments	1,127.8	251.3		1,379.1
Unallocated assets				31.2
Assets, total				1,410.3
Interest-bearing debts	840.5	243.1		1,083.6
Segment's other debts	63.2	4.0		67.2
Total debts and eliminations allocated to segments	903.7	247.1		1,150.8
Unallocated debts				63.6
Debts, total				1,214.4

## Segment information 1.1.–31.3.2008

<b>MEUR</b>	<b>SATO business</b>	<b>VATRO business</b>	<b>Eliminations</b>	<b>Total SATO Group</b>
External turnover	69.0	9.5		78.5
Internal turnover				0.0
Turnover, total	69.0	9.5		78.5
Profits/losses on surrender of Investment Properties	3.5			3.5
Depreciation and write-downs	-3.1	-1.2		-4.3
Operating profit	18.4	3.2		21.6
Financial expenses (net)	-7.0	-2.6		-9.6
Profit before taxes	11.3	0.6		11.9
Net rental income on the housing portfolio	17.2	5.4		22.6
Net rental income, % of book value (%)	8.1	7.6		8.0
Investments	51.1			51.1
Acquisition of land for inventor				0.0
Depreciation	-3.0	-1.2		-4.3
Impairments	0.0			0.0
Investment Properties	847.4	259.0		
Cash and cash equivalents	12.9	2.4		
Other assets of the segment	210.1	1.0		
Share in joint venture		0.5		
Total assets and eliminations allocated to segments	1,070.5	262.9		1,333.4
Unallocated assets				13.6
Assets, total				1,347.0
Interest-bearing debts	757.0	254.0		
Segment's other debts	73.4	5.6		
Total debts and eliminations allocated to segments	830.5	259.6		1,090.1
Unallocated debts				59.5
Debts, total				1,149.6

## Segment information 1.1.–31.12.2008

<b>MEUR</b>	<b>SATO business</b>	<b>VATRO business</b>	<b>Eliminations</b>	<b>Total SATO Group</b>
External turnover	252.7	37.7		290.4
Internal turnover				0.0
Turnover, total	252.7	37.7		290.4
Profits/losses on surrender of Investment Properties	9.1	0.6		9.7
Depreciation and write-downs	-12.7	-4.9		-17.6
Operating profit	61.8	12.5		74.3
Financial expenses (net)	-32.6	-10.3		-42.9
Profit before taxes	29.3	2.2		31.5
Net rental income on the housing portfolio	73.1	21.5		94.6
Net rental income, % of book value (%)	8.0	7.9		8.0
Investments	133.3			133.3
Acquisition of land for inventor	6.0			6.0
Depreciation	-12.7	-4.9		-17.6
Impairments				0.0
Investment Properties	915.2	248.3		
Cash and cash equivalents	34.0	4.7		
Other assets of the segment	156.4	3.0		
Share in joint venture	0.3	0.3		
Total assets and eliminations allocated to segments	1,105.9	256.3		1,362.2
Unallocated assets				27.4
Assets, total				1,389.6
Interest-bearing debts	819.1	246.2		
Segment's other debts	49.0	7.7		
Total debts and eliminations allocated to segments	868.1	253.9		1,122.0
Unallocated debts				63.3
Debts, total				1,185.3

## 2. Investment properties

MEUR	31.3.2009	31.3.2008	31.12.2008
Acquisition cost, 1 Jan.	1,244.2	1,124.4	1,124.7
Increases; new properties	40.4	50.3	127.3
Increases; additional investments	1.0	1.9	5.9
Decreases	0.0	-3.2	-15.2
Transfers between items	1.6	2.2	1.5
Acquisition cost, total	1,287.2	1,175.6	1,244.2
Accumulated depreciation and impairments, 1 Jan.	-80.7	-64.1	-64.1
Depreciation	-4.6	-4.1	-16.6
Losses on impairments	0.0	0.0	0.0
Accumulated depreciation and impairments, total	-85.3	-68.2	-80.7
<b>Book value</b>	<b>1,201.9</b>	<b>1,107.4</b>	<b>1,163.5</b>
<b>Fair value</b>	<b>1,411.9</b>	<b>1,278.7</b>	<b>1,361.3</b>

An external assessor has given a statement on the fair value of SATO's investment properties as at 31 March 2009.

