

# SATO Annual Report 2009



40%

of the residents in the Helsinki Metropolitan Area  
will live in rented housing in 2020

**SATO forecasts** that increased urbanisation, immigration and smaller families are trends which will boost the proportion of rented housing in the Helsinki Metropolitan Area. At the same time, people are investing in wellbeing, maintaining natural values and the quality of housing. So is SATO.

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**37%** of the residents in the Helsinki Metropolitan Area lived in rented housing in 2009

SATO is one of Finland's leading corporate investors in housing. SATO owns a total of some 23,000 rentable homes in Finland's largest centres of urban growth and St. Petersburg. SATO's investment assets had a fair value of roughly 1.5 billion euros at the end of 2009. It is SATO's aim to expand its rented housing stock to provide quality housing for 50,000 satisfied residents in 2020.



97%

The rental occupancy rate of SATO's homes is at a favourable level and rental income has grown.

## To the reader,

The deep crisis in the world economy boosted demand for rented housing and the prospects on the housing market are good from SATO's perspective. Our business is on a steady basis thanks to the investments made and successful rental business. The prospects for a positive trend in the value of our apartments continue to be good.



## An efficient housing investment company

In 2009, SATO strengthened its operational capability as a housing investment company. We have determinedly consolidated our holdings of housing in Finland's largest urban growth centres and St. Petersburg, where there are the best prospects for expanding business. By the reorganisation carried out in April, we aimed to streamline the focusing of SATO's business on investment in housing and to continue to boost the efficiency of operations. The segments Investment in Housing and Housing Development and Construction were merged and business was divided regionally into two spheres of responsibility.

## The impact of the economic conditions on business

The financial crisis that began in 2008 depressed the economic outlook and caused a great deal of general uncertainty. The economic situation had no significant impact on SATO's strategy and the vision of the direction of SATO's business has remained unchanged. The main emphases are growth, the management of investment assets, the customers, partners, enhancing efficiency and the environment.

Thanks to the government's actions on economic stimulation, there has been an increase in the construction of new rented homes. Also, SATO has initiated new projects with short-term interest-subsidised financing granted by the state.

## Rented homes will always be needed

The net profit of SATO's rental business has continued to grow in spite of the economic recession. In particular, the need for small rented homes in the urban growth centres is a permanent result of a transformation in the structure of trade and industry, migration, ageing and smaller family sizes. According to my assessment, the proportion of rental housing will rise, particularly in the Helsinki Metropolitan Area.

The occupancy rate of our homes fell temporarily in the early months of the year due to the completion of new projects. From the summer onward, however, the

occupancy rate has risen steadily and at the end of the year it was at a favourable level. In 2010, our opportunities to enhance the rental process will improve further due to the customer relationship management system started up at the end of the year.

## St. Petersburg adding opportunities for growth

SATO has invested a total of more than a billion euros in rented homes in Finland in the 21st century. Opportunities for growth in Finland are still good. Long-term opportunities for growth are increased by investment in housing in St. Petersburg, which was started in 2007. At the end of the year under review, the value of investments in St. Petersburg was roughly 47 million euros. During the past year, the economic downswing also affected the market there, but signs of economic recovery can be seen and the prospects for further investments are improving.

## Improvements in energy-efficiency

Concern over accelerating climate change is also felt in SATO's business. Since 2004, we have targeted our action on reducing the energy and water consumption of the homes owned by SATO. We also make deployments in communications to change the attitudes and behaviour of residents. However, in my view, consumption behaviour will only be changed significantly when the benefits of energy conservation can be channelled directly to the resident. When the technology progresses and costs fall, apartment-specific consumption meters will become widespread.

## A responsible partner for customers

SATO's mission is to provide good housing. This includes not only a supply of quality housing but also the promotion of the residents' wellbeing.

SATO's customer satisfaction rating has risen steadily in the past five years, and operations are still being developed to improve customer service. When problems occur, we act responsibly. This is also the case in the construction of an owner-occupied housing project in

the Arabianranta district of Helsinki, the resultant difficulties of which have caused unreasonable inconvenience to our customers.

## Legislation to stimulate construction of rented housing

In November 2008, the Minister of Housing appointed a committee to investigate whether there is a need to reduce the regulations on non-profit activities. SATO has emphasised that it is essential for restrictions to be eased in order to permit steady construction of homes in line with demand. The committee's report was completed in January 2010 and it contains the right kind of proposals.

## Building the future

During the year under review we initiated a number of development projects aimed at improving customers' service experience and more efficient operations. I have been pleased to note how joint projects have expanded our personnel's expertise and intensified collaboration. I would like to extend my warmest thanks to the personnel for their excellent achievements and their enthusiasm for constant improvement.

I would also like to thank our customers, partners, owners and the members of the Board of Directors as well as other stakeholders for working together to make our value proposition a reality. Homes will always be needed.



Erkka Valkila  
President and CEO



70%

of SATO's property holdings have had an energy review and on that basis a plan has been made to reduce energy consumption.

## Energy-efficiency

One of the most effective ways of reducing carbon dioxide emissions is to improve energy-efficiency. Roughly 40 per cent of the energy used is consumed in buildings. As a major investor in housing, SATO has good opportunities to mitigate the climate impacts of housing by reducing the energy consumption of the buildings it owns.

### GREAT THINGS GROW FROM SMALL ACTS

- Water-conserving plumbing fittings in replacement for old ones
- Heat settings to be checked
- Inspection intervals for HEPAC equipment shortened





Update of the energy conservation target

In December, SATO joined in other players in the housing business in an update with stricter targets of the nationwide agreement on energy conservation in residential buildings. At the same time, we updated our in-house targets on energy consumption. SATO will reduce specific consumption of all types of energy in the residential properties it owns by no less than 10 per cent of the 2004 level by 2010. SATO's environmental programme and new targets can be seen on the company's website [www.sato.fi](http://www.sato.fi). In Finnish only

Energy audits

Audits to determine energy consumption have been carried out in SATO's investment properties since 2004. Audits have already been carried out on roughly 70 per cent of the property portfolio and a long-term programme has been drawn up on this basis to reduce consumption. Some of the action concerns settings that can be performed when the audit is carried out. Smaller actions are performed immediately and a decision on the order in which large repairs are performed is made during the annual planning.

Revealing the effects of heating settings

Heating has the largest share of the total energy consumption, and during the year under review the effects of resetting heating on consumption were tested. During a brief observation period, a ten per cent saving in con-

sumption was achieved in the test buildings. The testing was expanded to more properties, where it is intended to carry out research on heating adjustments to identify the optimal temperature in them in respect of energy consumption and occupant comfort. The interior temperature of the apartments will be monitored throughout the winter, which will determine the effects of adjusting temperatures. Operations will be extended to the whole of SATO's housing stock on the basis of the results.

Frequent equipment inspections

Inspections of the heating, plumbing and ventilation equipment in SATO-owned properties will be carried out in the future no less than once a year. Setting and small equipment faults are corrected during the inspections. A summary report is made of other observations, with recommendations for corrective actions.

Water-consuming parts changed

When fixed-term renovations are carried out, SATO changes water-conserving plumbing fittings in thousands of households per year to reduce the consumption of water. In 2009, SATO installed water-conserving nozzles in the bathrooms and kitchens of roughly four thousand homes. In some properties, this achieved savings in water consumption of up to 30 per cent.

Energy consumption monitoring updated

Only by efficient measurements can the right things be

tackled. For this reason, in 2010 SATO is updating the system used for monitoring energy consumption. The new software will enable targeted reports to be made for partners and alarms of anomalies will go direct to the building managers. Comparisons between properties will also be easier to make. In order to spotlight the importance of efficient monitoring, SATO made Energiakolmio Oy, which supplies the software to SATO, its Partner of the Year 2009.

Energetic communications

Technical solutions achieve savings, but changes are also needed in residents' habits. SATO seeks by active com-

munications and dialogue to influence attitudes as well. SATO's customer newsletter Kotona contains information on sustainable development in everyday situations. For example, an energy-conservation competition was arranged by the newsletter. SATO was awarded the Finnish Housing Association's environmental prize for 2009 for merits including encouraging residents to save energy through an approach that was close to people and common-sense.

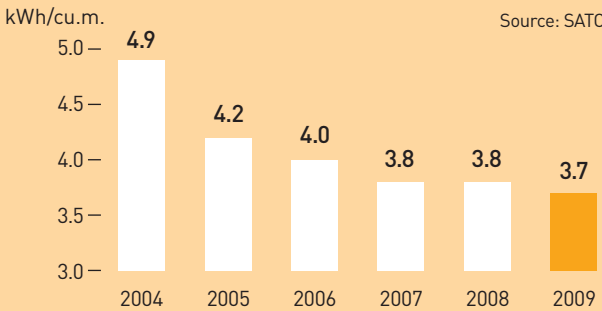
Training days are held regularly for building management and maintenance company partners, in which energy issues play an important part. An environmental day is held for the personnel annually on various themes.

30%

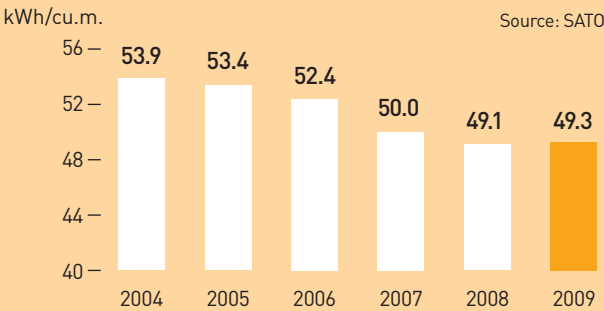
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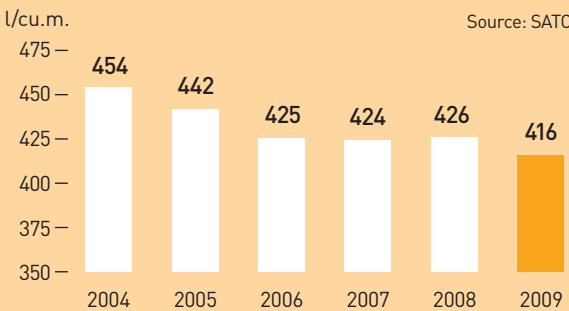
Electricity consumption



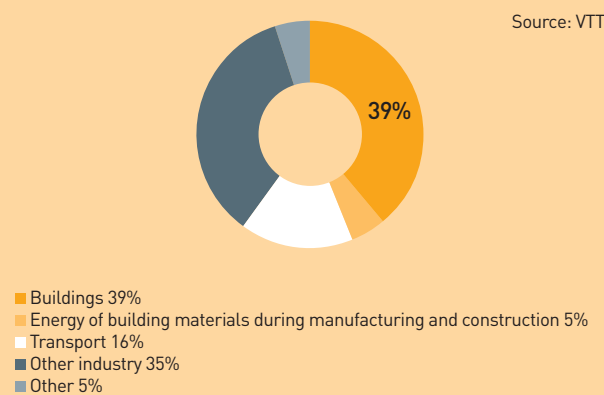
Standardised heating consumption



Water consumption



Distribution of energy consumption in Finland





53

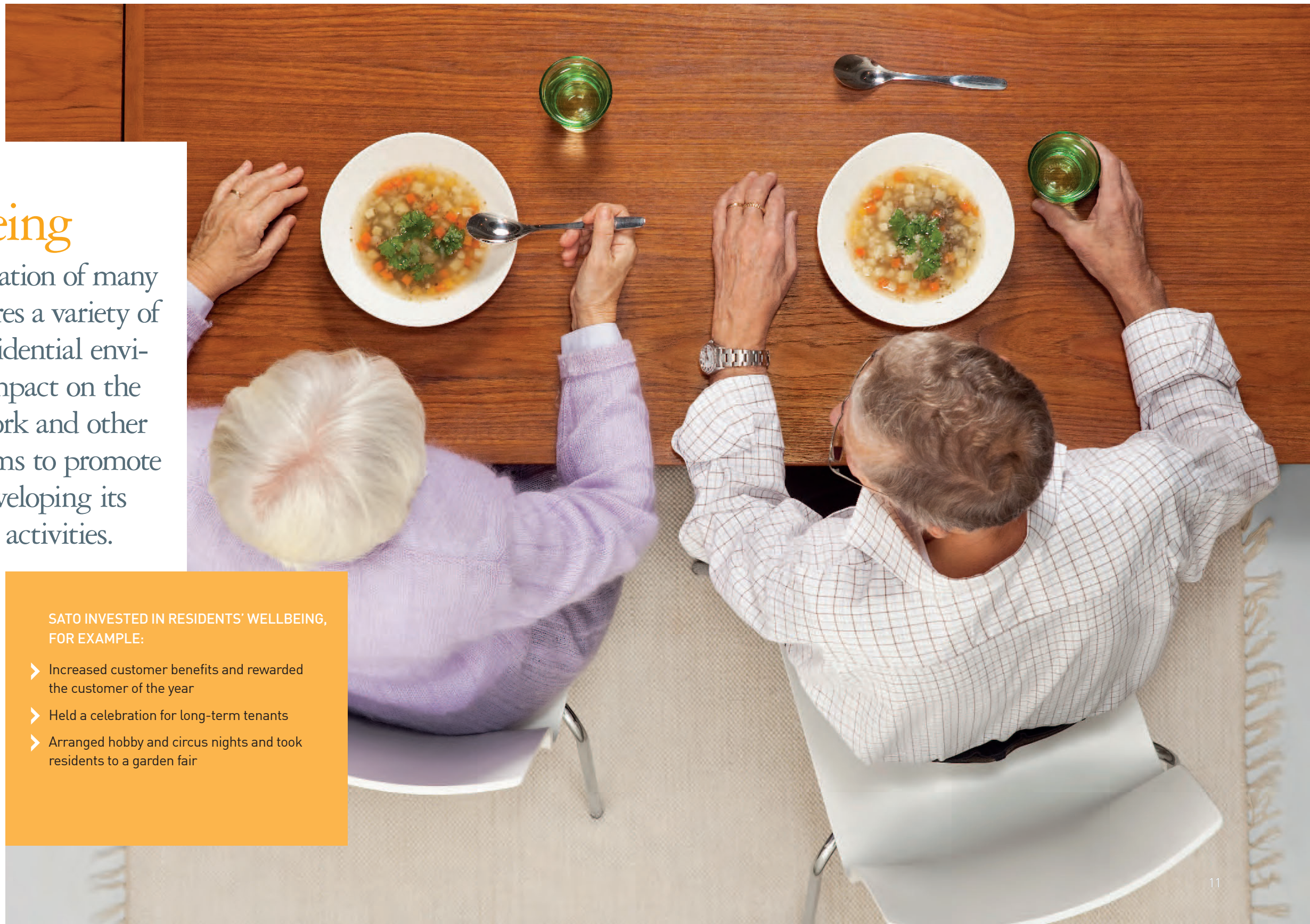
SATO SeniorHomes are under construction in Helsinki. The residents will be provided with home help and care as well as housing.

## Promoting wellbeing

Human wellbeing is a combination of many factors, and increasing it requires a variety of approaches. The home and residential environment have an important impact on the quality of life, as do health, work and other contributory factors. SATO aims to promote its customers' wellbeing by developing its housing offering and residents' activities.

### SATO INVESTED IN RESIDENTS' WELLBEING, FOR EXAMPLE:

- Increased customer benefits and rewarded the customer of the year
- Held a celebration for long-term tenants
- Arranged hobby and circus nights and took residents to a garden fair





A home the way you want it

Looking for a home on the traditional criteria of location and size doesn't always lead to the best possible result in view of your personal aims. SATO has classified its homes also according to other criteria – the customers' situations in life, personal tastes and quality levels.

Care and home help for senior citizens

SATO SeniorHome housing provides not only a home but also service counselling, in which a specialist charts out the individual needs for services, and plans together with the customer the way services will be implemented. The home help and care providers are partners of SATO.

The location of SATO SeniorHome properties is chosen on the basis of nearby services and good transport connections. The design prominently features the homes' functionality, unimpeded accessibility and safety. The common areas of senior properties are made cosy

places where the residents can spend time together and engage in activities. SATO continues to develop housing for seniors to meet the growing demand.

Quality awareness

Rented homes with star ratings increase knowledge of the condition and quality attributes of the apartment. The rating also affects the amount of rent. Renovations in SATO QualityHome apartments are carried out with materials and furnishings specified in a range created by an interior designer. Regular surveys and the maintenance repairs carried out during these make the apartment easier to maintain.

It is also SATO's aim to increase customers' satisfaction in their homes by devoting effort to the amenity value of stairways and common areas. During 2009, SATO's guidelines for stairway repairs were updated and the first project was carried out under the new rules.

The key factors in design, in addition to durable materials, are aesthetic considerations and pleasant, energy-saving lighting. A well lit stairway fosters a sense of safety and encourages one to use the stairs instead of the lift.

Activities for residents

SATO encourages residents to engage in social interaction together by arranging events and occasions based on various themes. In 2009, for example, circus evenings were held in different cities and there were visits to garden exhibitions and summer theatre. Long-time residents in the Helsinki Metropolitan Area were invited to a celebration in November. Events arranged by the residents themselves were also given financial support. During the year under review, a competition was held between apartment buildings for the best voluntary work party, the winners of which were featured in SATO's customer newsletter.

The residents' theme of the year chosen for 2010 is wellbeing. A wide variety of activities promoting wellbeing will be arranged in connection with the theme.

A range of interior choices for purchasers of owner-occupied homes

People who buy owner-occupied homes increasingly appreciate individuality and lasting solutions in interior designs. The SATO PlusHome range offers a great variety of options for the materials and fittings in a new apartment. SATO is developing a business model for sales of owner-occupied housing with the aims of simplifying the purchase and facilitating the configuration of a home in a new building.

SATO QualityHome rented apartments' star ratings increase awareness of the homes' condition and quality attributes. ”

2010

The residents' theme of the year chosen for 2010 was wellbeing. A wide variety of activities promoting wellbeing will be arranged in connection with the theme.



SATO'S SERVICE CONCEPTS  
www.sato.fi

Rented homes <b>SATO QUALITYHOME</b> quality-rated homes	Rented and owner-occupied homes <b>SATO SENIORHOME</b> nursing service in addition to a home	Owner-occupied homes <b>SATO PLUSHOME</b> possibilities for customisation
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# SATO in a nutshell

SATO is one of Finland’s leading corporate investors in housing. SATO owns in total some 20,000 rentable homes in Finland’s largest centres of urban growth and St. Petersburg, Russia. SATO’s investment assets have a fair value of roughly 1 billion euros. The housing portfolio is actively developed to meet changing customer needs, through maintenance and repairs as well as by investment and divestment. SATO also commissions new housing as investment housing for the group and for sale.

## THE MISSION

SATO is a provider of good housing.

## THE VISION

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

## 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

## FINANCIAL TARGETS

SATO’s policy on dividend is to pay at least 60 per cent of the freely distributable profit as dividend each year.\* The amount of dividend may, however, be affected by the financing required for the company’s investments.

SATO’s equity ratio target, net of the non-profit VATRO business when investment properties are calculated at fair value, is at least 25 per cent.

\* Freely distributable profit is that part of the SATO Group’s profits which can be remitted to the owners without hindrance under the so-called non-profit rules prescribed by legislation on state subsidies and interest subsidies.

## THE BUSINESS STRATEGY

SATO implements its growth strategy by investing in rented housing.

### 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

## STRATEGIC STRENGTHS

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

SATO has invested more than a billion euros in rented homes in the 21st century. ”



### A Home the Way You Want It

SATO’s value proposition to its customers is ‘A Home the Way You Want It’. Operations are based on an understanding of the residents’ housing needs and providing the right solutions. Increasing customer satisfaction is one of SATO’s key aims.



# Financial review

SATO enjoyed a financially successful year in 2009. Rental income grew by more than six per cent and investment was brisk. SATO's investments were 112 million euros, with which a total of 98 rented homes were acquired.

## Level of income held steady

SATO navigated well through an economically challenging year and profit before taxes was on a par with the previous year. Investments and successful rental business promoted an increase in rental yields. Revenue from divestments also increased on 2008. The company adjusted the volume of owner-occupied housing construction in line with demand, as a result of which proceeds from sales of new homes were more than 70 million euros lower than in 2008, albeit being over 100 million euros. Housing sales proceeded better than forecast in the early months of the year.

A reorganisation effected in April created a cost-effective operating model that adapted to fluctuations in the volume of owner-occupied housing construction. Fixed costs were reduced during the year under review by 14 per cent.

## Investment assets' fair value exceeded 1 billion euros

The investment properties' fair value has grown in the past decade by approximately one billion euros and it was 1,400 million euros at the end of 2009. Investments during the year under review were 112 million euros.

## Financing in equilibrium

The uncertainty of the financial market in early 2009 did not significantly affect the availability of SATO's financing. SATO's financial situation has been good throughout the year and more investments in line with

the growth target were made than had been forecast. The Group's equity ratio in terms of the investment properties' fair value rose to 24.7 per cent, which is a good level in the housing investment sector. During the year under review, the capital tied up in inventories was run down by 100 million euros and the total of short-term loans was reduced by 10 million euros.

SATO started new rental housing construction projects with cycle-based interest-subsidised financing.

Rental income was up by more than 6 per cent.

Investments were over 110 million euros.

Investment assets' fair value was in excess of 1 billion euros.

Revenue from sales of new homes was 100 million euros.

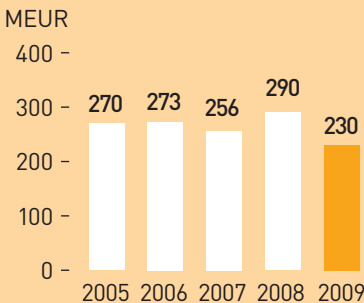
Operational organisation was updated.

The Group's equity ratio calculated in terms of fair values of investment properties improved to approximately 25 per cent.

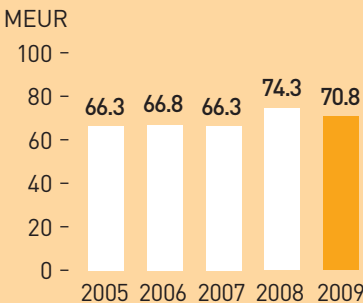
The Group's short-term debts were paid down by 10 million euros.

## The Group's financial trend

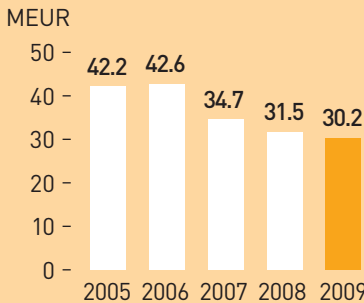
### Turnover



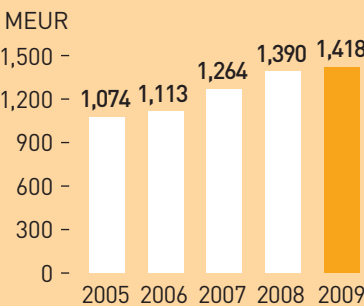
### Operating profit



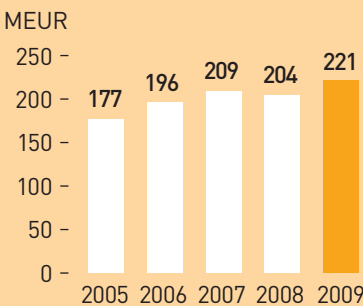
### Profit before taxes



### Balance sheet

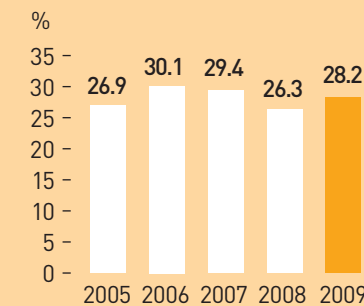


### Shareholders' equity

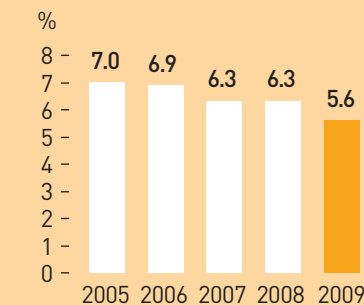


### Equity ratio net of the VATRO business

Calculated on fair value

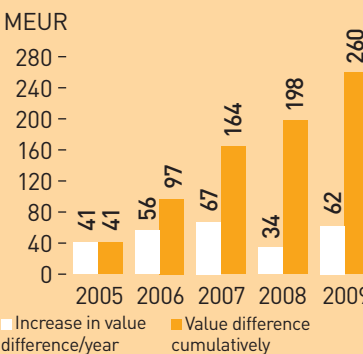


### Return on investment



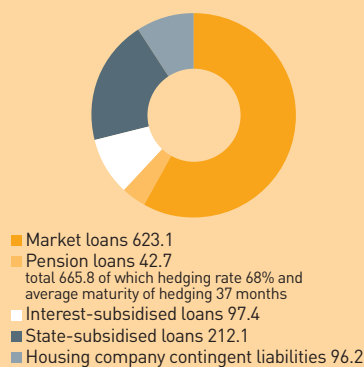
### Change in value difference of investment properties

Change in difference between fair and book value



### Financing portfolio

Capital of loans, 31.12.2009  
Total MEUR 1,071.5





Financial wellbeing

Profitable business has made it possible to increase the financial wellbeing of the stakeholders. During the year under review, the combined total paid in salaries, wages and indirect employee costs was roughly ten million euros.

SATO seeks to create long-term agreements with its partners to promote continuing business relationships. During the year under review, the cash flow from the group to subcontractors and partners totalled some 188 million euros.

With its dividend policy, SATO secures the commitment of the shareholders in the long-term development of the company.

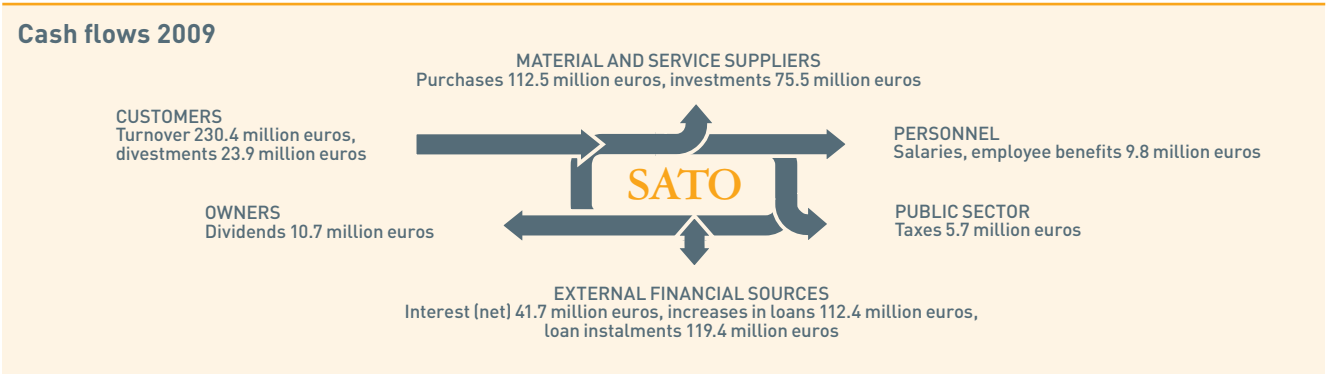
Dividends paid to the shareholders during the year under review were approximately 11 million euros.

In 2009, SATO paid six million euros to the state in direct taxes.

Sponsorship

The money allocated to remembrance at Christmas was donated to supporting the work of Vailla vakinaista asunto ry, a charity for the homeless. A number of social organisations for physical fitness and charitable causes were also supported. In January 2010, a donation was made to the disaster fund of the Finnish Red Cross to assist victims of the earthquake in Haiti.

Financial key indicators	2009*	2008*	Operational key indicators	2009*	2008*
Turnover, MEUR	230.4	290.4	Investments in investment properties	112.0	133.3
Operating profit, MEUR	70.8	74.3	Net rental income of rented homes, %		
Profit before taxes, MEUR	30.2	31.5	at book values	8.0	8.5
Balance sheet total, MEUR	1,418.0	1,389.6	at fair values	6.6	7.3
Return on equity, %	10.7	11.5	Occupancy rate of rented homes, %	96.6	97.8
Return on investment, %	5.6	6.3	Number of homes	22,769	22,400
Equity ratio, %	15.7	14.8	Output of new homes, total	382	567
Equity ratio, % net of VATRO business at fair values	28.2	26.3	Output of owner-occupied homes	219	486
Earnings per share, EUR	0.50	0.53	Personnel		
Equity per share, EUR			Personnel, average	141	160
at book values EUR	4.83	4.57	Personnel, 31 December	132	152
at fair values, EUR**	9.10	7.86	*) income-recognition as per IFRIC15 interpretation		
Dividend, MEUR	10.9***	10.7	**) deferred tax liability figured in		
			**) Board's proposal to AGM		



Press releases 2009

**22 December**  
SATO receives the Finnish Housing Association's environmental award for raising residents' general environmental awareness

**21 December**  
SATO commissions the construction of a quality housing estate in Tali

**21 December**  
Pasi Suutari becomes a Vice President of SATO and a member of the Corporate Management Group

**23 November**  
SATO's Tenant of the Year 2009 is Helinä Jonaesson

**20 November**  
SATO's customer newsletter Kotona is chosen as the top customer and stakeholder journal by ProCom – the Finnish Association of Communications Professionals

**10 November**  
Antti Aarnio is appointed to lead SATO's Investments and Divestments unit

**23 October**  
SATO Corporation's interim report 1–9/2009 made public

**14 October**  
Partnership contract between SATO and Welho secures state-of-the-art television and broadband services for SATO's tenants

**08 October**  
SATO acquires 570 rented homes in the Helsinki Metropolitan Area from the Central Fund of the Finnish Church

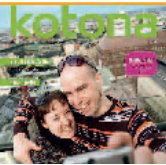
**24 September**  
SATO and Peab begin the construction of the Etelätulli district in Oulu

**11 September**  
President and CEO Erkka Valkila gives a talk on the future of the housing market at the "SATO Housing Evening" at the Habitare exhibition

**10 August**  
Sami Laine is appointed SATO's Financial Manager

**07 August**  
SATO Corporation's interim report 1–6/2009 made public

**03 August**  
SATO sells its investment properties in Kuopio



**29 June**  
SATO continues to consolidate its holdings of housing in the major urban centres of growth

**24 June**  
53 SATO SeniorHomes begin construction in Helsinki

**17 June**  
SATO's updated online service sato.fi increases resident's e-services

**03 June**  
SATO commissions the construction of a total of 108 new interest-subsidised rented homes in Espoo and Oulu

**19 May**  
SATO presents an award to a graduating Master of Arts for their thesis related to apartment housing

**28 April**  
SATO Corporation's interim report 1–3/2009 made public

**26 March**  
SATO reorganises as of 1 April

**24 March**  
SATO boosts paper collection in its rented properties in cooperation with Paperinkeräys Oy

**18 March**  
SATO's Board of Directors formed

**05 March**  
Resolutions of SATO Corporation's annual general meeting made public

**12 February**  
Riitta Salo becomes SATO's new corporate attorney

**04 February**  
SATO Corporation's 2008 financial statements bulletin made public

**04 February**  
SATO initiates consultative procedures for the entire personnel

**02 February**  
SATO acquires 61 rented homes in the Tapiola district of Espoo

**31 January**  
SATO acquires 195 homes from Pension Fennia in the Helsinki Metropolitan Area





# Business climate

2009 was overshadowed by a global economic recession, but the economy went into a cautious upswing at the end of the year.

## The overall economic trend

The financial crisis that spread from the United States to Europe resulted in a global recession during the year under review. Finland's gross national product also declined sharply, unemployment went up and the number of layoffs doubled. The state initiated remedial action. At the end of the year under review, it was estimated that the downswing had halted and the economy went into a gentle upswing. Short-term Euribor interest rates fell during 2009 from roughly three per cent to less than one per cent.

Finland's gross national product is forecast to grow in 2010 by from one to two per cent, but rising unemployment and Finland's export-driven industrial structure are seen as a threat to economic recovery.

## Indicators for confidence

Indicators of industrial and construction confidence improved in December 2009, while confidence indicators for service companies held steady. However, the cyclic conditions at the end of the year were still clearly weaker than average.

By contrast, in December consumer confidence was slightly above the long-term average and at its strongest for more than two years. Consumers considered the timing favourable for borrowing and in particular for purchasing consumer durables. Intentions to purchase homes were at the same level as in December 2008.

## Population and migration

According to an estimate by Statistics Finland, the population of Finland grew in 2009 by roughly 24,000. The increase was mostly due to immigration, which was up during the year under review for the second-highest figure since Finnish independence.

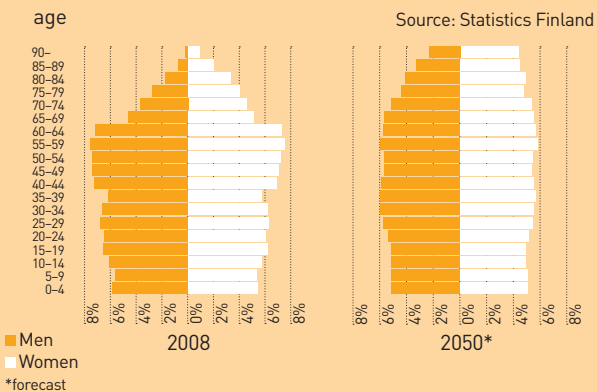
Urbanisation continues and the population of urban areas grew during the year under review by an approximate estimate of 27,000. The attractions of the cities are jobs and opportunities for studying.

The number of households in Finland at the end of 2008 was approximately 2.4 million, of which 40 per cent consisted of one person. In Helsinki, 80 per cent of households are comprised of one or two people. Finland has one of Europe's fastest ageing populations.

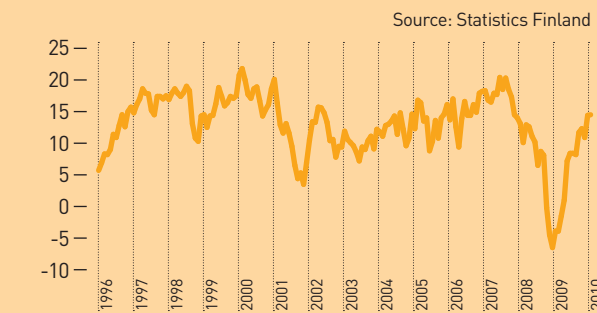
## Construction

In 2009, the volume of housing construction was down on the previous year by 10 per cent and during the year there were some 20,000 housing starts. According to forecasts, the number of building starts will grow in 2010 to roughly 24,000 homes, of which roughly 14,000 are expected to be terraced and apartment buildings. According to an estimate by VTT, the Technical Research Centre of Finland, the annual need for new homes is roughly 10,000.

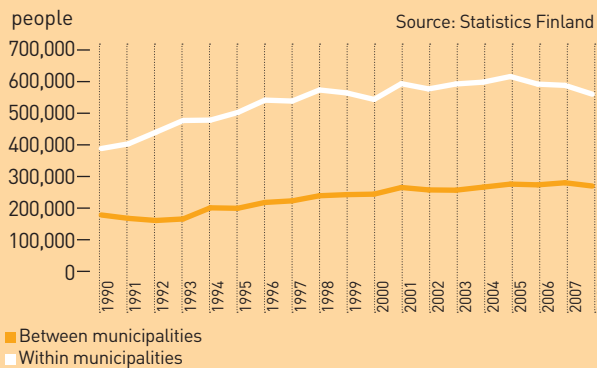
Population age structure 2008 and forecast for 2050



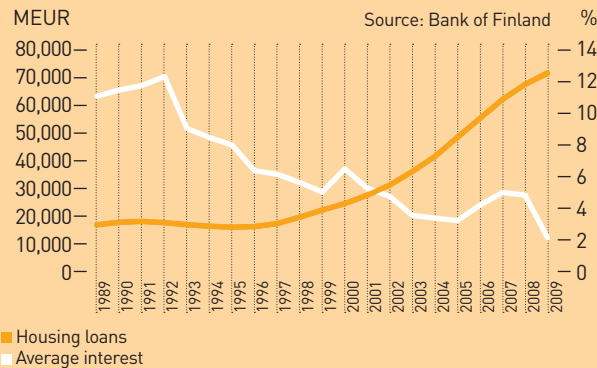
Consumer confidence indicator 1996–2010



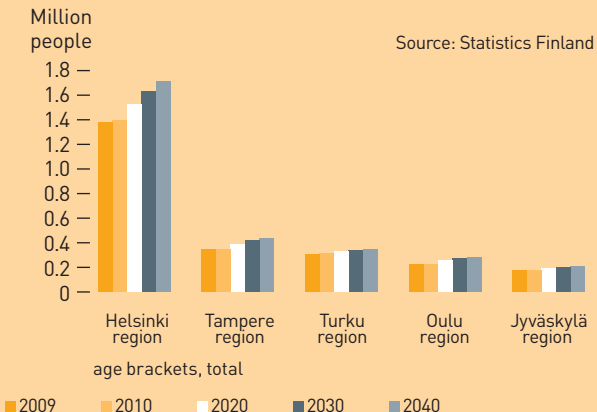
Movement between and within municipalities 1990–2008



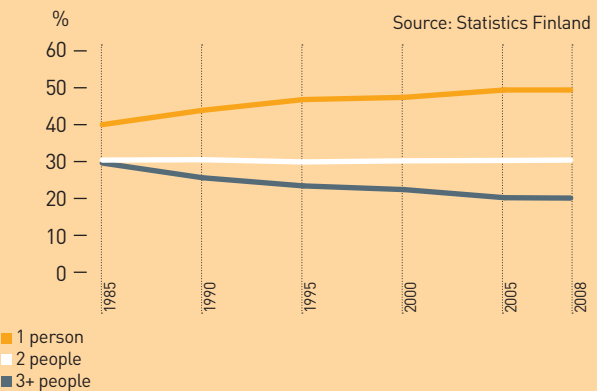
Housing loans and average interest rate 1989–2009



Forecast population by region 2009–2040



Households by number of members in Helsinki 1985–2008



The rented housing market

The general economic trend boosted demand for small rented homes during the year under review. There was a move away from large rented homes, partly towards smaller rented housing and partly towards owner-occupied housing, fuelled by low interest rates. Construction of rented homes with interest-subsidised financing increased and the supply of rented housing is therefore expected to grow slightly. During the year under review, rent increases were higher than previously.

On the basis of a survey carried out by SATO in January 2010, people appreciate rented housing's flexibility, the ease with which homes can be swapped, and the predictability of housing costs. Other good things about rented housing are the property services associated with it and the limited liability for repairs and renovations.

The owner-occupied housing market

Demand for owner-occupied housing came to almost a complete halt in the second half of 2008 and 2009

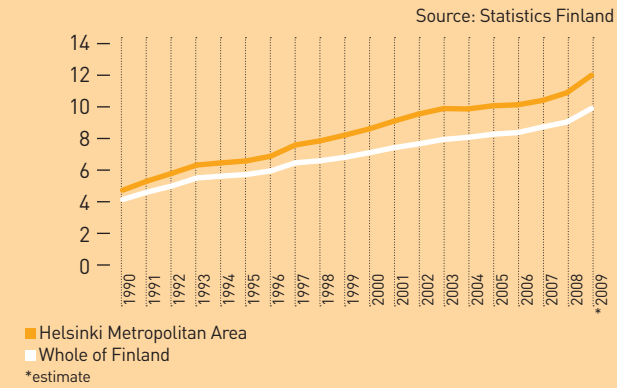
The overall economic trend boosted demand for small rented apartments in the year under review.

began with a gloomy mood in the owner-occupied housing market. Trading picked up after the end of April, and towards the end of the year deals were made at almost the rate of the peak year, 2007. Only a few apartments for sale have come onto the market, which made itself felt later in the year in the form of a price rise.

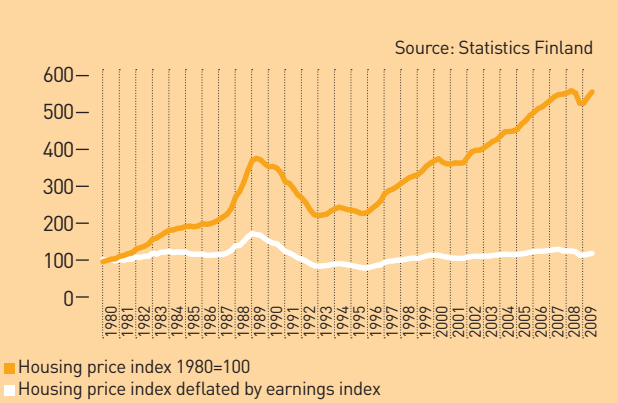
St. Petersburg

The effects of the financial crisis were also felt in Russia, where the economy shrank in 2009 by an estimated 8.9 per cent. Because of the economic conditions, SATO concentrated on renting the apartments purchased in St. Petersburg and on boosting the rental occupancy rate. Economic activity appeared to increase towards the end of the year, and the economy is forecast to grow in 2010. Apartment prices are estimated to have fallen in St. Petersburg due to the financial crisis by roughly fourteen per cent, but they are forecast to rise by 10 per cent in 2010.

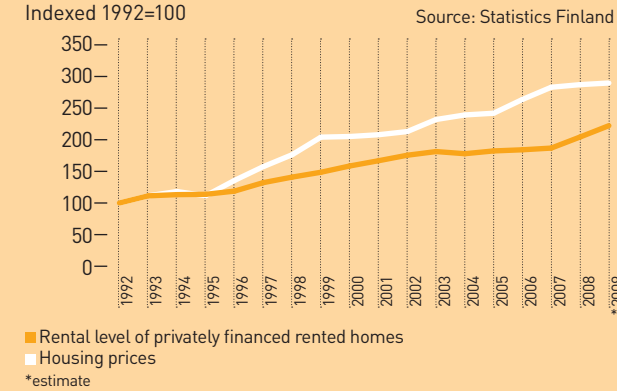
Average rents per square metre 1990–2009  
EUR/sq.m./month



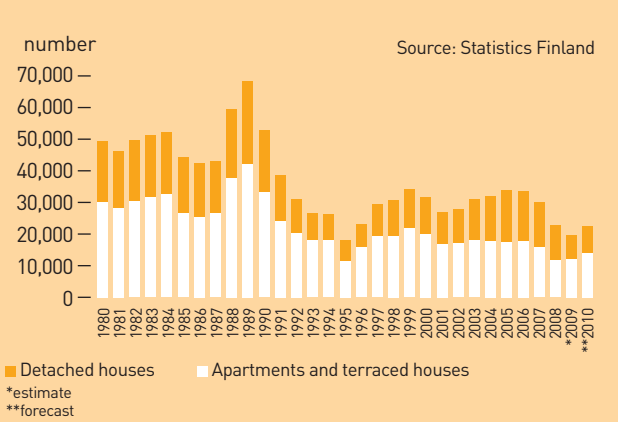
Housing prices 1980–2009



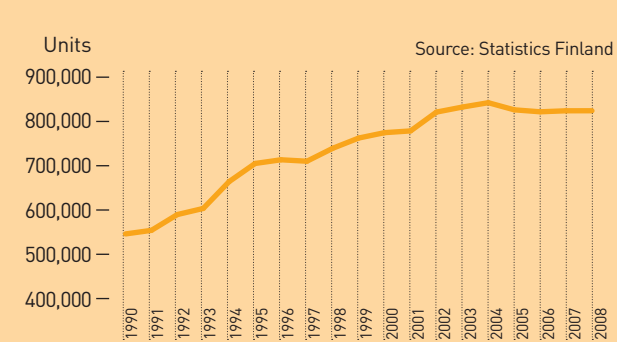
Housing prices and rental levels in the Helsinki Metropolitan Area 1992–2009



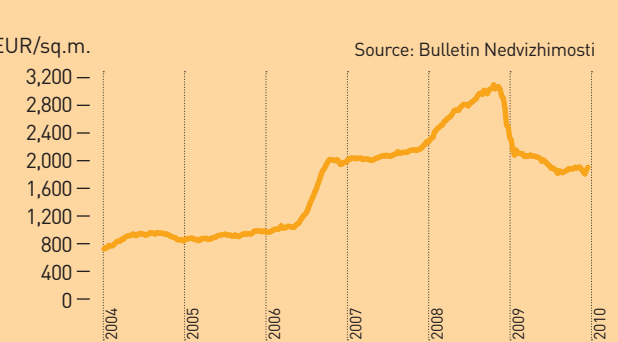
Housing construction starts 1980–2010



Finland's rented housing stock 1990–2008



Housing price trend, St. Petersburg 2004–2009





# Business segments

SATO's operations are managed and reported on in two business segments, SATO business and VATRO business.

## Segmentation

SATO's investment in housing business includes both privately financed and state-subsidised housing property, of which the latter is affected by restrictions set by housing legislation both at the company level and for individual properties.

SATO's housing investments are divided into two segments for purposes of financial reporting, SATO business and VATRO business. SATO business is comprised of privately financed housing as well as those housing units subject to state subsidies and interest-sub-

sidised credits to which property-specific restrictions end during the period 2010-2024. Of the investment properties, roughly 80 per cent by book value were free of the restrictions of state subsidies and interest-subsidised credits as at 31 December 2009. Operations in St. Petersburg are also part of the SATO business segment. The VATRO business segment includes those housing units which are subject to longer-term restrictions under legislation on state-subsidised loans. These restrictions will end by approximately 2047.

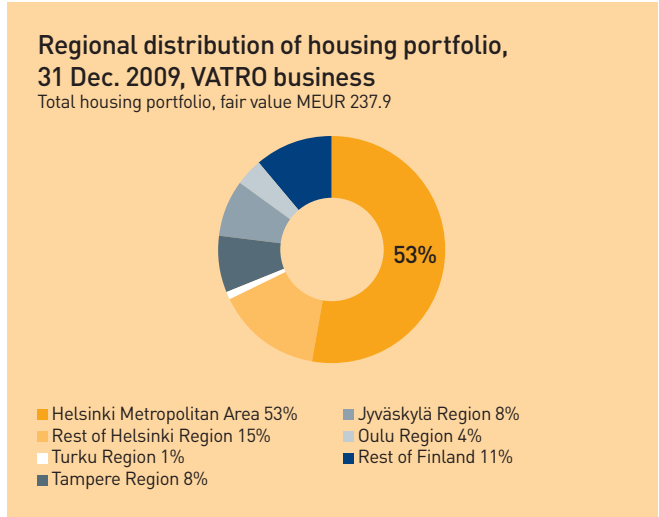
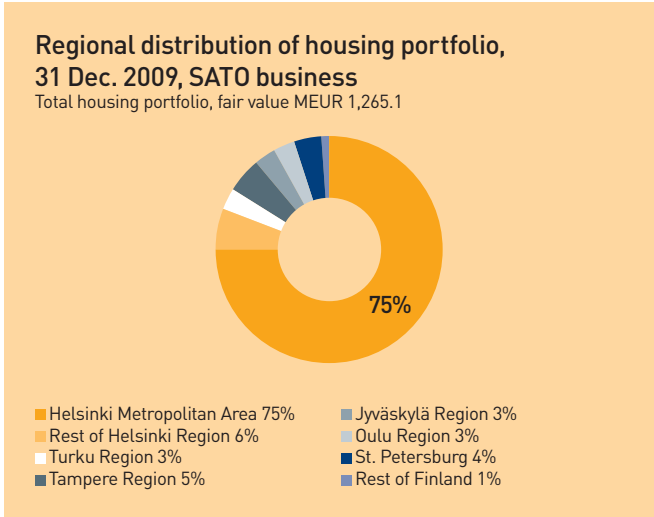
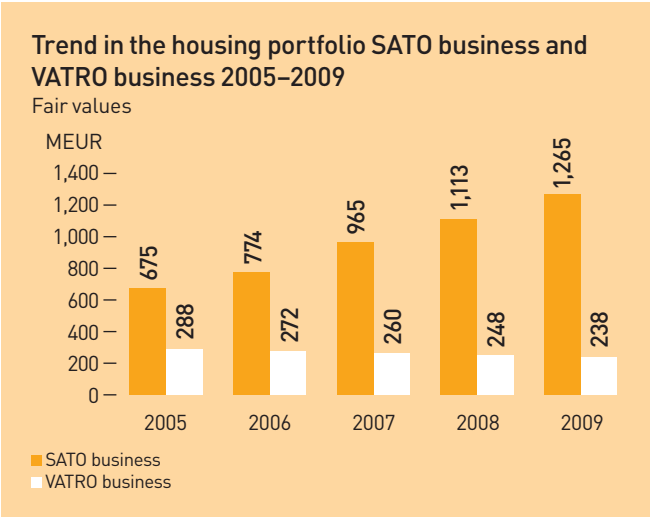
### SATO BUSINESS

- > SATO business is comprised of restriction-free housing and housing with shorter-term restrictions as well as owner-occupied housing construction
- > roughly 17,000 homes, mainly in the Helsinki Metropolitan Area, the economic zones of Tampere, Oulu, Jyväskylä and Turku, and St. Petersburg
- > fair value of the homes roughly 1.3 billion euros, 84 per cent of the value of the SATO Group's investment properties

### VATRO BUSINESS

- > VATRO business is comprised of state-subsidised housing subject to long-term restrictions, with the restrictions ending in the 2040s
- > roughly 5,000 homes, mainly in the Helsinki Metropolitan Area, the economic zones of Tampere, Oulu, Jyväskylä and Turku
- > fair value of the homes roughly 240 million euros, 16 per cent of the value of the SATO Group's investment properties

2009	SATO business	VATRO business
MEUR		
Turnover	192.6	37.8
Net rental income	72.3	21.0
Profit before taxes	25.9	4.3
Gross investments in investment properties	110.1	1.9
Book value of investment properties	1,005.5	237.9
Fair value of investment properties	1,265.1	237.9
Number of rented homes	16,397	5,027
Number of shared ownership homes	1,345	
Number of completed owner-occupied homes	219	



# Investment properties

In addition to the rental yield obtained from the investment properties, their appreciation in value plays a key role in SATO's business. To ensure the trend in values, SATO concentrates its holdings of housing in areas in which the demand for rental homes will grow in the long term. The assessment of the investment is influenced by the area's development prospects, the population profile and the estimated expenditure on maintenance and repair.

## Number and value of homes

At the end of the year under review, SATO had a total of 72 housing properties in Finland with a total of 22,709 22,400 homes. Of these, 21,424 21,008 were rented homes, and 1,444 1,922 were shared ownership apartments. In St. Petersburg, SATO had a total of 4 apartments at the end of the year with a combined book value of 24.4 million euros.

The book value of the investment properties totalled 1,244 1,100 million euros and the fair value was 1,000 1,001 million euros. The difference between fair and book value increased during the period under review by 1.8 million euros.

## Portfolios

In accordance with its investment strategy, SATO energetically develops its housing stock to meet changing customer needs through maintenance and repairs as well as by investment and divestment. SATO's investment properties are divided into portfolios on the basis of the expected yield and appreciation. Expectations are affected by factors such as the apartment's location, age, quality classification and any restrictions on use and handover. A yearly plan is made on the basis of the strategic targets for the action to be taken on the portfolio.

## Location

Roughly 80 per cent of SATO's housing is in the Helsinki region. The rest of the apartments are in the

economic zones of Tampere, Turku, Oulu and Jyväskylä as well as in St. Petersburg, Russia. The homes in the economic zones are located close to good transport links and services. Homes outside the targeted area are being divested.

The apartments in St. Petersburg are in good locations in the city centre, close to metro connections.

## Quality classes

SATO has a quality classification system for its rented apartments, the intention of which is on the one hand to communicate to the customer the right image of the rented apartment's price-quality ratio and on the other hand to guide repairs. The location, the materials used in the rented apartment and the condition of the home affect the number of stars awarded. Most of the homes are three- and four-star SATO QualityHome apartments in good condition. The customer is given a quality guarantee that the home's condition and quality are in line with the classification.

## Maintenance

The building management, maintenance and cleaning as well as most of the repairs for individual apartments for the properties are handled by partners. The allocation of building repairs is based on lifecycle plans and on repair needs analyses. Repairs to apartments are focused on maintaining and enhancing the standard in line with the quality rating. The condition of all of SATO's rented

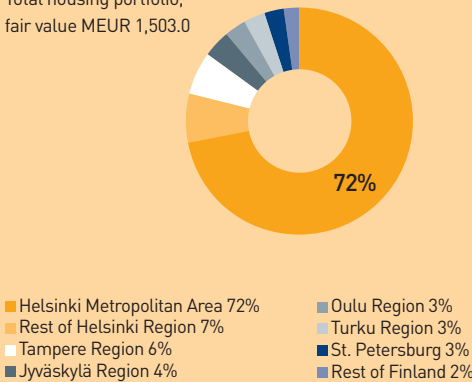
Some 80 per cent of SATO's homes are in the Helsinki region.

- THE FAIR VALUES OF THE INVESTMENT PROPERTIES ARE BASED ON THE FOLLOWING:**
- the market value in properties where the homes are freely on sale
  - the comparison information for traded prices is for the 24 months prior to the assessment date
  - the yield value for properties which are for sale only by complete buildings and to a restricted number of buyers
  - for state-subsidised properties, at the remaining historical cost shown in the accounting.