SATO has chosen for its accounting processing method the historical cost method as per the IAS 40 Investment Properties standard. Investment properties are booked at the original historical cost, which includes transaction costs. Later they are valued at the original historical cost less accumulated depreciation and impairments.

The fair values of the investment properties to be shown as notes are determined as a result of the company's own appraisal at the time of preparing the financial statements. At the time the interim financial statements are prepared, the fair values are updated in respect of investments, surrenders and changes in limitation periods. Also, an external specialist makes a statement on the appraisal.

## 3. Tangible assets in fixed assets

MEUR	31.3.2009	31.3.2008	31.12.2008
Book value at start of period	1.8	2.1	1.8
Increases	0.0	0.0	0.4
Decreases	0.0	0.0	0.3
Depreciation for accounting period	-0.2	-0.2	-0.7
<b>Book value at end of period</b>	<b>1.6</b>	<b>2.0</b>	<b>1.8</b>

## 4. Inventories

MEUR	31.3.2009	31.3.2008	31.12.2008
Housing under construction	29.4	74.4	30.9
Completed housing and commercial facilities	15.8	13.2	20.8
Land areas and holding companies thereof	66.4	67.4	67.6
Other inventories	10.1	6.2	9.3
<b>Total</b>	<b>121.8</b>	<b>161.3</b>	<b>128.6</b>

EUR 2.1 million was posted as an expense in 2008, by which the book value of inventories was reduced to correspond to its net divestment value.

## 5. Notes on shareholders' equity

MEUR	Number of shares (1,000)	Share capital	Reserve fund	Invested distributable equity fund	Total
Precision calculation of the number of shares:					
1.1.2009	44,422	4.4	43.7	2.7	50.8
Share issue	951	6.2	0.0	0.0	6.2
31.3.2009	45,373	10.6	43.7	2.7	57.0

## 6. Interest-bearing debts

No further long-term loans have been taken for so-called owner companies during the first quarter of 2009. Contingent liabilities applied to the shares of housing companies have increased by 15.6 million euros, mostly due to the investments of the financial period.

For short-term financing, SATO now has a MEUR 100 commercial paper programme in use as well as MEUR 200 in binding credit limits on short-term loans. On 31 March 2009 the commercial paper issued amounted to 28.1 million euros and the credits raised on short-term credit limits were 165.0 million euros.

## 7. Derivatives

MEUR	31.3.2009	31.3.2008	31.12.2008
<b>Interest rate derivatives</b>			
Interest rate derivatives, par value,	538.0	427.1	539.9
of which included in calculation of hedging	428.0	234.5	429.9
Interest rate derivatives, fair value,	-21.0	0.9	-13.2
of which included in calculation of hedging	-14.7	1.1	-9.5