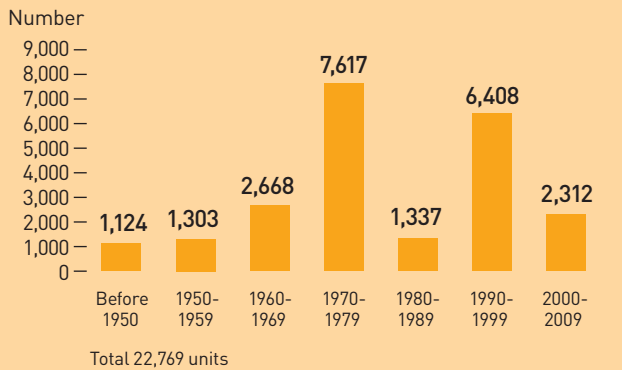
homes is checked at fixed intervals or when the resident changes. Small faults requiring improvements are repaired at the time of the inspection and a survey is made of larger repair requirements. In the course of 2009, fixed-term renovations were carried out on 1100 homes.

Regional distribution of housing portfolio, 31 Dec. 2009

Total housing portfolio, fair value MEUR 1,503.0

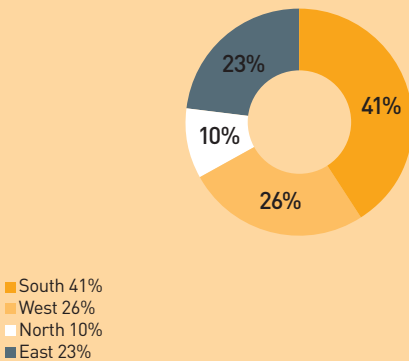


Housing stock by year of completion 31 Dec. 2009

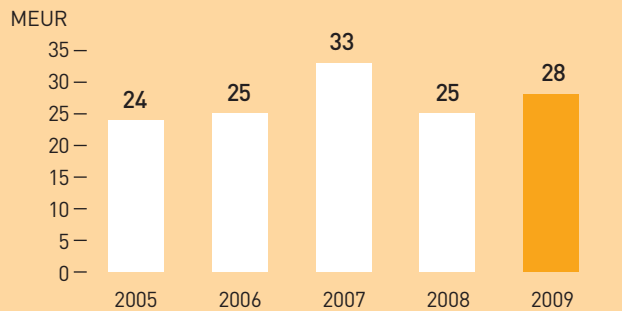


Distribution of housing by area, Helsinki 31 Dec. 2009

Fair value MEUR 641



Repairs to properties 2005-2009





# Rental business

Rental business secures a steady trend in cash flow. Most of the renting of homes is done in-house at the offices of the SATO Housing Service. The number of leases signed per year is roughly 7,000.

The number of leases signed per year is roughly 7,000.”

**Interaction with the customer is a resource**  
A constant dialogue with people looking for homes and tenants already living in SATO apartments shapes a view of the trend in housing needs and the competitive scenario. Feedback from customers helps to keep the housing offering up to date and in line with changes in demand.

**Rents**  
Valid leases include the rent review criteria and rents are reviewed yearly. The rents for vacated apartments are determined according to market conditions. The relevant regulations are applied to the setting of rents in properties subject to state-subsidised loans.

The group’s average monthly rent per square metre in 2009 was EUR 11.77, EUR 10.87 for rental housing. The average increase in rent for valid leases was 1.44 per cent. The change in rents per square metre of rental homes averaged 4.99 per cent on the previous year.

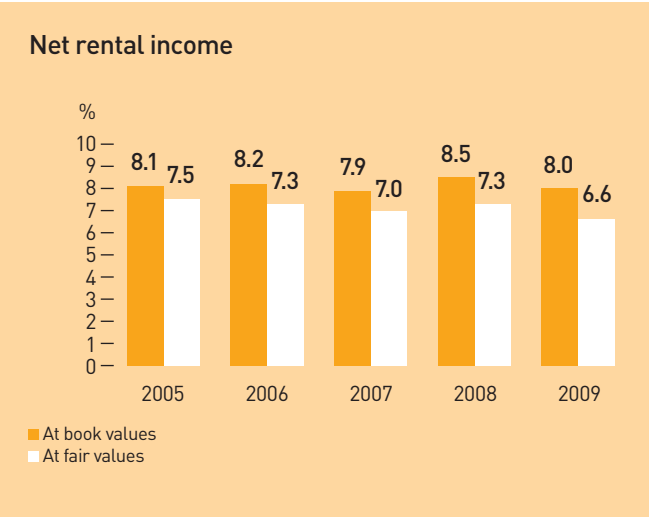
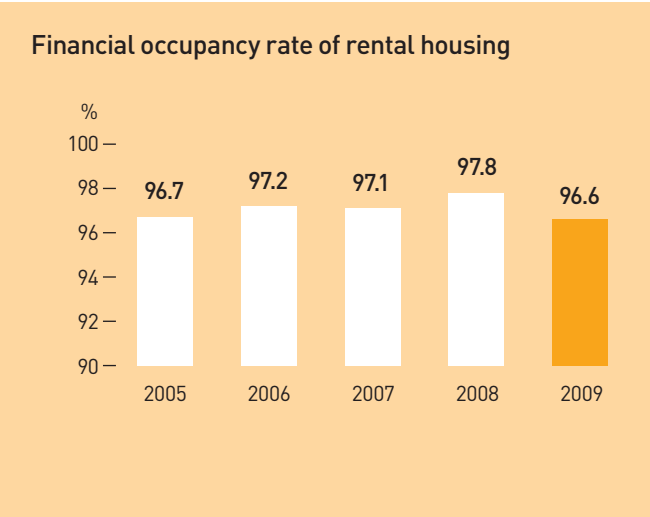
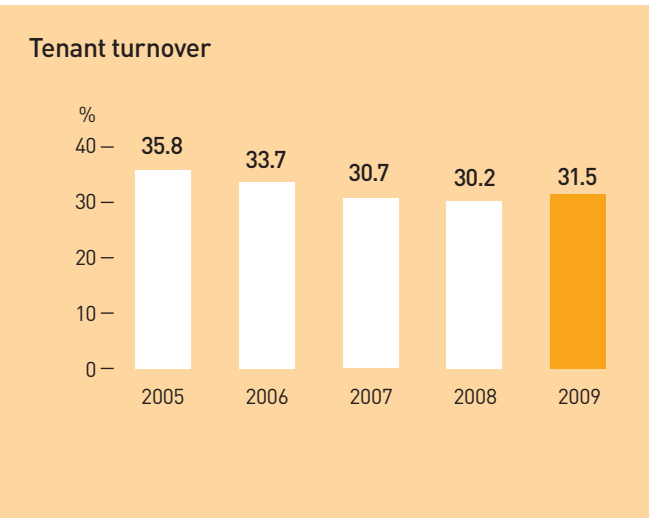
The net rental income of the housing stock was 9.11 million euros. The net rental income percentage of rental housing was 8.08 per cent on the book value and 8.74 on the fair value.

**Rental occupancy rate and tenant turnover**  
During the year under review roughly 7,000 new leases were signed for SATO homes, including 280 SATO home-swaps.

The rental occupancy rate of our apartments fell temporarily in the early part of the year due to newly completed properties. However, the rental occupancy rate went up from the summer onwards. Calculated for the year as a whole, the average financial rental occupancy rate for rented housing was 97.8 per cent. In addition to new apartments, a drag was exerted on the financial occupancy rate by a downturn in demand for large apartments due to the overall economic situation.

The tenant turnover for rental homes in 2009 was 31.5 per cent.

**Renting business in St. Petersburg**  
Renting business in St. Petersburg got under way in autumn 2008 after the first apartments were completed. At the end of the year under review, there were 44 rentable apartments and the rental occupancy rate was 90.0 per cent. The average monthly rent per square metre for SATO’s apartments in St. Petersburg was EUR 22.90.



# Investments and divestments

For several years, SATO has carried out its growth strategy which is attuned to its investment in housing business. During the past decade, SATO has invested more than a billion euros in rented housing. At the same time, holdings have been run down in areas in which SATO does not see prospects for growth in the long term.

## Regional focusing

The leasability of homes and a positive trend in the value of holdings of housing are assured by focusing in Finland on the five largest centres of growth. Together these form about 10 municipalities. The aim is to complete divestment of the apartments in other municipalities over the next two years. SATO also sells its rented homes in the growth centres if they do not meet long-term demand in terms of the apartment's location, size or condition.

Investments are allocated primarily towards rented homes in the Helsinki economic zone. SATO also seeks growth in the St. Petersburg area in Russia, where investments are attuned to residential areas along good transport links. Due to economic uncertainty, SATO did not make new investment commitments in St. Petersburg during the year under review, but instead concentrated on increasing the rental occupancy rate.

As a result of the regional emphases, the fair value of the housing stock has risen from roughly 92 million euros in mid-decade to some 1 billion euros although the number of homes has stayed practically unaltered. Its high profile, its market position and its financial standing leave SATO well poised for continuing growth.

## Acquisitions in 2009

During the year under review, the group's gross investments in investment properties totalled 112.0 million euros. Investments were used to acquire a total

of 982 rented homes, of which 892 were in properties acquired in the form of whole rental buildings and 91 were individual apartments. The investments focused on SATO business.

The main investments were 19 apartments acquired from Pension Fennia and 70 apartments obtained from the Central Fund of the Finnish Church, located in Espoo and Vantaa. Binding purchase contracts for new investments were also made to the tune of 7 million euros in all.

At the end of the year under review, there were 412 rented homes under construction in Finland for ownership by the group, of which 229 are being built with interest-subsidised financing under the interim model in the Helsinki Metropolitan Area and Oulu.

The total value of the investments made in St. Petersburg by the end of 2009 is 47.9 million euros. There were also binding purchase contracts with a value of 2.9 million euros. The properties have a total of 72 apartments. All the apartments purchased are in highly esteemed districts in the city centre close to metro stations.

## Divestments in 2009

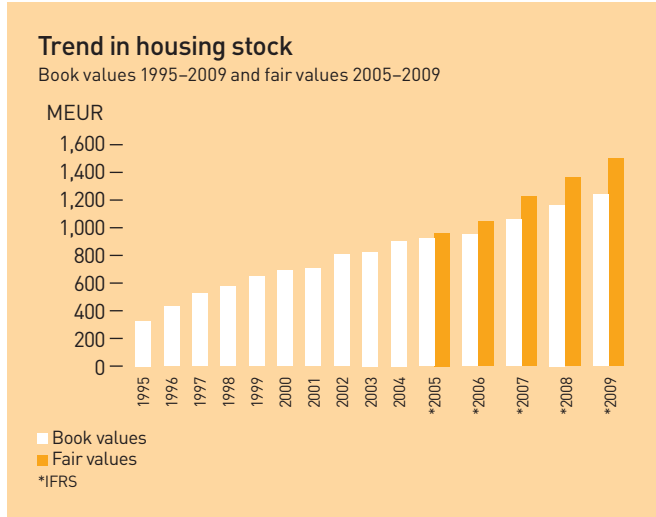
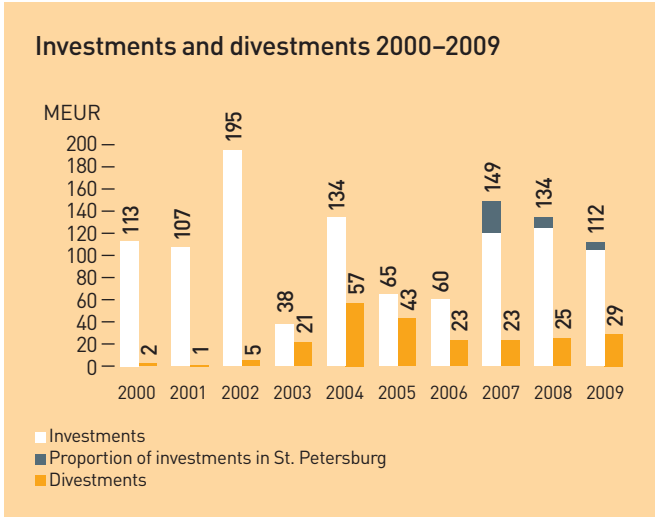
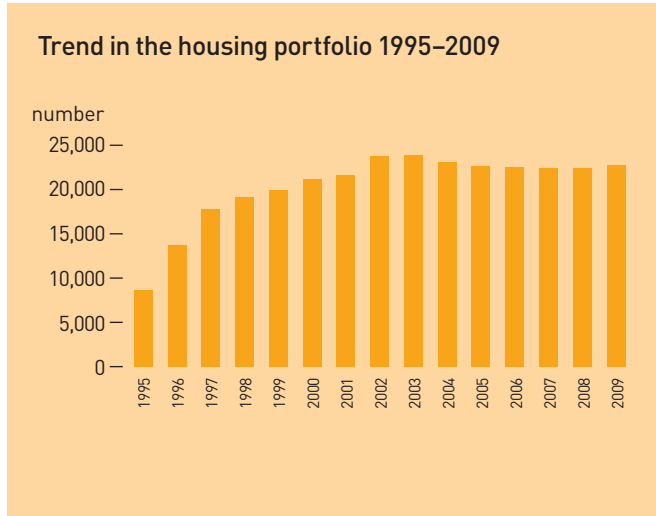
A total of 148 rental homes were sold from the group's housing portfolio and the total value of the divestments was 28.0 million euros. The most significant transactions took place in June when SATO sold a total of 17 apartments in Punkaharju, Iisalmi,

The fair value of the housing stock has risen from roughly 92 million euros in mid-decade to some 1 billion euros.

Ouvola and Nastola. Also sold during the year under review were 224 SATO-owned rented homes in Uusikaupunki. At the end of the year, SATO had investment properties in 10 municipalities.

Sales of plots of land and other divestments totalled 9.0 million euros.

The capital gains generated amounted to 17.2 million euros.





# Property Development

Property development creates a basis for SATO’s investment in new rented homes and for commissioning the construction of owner-occupied homes for sale. Plot acquisitions will be targeted on Finland’s five largest urban growth centres.

The building land inventory will permit the construction of more than 4,000 homes. ”

## Building land inventory

At the end of 2009, SATO held land with zoning permission for construction of housing amounting to roughly 210,000 square metres of floor area with a book value of 78.9 million euros. In addition to this, the permitted building volume based on plot reservations and letters of intent totalled roughly 107,000 square metres of floor area and projects under zoning development were estimated at roughly 9,000 square metres of floor area. Together, these will permit the construction of more than 4,000 homes if the letters of intent and zoning targets are implemented.

## Plot acquisitions in 2009

During the year under review, a total of roughly 7.2 million euros was invested in plots of land. This will enable the construction of more than 200 homes.

The city of Helsinki allocated SATO a combined total of 11,900 square metres of floor area in permitted building volume in the Alasatama district and Pakila. As a result of zoning development work in the Kupittaa district of Turku, 17,800 square metres of floor area in permitted building volume was confirmed for SATO in a former industrial estate.

## Use of building land inventory in 2009

Roughly 8,000 square metres of floor area of the group’s land inventory was transferred to production. The value of the owned plots sold or transferred to construction totalled roughly 2.2 million euros.

## Housing output

During the year under review, 827 homes commissioned by SATO were completed, of which 708 were rented homes built for group ownership, 219 were owner-occupied homes and 120 were homes in client commissioning projects.

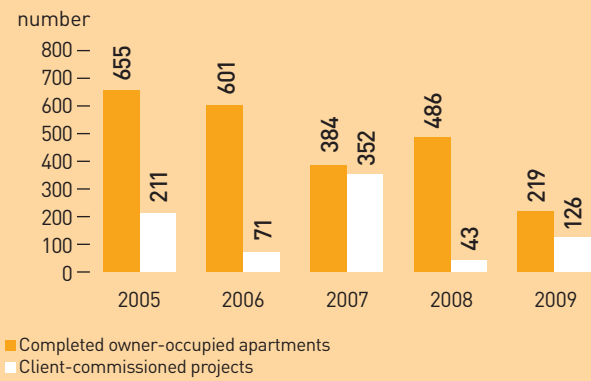
At the end of the year, a total of 17,400 housing units were under construction, of which 10,700 were group investment apartments, and 21,100 were owner-occupied homes for sale.

Owing to the state of the market, only one owner-occupied housing project was started during the year under review, in Oulu.

## Sales of owner-occupied housing

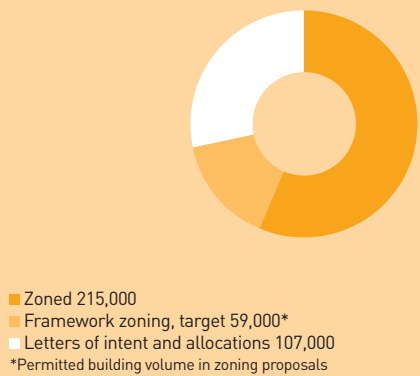
In 2009, a total of 18,200 owner-occupied homes valued at 40.7 million euros were sold. Sold at the end of the year under review were 18 completed owner-occupied homes and 11,470 homes under construction, to a combined value of 4.4 million euros.

Trend in housing construction 2005–2009



Reserve of plots for construction (sq.m. floor area)

Total 381,000, approx. 4,500 homes



# Customer relationships

Some 8,000 people live in SATO’s rented homes, and their comfort is the responsibility of SATO along with the partners looking after the properties. Caring for customer relationships is our core function, and we devote efforts to constant improvement of the quality of our apartments, the service experienced by the customer, and the community of residents.

## Satisfied customers

Satisfied customers promote SATO’s success. During the year under review, satisfaction with SATO as landlord was at the extremely good level of 9 on a scale of 1–10. We seek constantly to improve the customer’s service experience. For this purpose we regularly collect feedback from tenants and purchasers of owner-occupied housing so that we can target our efforts of improvement on functions that generate value for the customers. During the year under review, effort was channelled in particular on services related to property maintenance and housing management, and the feedback on improvements in these was positive. We are especially proud that 90 per cent of our customers could recommend SATO.

## Flexible service and advantages for the customer

We provide our customers with flexible advantages. For example, we are the only landlord to offer two alternative rent payment days. On our internet service, residents can find willing parties to swap homes and long-term customers have a possibility to use a home-swap benefit. For five-star homes, we also offer a furnishing service.

SATO has negotiated advantages with corporate partners for SATO customers purchasing their services.

Examples include advantages from specific interior design firms, broadband connection providers, cleaning service providers, and removals operators.

## Customer newsletter

SATO distributes its quarterly newsletter *Otona* to its tenants. During the year under review, the revamped newsletter spread information about matters related to housing, resident activities, SATO’s events, and customer benefits. The revamp of the newsletter won positive feedback both from the customers and from experts. In November the newsletter won an award for the year’s best journal for customers, stakeholders and NGOs in the journal Symposium of ProCom – the Finnish Association of Communications Professionals.

## The theme year of interaction

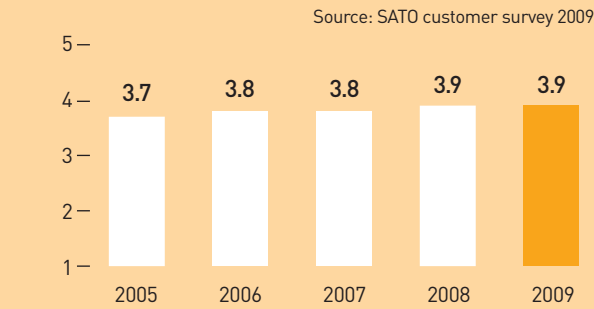
The theme for residents’ collaboration was interaction. During the year the *sato.fi* website was updated, with added facilities for making arrangements. Specific homepages were created for all SATO housing properties, collecting in one place the main information and contacts for the building. A new service was a facility for reserving keys and parking spaces, making fault reports or giving feedback on an electronic contact form. All the main partners connected with building maintenance have been linked to the service.

We are particularly proud that 90 per cent of our customers could recommend SATO.

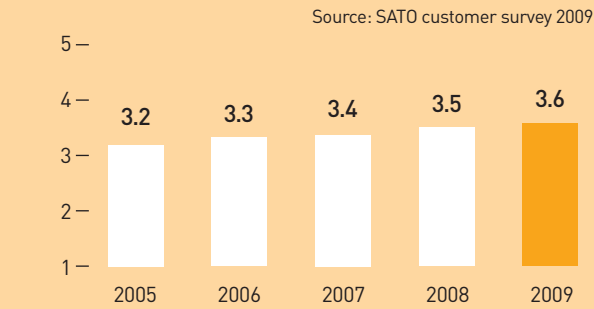
## Customer of the Year

In November the Customer of the Year was chosen Helin Jonaesson, who has lived in a SATO-owned home in the Soukka district of Espoo for 22 years. The award was given for services to amenity values and for promoting neighbourliness.

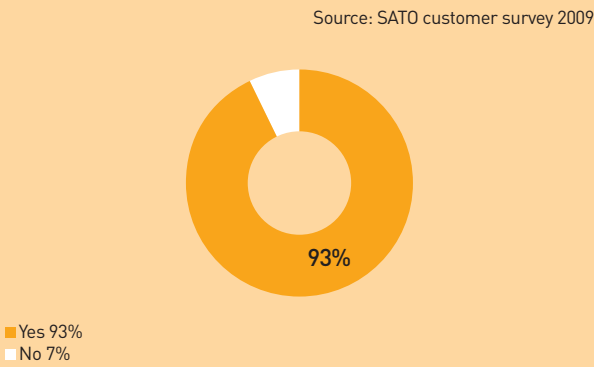
Satisfaction with SATO as landlord



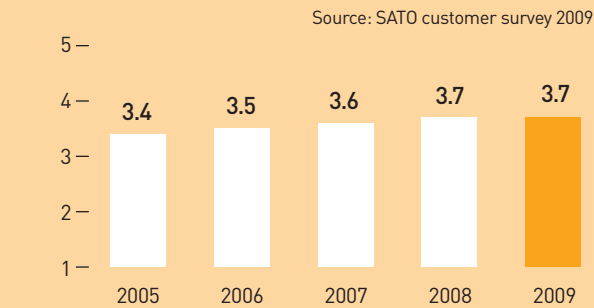
Satisfaction with services for property maintenance and management



Willingness to recommend SATO



Overall tenant satisfaction





# Personnel

SATO is a sought-after employer for professionals in the property sector as well as for employees skilled in financial management and customer service. SATO offers its employees a competitive salary, good working conditions and opportunities for professional advancement. We appreciate cooperative, initiative-taking and energetic operating methods, and employees are also rewarded for these – for example, by the presentation of an annual SATO Employee of the Year certificate and mentions of honour.

## HR work

HR work focused during the year under review on developing expertise, management and wellbeing on the job. To detect the main areas for improvement, an annual personnel questionnaire is produced. During the year under review, SATO's questionnaire and the way the results are analysed were updated. At the same time an instrument for monitoring working wellbeing and trends in it was adopted, the SATO personnel poll.

## Enhancing skills

The employees' opportunities for training are supported at SATO both on the personal level and in the form of group training sessions. Group training was arranged during the year under review to improve expertise in subjects including customer service, language and computer skills. Also, SATO employees attended the annual SATO symposium to work on topical issues.

The organisation's skills and operational capability were boosted with participation by a large number of the personnel in describing SATO's core processes. The work is being continued in 2010.

To expand expertise, efforts are made to increase in-house opportunities for job rotation.

## Support for supervisor work

Skilled supervisor work ensures the fulfilment of SATO's goals. To support supervisor work, more regular

meetings by senior management and the profit centres' management were held for planning operations, and the entire personnel's job descriptions were updated.

## Promoting health

On the basis of the results of a biennial poll to determine health, special group exercise was started for those suffering from neck and shoulder symptoms. During the year under review, a number of worksite investigation visits and personal ergonomic checks were made together with occupational health staff.

During 2009 the personnel's exercise and rehabilitation activities were supported with the provision of varied fitness and cultural hobby opportunities and by increasing the number of exercise vouchers. The exercise and fitness club continued to be active and inspiring.

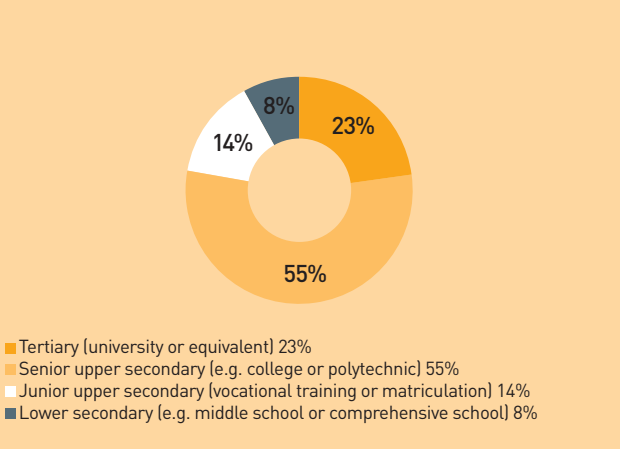
The average age of the personnel was 40 years. During the year under review, absences due to sickness were 4.8 days per employee.

## Support for young people entering the job market

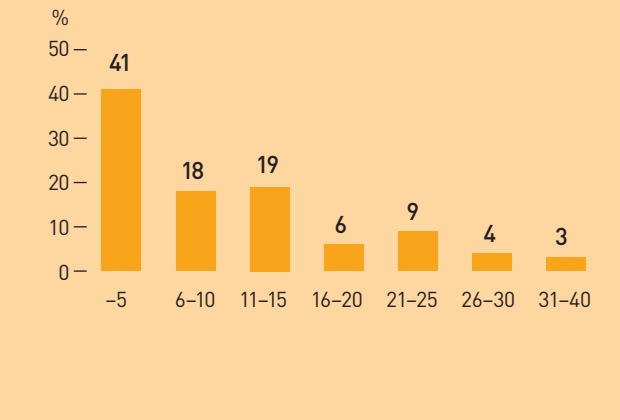
SATO launched cooperation aimed at bringing together students and representatives of the job market and facilitating a mutual discussion about working life and students' expectations of employers. SATO arranged a morning of partnership for a group of students and companies' representatives in November 2009.

The employees' opportunities for training are supported at SATO both on the personal level and in the form of group training sessions.

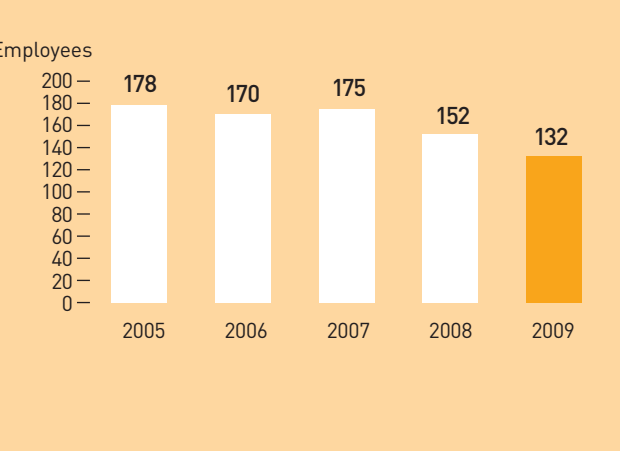
Personnel educational level 31 Dec. 2009



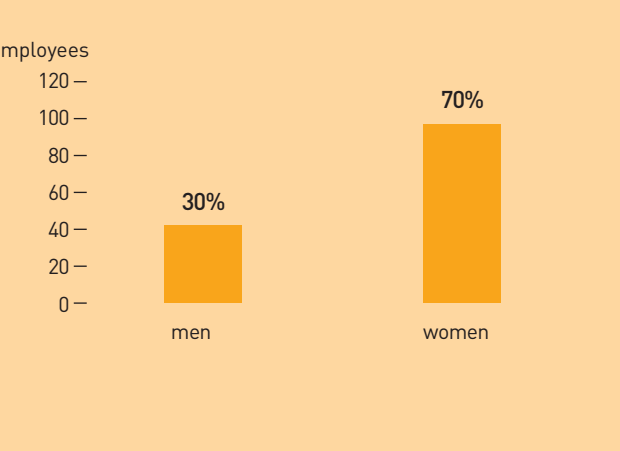
Number of years of service by personnel 31 Dec. 2009



Personnel at year-end 2005–2009



Personnel by gender 31 Dec. 2009



# Development work

The factors of future success are providing the right kind of homes, the customer’s service experience, and efficient operations. In these fields SATO seeks to boost its competitive edge, which will require the constant improvement of the company’s and its partners’ operations and of the entire sector.

## Improvement of customer service and processes

SATO aims to stand out through the services provided in the various stages of customer relationships. The success of the customer experience is influenced by the actions of the entire service network and by the flow of information between the different parties. During the year under review, SATO continued the improvement of processes with the personnel and the main partners.

The data systems underpinning operations have also been updated. During the year under review, for example, a new customer data system was introduced, facilitating faster renting operations and service improvements. In June, SATO’s updated internet service was launched, increasing customers’ options for online functions.

## Developing the sector

During the year under review, SATO has taken part in progress in the sector, for example, by taking part in the work of industry organisations, by supporting research, and with graduation theses.

SATO is a member of the Finnish Association of Building Owners and Construction Clients RAUOLI, where its representatives sit on the Board, the Housing Sector Management Group and three committees. SATO is also represented on the consultative committee of the Finnish Real Estate and Construction Forum.

SATO is a member of the Helsinki Region Chamber of Commerce, where it is represented on the delegates’ committee and governing board, the housing and regional committee, and it is also represented on the trade and industry consultative committee for the City of Helsinki. Furthermore, SATO is a member of the Association of Support Service Industries, the Finnish-Russian Board of Trade, and several housing and senior citizen support organisations. The most prominent of these are the Finnish Housing Association, the Finnish Housing Reform Association, SFHP Suomi-Finland Housing and Planning, and the Senior Citizens’ Sheltered Housing Association.

## Research projects

In 2009, greater prominence than previously was given to advising graduation theses. The dissertations broadly covered ways of increasing customer satisfaction. Among the projects of industry organisations, SATO took part in procurement development work and in research aimed at sustainable construction processes, among others.

## Incentives

By presenting an award, SATO aims to encourage young designers to promote solutions for good housing. During the year under review, SATO presented an award for the graduation piece of a Master of Arts who graduated from the University of Art and Design for the

In 2010, the main foci chosen for development work are once again customer relationship management, senior housing, and enhanced energy-efficiency. ”

dissertation ‘Garden Jigsaw Puzzle – Participatory Design in a Common Space’. The piece’s philosophy, which links residents in an apartment building and block grounds, touches on SATO’s aspirations to enhance customer satisfaction by deploying strongly in building grounds’ amenity value and by increasing collaboration among residents.

The chosen Partner of the Year 2009 was Energia-kolmio Oy for its merits in development cooperation with SATO to promote energy-efficient housing.

## Subjects for development in 2010

In 2010, the main foci chosen for development work are once again customer relationship management, senior housing, and enhanced energy-efficiency.

## SATO – A PIONEER OF HOUSING





# Board of Directors

**Juha Laaksonen**  
born 1952, B.Sc. (Econ.)  
CFO, Fortum Corporation  
Board member since 2007  
Chairman of the Board since 2007  
independent of the company and its main shareholders

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

**Main simultaneous positions of trust:**  
Kemira Oyj: member of the Board of Directors, Teollisuuden Voima Oy: member of the Board of Directors, Kemijoki Oy: member of the Supervisory Board, Several Fortum Group companies' Board chairman or member, Fortum Art Foundation: chairman of the Board

**Esko Torsti**  
born 1964, Licentiate in Social Sciences, Economics  
Director, Ilmarinen Mutual Pension Insurance Company  
Board member since 2006  
independent of the company, not independent of the main shareholders

**Primary working experience:**  
Ilmarinen Mutual Pension Insurance Company: Director since 2006, Pohjola Group plc: Director, Investments 2005–2006, Pohjola Asset Management Ltd: President and CEO 2003–2005, Pohjola Group plc: Director, Investments 2001–2003, Ilmarinen Mutual Pension Insurance Company: Director, Interest Investments 1998–2001, Skandinaviska Enskilda Banken, Finland: Chief Economist 1996–1998, Stockbroker company Protos: economist 1994–1996, Research Institute of the Finnish Economy: 1985–1994

**Main simultaneous positions of trust:**  
Tornator Oy: member of the Board of Directors, Central Chamber of Commerce: member of the Property Appraisal Board

**Jorma Kuokkanen**  
born 1953, LL.M., M.Sc. (Econ.)  
Director, Investments, Varma Mutual Pension Insurance Company  
Board member since 2005  
independent of the company, not independent of the main shareholders

**Primary working experience:**  
Varma Mutual Pension Insurance Company: head of Client Financing and Real Estate Investments since 1998, Since 1981 in various investment-related posts for Sampo, Pension Sampo and Varma Mutual Pension Insurance Company

**Main simultaneous positions of trust:**  
NV Kiinteistösijoitus Oy: member of the Board of Directors

**Raimo Lind**  
born 1953, M.Sc. (Econ.)  
Executive Vice President, CFO and Deputy to the President, Wärtsilä Group  
Board member since 2001  
Deputy Chairman of the Board since September 2007  
independent of the company and its main shareholders

**Primary working experience:**  
Wärtsilä Corporation: Vice President, CFO since 1998, Executive Vice President, CFO and Deputy to the President since 2005, Tamrock Oy: CFO, Tamrock Service Business, Vice President, Tamrock Coal Business, Vice President 1992–1998, Scantrailer Ajoneuvoteollisuus Oy: President and CEO 1990–1991, Wärtsilä Group: positions within control & finance and line functions 1976–1989

**Main simultaneous positions of trust:**  
Member of the Board of Directors of several Wärtsilä Group companies, member of the Board of Directors of Elisa Corporation since 2009–

**Timo Hukka**  
born 1952, economist  
Chief Investment Officer, Investment Operations, Suomi Mutual Life Assurance Company  
Board member since 2008  
independent of the company, not independent of the main shareholders

**Primary working experience:**  
Suomi Mutual Life Assurance Company: deputy for President and CEO since 2008, Chief Investment Officer, Investment Operations since 2003, has served in the insurance industry since 1979 in various specialist, managerial and executive posts for corporate finance and investment

**Main simultaneous positions of trust:**  
OP Life Assurance Company Ltd: member of the Board of Directors, Finsilva Oy: member of the Board of Directors, Aberdeen Property Investors Finland Oy: member of the Board of Directors, Retro Life Assurance Company Ltd., member of the Investment Committee

**Asko Salminen**  
born 1947, M.Sc. (Constr. Eng.), KJs, Construction Counsellor  
Managing Director, Asko Salminen Consulting Oy  
Board member since 2007  
SATO shareholding: 20,000 shares  
independent of the company, not independent of the main shareholders

**Primary working experience:**  
Asko Salminen Consulting Oy: Managing Director since September 2008, Kiinteistö-Tapiola Oy: Managing Director 2007– August 2008, Tapiola Insurance Group: Director of Property Unit 1989–2006, Deputy Director to Senior Management of Investment 1988–1989, Purchasing Manager of Development Department 1984–1988, Pohjola Group plc: head of construction 1981–1983, project manager 1975–1981, Haka Construction Cooperative: project engineer 1973–1975

**Main simultaneous positions of trust:**  
A-Insinöörit Oy: member of the Board of Directors



Juha Laaksonen



Raimo Lind



Esko Torsti



Timo Hukka



Jorma Kuokkanen



Asko Salminen



# Corporate Management Group

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

**Primary working experience:**  
Polar Corporation/Polar Real Estate Corporation: President and CEO 1999–2003, Vice President, Real Estate Division 1993–1998, Ferenda Oy: Managing Director 1991–1993, Kiinteistösolar Oy: Managing Director 1988–1991

**Main simultaneous positions of trust:**  
Member of the Board for several SATO Group companies, KTI Kiinteistötieto Oy: chairman of the Board of Directors, Suomen Talokeskus Oy: member of the Board of Directors, HYY Group: member of the Board of Directors, The Finnish Housing Fair: member of the Supervisory Board, Helsinki Region Chamber of Commerce: deputy chairman of the Board, RAKLI – the Finnish Association of Building Owners and Construction Clients: deputy chairman of the Board, Finnish Housing Reform Association: deputy chairman of the Board, SFHP Suomi-Finland Housing and Planning: member of the Board of Directors, Habinvest Oy: chairman of the Board of Directors

**Shareholding in SATO:**  
direct holding 165,500 shares, indirect holding via Habinvest Oy 180,000 shares

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

**Primary working experience:**  
TeliaSonera: Director, corporate services finance and business development 2007–2008, Chief Financial Officer, TeliaSonera Finland 2005–2006, Director, Head of Business Control and Finance, Telia-Sonera Finland 2003–2005, Sonera Corporation: Head of Business Control and Finance, mobile division 2002, Quam GmbH: Director, 2001, Sonera Corporation: Director, mobile division finance 1998–2000, Business Controller, mobile services 1997, Helsingin Energia: Manager, finance department 1993–1996

**Main simultaneous positions of trust:**  
Member of the Board for several SATO Group companies

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

**Primary working experience:**  
Polar Group: Administrative Director of Real Estate Division 1992–1994, SATO Group: Director, Housing Development and Construction 1989–1992, SOK Corporation: Real Estate Legal Counsel 1987–1989, SATO Group: Construction Client Agent 1981–1986

**Main simultaneous positions of trust:**  
Member of the Board for several SATO Group companies, Sponda Plc: member of the Board of Directors, Helsingin Osuuskauppa Elanto: deputy chairman of the Board, Member of the Governing Board for Diaconia Services and Development Services of the Helsinki Deaconess Institute, Finnish Housing Association: member of the Board of Directors, RAKLI – the Finnish Association of Building Owners and Construction Clients: Member of Management Group of the Housing division, Habinvest Oy: member of the Board of Directors

**Shareholding in SATO:**  
direct holding 58,500 shares, indirect holding via Habinvest Oy 90,000 shares

**Monica Aro**  
born 1954, B.Sc. (Econ.), LL.M., MBA  
Director, Marketing and Communications  
has worked for SATO since 1990

**Primary working experience:**  
SATO Group: Director, Marketing 2002–2003, Director in Property Investment 1998–2002, Project Manager in Housing Development and Construction 1998, Construction Client Agent 1990–1997

**Main simultaneous positions of trust:**  
Member of the Board for several SATO Group companies, Habinvest Oy: member of the Board of Directors

**Shareholding in SATO:**  
direct holding 7,000 shares, indirect holding via Habinvest Oy 35,000 shares

**Pasi Suutari**  
born 1969, M.Sc. (Constr. Eng.)  
Vice President, Housing Business/Regions  
has worked for SATO since 2010

**Primary working experience:**  
YIT-Rakennus Oy: Business Development Director 2008–1/2010, Business Segment Director 2004–2008, Regional Director 2001–2004, Project Engineer, Project Manager, Builder/Developer Manager 1995–2001, YIT Corporation: Site Engineer 1994–1995



Erkka Valkila



Tuula Entelä



Esa Neuvonen



Monica Aro



Pasi Suutari



# Annual report of the Board for the period 1 January–31 December 2009

## Turnover, net profit and financial status

The Group's turnover was 230.4 million euros (290.4 million euros in 2008), of which the turnover of SATO business was 192.6 (252.7) million euros and that of VATRO business was 37.8 (37.7) million euros. Rental income accounted for 168.6 (158.8) million euros of turnover.

The Group's operating profit was 70.8 (74.3) million euros. The Group's profit before taxes was 30.2 (31.5) million euros. The profit figure includes capital gains on divestments amounting to 17.2 (12.0) million euros. A loss generated by an owner-occupied property built in the Arabianranta district of Helsinki exerted a drag on profit. The profit was also negatively affected by changes in the market values of interest rate hedging of -1.9 (-4.5) million euros. Of profit before taxes, SATO business contributed 25.9 (29.3) million euros and VATRO business 4.3 (2.2) million euros.

As of the beginning of 2009, SATO changed the method by which sales of new houses were booked according to percentage of completion in line with the new IFRIC 15 interpretation. Homes sold during construction are income-recognised as at the date of completion and completed homes are booked as at the date of sale. The change in the conventions increases the net profit in the financial statements for 2008 by 3.0 million euros. After the change, the comparable profit before taxes for the financial year 2008 was 31.5 million euros.

The Group's return on equity was 10.7 (11.5) per cent and return on investment was 5.6 (6.3) per cent. Return on equity, excluding the non-profit VATRO business, was 8.7 (10.1) per cent.

The consolidated balance sheet total on 31 December 2009 was 1,418.0 (1,389.6) million euros. The book value of investment properties was 1,243.4 (1,163.5) million euros and the fair value was 1,503.0 (1,361.3) million euros. The Group's interest-bearing liabilities were 1,071.5 (1,057.1) million euros. The Group's equity ratio at year-end was 15.7 (14.8) per cent, and, when investment properties are calculated at fair value, 24.8 (22.3) per cent. The equity ratio, excluding non-profit VATRO

business, when investment properties are calculated at fair value, was 28.2 (26.3) per cent.

## Financing

The cash position of the Group and parent company was favourable throughout the financial year. The Group's financial assets at year-end were 33.4 (46.8) million euros.

Interest-bearing debts at year-end were 1,071.5 (1,057.1) million euros, of which market rate loans totalled 665.8 (660.3) million euros, interest-subsidised loans totalled 97.4 (100.2) million euros and state-subsidised loans totalled 212.1 (232.8) million euros. There were debts in the amount of 96.2 (63.8) million euros on shares held in housing companies and mutual property holding companies included in investment properties. In 2009, the sum of short-term loans was decreased by 30 million euros. This was achieved by sales of owner-occupied homes included in inventories and by converting some of the short-term credits into long-term loans.

Of the capital of market rate loans at year-end, 415.4 (372.3) million euros was hedged with interest-rate swaps and options, which is equal to 68 (60) per cent of the market rate interest position. The average maturity of the swaps was 37 (37) months. The computational effect of changes during the financial year in the market value of hedges on shareholders' equity was -1.5 (-9.3) million euros and the effect on the profit was -1.9 (-4.5) million euros.

## Group and division structure

SATO Corporation is the parent company of the SATO Group. At year-end, the parent company had a total of 6 (6) subsidiaries engaged in business.

The main thrust in SATO's business is on investment in housing. Through a change in the business model and a reorganisation, the company reduced its dependency on cyclic fluctuations in the construction of owner-occupied homes.

The reporting business segments are SATO business and VATRO business. SATO business is comprised of investment

properties which are restriction-free or have shorter-term restrictions as well as owner-occupied home construction. VATRO business is comprised of investment properties with longer-term restrictions.

## Investment Properties

On 31 December 2009, the Group held a total of 22,769 (22,400) housing units. The book value of the housing stock was 1,243.4 (1,163.5) million euros and the fair value was 1,503.0 (1,361.3) million euros. The positive difference between fair and book values was 259.6 (197.8) million euros and this grew during the period under review by 61.8 (33.5) million euros. The increase in value difference is due to the trend in housing rents and prices as well as the ending of state-subsidy restrictions on properties. In its accounting, SATO applies the acquisition cost model to investment properties. The change in the value difference of investment properties is not posted to the profit and loss account; it is given in the notes.

## Investments and divestments

The Group's gross investments totalled 112.2 (134.0) million euros.

During 2009, a total of 983 (628) homes were acquired, of which 75 (84) were newly built. The increase in the balance sheet due to investments in housing totalled 112.0 (133.3) million euros. Binding contracts for acquisitions were also valued at 6.6 (29.4) million euros as at 31 December 2009.

At year end, 341 (21) new rental housing units were under construction in Finland for ownership by the Group, of which 229 are being built with interest-subsidised financing under the interim model in the Helsinki Metropolitan Area and Oulu.

The sum used for renovating the housing stock and improving the quality of apartments was 27.9 (25.0) million euros.

By the end of the year under review, the value of investments made in St. Petersburg totalled 46.7 (39.0) million euros. Furthermore, binding contracts for acquisitions were 2.9 (8.4) million euros in value. During the year under review, no new investments were made in St. Petersburg, and business focused on expanding the occupancy rate.

During the financial year, the consolidation in the five urban centres of growth was continued and 614 (584) homes were divested for a combined value of 28.5 (25.0) million euros. The divested homes were mostly located in areas outside the focus zone.

## Rental business

Rental income increased and the occupancy rate held at a favourable level. The financial occupancy rate for rental homes averaged 96.6 (97.8) per cent and occupant turnover averaged 31.5 (30.2) per cent. The downturn in the occupancy rate was

influenced by the completion of new rental housing projects and the start-up of renting for these.

The average rent per square metre for rented homes during the period under review was 11.57 (10.87) euros/sq.m./month.

The net rental income of rented housing was 93.3 (93.1) million euros. The net rental income percentage of rented housing was 8.0 (8.5) and 6.6 (7.3) per cent on fair value.

## Property development

The book value of the corporation's building land inventory at the end of the period under review was 78.3 (69.6) million euros. During the period under review, new plots were acquired to a value of 7.2 (6.0) million euros. The book value of the building land inventory sold and transferred to housing construction during the year was 2.3 (2.2) million euros.

During the financial year, a total of 219 (486) owner-occupied homes were completed, with an acquisition value of 52.2 (134.6) million euros. Under construction on 31 December 2009 there were a total of 21 (216) owner-occupied homes. Due to the state of the market, only one owner-occupied home project was started in 2009.

During the period under review, a total of 183 (220) owner-occupied homes with a value of 40.7 (53.9) million euros were sold. At year-end, the completed owner-occupied homes unsold numbered 18 (63) and those under construction numbered 11 (147), with a total acquisition value of 6.4 (53.6) million euros.

## Environmental impacts

The key environmental impacts of SATO's activities arise from energy consumption of housing and the resultant emissions. SATO committed itself to the nationwide energy-saving agreement for residential properties (AESS) in 2004. Since 2004 the specific consumption of heating and electricity has been reduced by 9.6 per cent. During the year under review, SATO joined the amended AES agreement and updated its internal targets for energy consumption. In accordance with the new target, SATO will reduce the specific consumption of all types of energy in its residential buildings by no less than 15 per cent of the 2004 level by the year 2016.

## Risk management

SATO's risk management is based on guidelines for corporate governance as well as on the systematic risk assessment embodied in the strategic and annual planning process. An internal audit is carried out by an independent party and the auditing is targeted in accordance with the risk assessments of the strategic and annual planning process.

The main risks of selling and leasing homes concern economic cycles and changes in demand.

The change in the market prices of homes has an impact on

the value of SATO’s housing portfolio. A favourable trend in the value of holdings of housing and in the rentability of homes is secured by concentrating on the urban centres of growth. The quality of the Group’s housing portfolio in the long term is being developed by systematic repair operations. Changes in energy-efficiency and in environmental requirements may influence an increase in the cost of repairs for SATO’s investment properties.

The vacancy rate and occupant turnover of rented homes as well as forecasts for these are monitored on a weekly basis. In order to boost the rental occupancy rate and to reduce occupant turnover, effort is deployed in action on the apartments’ quality factors and on strengthening customer relationships.

Sales of owner-occupied housing are monitored on a weekly basis to detect changes in the market. SATO’s Board of Directors has set euro limits to the total amount of unsold homes and land inventory.

Business in St. Petersburg involves risks related to the business climate as well as a currency risk. As part of the risk management, investment prospects are selected among properties for which the demand for housing and the potential rise in value are greatest. Also, the proportion of investments in St. Petersburg has been restricted relative to the Group’s total housing investments.

To secure the continuity of activities handled by partners, operations have been shared out among a number of service providers.

Interest rate fluctuations affect SATO’s profit through changes in interest expenses and through changes in the market values of interest rate hedging. In accordance with the Group’s financial policy, 50–80 per cent of the interest position on market loans is hedged. The adequacy of financing is monitored on an ongoing basis through a liquidity forecast. The Group has set a target for equity ratio, the trend in which is monitored regularly.

The Group’s risks in respect of property, loss of profits and liability for damages are secured with appropriate insurance cover.

Pending lawsuits

Lawsuits and countersuits between the contracting parties are pending in connection with the implementation of and invoicing for the owner-occupied property built in the Arabianranta district of Helsinki.

Shares

The share capital of SATO Corporation as at 31 December 2009 was 4,442,192.00 euros and the number of shares was 45,372,689. The share has no par value. The company has a single series of shares. The shares are on a book-entry securities system maintained by Euroclear Finland Ltd.

In a targeted issue in January 2009, Pension Fennia Mutual

Insurance Company subscribed 950,769 SATO Corporation shares, which is the equivalent of 2.1 per cent of the issued stock after the issue.

There were no trades of SATO shares during the financial year (turnover of shares was 3.4 per cent in 2008).

The members of SATO Corporation’s Board of Directors, the President and CEO and his deputy held a total of 244,000 shares on 31 December 2009. The President and CEO and his deputy also, through their holding in Habinvest Oy, have an indirect holding of a total of 270,000 SATO Corporation shares.

Proposal for a share issue

In order to secure growth in accordance with the strategy, the Board of Directors decided at its meeting held on 5 February 2010 to propose to the annual general meeting of 4 March 2010 that a paid issue of shares in the amount of approximately 35 million euros be held for shareholders in spring 2010.

Personnel

At the end of 2009, the Group had 132 (152) employees. There were 125 employees on permanent contracts and 7 on fixed-term contracts. The number of Group personnel averaged 141 (160) during the year.

The decline in the number of personnel was due to changes in the operating model and the organisational structure.

Board of Directors, President and CEO, and auditors

Serving on SATO’s Board of Directors until the annual general meeting of 5 March 2009 were Juha Laaksonen (chairman), Raimo Lind (deputy chairman), and ordinary members Timo Hukka, Jorma Kuokkanen, Asko Salminen and Esko Torsti.

The annual general meeting of 5 March 2009 confirmed the number of members on the Board of Directors as six. All serving members were re-elected and Juha Laaksonen was re-elected as chairman of the Board.

The Board of Directors appointed Raimo Lind as their deputy chairman. In 2009, the Board of Directors convened on 13 occasions. The work of the Board is supported by two committees: the Appointment and Compensation Committee and the Audit Committee.

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

The company’s auditors were KPMG Oy Ab, a firm of Authorised Public Accountants, with Markku Sohlman, APA, as the auditor in charge.

The members of the Corporate Management Group

The Corporate Management Group was comprised of President and CEO Erkka Valkila; Vice President Tuula Entelä; Director, Marketing and Communications Monica Aro; Chief Financial

Officer Esa Neuvonen as of 7 January 2009; and Vice President Pekka Komulainen until 12 October 2009. Vice President Pasi Suutari, M.Sc.(Eng.) started as a member of the Corporate Management Group on 18 January 2010.

Outlook

The Finnish economy has gone into a cautious upswing and consumer confidence has continued to gain in strength, although unemployment is forecast to increase. According to forecasts, a rise in interest rates will begin towards the end of 2010.

Demand for rented homes is forecast to continue to be good in 2010 and the net profit of SATO’s rental business is expected to improve.

The prospects for the investments in rented housing envisaged in the growth strategy are seen as good. Investments in newly built projects will be carried out by SATO mainly with interest-subsidised financing on the so-called interim model.

Due to the uncertainty in the market for owner-occupied homes, the number of building starts for SATO’s owner-occupied home projects will remain low.

The Group’s net profit before taxes for 2010 is forecast to be on a par with that of the previous year.

Board’s proposal for the disposal of profits

The parent company’s distributable assets as at 31 December 2009 were EUR 38,633,714.35, of which the net profit for the financial year was EUR 11,190,718.65. The number of issued shares in the company conferring entitlement to dividend for 2009 is 45,372,689.

The Board of Directors proposes to the annual general meeting that dividend be paid on the profit for the financial year of EUR 0.24 per share, being a total of EUR 10,889,445.36 and that EUR 301,273.29 be posted to retained profits.

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

Signatures to the report of the Board and the financial statements

Helsinki, 5 February 2010

Juha Laaksonen

Timo Hukka

Jorma Kuokkanen

Raimo Lind

Asko Salminen

Esko Torsti

Erkka Valkila

President and CEO

Note on the financial statements

An auditors’ report has been submitted this day on the audit performed.

Helsinki, 5 February 2010

KPMG OY AB

Markku Sohlman, APA



# Report on the governance and resource management system 2009

The administration of SATO Corporation is based on the Finnish Companies Act and SATO Corporation's articles of association. The company also complies with the Corporate Governance Code for Finnish listed companies issued by the Finnish Securities Market Association on 20 October 2008. As SATO Corporation is not publicly listed it does not, however, comply with recommendation 48 of section 9: Management of Insiders. The company's Board of Directors approved guidelines on 13 February 2008 for trading in SATO Corporation shares and other securities. The Corporate Governance Code is available publicly at the website [www.cgfinland.fi](http://www.cgfinland.fi).

SATO Corporation draws up its consolidated financial statements and interim reports in accordance with international, EU-approved IFRS reporting standards. The report of the company's Board of Directors and the parent company's financial statements have been drawn up in accordance with Finnish accounting legislation.

Authority and the governance of the company are divided among the annual general meeting, the Board of Directors, and the President and CEO. The current articles of association of SATO Corporation were registered on 26 October 2007.

### The general meeting

The general meeting of the shareholders is SATO Corporation's supreme decision-making body. The annual general meeting is to be held once a year within six months of the end of the financial year.