## 8. Collateral and contingent liabilities

MEUR	31.3.2009	31.3.2008	31.12.2008
<b>Debts secured by mortgages and pledges</b>			
<b>Market loans</b>	<b>480.5</b>	<b>458.3</b>	<b>479.2</b>
Mortgages provided	55.8	54.3	55.0
Book value of pledged shares	492.2	459.7	485.8
Value of corporate mortgages pledged	0.0	0.0	0.0
Value of deposits pledged	1.4	0.7	1.4
<b>State housing loans</b>	<b>226.4</b>	<b>242.4</b>	<b>230.3</b>
Mortgages provided	402.8	415.9	404.8
Book value of pledged shares	28.3	28.9	28.3
<b>Interest subsidised credits</b>	<b>100.1</b>	<b>100.4</b>	<b>100.2</b>
Mortgages provided	121.9	121.9	121.9
Book value of pledged shares	0.8	0.8	0.8
<b>Debts of housing and mutual property holding companies, secured by mortgages on properties</b>			
Loans from financial institutions	79.4	56.6	63.8
Mortgages provided	105.9	83.9	89.7
<b>Other liabilities</b>			
Guarantees	1.2	2.0	1.5
<b>Guarantee pledges for others</b>			
Owner-occupier home purchase commitments	17.5	18.3	18.1
Rs-guarantees	18.6	23.7	19.4
<b>Mortgages provided to secure payment of rent and street maintenance</b>			
Property mortgages provided	5.1	5.1	5.1
<b>Binding purchase agreements</b>			
For acquisitions of investment properties	18.0	53.7	29.4
Pledges for land use payments on zoned plots	18.1	20.9	18.4
Letters of intent on land for which there is a zoning condition	13.9	12.7	12.9

Within SATO, housing companies which hold so-called owner-occupied apartment are treated for the special purpose as units established for a fixed period, which are not included in the consolidation. The combined total for loans of such housing companies, which are included in shared ownership systems, was MEUR 106.8 on 31 March 2009 (MEUR 112.5 on 31 March 2008).

## 9. Related party transactions

The Group's related parties are comprised of the parent company, SATO Corporation, and the subsidiaries and associated companies. The owners are also counted as related parties when they have direct or indirect influence, meaning those owners whose holding in SATO is 20 % or more are always related parties. When ownership falls below 20 %, an owner is considered a related party when he has considerable influence in other ways, for example, through a seat on the Board of Directors.

Related parties are also taken to include the members of the Board of Directors and Corporate Management Groups including the President and CEO as well as the families of the members of the Board of Directors and Corporate Management Group and the President and CEO, and companies managed by these. The Group's Corporate Management Group is comprised of SATO Corporation's President and CEO; the Vice President for the Helsinki Region and St. Petersburg; the Vice President for the Tampere, Turku, Oulu and Jyväskylä Regions; the Director, Marketing and Communications; and the Chief Financial Officer. Habinvest Oy, which was founded by the members of the Corporate Management Group in 2007, held at the end of 2008 465,000 SATO Corporation shares,

The following transactions were effected with related parties:

MEUR	31.3.2009	31.3.2008	31.12.2008
<b>Sums outstanding with owners</b>			
Receivables	0.0	0.0	0.0
Debts	1.1	1.5	1.3

The terms effected in business with related parties were equal to the terms complied with in business dealings between independent parties.

MEUR	31.3.2009	31.3.2008	31.12.2008
<b>Management perquisites</b>			
Salaries and other short-term perquisites	0.3	0.4	1.6
Other long-term perquisites	0.0	0.0	0.0
<b>Total</b>	<b>0.3</b>	<b>0.4</b>	<b>1.6</b>

## 10. Key indicators

	31.3.2009	31.3.2008	31.12.2008
Return on investment, %	4.2	7.4	6.3
Return on equity, %	0.2	17.5	11.5
Equity ratio, %	14.0	15.0	14.8
Equity ratio, % SATO business	16.8	19.2	17.9
Earnings per share, €	0.00	0.19	0.52
Net worth per share, €			
- at book values	4.3	4.3	4.5
- at fair values	7.7	7.1	7.7
Gross investments, MEUR	41.4	51.1	134.0
Personnel, average	147	170	160

## 11. Formulas for key indicators

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

$$\text{Return on equity, \%} = \frac{(\text{Profit or loss before taxes - taxes}) \times 100}{\text{Shareholders' equity (average during the financial year)}}$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total - advances received}}$$

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

$$\text{Net worth per share, €} = \frac{(\text{Net worth at balance sheet value - liabilities}) \times 100}{\text{Adjusted number of shares at year-end}}$$



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