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

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

A shareholder is entitled to propose an item permitted under the Companies Act for discussion by the meeting of shareholders if he or she requires this in writing from the Board of Directors in sufficient time for the item to be included in the notice of meeting.

The notice of meeting will be made public no less than 21 days prior to the meeting in a daily newspaper published in the capital city and on the company's website.

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

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

### Board of Directors

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

A majority of the members of the Board of Directors must be independent of the company, and at least two of the said majority must also be independent of significant shareholders. The term in office of the members of the Board of Directors

lasts until the closing of the annual general meeting following the one at which they were elected.

The annual general meeting which convened on 5 March 2009 elected to the Board of Directors Juha Laaksonen as chairman of the Board and, as ordinary members, Timo Hukka, Jorma Kuokkanen, Raimo Lind, Asko Salminen and Esko Torsti. The Board of Directors convenes 6–12 times a year. In 2009, the Board of Directors convened 13 times. An average of 91.0 per cent of the members of the Board of Directors attended the Board meetings.

Information about the chairman and members of the company's Board of Directors as well as their holdings is on the company's website [www.sato.fi](http://www.sato.fi) and on page 40 of this annual report.

The company's Board of Directors is responsible for the proper organisation of the company's management and its operations. It is the duty of the Board of Directors to promote the interests of the company and all its shareholders.

SATO Corporation's Board of Directors has confirmed rules of procedure which apply to the duties, meeting procedures and decision-making procedures of the Board of Directors. The essential contents of the rules of procedure are explained on the company's website [www.sato.fi](http://www.sato.fi). In addition to matters for decision, the Board of Directors is supplied at the meetings with up-to-date information on the company's operations, economy and risks.

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

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

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

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

### The committees of the Board of Directors

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

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

The Audit Committee convened three times during the financial year and the Nomination and Compensation Committee convened twice. The meetings of the Committees were attended on average by 100 per cent of their members.

Serving on the Audit Committee in 2009 were chairman Raimo Lind and members Asko Salminen and Esko Torsti. All the members are independent of the company and one is also independent of the significant shareholders.

Serving on the Nomination and Compensation Committee in 2009 were chairman Juha Laaksonen and members Timo Hukka and Jorma Kuokkanen. All the members are independent of the company and one is also independent of the significant shareholders.

### President and CEO

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

The President and CEO is Erkka Valkila, B.Sc. (Eng.). The deputy to the President is Tuula Entelä, LL.M, B.Sc. (Econ.). Information on the President and CEO and his deputy and on their holdings is given on the Group's website [www.sato.fi](http://www.sato.fi) and on page 42 of this annual report.

### The Corporate Management Group

The Corporate Management Group deals with all key issues for the management of the Group, such as matters related to the strategy, budgeting, investments, business planning, and financial reporting. The Corporate Management Group's duties include the implementation of the decisions of the Board of

Directors under the leadership of the President and CEO. The Corporate Management Group has no authority under law or the articles of association; it serves as a body to assist the President and CEO.

The members of the Corporate Management Group are the President and CEO of SATO Corporation; the Vice Presidents for Housing Business; the Director, Marketing and Communications; and the CFO. The duties and areas of responsibility of the members of the Corporate Management Group, as well as information on them and their holdings, are given on the Group's website [www.sato.fi](http://www.sato.fi) and on page 42 of this annual report.

The Corporate Management Group convenes once a week.

**Disclosures**

SATO's website is used to make public the main information on the company's administration. All of the company's disclosures and the main management presentation material on the company's economy may be seen immediately after publication on the company's website [www.sato.fi](http://www.sato.fi).

**Internal supervision**

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

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

The Group's financial management and the supervision of operations are supported and coordinated by the Group's financial administration and the Controller function. The Group's financial reporting process complies with the Group's operational guidelines, process descriptions and control mechanisms. The controls on the reporting process have been specified on the basis of the risk assessment of the process. The type of controls are, for example, system controls, specifi-

cations, audits carried out by management or another party, or specified operating guidelines. Responsible parties have been allocated for controls which are in charge of the implementation and effectiveness of the controls.

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

**Internal audit**

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

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

The duties of the internal audit are handled by Deloitte & Touche Oy. The internal audit reports are sent to the chairman of the Board of Directors and to the chairman of the Audit Committee as well as to the President and CEO. A review of the internal audit is sent twice a year to the Audit Committee. The Board of Directors deals with the annual plan for internal auditing and the audit report for the previous year. The subjects for auditing are selected in accordance with the Group's strategic goals, estimated risks and priorities.

**Risk management**

SATO's risk management is based on guidelines for good corporate governance as well as on the systematic risk assessment embodied in the strategic and annual planning process. Risk assessment also covers the risks of the financial reporting process. Business risks are categorised as strategic and tactical risks as well as financing and market risks.

Responsibility for the arrangement of risk management is held by the company's Board of Directors. The internal audit and internal supervision enhance the handling of the Board of Directors' duty of supervision. The mission of the Audit Committee elected by the Board of Directors from among its membership is to assess the adequacy and appropriateness of

risk management processes and risk management. The Audit Committee reports to the Board of Directors, which supervise the risk management.

**Auditing**

The annual general meeting elects a single auditor for the company, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term in office is the financial year and his duties end at the closing of the annual general meeting following the one at which he was elected. The auditor for the financial year 1 January–31 December 2009 was KPMG Oy Ab. The auditor in charge at the auditing firm was Markku Sohlman, M.Sc. (Econ. & BA), APA. The audit checks the accounts, financial statements and administration of the company and Group.

**Salaries and remuneration**

**The Board of Directors and auditors**

The remuneration to be paid to the members of the Board of Directors and auditors is decided by the annual general meeting. The annual general meeting which convened on 5 March 2009 decided that the chairman of the Board of Directors was to be paid EUR 36,000, the deputy chairman was to be paid EUR 22,000 and the members of the Board of Directors were to be paid EUR 18,000 for their term in office. It was also decided to pay the chairman of the Board of Directors and the members EUR 500 per meeting. It was decided to pay the chairmen of the committees and the members EUR 500 per meeting.

The fees for the members of the Board of Directors in 2009 totalled EUR 169,687.88. No shares or share-related entitlements were surrendered to members of the Board of Directors during the financial year.

It has been decided to pay the auditors' fee on invoice. Auditing fees paid by the SATO Group for auditing services during the financial year 2009 amounted to EUR 183,639 and fees for non-auditing services were EUR 49,233.

**The President and CEO and the Corporate Management Group**

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

The salary and other perquisites of the President and CEO in 2009 amounted to EUR 270,528.02. The salary and other perquisites paid to the Deputy President and CEO were EUR 163,019.05.

The President and CEO's retirement age is 60 years. At that time, he is entitled to a pension amounting to 60 per cent of the annual wages serving as the basis for the calculation of pension. The period of notice of the President and CEO's service contract is six months. In case the company terminates the service contract of the President and CEO before his retirement age, the President and CEO will be entitled to a redundancy bonus of 12 months' full salary in addition to the salary for the period of notice.

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

The current long-term incentive scheme applies to the period 2007–2010. Habinvest Oy, which was founded by the Corporate Management Group to implement the incentive scheme, holds 465,000 SATO Corporation shares, which the company has pledged to retain until 31 December 2010. The shareholders of Habinvest Oy have also pledged to retain the shares they hold in Habinvest Oy until 31 December 2010.



# Consolidated profit and loss account

Consolidated profit and loss account, IFRS				
MEUR	Note	1.1.– 31.12.2009	1.1.– 31.12.2008	
<b>TURNOVER</b>	2, 3	230.4	290.4	
Capital gains/losses on Investment Properties	4	13.0	9.7	
Share of profit in associated companies	13	0.1	0.1	
Other income from business operations	4	0.6	0.3	
Consumption of materials and services		-60.8	-121.0	
Personnel expenses	5	-9.8	-10.7	
Depreciation, amortization and impairment charges	6	-18.5	-17.6	
Losses from disposals of Investment Properties	4	-0.1	0.0	
Other expenses of business operations	4	-84.0	-76.8	
<b>OPERATING PROFIT</b>		70.8	74.3	
Financial income	7	0.9	2.4	
Financial expenses	7	-41.5	-45.3	
		-40.6	-42.9	
<b>PROFIT BEFORE TAXES</b>		30.2	31.5	
Income taxes	8, 17	-7.5	-7.9	
<b>PROFIT FOR THE PERIOD</b>		22.7	23.5	
<b>OTHER COMPREHENSIVE INCOME ITEMS</b>				
Cash flow hedges		-2.2	-12.5	
Financial assets available for sale		0.1	-0.2	
Translation difference		0.0	0.0	
Taxes applied to other comprehensive income items		0.5	3.3	
Other comprehensive income items for the accounting period after taxes		-1.6	-9.4	
<b>COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD, TOTAL</b>		21.2	14.1	
Distribution of net profit for financial period				
To the owners of the parent company		22.6	23.4	
To minorities		0.1	0.2	
		22.7	23.5	
Distribution of comprehensive income				
To the owners of the parent company		21.0	14.0	
To minorities		0.1	0.2	
		21.2	14.1	
Profit per share calculated on the profit due to the owners of the parent enterprise				
Earnings per share, €		0.50	0.53	
Average number of shares, million		45.27	44.42	

# Consolidated balance sheet

Consolidated balance sheet. IFRS					
MEUR	Note	31.12.2009	31.12.2008*	1.1.2008*	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment Property	10	1,243.4	1,163.5	1,060.6	
Tangible assets	11	1.3	1.8	2.1	
Intangible assets	12	1.0	1.2	1.2	
Holdings in joint ventures and associated companies	13	0.6	0.6	0.8	
Financial assets available for sale	15	2.3	2.2	2.1	
Receivables	16	6.0	9.1	7.4	
Deferred tax receivables	17	19.5	18.0	12.4	
		1,274.1	1,196.3	1,086.6	
<b>Current assets</b>					
Inventories	18	95.7	128.6	176.9	
Accounts receivable and other receivables	19	13.0	16.1	17.4	
Tax credits based on the taxable income for the period		1.7	1.6	0.0	
Cash and cash equivalents	20	33.4	46.8	34.0	
		143.8	193.3	228.2	
<b>ASSETS, TOTAL</b>		1,418.0	1,389.6	1,314.8	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Shareholders' equity due to the parent company's owners	21				
Share capital		4.4	4.4	4.4	
Fair value reserve		-8.2	-6.6	2.8	
Reserve fund		43.7	43.7	43.7	
Other funds		9.3	3.2	3.2	
Retained earnings		170.1	158.1	150.8	
		219.4	202.8	204.9	
Minority interest		1.6	1.5	1.4	
<b>SHAREHOLDERS' EQUITY, TOTAL</b>		221.0	204.3	206.2	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	17	66.6	63.3	57.0	
Provisions	26	5.0	6.1	5.5	
Interest-bearing debt	23	886.3	846.9	794.2	
		957.9	916.3	856.8	
<b>Current liabilities</b>					
Accounts payable and other liabilities	27	52.2	58.8	74.9	
Income tax liabilities		1.8	0.0	0.0	
Interest-bearing debt	23	185.2	210.2	177.0	
		239.1	269.0	251.8	
<b>LIABILITIES, TOTAL</b>		1,197.0	1,185.3	1,108.6	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>		1,418.0	1,389.6	1,314.8	

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

# Consolidated cash flow statement

Consolidated cash flow statement, IFRS			
MEUR	Note	1.1.–31.12.2009	1.1.–31.12.2008
<b>Cash flow from operating activities</b>			
Net profit for financial year		22.7	23.5
Adjustments:			
Business activities not involving payment	30	20.4	21.7
Proceeds from sales of fixed assets		-12.9	-9.7
Interest expenses and other financing expenses		39.6	40.7
Interest income		-0.9	-2.3
Dividend income		-0.1	-0.1
Taxes		7.5	7.9
Change in working capital:			
Changes in accounts receivable and other receivables		-5.5	-3.8
Change in inventories		32.3	45.0
Change in accounts payable and other liabilities		1.8	-38.1
Change in reserves		-1.2	0.6
Interest paid		-43.5	-38.3
Interest received		1.8	1.9
Taxes paid		-5.7	-4.0
<b>Net cash flow from operating activities</b>		<b>56.4</b>	<b>45.0</b>
<b>Cash flow from investing activities</b>			
Investments in tangible assets		-76.2	-117.9
Investments in intangible assets		-0.4	-0.3
Repayments of notes receivable		2.3	1.9
Loans granted		-1.2	-2.3
Sales of financial assets			0.0
Sale of joint venture shares			0.0
Sale of tangible assets		23.3	23.8
Dividends received			0.0
<b>Net cash flow from investing activities</b>		<b>-52.0</b>	<b>-94.8</b>
<b>Cash flow from financing activities</b>			
Repayments (-) / withdrawals (+) of short-term loans		-41.1	53.1
Withdrawals of long-term loans		112.4	86.4
Repayments of long-term loans		-78.3	-61.0
Share buybacks			0.0
Financial lease payments			0.0
Dividends paid		-10.7	-16.0
<b>Net cash flow from financing activities</b>		<b>-17.8</b>	<b>62.6</b>
<b>Change in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period	20	46.8	34.0
Cash and cash equivalents at the end of the period	20	33.4	46.8

# Statement of changes in Group’s shareholders’ equity

Calculation of changes in group's shareholders' equity, IFRS								
MEUR	Shareholders' equity due to the parent company's owners						Minority interest	Shareholders' equity, total
	Share capital	Revaluation fund	Reserve fund	Other funds	Retained profits	Total		
Calculation of changes in Group's shareholders' equity 1.1.–31.12.2009								
Shareholders' equity 1.1.2009	4.4	-6.6	43.7	3.2	158.1	202.8	1.5	204.3
Comprehensive income for the accounting period, total		-1.6		0.0	22.7	21.1	0.1	21.2
Dividend payment					-10.7	-10.7		-10.7
Directed share issue				6.2		6.2		6.2
Other adjustments								
	0.0	-1.6	0.0	6.2	12.0	16.6	0.1	16.7
Shareholders' equity 31.12.2009	4.4	-8.2	43.7	9.3	170.1	219.4	1.6	221.0
Calculation of changes in Group's shareholders' equity 1.1.–31.12.2008								
Shareholders' equity 1.1.2008	4.4	2.8	43.7	3.2	150.8	204.9	1.4	206.2
Comprehensive income for the accounting period, total		-9.4			23.4	14.0	0.2	14.1
Dividend payment					-16.0	-16.0		-16.0
Directed share issue								
Other adjustments								
	0.0	-9.4	0.0	0.0	7.4	-2.0	0.2	-1.9
Shareholders' equity 31.12.2008	4.4	-6.6	43.7	3.2	158.1	202.8	1.5	204.3



# Notes to the consolidated financial statements, IFRS

## 1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

### Basic information

The Group's parent company is a Finnish public limited liability company established in compliance with Finnish law, with its domicile in Helsinki and the registered address Panuntie 4, 00600 Helsinki. The Board of Directors approved the financial statements on 5 February 2010. A copy of the company's consolidated financial statements may be obtained from the above-mentioned address.

SATO is a corporation providing housing solutions, and its business is comprised of Investment in Housing, and Housing Development. The Group's operations are focused on the Helsinki Metropolitan Area and its commuter regions as well as the economic zones of Tampere, Turku, Oulu and Jyväskylä.

SATO's Investment in Housing includes both privately financed and state-subsidised housing assets. In respect of the latter, SATO's business is affected by special features of non-profit activities, which are the result of restrictions set on the company's business for state-subsidised housing construction. The non-profit restrictions affect owner organisations through, for example, restrictions on distribution of profit, divestment and risk-taking as well as through a prohibition on lending and providing collateral. Also, housing is affected by property-specific, fixed-term restrictions, which apply to matters such as the use and handover of apartments, the selection of the residents, and the setting of rent. In respect of non-profit activities, SATO's supervisory authorities are the Housing Fund of Finland (ARA), the State Treasury and the Ministry of the Environment, as well as local authorities in matters concerning the selection of residents.

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

### General principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and complies with the IFRS norms in force on 31 December 2009, meaning the procedures ordered in the EU's IAS Regulation No. 1606/2002 for the standards approved for application in the EU and the interpretations supplied for these.

As of 1 January 2009, the Group has applied the following new and amended standards and interpretations:

The amended standard *IAS 1 Presentation of Financial Statements*. The changes mainly affect the form of presentation of the calculation indicating changes in the broad profit and loss account and shareholders' equity, and the presentation of adjustments as well as terminology.

*IFRS 8 Operating Segments*. The introduction of IFRS 8 has had no significant impact on SATO's segment reporting.

Amendments to standard *IFRS 7 Financial Instruments: Disclosures*. In the consolidated financial statements, a three-tier hierarchy has been adopted in the presentation of fair values of financial instruments.

The updated *IAS 23 Borrowing Costs* no longer permits the entry of expenses of current liabilities always as a cost, but requires it to be capitalised in a case of a condition-fulfilling asset as referred to in the standard. On the basis of the transitional provision, SATO has chosen 1 January 2007 retrospectively as the start date for the capitalisation of borrowing costs, as SATO initiated the most significant projects on the lines of IAS 23 in the course of 2007.

IFRIC 15 *Agreements for the Construction of Real Estate*. SATO amended the method of booking remittances on sales of new homes retrospectively to income-recognition as per percentage of completion under the new interpretation of IFRIC 15. In accordance with the interpretation of IFRIC 15, the standard IAS 18 *Revenue* will be applied.

Homes sold during construction are recognised at the time of completion and completed homes are income-recognised at the date of sale.

The adoption of the following standards and interpretations as of the beginning of 2009 have had no effect on the annual accounts reporting of SATO:

IFRIC 13 *Customer Loyalty Programmes*.

Changes in IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*.

Changes in IAS 1 *Presentation of Financial Statements* and IAS 32 *Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation*.

Changes in IFRIC 9 *Reassessment of Embedded Derivatives* and in IAS 39 *Financial instruments: Recognition and Measurement – Embedded Derivatives*.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation. Improvements to IFRS Changes*, May 2008.

The notes to the financial statements are also in compliance with Finnish accounting principles and corporate legislation.

SATO's consolidated financial statements were prepared in accordance with Finnish Accounting Standards until 31 December 2006. In connection with the public listing project carried out in autumn 2007, IFRS financial statements were also produced for 2006. The date for the transition for the first IFRS-standard consolidated financial statements for 2006 was 1 January 2005 and the standard IFRS 1 *First-time Adoption of International Financial Reporting Standards* was used for this.

The consolidated financial statements have been prepared on the basis of acquisition cost, with the exception of assets available for sale, derivatives, and financial assets and liabilities booked at fair value. The information in the financial statements is stated in millions of euros.

The preparation of IFRS financial statements requires the company management to make certain estimates and assumptions and to apply discretion in applying the accounting principles. The estimates and assumptions made will affect the amount of assets, debts and conditional debts on the balance sheet in the financial statements as well as the amount of income and expenses in the profit and loss account. The estimates and assumptions are based on previous experience and other factors which are considered to offer the best current view in the assessment of assets or debts for which figures cannot be obtained from other sources. The actuality may differ from the estimates made.

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

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

### Principles of consolidation

The consolidated financial statements are a consolidation of the financial statements of the parent company and the subsidiaries. Subsidiaries are companies over which the parent company has control. Control constitutes a condition in which the parent company has, directly or indirectly, the right to determine the subsidiary's principles of finance or business with the aim of benefiting from its operations. Acquired subsidiaries are included in the consolidated financial statements from the date of acquisitions until such time as the control ends. Acquired companies are included in the financial statements by the acquisition cost method. That portion of an acquired company's net assets which exceeds book values at the acquisition date is applied to land areas and buildings up to their fair values. Acquisitions of real property are mostly dealt with as acquisitions of asset items.

All intra-Group transactions, internal receivables and debts, in addition to unrealised margins on internal transactions and the distribution of profit between Group companies, are eliminated in the preparation of the financial statements.

Mutual property companies and housing companies are treated as asset items under joint control, which are consolidated by the proportionate consolidation method prescribed by the IAS 31 *Financial Reporting of Interests in Joint Ventures* standard. This means that the consolidated financial statements include the Group's share of assets, debts, incomes and expenses. The relative proportionate method is applied to all such asset items irrespective of the Group's holdings.

Suomen Asumisoikeus Oy is a joint venture in which SATO has a 50% interest. The joint venture, in which the partners exercise business under joint control, is consolidated in SATO's consolidated financial statements in accordance with the optional consolidation method permitted by the standard IAS 31 *Interests in Joint Ventures*, i.e., the equity method.

The housing companies in SATO, which own so-called shared ownership apartments, are treated as SPEs (Special Purpose Entities) and these are not included in the consolidated financial statements. These companies are considered to be arrangements external to 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 currency

Monetary assets and debts denominated in foreign currency are translated into euros at the year-end rate. Non-monetary assets and debts denominated in foreign currency, which are valued at the original acquisition costs, are translated into euros at the rate in effect on the transaction date. Gains and losses on translation are booked in the profit and loss account.

Investment Properties

Investment properties are those of which the Group retains possession in order to obtain rental income or appreciation in value of the property and which are not used by the Group itself. SATO has chosen as the method for accounting for Investment Properties the acquisition cost method permitted by the IAS 40 *Investment Property* standard, as legal restrictions on divestment and use apply to the greater part of the properties. Restrictions apply on the one hand to a company owning housing (the so-called non-profit restrictions) and on the other hand to the investment which is the subject of the ownership (the so-called property-specific restrictions). 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 are booked at the original acquisition price, including the transaction costs. Later they are valued at the original acquisition price less accumulated depreciation and impairments.

Expenditure on repairs to Investment Properties is only capitalised if it increases the property’s future revenue-generating capability. The depreciation periods of these capitalisations are set on a case-by-case basis according to the estimated economic life.

Investment Properties are depreciated on a straight-line basis. The economic lives on which this is based are as follows:

Buildings	67 years
Buildings’ machinery and equipment	20 years
Buildings’ civil defence shelters	40 years.

The economic life and residual value of Investment Properties are reassessed at each year-end. Changes in the economic advantages obtainable revealed by the assessment are figured in by adjusting the economic life and residual value of the goods.

An investment property is written off the balance sheet when it is handed over or when the investment property is

permanently removed from use and no future economic use can be expected from the handover. The profits and losses from divestments or removals from use of Investment Properties are shown on separate lines in the profit and loss account.

The fair values of the Investment Properties presented in the notes to the financial statements are determined as the result of the company’s in-house assessment made quarterly at the time the financial statements are drawn up. An external specialist also makes a report on the assessment of value.

The fair values of the Investment Properties are based on the following:

- the market value in properties where the homes are freely on sale,
- the yield value for properties which are for sale only by complete buildings and to a restricted group of buyers, and
- for state subsidised properties, at the remaining historical cost shown in the accounting.

The model for determining the value of Investment Properties was changed in respect of the market value method on 31 December 2007, in such a way that the comparison information for traded prices is for the 24 months prior to the assessment date instead of the previous 36.

Tangible assets

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

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

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

Intangible assets

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

An intangible asset is valued at the original acquisition cost less depreciation and any impairments.

Intangible assets consist largely of computer software, which is subjected to straight-line depreciation over 3–6 years.

Impairment

At each year end, it is assessed for Investment Properties’ tangible and intangible assets whether there are indications of impairment. If there are indications of impairment, the sum of money accruing from the asset item is estimated. If the book value exceeds the sum of money accruing, an impairment loss is booked in the profit and loss account.

When an impairment loss is booked, the economic life of the asset item subject to depreciation is reassessed. An impairment loss booked against an asset item is cancelled if there has been a change increasing the value in the assessment used to determine the amount of money accruing from the asset item. However, no more of an impairment loss will be cancelled than what the asset’s book value would have been without the booking of the impairment loss.

Inventories

Inventories are valued at the acquisition cost or probable net divestment value if lower. The net divestment value corresponds to the selling price in normal business less the estimated cost of completing the product and the expenses of selling.

Inventories are comprised of the following items:

- homes under construction, comprised of the portion of projects in progress not booked as an expense,
- completed homes and commercial premises intended for sale but unsold at the date of closing the books,
- land areas and land area companies, which includes the acquisition costs of unstarted properties, and
- other inventories, which are mostly comprised of projects being planned.

Financial instruments

SATO’s financial assets and financial debts are classified in accordance with the IAS 39 standard in the following classes: financial assets and financial debts to be charged or credited to the profit and loss account at fair value, financial assets available for sale, loans and other receivables, and financial debts valued at the matched acquisition cost. The classification is performed at the time of the original acquisition and on the basis of the purpose of the acquisition. Purchases and sales 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

Financial assets and debts to be credited or charged to the profit and loss account at fair value  
This group includes derivative instruments which do not fulfil

the terms of IAS 39 for hedge accounting and they are classified in the group of instruments kept for trading purposes. The group’s financial assets and debts are valued at fair value and profits and losses arising from changes in the fair value, both realised and unrealised, are booked in the profit and loss account for the period in which they arose.

Loans and other receivables

Loans and other receivables are assets not included in derivative assets, the payments for which are fixed or can be determined. They are included in the group for accounts receivable and other receivables in the balance sheet, in either current or non-current assets, according to their nature.

Loans and other receivables are valued at the matched acquisition cost less any impairments. The Group books an impairment loss against accounts receivable when there are reasonable indications on the date of closing the books that the receivable will not be collected in full.

Financial assets available for selling

Financial assets available for selling are mostly stocks and shares. Investments made in listed securities are valued in the financial statements at the buying price based on quoted prices announced in an active market on the date of closing the books. Unlisted shares, the fair value of which cannot be determined reliably, are valued at the original acquisition price or probable value if lower.

Unrealised changes in value of financial assets available for selling are booked direct in other items in the broad result and stated in the value adjustment fund, with allowance for the effect of tax. Accumulated changes in fair value are not booked from the value adjustment fund to the profit and loss account until the investment is sold or its value has declined to such an extent that an impairment loss has to be booked against the investment.

A significant and prolonged impairment of share investments in which the fair value is lower than the acquisition price is an indication of an impairment in a share available for selling. An impairment loss on financial assets available for sale which are classified as quasi-equity investments is not cancelled through the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, bank accounts and liquid investments with a currency at the date of acquisition of three months or less. The 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 free of non-profit restrictions.



#### Financial liabilities

Financial debts are booked at the fair value at the time the debt is drawn, in the form of the amount of the remuneration received less transaction expenses. Later interest-bearing liabilities are shown valued at the matched acquisition 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 matched in the profit and loss account for the currency period of the liability by the effective interest method.

#### Derivatives and hedge accounting

All derivatives are originally booked at fair value as at the date on which the Group becomes a contracting party. In the future they will continue to be valued at fair value. The accounting treatment of profits and losses depends on the intended use of the derivatives. The Group documents the ratio of hedging instruments to hedged items and makes its assessment as to whether the derivatives used for hedging are highly effective in negating changes in the cash flows of the hedged items. The effectiveness is reviewed both when starting the hedging and after the event.

The fair value of derivatives is calculated by discounting the cash flows related to them. The fair value of interest-rate options is calculated by using the market prices at the balance sheet date and option valuation models.

The Group treats derivatives either as cash flow hedges or as derivatives which do not meet the criteria of hedge accounting under IAS 39. Changes in value of derivative instruments in the sphere of hedge accounting are booked in the items of the broad results and stated in the value adjustment fund. Profits and losses entered in shareholders' equity are transferred to the interest expenses in the profit and loss account corresponding to the interest expenses on the hedged loan at the same time as the hedged item. Any ineffective part of a hedging relationship is booked immediately in financial expenses.

Changes in value in derivatives which are not in the hedge accounting are credited or charged in the financial items.

#### Untaxed reserves

A reserve is booked when the Group has a legal or actual obligation on the basis of prior events, when the realisation of a payment obligation is likely and the amount of the obligation can be reliably estimated.

The extent of the construction sector's 10-year liability reserve is based on experience of the realisation of these liabilities. A guarantee period reserve is also booked when a project is credited or charged in the profit and loss account. The extent of the guarantee period reserve is based on experience of the realisation of guarantee expenditures.

Other reserves may be reorganisation reserves or loss-making agreements. A reserve is booked for loss-making agreements when the essential expenditure required to meet obligations exceeds the benefits obtained from the agreement.

#### Principles of income recognition

##### Principles of income recognition for sales of new homes

SATO amended the method of booking remittances on sales of new homes retrospectively to income-recognition as per percentage of completion under the new interpretation of IFRIC 15. In accordance with the interpretation of IFRIC 15, sales of new homes will be income-recognised when the risks and benefits pertaining to the property have been handed over to the buyer in compliance with standard IAS 18 *Revenue*. The risks and benefits of homes sold during construction are deemed to be handed over on the date of the property's completion and those of completed homes on the date of sale.

##### Income from services

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

##### Lease agreements (SATO as lessor)

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

##### Lease agreements (SATO as lessee)

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

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

##### Borrowing costs

Borrowing costs are capitalised as part of an asset's acquisition expenditure when they are due to the acquisition, con-

struction or manufacture of an asset item which is directly derived from fulfilling the terms. An asset item fulfilling terms is one for which the completion for the intended purpose or for sale will inevitably require a considerable amount of time. Other borrowing costs are posted as an expense for the financial year in which they have occurred.

Transaction costs directly due to the taking of loans, which can be attributed to a particular loan, are included in the original matched acquisition cost of the loan and matched as an interest expense using the effective interest rate method.

#### Public grants

Public grants, for example for lifts, are booked as decreases in the book value of tangible assets. Received grants therefore reduce the depreciation applied to the asset during its economic life.

For SATO, the main form of public support is state-supported interest-subsidised loans and Housing Fund of Finland loans, in which state-backed projects receive a low-interest loan with the support of the state. The real interest on these loans is lower than the interest expenses would be on market-based loans. The interest advantage obtained through public support is therefore netted into interest expenses in accordance with IAS 20 and is not shown as a separate item in the interest income.

#### Pension arrangements

SATO's pension arrangements are classified as both contribution-based and, for some sections of the personnel, benefit-based. Contributions to contribution-based pension arrangements are booked as an expense in the profit and loss account for the period in which the payment was made. The Group has no legal or actual obligation to make further payments if the recipient of the payments is unable to perform the payment of these pension benefits. Arrangements other than payment-based ones are treated as benefit-based pension arrangements. In 2008, the calculation of benefit-based pension arrangements has been specified, and as a result of this the supplementary pension arrangements for the management have been treated as a benefit-based pension arrangement.

Obligations arising from benefit-based pension arrangements are calculated with a method based on the predicted unit of privilege. The current value of pension obligations, based on actuarial calculations, is posted to the balance sheet after deduction of the assets pertaining to the pension arrangements at their current value, unposted profits and losses based on actuarial calculations, and expenditures based on backdated work done. Pension expenditure is posted to the profit and loss account as an expense over the period of employment of the individuals. Profits and losses based on actuarial calculations are entered in the profit and loss account

over the period of employment of the individuals to the extent that they exceed the greatest of the following: 10% of the pension obligation or 10% of the fair value of the assets.

#### Income taxes

Income taxes include the taxes based on the taxable profit for the financial year, adjustments to previous years' taxes, and changes in deferred taxes.

Deferred tax credits and liabilities are calculated from the differences between the taxation values of assets and debts and their book values according to IFRS. The tax rate set by the date of closing the books is used to determine the deferred taxes.

The largest temporary differences arise from the financial instruments valued through the profit and loss account from Investment Properties and for fair value.

A deferred tax credit is booked up to the amount at which it is likely that there will be taxable income in the future against which the temporary difference can be used.

#### Operating profit

Operating profit is the net sum formed when the profits from divestments of Investment Properties, the share of the profit of joint ventures and associated companies, and other income from business operations are added to turnover, and the use of materials and services, personnel expenses, depreciation and impairments, losses from divestments of Investment Properties and other expenses of business operations are deducted. Exchange gains and losses are included in operating profit when they arise from items related to ordinary business operations. Exchange gains and losses associated with financing are booked in financial income and expenses.

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

When the financial statements are prepared, the making of estimates is required in certain quarters. At SATO, the main estimates are associated with the following subdivisions.

The amount of reserves booked on projects requires estimates of the obligations arising from the projects.

In respect of Investment Properties, tangible and intangible assets must be assessed annually for indications that the value of these assets may have declined. If there are such indications, the amount of money accruing from these asset items must be estimated.

#### The application of new and updated IFRS norms

The IASB has issued the following new or amended standards and interpretation which the Group has not yet applied. They will be introduced on the date on which each standard and interpretation comes into force or, if the date of entry into force

is other than the first day of a financial year, from the beginning of the financial year following the entry into force.

IFRS 3 *Business Combinations* (updated 2008) ja and IAS 27 *Consolidated and Separate Financial Statements* (amended 2008), (effective as of 1.7.2009 tai or financial years beginning thereafter). The update of the standard will affect the amount of the goodwill to be booked on acquisitions as well as the items posted to the profit and loss account in addition to the treatment of any additional transaction prices. The update of the standard will provide guidelines for the accounting treatment of changes of ownership. It is not expected that the amendment to the accounting conventions will have a significant impact on the Group's forthcoming financial statements.

IFRS 9 *Financial Instruments* (effective as of 1.1.2013 or financial years beginning thereafter). IFRS 9 is part of a project by IASB to replace the standard IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard will deal with the valuation of financial assets from the perspective of classification. Other IAS 39 guidelines for the valuation of impairments of financial assets and on hedge accounting are still in effect. IFRS 9 has not yet been passed for implementation within the EU. The impacts of the new standard will be assessed in the Group in future financial years.

The following amendments to standards and interpretations are not expected to affect the Group's future financial statements:

IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective as of 1.7.2009 or financial years beginning thereafter).

IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective as of 1.7.2009 or financial years beginning thereafter). The interpretation has not yet been passed for implementation within the EU.

IFRIC 18 *Transfers of Assets from Customers* (effective as of 1.7.2009 or financial years beginning thereafter). The interpretation has not yet been passed for implementation within the EU.

*Improvements to IFRS* amendments, April 2009. The amendments to standards have not yet been passed for implementation within the EU.

Changes to IFRS 2 *Share-Based Payment – Cash-settled Share-based Payment Transactions* (effective as of 1.1.2010 or financial years beginning thereafter). The amended standard has not yet been passed for implementation within the EU.

The amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective as of 1.2.2010 or financial years beginning thereafter). The amendment has not yet been passed for implementation within the EU.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective as of 1.7.2010 or financial years beginning thereafter). The interpretation has not yet been passed for implementation within the EU.

Updated IAS 24 *Related Party Disclosures* (effective as of 1.1.2011 tai or financial years beginning thereafter). The updated standard has not yet been passed for implementation within the EU.

Changes to IFRIC 14 IAS 19 –*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* (effective as of 1.1.2011 or financial years beginning thereafter). The changes to the interpretation have not yet been passed for implementation within the EU.

## 2. INFORMATION FOR SEGMENTS

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.



## Information for segments 1.1.–31.12.2009

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	192.6	37.8		230.4
Internal turnover	0.0	0.0	0.0	0.0
Turnover, total	192.6	37.8	0.0	230.4
Profits/losses from selling of Investment Properties	11.7	1.2		12.9
Depreciation, amortizations and impairment charges	-13.7	-4.8	0.0	-18.5
Operating profit	56.8	14.0	0.0	70.8
Interest income	0.8	0.1		0.9
Interest expenses	-31.7	-9.8		-41.5
Profit before taxes	25.9	4.3	0.0	30.2
Net rental income on the housing portfolio	72.3	21.0		93.3
Net rental income of rented homes, % of book value	7.8	8.6		8.0
Investments	110.3	1.9		112.2
Acquisition of land for inventory	7.2			7.2
Depreciation and amortization	-13.7	-4.8		-18.5
Impairment charges	0.0			0.0
Assets and eliminations allocated to segments, total	1,147.4	241.7	0.0	1,389.1
Investment Properties	1,005.5	237.9		1,243.4
Cash and cash equivalents	23.5	2.2		25.7
Other assets of the segment	118.1	1.3	0.0	119.4
Holding in joint venture and associated companies	0.2	0.3		0.5
Unallocated assets				28.9
Assets, total				1,418.0
Liabilities and eliminations allocated to segments, total	898.3	232.1	0.0	1,130.4
Interest-bearing debt	844.4	227.1		1,071.5
Other liabilities of segment	53.9	5.0	0.0	58.9
Unallocated liabilities			0.0	66.6
Liabilities, total				1,197.0

## Information for segments 1.1.–31.12.2008

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	252.7	37.7		290.4
Internal turnover				0.0
Turnover, total	252.7	37.7	0.0	290.4
Profits/losses from selling of Investment Properties	9.1	0.6	0.0	9.7
Depreciation, amortizations and impairment charges	-12.7	-4.9	0.0	-17.6
Operating profit	61.8	12.5		74.3
Interest income	2.1	0.3		2.4
Interest expenses	-34.7	-10.6		-45.3
Profit before taxes	29.3	2.2		31.5
Net rental income on the housing portfolio	72.4	20.7		93.1
Net rental income of rented homes, % of book value	8.6	8.1		8.5
Investments	133.3			133.3
Acquisition of land for inventory	6.0			6.0
Depreciation and amortization	-12.7	-4.9	0.0	-17.6
Impairment charges				0.0
Assets and eliminations allocated to segments, total	1,105.9	256.3	0.0	1,362.2
Investment Properties	915.2	248.3		1,163.5
Cash and cash equivalents	34.0	4.7		38.7
Other assets of the segment	156.4	3.0	0.0	159.4
Holding in joint venture and associated companies	0.3	0.3		
Unallocated assets				27.4
Assets, total				1,389.6
Liabilities and eliminations allocated to segments, total	868.1	253.9	0.0	1,122.0
Interest-bearing debt	811.0	246.2		1,057.2
Other liabilities of segment	57.1	7.7	0.0	64.8
Unallocated liabilities				63.3
Liabilities, total				1,185.3

**3. DISTRIBUTION OF TURNOVER**

MEUR	2009	2008
Revenue from sales of owner-occupied housing	56.5	127.7
Rental income	168.6	158.8
Other income	5.3	3.9
<b>Total</b>	<b>230.4</b>	<b>290.4</b>

**4. PROFITS AND LOSSES FROM SALES OF INVESTMENT PROPERTIES AND OTHER INCOME AND EXPENSES FROM BUSINESS OPERATIONS**

MEUR	2009	2008
<b>Profits and losses from sales of Investment Properties</b>		
Profit from divestments of Investment Properties	13.0	10.1
Losses from divestments of Investment Properties	-0.1	-0.4
<b>Total</b>	<b>12.9</b>	<b>9.7</b>
<b>Other income from business operations</b>	<b>0.6</b>	<b>0.3</b>
<b>Total</b>	<b>0.6</b>	<b>0.3</b>
<b>Other expenses of business operations</b>		
Direct maintenance expenses of Investment Properties generating rental income	51.8	47.3
Rental expenses	26.5	22.4
Other fixed expenses	5.2	6.5
Other expenses of business operations	0.4	0.6
<b>Total</b>	<b>84.0</b>	<b>76.8</b>
<b>Auditors fee</b>		
Audit	0.2	0.1
Tax advice	0.0	0.0
Other services	0.0	0.1
	<b>0.2</b>	<b>0.2</b>

**5. PERSONNEL EXPENSES**

MEUR	2009	2008
Salaries and wages	7.5	8.5
Pension expenses – contribution-based arrangements	1.9	1.5
Pension expenses - benefit-based arrangements	0.1	0.1
Other personnel expenses	0.4	0.6
<b>Total</b>	<b>9.8</b>	<b>10.7</b>

Management perquisites are set out in note 32, Related Party Events.

**Average number of Group personnel during the financial year**

	2009	2008
<b>Total</b>	<b>141</b>	<b>160</b>

**6. DEPRECIATION, AMORTIZATIONS AND IMPAIRMENT CHARGES**

MEUR	2009	2008
<b>Depreciation by asset class:</b>		
Investment Properties	17.7	16.6
Tangible assets	0.5	0.7
Intangible assets	0.3	0.3
<b>Total</b>	<b>18.5</b>	<b>17.6</b>
<b>Impairments:</b>		
Investment Properties	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>



**7. FINANCIAL INCOME AND EXPENSES**

MEUR	2009	2008
Financial income		
On loans and other receivables	0.8	2.3
Dividend income		
Dividend income on available-for-sale investments	0.1	0.1
Financial income, total	<b>0.9</b>	<b>2.4</b>
<b>Financial expenses</b>		
Interest expenses for financial liabilities at amortized cost and interest rate derivatives, non hedge accounted	-30.5	-38.7
Interest rate derivatives, hedge accounted	-9.1	-2.0
<b>Changes in fair values of financial liabilities at fair value through income statement</b>		
Changes in fair value of non hedge accounted interest rate derivatives	-1.9	-4.5
Financial expenses, total	<b>-41.5</b>	<b>-45.3</b>
<b>Financial income and expenses, total</b>	<b>-40.6</b>	<b>-42.9</b>

**8. INCOME TAXES**

MEUR	2009	2008
<b>The profit and loss account tax expense is distributed as follows:</b>		
Tax based on the taxable income for the period	5.7	3.8
Taxes of previous years	0.0	0.0
Deferred taxes, net	1.8	4.1
<b>Total</b>	<b>7.5</b>	<b>7.9</b>

Reconciliation calculation based on the domestic corporate tax rate (26%) for the tax expense of the consolidated profit and loss account for the SATO Group's parent company:

MEUR	2009	2008
Profit before taxes	30.2	31.5
Taxes calculated on the parent company's tax rate	7.9	8.2
Non-tax-deductible expenses	1.4	0.2
Non-taxable income	-1.2	-0.2
Application of previously unbooked taxation losses	-0.5	-0.1
Tax from previous financial years	0.0	0.0
Losses/profits on merger		0.1
Other differences		-0.2
Adjustments, total	<b>-0.4</b>	<b>-0.3</b>
<b>Taxes in profit and loss account</b>	<b>7.5</b>	<b>7.9</b>

**9. EARNINGS PER SHARE**

The undiluted earnings per share are calculated by dividing the profit for the year due to the parent company's shareholders by the weighted average number of issued shares for the year. In a targeted issue in January 2009, Pension Fennia Mutual Insurance Company subscribed 950,769 SATO Corporation shares, which is the equivalent of 2.1 per cent of the issued stock prior to the issue.

	2009	2008
Profit for financial year for distribution to the owners of the parent company (MEUR)	22.6	23.4
Weighted average number of shares during the financial year (millions)	45.3	44.4
<b>Earnings per share (€)</b>	<b>0.50</b>	<b>0.53</b>

**10. INVESTMENT PROPERTIES**

MEUR	2009	2008
Acquisition cost, 1 Jan.	1,244.2	1,124.7
Additions; new properties	107.4	127.3
Additions; additional investments	4.6	5.9
Decreases	-15.6	-15.2
Reclassifications	1.2	1.5
Acquisition cost, total	1,341.8	1,244.2
Accumulated depreciation and write-downs, 1 Jan.	-80.7	-64.1
Depreciation	-17.7	-16.6
Impairment losses	0.0	0.0
Accumulated depreciation and write-downs, total	-98.4	-80.7
<b>Book value</b>	<b>1,243.4</b>	<b>1,163.5</b>
<b>Fair value</b>	<b>1,503.0</b>	<b>1,361.3</b>
<b>Difference between fair and book value</b>	<b>259.6</b>	<b>197.8</b>
<b>Change in difference in value</b>	<b>61.8</b>	<b>33.5</b>

Investment Properties are subject to legislated non-profit restrictions on disposal and utilisation. These restrictions and the definition of fair value are described above in greater detail in the accounting conventions of the financial statements, in the sections Basic Company Information and Investment Properties.

MEUR	2009	2008
Rental income on Investment Properties	168.6	158.8

The Group's lease agreements are leases on housing and they are mostly valid indefinitely. Roughly 7,000 new leases are drawn up per year. The turnover in the Group's rental housing portfolio in 2009 was 31.5% and in 2008 it was 30.2%, with the average validity for leases being 3.2 years in 2009 and 3.3 years in 2008.

**11. TANGIBLE ASSETS**

2009 MEUR	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan.	3.1	0.1	3.2
Increases	0.1	0.0	0.1
Decreases	-0.4	0.0	-0.4
Reclassifications	-0.1		-0.1
Acquisition cost, 31 Dec.	2.6	0.1	2.7
Accumulated depreciation and write-downs, 1 Jan.	1.3	0.0	1.3
Accumulated depreciation on transfers	-0.4	0.0	-0.4
Depreciation for the period	0.4	0.0	0.5
Accumulated depreciation and write-downs, 31 Dec.	1.4	0.0	1.4
<b>Book value, 1 Jan. 2009</b>	<b>1.7</b>	<b>0.0</b>	<b>1.8</b>
<b>Book value, 31 Dec. 2009</b>	<b>1.2</b>	<b>0.0</b>	<b>1.3</b>

2008 MEUR	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan.	2.9	0.1	3.0
Increases	0.4	0.0	0.4
Decreases	-0.3	0.0	-0.3
Reclassifications	0.0		0.0
Acquisition cost, 31 Dec.	3.1	0.1	3.2
Accumulated depreciation and write-downs, 1 Jan.	0.9	0.1	1.0
Accumulated depreciation on transfers	-0.3	0.0	-0.3
Depreciation for the period	0.8	0.0	0.7
Accumulated depreciation and write-downs, 31 Dec.	1.3	0.1	1.4
<b>Book value, 1 Jan. 2008</b>	<b>2.1</b>	<b>0.0</b>	<b>2.1</b>
<b>Book value, 31 Dec. 2008</b>	<b>1.7</b>	<b>0.0</b>	<b>1.8</b>

Tangible assets include assets acquired with financial leasing agreements as follows:

MEUR	Machinery and equipment 2009	Machinery and equipment 2008
Acquisition cost, 1 Jan.	1.5	1.5
Increases	0.0	0.3
Decreases	-0.4	-0.3
Acquisition cost, 31 Dec.	1.0	1.7
Accumulated depreciation and write-downs, 1 Jan.	0.5	0.3
Depreciation for the period	0.2	0.5
Accumulated depreciation on decreases	-0.4	-0.3
Accumulated depreciation, 31 Dec.	0.3	0.7
Book value, 31 Dec.	0.7	1.0

**12. INTANGIBLE ASSETS**

2009 MEUR	Intangible rights	Other intangible assets	Total
Acquisition cost, 1 Jan.	0.7	2.0	2.7
Increases	0.0	0.1	0.1
Reclassifications	-0.4	0.0	-0.4
Acquisition cost, 31 Dec.	0.3	2.1	2.4
Accumulated depreciation and write-downs, 1 Jan.	0.7	0.8	1.5
Accumulated depreciation on transfers	-0.4	0.0	-0.4
Depreciation for the period		0.3	0.3
Accumulated depreciation and write-downs, 31 Dec.	0.3	1.1	1.4
<b>Book value, 1 Jan. 2009</b>	<b>0.0</b>	<b>1.2</b>	<b>1.2</b>
<b>Book value, 31 Dec. 2009</b>	<b>0.0</b>	<b>1.0</b>	<b>1.0</b>

2008 MEUR	Intangible rights	Other intangible assets	Total
Acquisition cost, 1 Jan.	0.7	1.7	2.5
Increases	0.0	0.3	0.3
Reclassifications	0.0	0.0	0.0
Acquisition cost, 31 Dec.	0.7	2.0	2.8
Accumulated depreciation and write-downs, 1 Jan.	0.7	0.5	1.2
Accumulated depreciation on transfers	0.0	0.0	0.0
Depreciation for the period	0.0	0.3	0.3
Accumulated depreciation and write-downs, 31 Dec.	0.7	0.8	1.5
<b>Book value, 1 Jan. 2008</b>	<b>0.0</b>	<b>1.2</b>	<b>1.2</b>
<b>Book value, 31 Dec. 2008</b>	<b>0.0</b>	<b>1.2</b>	<b>1.2</b>

**13. HOLDING IN JOINT VENTURES AND ASSOCIATED COMPANIES**

MEUR	2009	2008
Acquisition cost, 1 Jan.	0.5	0.7
Increases	0.0	0.0
Decreases	0.0	-0.2
Reclassifications	0.0	0.0
Acquisition cost, 31 Dec.	0.5	0.5
Adjustments to shares in equity, 1 Jan.	0.1	0.0
Share of net profit for the financial year	0.1	0.1
Transfers between items	0.0	0.0
Dividends received	-0.1	0.0
<b>At year-end</b>	<b>0.6</b>	<b>0.6</b>



Information on the joint venture and associated companies and their combined assets, debts, turnover and profit/loss (MEUR):

2009	Domicile	Assets	Debts	Turnover	Profit/loss	Holding (%)
Suomen Asumisoikeus Oy	Helsinki	1,200.0	1,027.6	116.0	2.0	50.0*
K Oy Färminahde	Nokia	0.6	0.5	0.2	0.0	40.7
K Oy Ummelo	Oulu	0.5	0.1	0.3	0.0	49.0
K Oy Nurmijärven Jukolanmäki	Nurmijärvi	0.4	0.1	0.1	0.0	40.0
K Oy Salpalohi	Kerava	0.8	0.8	0.2	0.0	33.3
Piipunjuuri Oy	Oulu	0.1	1.0	0.4	0.0	50.0
SV-Asunnot Oy	Helsinki	0.3	0.3	0.0	0.0	50.0
2008	Domicile	Assets	Debts	Turnover	Profit/loss	Holding (%)
Suomen Asumisoikeus Oy	Helsinki	1,220.1	1,042.9	111.2	0.5	50.0
K Oy Färminahde	Nokia	0.6	0.5	0.2	0.0	40.7
K Oy Ummelo	Oulu	0.5	0.2	0.3	0.1	49.0
K Oy Nurmijärven Jukolanmäki	Nurmijärvi	0.4	0.1	0.1	0.1	40.0
K Oy Salpalohi	Kerava	0.8	0.8	0.2	0.0	33.3
K Oy Kupittaaan Lähde	Turku	7.5	7.5	0.0	0.0	50.0
Piipunjuuri Oy	Oulu	0.1	0.1	0.4	0.0	50.0
SV-Asunnot Oy	Helsinki	0.3	0.3	0.0	0.0	50.0

\*Suomen Asumisoikeus Oy has been consolidated as per the Right of Occupancy Act in respect of the distributable dividend [8% on invested assets].

14. BOOK VALUES OF FINANCIAL ASSETS AND DEBTS BY VALUATION GROUP

2009		Derivatives	Derivatives	Loans and	Financial	Debts to book	Book values
MEUR	Note	subject	not subject	other	assets	at matched	of balance
		to hedge	to hedge	receivables	available	acquisition cost	sheet items
		accounting	accounting		for selling		
<b>Non-current financial assets</b>							
Stocks and shares	15				2.3		2.3
Notes receivable	16			6.0			6.0
<b>Current financial assets</b>							
Accounts receivable	19			8.4			8.4
Notes receivable	19			0.3			0.3
Derivative receivables	24						0.0
Cash and cash equivalents	20			33.4			33.4
<b>Non-current financial debts</b>							
Loans from financial institutions	23					886.3	886.3
<b>Current financial debts</b>							
Loans from financial institutions	23					185.2	185.2
Derivative debts	24	11.5	5.8				17.3
Accounts payable	27					3.0	3.0

2008		Derivatives	Derivatives	Loans and	Financial	Debts to book	Book values
MEUR	Note	subject	not subject	other	assets	at matched	of balance
		to hedge	to hedge	receivables	available	acquisition cost	sheet items
		accounting	accounting		for selling		
<b>Non-current financial assets</b>							
Stocks and shares	15				2.2		2.2
Notes receivable	16			9.1			9.1
<b>Current financial assets</b>							
Accounts receivable	19			10.8			10.8
Notes receivable	19			0.2			0.2
Derivative receivables	24						0.0
Cash and cash equivalents	20			46.8			46.8
<b>Non-current financial debts</b>							
Loans from financial institutions	23					846.8	846.8
<b>Current financial debts</b>							
Loans from financial institutions	23					210.3	210.3
Derivative debts	24	9.3	3.9				13.2
Accounts payable	27					10.7	10.7

Loans from financial institutions had a total book value of MEUR 1,071.5 (MEUR 1,057.1 in 2008). The balance sheet value of market-based loans was MEUR 665.8 (in 2008 MEUR 660.3) and the fair value was MEUR 666.8 (in 2008 MEUR 662.4). The weighted average effective interest rate for long-term market-based loans as at 31 December 2009 was 1.67%. The book value of other loans was MEUR 405.7 (MEUR 396.8 in 2008). No fair value has been stated for state-subsidised ARAVA loans and interest-subsidised loans due to the special features of these types of loans, such as the quasi-subsidy components. The maturities of state-subsidised ARAVA loans and interest-subsidised loans are very long, so it is difficult to set a reliable benchmark interest rate. Most of the state subsidised loans are maturing in the period 2022–2047. The fair value of all the other financial assets and debts is estimated to be equal to their book value.

More detailed information on derivatives is given in note 24. There were no postings of financial assets available for selling in the profit and loss account during the year. The amount posted in the shareholders’ equity is given in the accounting for changes in share-holders’ equity.

15. FINANCIAL ASSETS AVAILABLE FOR SELLING

MEUR	2009	2008
Shares	0.5	0.4
Other holdings	1.8	1.8
<b>Financial assets available for selling, total</b>	<b>2.3</b>	<b>2.2</b>

Shares include quoted shares, which are valued at the closing price on the date of closing the books. Other holdings include unlisted shares, which are valued at the acquisition cost as it was not possible reliably to determine their fair value.

16 NON-CURRENT RECEIVABLES

MEUR	2009	2008
Loan receivables	6.0	9.0
Other receivables	0.0	0.1
<b>Total</b>	<b>6.0</b>	<b>9.1</b>

The receivables are principally receivables from housing companies. They have been valued at the acquisition cost in the financial statements and their fair value is estimated to be equal to their book value.

**17. DEFERRED TAX CREDITS AND LIABILITIES****Changes in deferred taxes during 2009:**

MEUR	1.1.2009	Recognized in profit and loss account	Recognized in other items of comprehensive income	Subsidiaries acquired/sold	31.12.2009
<b>Deferred tax credits:</b>					
Valuation of financial instruments at fair value	3.4	0.5	0.6		4.5
From matching difference and interim differences	12.3	0.5			12.8
From intra-Group margins	2.3	-0.1			2.2
<b>Total</b>	<b>18.0</b>	<b>0.9</b>	<b>0.6</b>	<b>0.0</b>	<b>19.5</b>
<b>Deferred tax liability:</b>					
Valuation of financial instruments at fair value	0.0		0.0		0.0
From appropriations and depreciation differences	56.9	2.6		0.6	60.1
From matching differences and interim differences	3.3	0.4			3.7
From applied acquisition costs	3.1	-0.3			2.9
<b>Total</b>	<b>63.3</b>	<b>2.7</b>	<b>0.0</b>	<b>0.6</b>	<b>66.6</b>

**Changes in deferred taxes during 2008:**

MEUR	1.1.2008	Recognized in profit and loss account	Recognized in other items of comprehensive income	Subsidiaries acquired/sold	31.12.2008
<b>Deferred tax credits:</b>					
Valuation of financial instruments at fair value	0.0	1.0	2.4	0.0	3.4
From matching differences and interim differences	7.9	4.4	0.0	0.0	12.3
From intra-Group margins	4.6	-2.3	0.0	0.0	2.3
<b>Total</b>	<b>12.5</b>	<b>3.1</b>	<b>2.4</b>	<b>0.0</b>	<b>18.0</b>
<b>Deferred tax liability:</b>					
Valuation of financial instruments at fair value	1.0	-0.2	-0.8	0.0	0.0
From appropriations and depreciation differences	50.9	6.1	0.0	0.0	56.9
From matching differences and interim differences	1.5	1.8	0.0	0.0	3.3
From applied acquisition costs	3.6	-0.5	0.0	0.0	3.1
<b>Total</b>	<b>57.0</b>	<b>7.2</b>	<b>-0.8</b>	<b>0.0</b>	<b>63.3</b>

**18. INVENTORIES**

MEUR	2009	2008	1.1.2008
Housing under construction	0.6	30.9	94.4
Completed housing units and commercial space	9.9	20.8	11.0
Land areas and land area companies	78.3	67.6	67.2
Other inventories	7.0	9.3	4.4
<b>Total</b>	<b>95.7</b>	<b>128.6</b>	<b>176.9</b>

There was no requirement to book as an expense in 2009. 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.

**19. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

MEUR	2009	2008
Accounts receivable	8.4	10.8
Accrued assets	3.2	3.7
Loan receivables	0.3	0.2
Other receivables	1.1	1.4
<b>Total</b>	<b>13.0</b>	<b>16.1</b>
<b>Itemisation of accrued assets</b>		
Rental business	1.8	0.2
Construction commissioning	1.0	2.3
Hedge accounting		0.7
Interest	0.0	0.2
Other accrued assets	0.4	0.3
<b>Total</b>	<b>3.2</b>	<b>3.7</b>

The balance sheet values correspond best to the amount of money which is the maximum amount of the credit risk notwithstanding the fair value of the securities in a case in which the other contractual parties are unable to meet their obligations in respect of financial instruments. The receivables do not entail significant clusters of credit risks. The book values of the trade receivables and other non-current receivables are considered to be equal to their fair values.

**20. CASH AND CASH EQUIVALENTS**

MEUR	2009	2008
Cash and bank balances	18.0	9.6
Certificates of deposit, deposits	15.5	37.2
Cash and cash equivalents on balance sheet	33.4	46.8

The non-profit companies' cash assets are kept separately from those of companies not subject to non-profit. The non-profit companies' cash assets in 2009 were MEUR 21.4 and in 2008 MEUR 34.1.

**21. NOTES ON SHAREHOLDERS' EQUITY****Precision calculation of the number of shares:**

	Number of shares (1,000)	Share capital, MEUR	Reserve fund, MEUR	Invested distributable equity fund	Total, MEUR
<b>1.1.2008</b>	44,422	4.4	43.7	3.2	51.3
	0	0.0	0.0	0.0	0.0
<b>31.12.2008</b>	<b>44,422</b>	<b>4.4</b>	<b>43.7</b>	<b>3.2</b>	<b>51.3</b>
<b>1.1.2009</b>	44,422	4.4	43.7	3.2	51.3
	951	0.0	0.0	6.2	6.2
<b>31.12.2009</b>	<b>45,373</b>	<b>4.4</b>	<b>43.7</b>	<b>9.3</b>	<b>57.4</b>

Description of shareholders' equity funds:

Shares

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.

Reserve fund

The reserve fund includes a share premium account.

Value adjustment fund

The value adjustment fund includes the change in fair values of the derivative instruments used to hedge the cash flow as well as the valuation of the investments available for selling at their fair value.

Dividends

After the date of closing the books, 31 December 2009, the Board of Directors has proposed paying dividend in the amount of 0.24 euros per share.

Restrictions concerning the Group's shareholders' equity

The Group's retained profits in 2009, MEUR 170.1 (in 2008

MEUR 158.1) include a total of MEUR 36.3 (in 2008 MEUR 26.8) of shareholders' equity subject to restrictions on the distribution of profit from non-profit operations. Part of the Group companies are subject to so-called non-profit income-recognition limitations under housing legislation, according to which the organisation may not pay out to its owners more than the profit permitted under housing legislation.

Management of the capital structure

The aim of the company's capital structure management is to support the growth targets and to secure the ability to pay dividend. Another aim of the structure management is to ensure the Group's prospects for operating in the equity market in all situations, regardless of volatility in the sector. SATO's targeted equity ratio net of VATRO Housing is at least 25 per cent. Equity ratio may temporarily dip below this target due to significant investments. The actual equity ratio net of VATRO Housing as at 31 December 2009 is 28.2 per cent.

The company's Board of Directors reviews and assesses the Group's capital structure regularly.

Some of the company's financial debts applies to the capital structure and special terms related to profitability. During the 2009 financial year, the company's capital structure and profitability met the terms set.

22. PENSION COMMITMENTS

MEUR	2009	2008
<b>Benefit-based pension liability on the balance sheet</b>		
Current value of unfunded liabilities	0.0	0.0
Current value of funded liabilities	1.2	0.9
Fair value of assets	-1.1	-1.0
<b>Below/above margin</b>	<b>0.1</b>	<b>-0.1</b>
Unbooked profits (+) / losses (-) based on insurance calculation	-0.2	0.0
Unbooked expenditure based on backdated work done	0.0	0.0
<b>Net debt</b>	<b>0.0</b>	<b>-0.1</b>

MEUR	2009	2008
<b>Amounts on balance sheet:</b>		
Debts	0.0	0.0
Receivable	0.0	0.1
<b>Net debt</b>	<b>0.0</b>	<b>0.1</b>
<b>Benefit-based pension expenditure of profit and loss account</b>		
Expenditure based on work done during period	0.4	0.1
Interest expenditure	0.1	0.0
Expected income of assets in arrangements	-0.1	0.0
Profits (+) / losses (-) based on insurance calculation	0.0	0.0
Effect of fulfilling the obligation	0.0	0.0
Profits/losses of reduction in arrangements	0.0	0.0
<b>Total</b>	<b>0.4</b>	<b>0.1</b>
<b>Income of assets in arrangements</b>	<b>0.1</b>	<b>0.0</b>
<b>Changes in current value of liability shown on balance sheet</b>		
Liability 1 Jan.	0.9	0.7
Expenditure due to work done	0.4	0.1
Interest expenditure	0.1	0.0
Profits (+) / losses (-) based on insurance calculation	0.1	0.0
Profits (-) / losses (+) of reduction in arrangements	0.0	0.0
Benefits paid	0.0	0.0
Fulfilment of obligations	-0.2	
<b>Liability 31 Dec.</b>	<b>1.2</b>	<b>0.9</b>
<b>Changes in fair values of assets included in arrangements</b>		
Fair values 1 Jan.	1.0	0.8
Expected income of assets	0.1	0.0
Profits (+) / losses (-) based on insurance calculation	-0.1	0.1
Employer's remittances in arrangements	0.3	0.0
Fulfilment of obligations	0.0	0.0
<b>Fair values 31 Dec.</b>	<b>1.2</b>	<b>1.0</b>
<b>Amount the Group expects to remit to benefit-based arrangements in period 2009/2008</b>	<b>0.3</b>	<b>0.0</b>
<b>No division of the assets in the arrangement by property groupings is available.</b>		
<b>Assumptions used in insurance calculation</b>		
Discount interest	4.50%	5.00%
Expected income of assets in arrangements	4.75%	4.84%
Assumed future salary increase	4.00%	4.00%

The expected overall income of assets has been calculated by the insurer.

Five-year time series (beginning 1.1.2006)	2009	2008	2007	2006
Current value of liabilities	1.2	0.9	0.7	0.6
Fair value of assets in arrangements	-1.1	-1.0	-0.8	-0.7
<b>Below (-) / above margin (+)</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.1</b>
Experience-based revisions of assets included in arrangements	0.0	0.0	0.0	0.0
Experience-based revisions of debts included in arrangements	0.0	0.0	0.0	0.0



## 23. FINANCIAL LIABILITIES

MEUR	2009	2008
<b>Non-current</b>		
Market-based loans	504.0	463.1
Interest-subsidised loans	92.5	97.6
State-subsidised loans	199.9	223.5
Contingent liabilities due to shares in housing companies and mutual building management companies	89.5	62.0
Financial leasing liabilities	0.4	0.6
<b>Total</b>	<b>886.3</b>	<b>846.9</b>
<b>Current</b>		
Market-based loans	161.1	196.2
Interest-subsidised loans	4.9	2.6
State-subsidised loans	12.2	9.3
Contingent liabilities due to shares in housing companies and mutual building management companies	6.7	1.8
Financial leasing liabilities	0.3	0.4
<b>Total</b>	<b>185.2</b>	<b>210.3</b>

The amount of cash flow hedging entered in shareholders' equity during the period is shown in the calculation of changes in shareholders' equity. Cash flows of instalments and interest based on loan agreements are shown in note 28 to the financial statements, Management of Financial Risks.

### Financial leasing liabilities

MEUR	2009	2008
Total of minimum rents		
During one year	0.3	0.4
Longer than one year and within a maximum of five years	0.4	0.6
In more than five years		0.0
<b>Total</b>	<b>0.7</b>	<b>1.0</b>
Current value of minimum rents		
During one year	0.3	0.4
Longer than one year and within a maximum of five years	0.4	0.6
In more than five years		0.0
<b>Total</b>	<b>0.7</b>	<b>1.0</b>
Financial expenses accruing in the future	0.0	0.1
<b>Total amount of financial leasing liabilities</b>	<b>0.7</b>	<b>1.0</b>

## 24. DERIVATIVES

The following table gives information on the derivatives presented in note 14 to the financial statements:

Derivative instruments specified for hedging cash flow in 2009		< 1 year	1–3 years	> 3 years	Total
	Nominal value	66.4	75.0	220.4	361.8
Positive	Fair value	0.0	0.0	0.1	0.1
Negative	Fair value	-0.3	-3.6	-7.7	-11.6
Total		-0.3	-3.6	-7.6	-11.5

Derivative instruments without hedge accounting in 2009

	Nominal value	60.8	90.0	20.0	170.8
Positive	Fair value	0.0	0.0	0.0	0.0
Negative	Fair value	-0.1	-4.4	-1.3	-5.8
Total		-0.1	-4.4	-1.3	-5.8

Derivative instruments specified for hedging cash flow in 2008		< 1 year	1–3 years	> 3 years	Total
	Nominal value	133,1	181,8	115,0	429,9
Positive	Fair value	0.0	0.1	0.1	0.1
Negative	Fair value	-0.6	-4.3	-4.5	-9.4
Total		-0.6	-4.3	-4.4	-9.3

Derivative instruments without hedge accounting in 2008

	Nominal value	0.0	0.0	110.0	110.0
Positive	Fair value	0.0	0.0	0.0	0.0
Negative	Fair value	0.0	0.0	-3.9	-3.9
Total		0.0	0.0	-3.9	-3.9

Of the derivatives specified for hedging cash flow in 2009, MEUR -1.6 was booked in the value adjustment fund (MEUR -9.3 in 2008). The derivatives include contracts which cannot, owing to their nature, be defined as hedging of a market-based interest rate position. The hedged capital of the market-based loans at year-end was 415.4 (372.3) million euros, which corresponds to 68 (60) per cent of the market-based interest rate position.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

	Fair values quoted on operational markets	Fair values based on verifiable input data	Fair values based on unverified input data
Financial assets and debts charged or credited at fair value		-5.8	
Financial assets for sale	0.5		1.8
Derivatives assigned to hedging of cash flow		-11.5	
<b>Total</b>	<b>0.5</b>	<b>-17.3</b>	<b>1.8</b>

The financial assets based on unverified input data are unquoted shares valued at the historical acquisition cost.

26. UNTAXED RESERVES

MEUR	Refund claim expense reserve	Other reserves	Reserves, total
1.1.2009	5.2	0.9	6.1
Increases in reserves	1.2	0.0	1.2
Reserves disbursed	-1.0	-0.6	-1.6
Cancellations of unused reserves	-0.8		-0.8
<b>31.12.2009</b>	<b>4.7</b>	<b>0.3</b>	<b>5.0</b>

The refund claim expense reserve includes a guarantee reserve related to construction business as well as the 10-year liability period thereafter. The refund claim expense reserve is determined on the basis of the claims submitted and on figures from previous experience.

Other reserves include, inter alia, reserves for loss-making agreements.

The potential realisation of the refund claim expense reserve will take place within 10 years and other reserves within 6 years.

27. ACCOUNTS PAYABLE AND OTHER DEBTS

MEUR	2009	2008	1.1.2008
Advances received	8.6	13.2	43.2
Accounts payable	3.0	10.7	6.9
Other debts	0.3	0.6	0.8
Deferred liabilities	40.2	34.3	24.0
<b>Accounts payable and other debts, total</b>	<b>52.2</b>	<b>58.8</b>	<b>74.9</b>
<b>Critical items of deferred liabilities</b>			
Wages and salaries with employee benefits	1.5	1.7	
Interest	4.8	8.3	
Hedge accounting	19.1	15.4	
Construction commissioning	6.8	6.0	
Rental business	7.2	1.2	
Others	0.8	1.7	
	<b>40.2</b>	<b>34.3</b>	

28. MANAGEMENT OF FINANCIAL RISKS

The goal of SATO’s finance policy is to protect the company from unfavorable changes occurring in the financial market. In 2008 the Board of Directors approved SATO’s finance policy, which sets out the main principles of managing finance and financial risks. SATO’s Group finance attends to the management of financial risks in accordance with the Group’s finance policy. Group finance reports to the CFO, who is responsible for organizing and managing the duties associated with the management of finance and financial risks as well as ensuring that the principles set in the finance policy are complied with.

Interest rate risk

The aim of interest rate risk management is to reduce the impact of changes in market rates on interest expenses in such a way that the risk of a rise in interest expenses is on an acceptable level and liquidity is secured. The most crucial risk to the loan portfolio is interest rate risk, which is due to the effect of fluctuations in market interest rates on interest flows into floating rate loans. In interest rate risk management, the aim is to achieve a balance between floating and fixed rates. Interest rate risk mostly results from financial debts, which include market rate loans, interest subsidised loans and state subsidised loans. The main interest rate risk involves market-based loans, but the interest rate risk on other types of financial debts is also monitored.

Market-based loans are basically drawn at floating rates. In accordance with the financial policy, 50–80% of the nominal value of loans is hedged, i.e., their interest-rate fixing period is extended. On 31 December 2009, 68% of the nominal value of these loans was hedged with derivatives, their average maturing being 3.12 years. Part of the interest rate derivatives are treated as cash flow hedging in the accounting. The longest of the hedges on floating-rate loans extend until 2015. The hedges on cash flow include no ineffective part, because the subjects of the hedging and the hedging instruments have the same interest periods. The effect of changes in market interest rates on net financial expenses is examined with sensitivity analyses on the next page.

Changes in market interest rates also affect interest expenditure on interest-subsidised loans. In interest-subsidised loans, a subsidy is obtained for the part exceeding the deductible rate, so the costs of increases in interest rates for interest-subsidised loans are considerably lower than for market rate loans. The deductible rate at the end of 2009 was 2.75–3.5%. A large part of the interest-subsidised loans is tied to longer reference rates. The interest risk on interest-subsidised loans is very small due to the interest subsidy and long reference

rates. In accordance with the finance policy, SATO does not apply hedging to interest-subsidised loans.

In operations financed with state subsidies, absorption cost-based determination is used for rent, by which any interest risk is transferred to the rents. The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. Some state-subsidised loans have interest rate cap, the level of which is based on the interest rate of state 10-year bonds. A risk in state-subsidised ARAVA loans is a sudden increase in interest, which would be difficult to transfer in its entirety to rents without delay. Another risk is an increase in state subsidised interest rates based on inflation to a level higher than Euribor rates. In accordance with the finance policy, SATO does not apply hedging to state-subsidised ARAVA loans.

Currency risk

In 2007, SATO started Investment in Housing business in Russian St. Petersburg. The first homes were completed for rental purposes in October 2008. SATO’s main currency risks have been rouble-denominated commitments related to the investments. On 31 December 2009, SATO had MEUR 0.5 in rouble-denominated commitments related to the investments. As rental business is still in the early stages, no very probable foreign currency-denominated cash flows related to operational business constitute a significant currency risk. Neither will the consolidation of the foreign subsidiary’s currency-denominated shareholders’ equity have significant effects on the Group’s consolidated equity and the key indicators of the balance sheet.

The currency risk has not been hedged with derivatives.

Price risk

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

Credit risk

Credit risk is caused by the inability of a contractual party to fulfil his obligations.

SATO’s accounts receivable consist mainly of accounts receivable from construction commissioning. For the most part there is no credit risk from accounts receivable from construction commissioning, as title to the properties to be sold is not usually transferred to the buyer until the price has been paid.

A small proportion of accounts receivable involve rent receivables. SATO has more than 23,000 tenants, so the risk entailed in a single rent receivable is insignificant. Most lease agreements have security for the rent receivable. SATO’s

actual credit losses have averaged the equivalent of 0.3% of rental income.

In addition, derivative instruments involve a counterparty risk, which is reduced by spreading derivative instruments 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 actual basic business is a steady foundation on which the cash flows of investments and financing are built. Liquidity is managed with the commercial paper programme used by the Group , MEUR 100, and with credit limits on committed short-

term loans, MEUR 160. On 31 December 2009, the commercial paper issued amounted to EUR 95.4 million (31.12.2008: EUR 20 million) and the credits raised on short-term credit limits were EUR 35 million (31.12.2008: EUR 150 million). In liquidity management, it is taken into account that the assets of the Group's non-profit companies are kept separately and allocated to non-profit operations.

Sensitivity analyses (interest rate risk)

The following assumptions have been made in calculating the sensitivity arising from a change in the interest rate:

- the interest rate change is assumed to be +100 bp/-50bp
- loans are denominated in EUR

Sensitivity analysis of market-rate floating interest loans 2009

%	Profit and loss account 100 bp increase	50 bp decrease	Shareholders' equity 100 bp increase	50 bp decrease
Floating rate loans	-4.6	2.3	-	-
Interest rate swaps	4.0	-2.0	10.4	-5.4
Interest-rate options	1.8	-0.9	-	-
Effect, total	1.2	-0.6	10.4	-5.4

Sensitivity analysis of market-rate floating interest loans 2008

%	Profit and loss account 100 bp increase	50 bp decrease	Shareholders' equity 100 bp increase	50 bp decrease
Floating rate loans	-4.2	2.1	-	-
Interest rate swaps	2.0	-1.0	7.3	-3.9
Interest-rate options	2.9	-1.5	-	-
Effect, total	0.7	-0.4	7.3	-3.9

Market-rate loans are basically drawn at floating rates. The company hedges against market-based loan interest rate risk by selecting interest periods and with derivative instruments such as interest rate swaps.

The sensitivity of interest-subsidised loans to changes in market rates is slight. The average interest-rate subsidy for interest-subsidised loans for the part in excess of the deductible rate was 38.5% at balance sheet date. The deductible rate on interest-subsidised loans at balance sheet date was 2.75%–3.50%. Approximately 2/3 of the interest-subsidised loans are pegged to long-term, from 3- to 10-year reference rates. During the period under review, the base deductible rate on interest-subsidised loans of the so-called interim model is 3.40%. For the portion in excess of the deductible rate, 75% is paid in interest subsidy.

The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. The interest on state-subsidised ARAVA loans is updated annually on the basis of the change in the consumer price index for July. The new interest rate on state-subsidised ARAVA loans affects the interest rates for SATO's state subsidised loans only more than six months later. Therefore, as at the date of closing the books, the sensitivity of SATO's state-subsidised ARAVA loans to changes in the consumer price index for the next 12 months is nonexistent. Some of the state-subsidised ARAVA loans also have an interest rate cap based on the three-year average for interest on Finnish state bonds, therefore the sensitivity of the loans to a change in the consumer price index for the next 12 months is marginal also in other periods under examination.

Analysis of maturity

The instalments on debts and the cash flows of interest based on loan agreements were as follows on 31.12.2009:

MEUR	In 1 year	In 1–5 years	In 6–10 years	In 10–15 years	After 15 years	Total
Market-based loans	-175.7	-165.1	-166.7	-132.0	-115.5	-755.0
Interest-subsidised loans	-7.5	-31.8	-57.9	-20.9	0.0	-118.1
State-subsidised ARAVA loans	-18.2	-68.8	-69.8	-45.5	-44.8	-228.1
Accounts payable	-3.0	0.0	0.0	0.0	0.0	-3.0
	-204.4	-265.7	-294.4	-198.4	-160.3	-1,123.2
Interest-rate swaps	-8.8	-5.0	0.2	0.0	0.0	-13.6
Interest-rate options	-2.4	-2.0	0.0	0.0	0.0	-4.4
	-11.2	-7.0	0.2	0.0	0.0	-18.0
Total	-215.6	-272.7	-294.2	-198.4	-160.3	-1,141.2

The instalments on debts and the cash flows of interest based on loan agreements were as follows on 31.12.2008:

MEUR	In 1 year	In 1–5 years	In 6–10 years	In 10–15 years	After 15 years	Total
Market-based loans	-244.1	-159.7	-182.8	-169.0	-103.5	-859.2
Interest-subsidised loans	-5.7	-24.3	-59.8	-32.5	0.0	-122.3
State-subsidised ARAVA loans	-18.3	-77.1	-94.7	-77.5	-50.5	-318.0
Accounts payable	-10.7	0.0	0.0	0.0	0.0	-10.7
	-278.9	-261.1	-337.2	-279.0	-154.0	-1,310.1
Interest-rate swaps	-3.8	-8.5	0.0	0.0	0.0	-12.4
Interest-rate options	-0.7	-4.1	-0.5	0.0	0.0	-5.3
	-4.5	-12.6	-0.5	0.0	0.0	-17.6
Total	-283.4	-273.7	-337.7	-279.0	-154.0	-1,327.8

The tables do not include the liability for debts of shares of housing and mutual property holding companies belonging to the group of investments.



**29. OTHER LEASE AGREEMENTS**

MEUR	2009	2008
<b>Group as lessee</b>		
Minimum rents to be paid on the basis of other lease agreements:		
During one year	1.9	1.9
Longer than one year and a maximum of five years later	5.6	7.8
In more than five years	0.0	0.0
<b>Total</b>	<b>7.5</b>	<b>9.7</b>

The Group has sublet SATO's office premises on Panuntie in Helsinki. The amount of the minimum rents to be obtained from these premises is MEUR 0.8 (MEUR 1.0 in 2008). The received rents entered in the profit and loss account during the year were MEUR 0.8 in 2009 (MEUR 0.6 in 2008).

**30. NOTES TO THE CASH FLOW STATEMENT****Business actions not involving a payment**

MEUR	2009	2008
Depreciation	18.5	17.6
Impairments	0.0	0.0
Other changes	1.9	4.1
<b>Total</b>	<b>20.4</b>	<b>21.8</b>

**31. COLLATERAL AND CONTINGENCY COMMITMENTS**

MEUR	2009	2008
<b>Debts for which mortgages and pledges have been given as collateral</b>		
<b>Market loans</b>	<b>528.1</b>	<b>479.2</b>
Mortgages provided	86.3	55.0
Book value of pledged shares	560.6	485.8
Value of corporate mortgages pledged	0.0	0.0
Value of deposits pledged	0.3	1.4
<b>State-subsidised ARAVA loans</b>	<b>206.3</b>	<b>230.3</b>
Mortgages provided	376.6	404.8
Book value of pledged shares	25.2	28.3
<b>Interest-subsidised loans</b>	<b>97.4</b>	<b>100.2</b>
Mortgages provided	121.9	121.9
Book value of pledged shares	0.8	0.8
<b>Debts of housing and mutual property holding companies, secured by mortgages on properties</b>		
Loans from financial institutions	96.2	63.8
Mortgages provided	139.6	89.7
<b>Other commitments</b>		
Guarantees	0.6	1.5
<b>Guarantee pledges for others</b>		
Owner-occupier home purchase commitments	17.4	18.1
Rs-guarantees	13.6	19.4
<b>Mortgages provided to secure payment of rent and street maintenance</b>		
Property mortgages provided	5.1	5.1
<b>Binding purchase agreements</b>		
For acquisitions of investment properties	6.6	29.4
Pledges for land use payments on zoned plots	14.7	12.9
Letters of intent on land for which there is a zoning condition	7.5	18.4

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 102.5 in 2009 (MEUR 108.1 in 2008).

SATO has the obligation to purchase the shares of Habinvest Oy offered for sale during the period 1.1.–31.12.2011. The purchase price is the market value of the shares.

32. RELATED PARTY EVENTS

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. In 2008 and 2009 the shareholders included in related parties were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and Wärtsilä Corporation.

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 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 465,000 SATO Corporation shares at the end of 2009, which amounts to 1% of the company's issued stock. SATO Corporation bought back the holdings of people who resigned from the company's employ during the financial year.

The following transactions were effected with related parties:

Open balances with shareholders		
MEUR	2009	2008
Receivables	0.0	0.0
Debts	43.6	1.3

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

Management perquisites		
MEUR	2009	2008
Salaries and other short-term perquisites	1.2	1.6
Other long-term perquisites	0.0	0.0
Total	1.2	1.6

Management salaries and emoluments		
MEUR	2009	2008
Presidents	0.7	0.8
Members of the Board of Directors	0.2	0.2

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.

Pensionable age for the President and CEO and the President and CEO's deputy is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary.

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

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

33. SUBSIDIARIES OWNED BY THE GROUP AND PARENT COMPANY

	Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %
Holding percentages are the same as voting rights.			Espoon Ruorikuja 4 As Oy	3.8	3.8
<b>Subsidiaries held by SATO Corporation</b>			Espoon Ruusulinna As Oy	100.0	100.0
Sato-Asunnot Oy	100.0	100.0	Espoon Satokallio As Oy	11.6	11.6
SATOkoti Oy	100.0	100.0	Espoon Saunalyhty As Oy	6.8	6.8
Sato-Rakennuttajat Oy	100.0	100.0	Espoon Suvikumpu As Oy	7.7	7.7
Sato Vuokrakodit Oy	100.0	100.0	Espoon Taivalpolku As Oy	3.6	3.6
Suomen Satokodit Oy	100.0	100.0	Espoon Vanharaide As Oy	90.1	90.1
Vatrotalot Oy	100.0	100.0	Espoon Vasaratörmä As Oy	5.2	5.2
<b>Unconsolidated subsidiaries and associated companies</b>			Espoon Viherlaaksonranta 3–5 As Oy	100.0	100.0
Keskus-Sato Oy, dormant	100.0	100.0	Espoon Viherlaaksonranta 4 KOy	100.0	100.0
SV-Asunnot Oy	50.0	50.0	Espoon Viherlaaksonranta 7 As Oy	100.0	100.0
Other shares			Espoon Yläkartanonpiha As Oy	10.9	10.9
Outakessa Koy	100.0	100.0	Espoon Zanseninkuja 6 As Oy	100.0	100.0
Espoon Aallonrivi As Oy	100.0	100.0	Etelä-Hämeen Talo Oy	81.3	56.3
Jyväskylän Lyseonlinna As Oy	6.8	2.2	Eura III As Oy	100.0	100.0
Jyväskylän Torihovi As Oy	4.1	1.4	Fredrikinkatu 38 As Oy	2.7	2.7
<b>Companies held by subsidiaries</b>			Graftio ulitsa 5	50.4	50.4
Sato-Asunnot Oy			Haagan Pappilantie 13 As Oy	2.6	2.6
Agricolankuja 3 As Oy	3.0	3.0	Haagan Talontie 4 As Oy	3.1	3.1
Agricolankuja 8 As Oy	80.7	80.7	Hakaniemenranta As Oy	2.5	2.5
Agricolankulma As Oy	0.8	0.8	Helsingin Akaasia As Oy	13.9	13.9
Albertus As Oy	1.1	1.1	Helsingin Aleksis Kiven katu 52–54 As Oy	0.5	0.5
Amos As Oy	0.5	0.5	Helsingin Ansartie 1 As Oy	100.0	100.0
Björneborgsvägen 5 Bost. Ab	0.5	0.5	Helsingin Ansartie 2–4 As Oy	100.0	100.0
Erkintalo As Oy	1.1	1.1	Helsingin Ansartie 3 As Oy	100.0	100.0
Espoon Elosalama As Oy	100.0	100.0	Helsingin Apollonkatu 19 As Oy	38.2	38.2
Espoon Hassel As Oy	4.4	4.4	Helsingin Arabian Kotiranta As Oy	4.2	4.2
Espoon Heinjoenpolku As Oy	100.0	100.0	Helsingin Arabiankatu 3 As Oy	13.4	13.4
Espoon Honkavaarantie 5 As Oy	100.0	100.0	Helsingin Casa Canal As Oy	13.3	13.3
Espoon Kiiltokalliontie As Oy	14.5	14.5	Helsingin Castreninkatu 3 As Oy	100.0	100.0
Espoon Kivenhakkaajankuja 3 As Oy	2.3	2.3	Helsingin Cirrus As Oy	1.7	1.7
Espoon Lounaismeri As Oy	100.0	100.0	Helsingin Corona As Oy	17.0	17.0
Espoon Malmiportti 4 A–B As Oy	100.0	100.0	Helsingin Eiranrannan Estella As Oy	30.8	30.8
Espoon Malmiportti 4 C-D As Oy	0.0	0.0	Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1
Espoon Myötätuulenmäki As Oy	8.5	8.5	Helsingin Gerbera As Oy	12.7	12.7
Espoon Numersinkatu 11 As Oy	18.8	18.8	Helsingin Happiness As Oy	22.2	22.2
Espoon Omenapuu As Oy	16.0	16.0	Helsingin Hildankulma As Oy	80.1	80.1
Espoon Paratiisiomena As Oy	18.3	18.3	Helsingin Isopurje As Oy	3.2	3.2
Espoon Perkkaankuja 3 As Oy	100.0	100.0	Helsingin Juhani Ahon tie 12–14 As Oy	100.0	100.0
Espoon Puikkarinmäki As Oy	100.0	100.0	Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Espoon Punatulkuntie 5 As Oy	12.0	12.0	Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Espoon Pyhäjärventie 1 As Oy	100.0	100.0	Helsingin Kalevankatu 53 As Oy	30.5	30.5
Espoon Rastaspuistontie 8 As Oy	7.3	7.3	Helsingin Kalliolinna As Oy	0.8	0.8
Espoon Rummunlyöjäkatu 11 D–E As Oy	0.0	0.0	Helsingin Kanavaranta As Oy	10.7	8.8
			Helsingin Kangaspellontie 1–5 As Oy	100.0	100.0
			Helsingin Kangaspellontie 4 As Oy	20.1	20.1
			Helsingin Kangaspellontie 6 KOy	100.0	100.0
			Helsingin Kangaspellontie 8 As Oy	16.4	16.4
			Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
			Helsingin Kirjala As Oy	100.0	100.0

	Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %
Helsingin Klaavuntie 8–10 As Oy	100.0	100.0	Helsingin Tunturinlinna As Oy	9.5	9.5	Mannerheimintie 77 As Oy	1.2	1.2	Sulkaopolku 6 As Oy	0.4	0.4
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8	Helsingin Tuohiaukio As Oy	17.1	11.9	Mannerheimintie 83–85 As Oy	0.7	0.7	Säästökartano As Oy	0.3	0.3
Helsingin Koroistentie As Oy	15.9	15.9	Helsingin Vanha viertotie 16 As Oy	76.7	76.7	Mannerheimintie 93 As Oy	0.3	0.3	Taapuri As Oy	2.5	2.5
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0	Helsingin Vanha viertotie 18 As Oy	47.5	47.5	Mariankatu 21 As Oy	1.3	1.3	Tallbergin puistotie 1 As Oy	2.0	2.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0	Helsingin Vanha viertotie 6 As Oy	100.0	100.0	Martinova embankment 74	1.0	1.0	Tammitie 21 As Oy	0.9	0.9
Helsingin Korppaantie 8 As Oy	49.8	49.8	Helsingin Vanha Viertotie 8 As Oy	100.0	100.0	Mellunsusi As Oy	1.5	1.5	Tampereen Charlotta As Oy	2.0	2.0
Helsingin Kristianinkatu 11–13 As Oy	100.0	100.0	Helsingin Villa Kuohu As Oy	25.6	25.6	Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6	Tampereen Jankanpuisto As Oy	100.0	100.0
Helsingin Kultareuna 1 As Oy	39.0	39.0	Helsingin Vuosaaren Helmi As Oy	100.0	100.0	Messeniuksenkatu 8 As Oy	2.0	2.0	Tampereen Kanjoninkatu 15 As Oy	65.1	65.1
Helsingin Köysikuja 2 As Oy	9.5	9.5	Hiihtomäentie 34 As Oy	3.7	3.7	Messilä As Oy	70.0	70.0	Tampereen Kristiina As Oy	19.1	19.1
Helsingin Lauttasaarentie 19 KOy	58.3	58.3	Humalniementie 3–5 As Oy	1.1	1.1	Minna Canthin katu 22 As Oy	2.4	2.4	Tampereen Kuikankatu 2 As Oy	9.7	9.7
Helsingin Leikopiha As Oy	9.6	9.6	Hyvinkään Joutsenlaulu As Oy	28.2	28.2	Mursu As Oy	0.5	0.5	Tampereen Linnanherra As Oy	100.0	100.0
Helsingin Leikosaarentie 31 As Oy	16.5	16.5	Hämeenlinnan Aroniitunkuja 7 As Oy	100.0	100.0	Myllysalama As Oy	82.9	82.9	Tampereen Rotkonraitti 6 As Oy	77.1	77.1
Helsingin Leikovuuo As Oy	9.1	9.1	Jussinhovi As Oy	3.5	3.5	Myyrinhaukka As Oy	100.0	100.0	Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6
Helsingin Lönnrotinkatu 32 As Oy	57.5	57.5	Jyväskylän Ailakinraitti As Oy	100.0	100.0	Nekalanpuisto KOy	2.9	2.9	Tampereen Tarmonkatu 6 As Oy	100.0	100.0
Helsingin Mariankatu 19 As Oy	1.0	1.0	Jyväskylän Lyseonlinna As Oy	6.8	4.6	Nervanderinkatu 9 As Oy	2.6	2.6	Tampereen Waltteri As Oy	23.9	23.9
Helsingin Mechelininkatu 12–14 As Oy	100.0	100.0	Jyväskylän Taitoniekansato As Oy	17.4	17.4	Neulapadontie 4 As Oy	1.2	1.2	Tapiolan Tuuliniitty, Espoo As Oy	6.8	6.8
Helsingin Merenkävijä As Oy	5.1	5.1	Jyväskylän Torihovi As Oy	4.1	2.7	Nordenskiöldinkatu 8 As Oy	2.5	2.5	Tarkkampujankatu 14 As Oy	44.1	44.1
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1	Jyväskylän Yliopistonkatu 18 ja			Näsinkeskus KOy	11.3	11.3	Terhokuja 3 As Oy	100.0	100.0
Helsingin Mylläri As Oy	2.3	2.3	Keskustie 17 As Oy	100.0	100.0	Näyttelijäntien Pistetalot As Oy	1.4	1.4	Terhokuja 6 As Oy	11.3	11.3
Helsingin Nautilus As Oy	26.0	26.0	Kaarenkunnas As Oy	100.0	100.0	Oskelantie 8 As Oy	2.1	2.1	Turun Eteläranta II As Oy	3.2	3.2
Helsingin Navigatortalo KOy	44.7	44.7	Kajaanin Rekitie 1–2 As Oy	100.0	100.0	Otavantie 3 As Oy	0.6	0.6	Turun Eteläranta III As Oy	2.9	2.9
Helsingin Nukkeruusunkuja 3 As Oy	9.3	9.3	Kajaneborg Bost. Ab	7.3	7.3	Otavantie 4 As Oy	1.8	1.8	Turun Eteläranta IV As Oy	3.0	3.0
Helsingin Pakilantie 17 As Oy	100.0	100.0	Kasarmikatu 14 As Oy	12.2	12.2	Oulun Aleksinranta As Oy	100.0	100.0	Turun Förinranta II As Oy	1.0	1.0
Helsingin Perustie 16 As Oy	56.0	56.0	Kasarminkatu 10 As Oy	26.7	26.7	Oulun Arvolankartano As Oy	2.1	2.1	Turun Ipnoksenrinne As Oy	6.7	6.7
Helsingin Piispantie 3 As Oy	100.0	100.0	Kauniaisten Ersintie 9–11 As Oy	5.5	5.5	Oulun Arvolanpiha As Oy	0.0	0.0	Turun Uudenmaanlinna As Oy	100.0	10.0
Helsingin Piispantie 5 As Oy	100.0	100.0	Kauniaisten Konsuli As Oy Bost. Ab	7.4	7.4	Oulun Arvolanpuisto As Oy	9.0	9.0	Turuntie 112 As Oy	1.4	1.4
Helsingin Piispantie 7 As Oy	100.0	100.0	Kemskaya ulitsa 7 / Morskoi Prospekt 37	3.7	3.7	Oulun Kalevalantie As Oy	100.0	100.0	Turuntie 63 As Oy	1.6	1.6
Helsingin Piispantie 8 As Oy	100.0	100.0	Keravan Papintie 1 As Oy	100.0	100.0	Oulun Laanila I As Oy	100.0	100.0	Työväen Asunto-osakeyhtiö Rauha	10.2	10.2
Helsingin Pirta As Oy	17.1	17.1	Ketturinne As Oy	1.3	1.3	Oulun Laanila IV As Oy	100.0	100.0	Ulvilantie 11 b As Oy	0.6	0.6
Helsingin Porthaninkatu 4 As Oy	0.7	0.7	Kirkkosalmentie 3 As Oy	0.9	0.9	Oulun Laaniranta As Oy	6.0	6.0	Urheilukatu 38 As Oy	56.0	56.0
Helsingin Puuskarinne 1 As Oy	98.2	98.2	Kristianinkatu 2 As Oy	1.7	1.7	Oulun Marsalkka As Oy	5.7	5.7	Uusikatu 58 KOy	14.6	14.6
Helsingin Reginankuja 4 As Oy	11.8	11.8	Kulmakatu 12 As Oy	2.1	2.1	Oulun Mastolinna As Oy	2.2	2.2	Vaasankatu 15 As Oy	0.8	0.8
Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0	Kulmavuorenpiha As Oy	100.0	100.0	Oulun Notaarintie 1 As Oy	24.4	24.4	Vallinkyyhky As Oy	6.0	6.0
Helsingin Rumpupolun palvelutalo As Oy	4.6	4.6	Kulmavuorenrinne As Oy	1.0	1.0	Oulun Notaarintie 3 As Oy	5.0	5.0	Vantaan Aapramintie 4 As Oy	100.0	100.0
Helsingin Ruusutarhantie 2–4 As Oy	38.0	38.0	Kuuselanpuisto As Oy	23.0	23.0	Oulun Peltolantie 18 B As Oy	0.0	0.0	Vantaan Albert Petreliuksen katu 8 As Oy	7.7	7.7
Helsingin Ruusutarhantie 7 As Oy	39.3	39.3	Kuusitie 15 As Oy	1.5	1.5	Pellervon Pysäköinti KOy	68.9	43.1	Vantaan Heporinne 4 As Oy	100.0	100.0
Helsingin Satoaalto As Oy	8.6	8.6	Kuusitie 3 As Oy	1.8	1.8	Pengerkatu 27 As Oy	2.6	2.6	Vantaan Kaarenlehmus As Oy	100.0	100.0
Helsingin Satorinne As Oy	8.5	8.5	Kuusitie 9 As Oy	2.3	2.3	Pihlajatie N:o 23 As Oy	3.0	3.0	Vantaan Liesitorin palvelutalo As Oy	5.9	5.9
Helsingin Serica As Oy	3.8	3.8	Kvarnhyddan Bost. Ab	1.8	1.8	Poutuntie 2 As Oy	3.7	3.7	Vantaan Maarinrinne As Oy	12.0	12.0
Helsingin Siltavoudintie 20 As Oy	100.0	100.0	Laajalahdentie 26 As Oy	6.5	6.5	Puistokaari 13 As Oy	1.9	1.9	Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Helsingin Snellmaninkatu 23 As Oy	100.0	100.0	Lahden Nuolikatu 9 As Oy	100.0	100.0	Raikukuja II As Oy	100.0	100.0	Vantaan Myyrinmutka As Oy	100.0	100.0
Helsingin Solarus As Oy	5.9	5.9	Lapinniemen Pallopurje As Oy	1.9	1.9	Raikurinne 1 As Oy	1.3	1.3	Vantaan Oritie 1 As Oy	100.0	100.0
Helsingin Solnantie 22 As Oy	98.0	98.0	Lapintalo As Oy	1.0	1.0	Riihimäen Kolehmaisentori As Oy	29.6	29.6	Vantaan Pronssikuja 1 As Oy	100.0	100.0
Helsingin Stenbäckinkatu 5 KOy	60.0	60.0	Lappeenrannan Maininkikatu 9 As Oy	100.0	100.0	Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5	Vantaan Tammiston Tringa As Oy	8.3	8.3
Helsingin Ståhlbergintie 4 As Oy	93.5	93.5	Lauttasaarentie 11 As Oy	1.6	1.6	Ristolantie 7 As Oy	2.5	2.5	Vantaan Tammistonkatu 29 As Oy	29.1	29.1
Helsingin Suursuontie 14 As Oy	100.0	100.0	Lielahdentie 10 As Oy	9.1	9.1	Ryytikuja 5 As Oy	0.8	0.8	Vantaan Tuurakuja 4 As Oy	34.1	34.1
Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0	Linjala 14 As Oy	4.2	4.2	Saarenkeskus As Oy	0.4	0.4	Vihdin Lippotie 10 ja Vesitie 5 As Oy	100.0	100.0
Helsingin Tapaninkulo As Oy	4.7	4.7	Läntinen Brahenkatu 8 As Oy	0.8	0.8	Salpakolmio As Oy	31.3	31.3	Viides linja 16 As Oy	1.1	1.1
Helsingin Tilkankatu 15 As Oy	100.0	100.0	Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6	Satakallio As Oy	0.2	0.2	Vilhonvuorenkatu 8 As Oy-Bost. Ab Vil-		
Helsingin Tilkankatu 2 As Oy	100.0	100.0	Mannerheimintie 100 As Oy	0.9	0.9	Shpalernaya ulitsa 60	1.4	1.4	helmsbergsgatan 8	1.1	1.1
Helsingin Tilkankatu 6 As Oy	100.0	100.0	Mannerheimintie 108 As Oy	3.0	3.0	Solnantie 32 As Oy	0.9	0.9	Vuomeren-Salpa As Oy	2.7	2.7
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6	Mannerheimintie 148 As Oy	2.5	2.5	Spargäddan Bost. Ab As Oy	1.3	1.3	Vuorastila As Oy	99.0	99.0



	Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %
Vuosaaren Meripihka As Oy, Helsinki	42.7	42.7	<b>SATOhousing Oy</b>		
Satopos111 Oy	100.0	100.0	Hannanpiha As Oy	19.1	19.1
OOO SATO-Rus	100.0	100.0	Hauenhaavi As Oy	2.6	2.6
Sato-Pietari Oy	100.0	100.0	Helkalax As Oy	1.3	1.3
Sato-Russia Oy	100.0	100.0	Helsingin Hämeenpenger As Oy	100.0	100.0
			Hervannan Juhani As Oy	14.9	14.9
<b>SATOkoti Oy</b>			Jyskävaara KOy	63.5	63.5
Espoon Jousenkaari 5 As Oy	100.0	100.0	Jyväskylän Karsikkotie 5 As Oy	100.0	100.0
Espoon Jousenkaari 7 As Oy	100.0	100.0	Kastevuoren Palvelutalo As Oy	100.0	100.0
Espoon Sepetlahdentie 6 As Oy	100.0	100.0	Kevätesikko As Oy	3.4	3.4
Färminahde KOy	20.4	20.4	Killerinpuisto As Oy	1.3	1.3
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0	Kotipiennar As Oy	2.8	2.8
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0	Koulukuja 4-10 KOy	54.0	54.0
Helsingin Keinulaudantie 7 KOy	100.0	100.0	Kuhakartano As Oy	0.7	0.7
Helsingin Kiillekuja 4 As Oy	100.0	100.0	Kukkolan Koivu As Oy	4.3	4.3
Helsingin Lapponia As Oy	100.0	100.0	Kuusihalmes As Oy	2.3	2.3
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0	Maijalanraitti As Oy	6.3	6.3
Helsingin Pajamäentie 6 As Oy	100.0	100.0	Malmeken Ömsesidiga Fastighet	12.8	12.8
Helsingin Pajamäentie 7 As Oy	100.0	100.0	Mannerheimintie 170 KOy	32.1	15.8
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0	Marinraitti As Oy	4.4	4.4
Helsingin Viulutie 1 As Oy	100.0	100.0	Matinraitti 14 As Oy	1.0	1.0
Hiirakkokuja 4 KOy	100.0	100.0	Mattitapio As Oy	7.6	7.6
Hiirakkotie 3 KOy	100.0	100.0	Muotialantie 31 As Oy	7.0	7.0
Hollolan Harjukoivu As Oy	100.0	100.0	Näsinlaine As Oy	1.0	1.0
Lohjan Koulukuja 14 As Oy	100.0	100.0	Näsinseikä As Oy	1.1	1.1
Matinkatu 10 KOy	100.0	100.0	Oulun Utelias-Salpa As Oy	100.0	100.0
Myyrinkulma KOy	100.0	100.0	Peltohuhta As Oy	1.2	1.2
Nummenpuisto KOy	100.0	100.0	Pohjankartano As Oy	22.8	22.8
Nurmijärven Jukolanmäki KOy	40.0	40.0	Puistoraitti As Oy	2.3	2.3
Ojamonkuusi KOy	54.6	54.6	Puolukkasato As Oy	5.9	5.9
Riikuntie KOy	80.0	80.0	Rantasentteri As Oy	1.5	1.5
Tampereen Ruovedenkatu 11 As Oy	100.0	100.0	Reuharinrinne As Oy	4.6	4.6
Tikkurilan Satotalo KOy	100.0	100.0	Sarasipi As Oy	1.4	1.4
Ummelo KOy	49.0	49.0	Satokaunokki As Oy	7.5	7.5
Vantaan Havukoskenkatu 20 As Oy	100.0	100.0	Satotatti As Oy	3.0	3.0
Vihdin Kuortilankuja 4 As Oy	100.0	100.0	Satulapuisto As Oy	22.3	22.3
Vihdin Lippotie 3 As Oy	100.0	100.0	Säästöjurvala As Oy	1.1	1.1
Vihdin Niittytie 1 KOy	100.0	100.0	Tasatuomo As Oy	1.3	1.3
Vihdin Nummenseikä 8 As Oy	100.0	100.0	Tikkamatti As Oy	67.4	67.4
Vihdin Peltotie 2 KOy	100.0	100.0	Turun Uudenmaanlinna As Oy	100.0	90.0
Espoon Kuunsirppi As Oy	100.0	100.0	Ulpukkaniemi As Oy	25.4	25.4
Helsingin Pasilantornit As Oy	75.0	75.0	Vahterantorni As Oy	3.2	3.2
Helsingin Vetelintie 5 As Oy	100.0	100.0	Valtapolku As Oy	1.2	1.2
Hollolan Hiihto-Salpa As Oy	100.0	100.0	Vantaan Martinpääsky As Oy	100.0	100.0
Jyväskylän Karsikkotie 3 As Oy	100.0	100.0	Varalanrinne As Oy	9.8	9.8
Lohjan Riihenkivas As Oy	100.0	100.0	Välkynkallio As Oy	0.8	0.8
Pateniemenhaka Oy	69.7	69.7	Yläaitankatu 4 As Oy	1.7	1.7
Tampereen Hervannan Puistokallio As Oy	100.0	100.0			
Turun Veistämöntori As Oy	100.0	100.0	<b>Sato-Rakennuttajat Oy</b>		
SATOhousing Oy	100.0	100.0	Helatorni As Oy	2.8	2.8
SATOliving Oy	100.0	100.0	Helsingin Kanavaranta As Oy	10.7	1.9
			Helsingin Metsänhenki As Oy	23.8	23.8

	Group's holding, %	Parent company's holding, %		Group's holding, %	Parent company's holding, %
Helsingin Tuohiaukio As Oy	17.1	5.1	Vihdin Kirkkonieimentie 2 KOy	100.0	100.0
Oulun Peltokerttu As Oy	100.0	100.0	Vihdin Nummenseikä 10 KOy	100.0	100.0
Turun Friskalanpuisto As Oy	12.3	12.3			
Uudenmaantulli KOy	26.2	26.2	<b>Vatrotalot Oy</b>		
Piipunjuuri Oy	50.0	50.0	Aapelinkatu 1 KOy	100.0	100.0
			Harjulehmus As Oy	41.0	41.0
<b>Sato Vuokrakodit Oy</b>			Helsingin Laivalahdenportti 5 As Oy	75.5	75.5
Espoon Numersinkatu 6 As Oy	6.5	6.5	Helsingin Muurahaisenpolku 6 KOy	64.4	64.4
Espoon Puropuisto As Oy	51.7	51.7	Helsingin Toini Muonan katu 8 As Oy	27.8	27.8
Espoon Ristinieimentie 22 As Oy	2.4	2.4	Hämeenlinnan Aaponkuja 3 As Oy	47.7	47.7
Espoon Sokerilinnantie 1 As Oy	1.9	1.9	Jukolanniitty As Oy	52.6	52.6
Espoon Säterinkatu 10 As Oy	3.0	3.0	Jukolantanner As Oy	52.3	52.3
Espoon Zanseninkuja 4 As Oy	9.4	9.4	Jyväskylän Kakkospesä As Oy	18.2	18.2
Etelä-Hämeen Talo Oy	81.3	25.0	Kajaanin Kannonkatu As Oy	12.5	12.5
Helsingin Finniläntalo As Oy	80.2	80.2	Kajaanin Välimaanrinne As Oy	47.4	47.4
Helsingin Mustankivenraitti As Oy	94.6	94.6	Kangasalan Kukkapuisto As Oy	12.6	12.6
Helsingin Myllypellonpolku 4 As Oy	6.9	6.9	Karhukorkalo As Oy	29.3	29.3
Helsingin Otto Brandtin polku 4 As Oy	4.4	4.4	Kaukotie 10-12 As Oy	3.1	3.1
Helsingin Paciuksenkaari 13 As Oy	2.8	2.8	Kavilanniitty As Oy	21.3	21.3
Helsingin Paciuksenkaari 19 As Oy	1.6	1.6	Kirkkonummen Riihipolku As Oy	100.0	100.0
Helsingin Pasuunatie 8 As Oy	5.4	5.4	Kukkaropohja KOy	100.0	100.0
Helsingin Taimistontie 9 As Oy	5.0	5.0	Kuopion Tikassato As Oy	79.2	79.2
Helsingin Tulvaniitynpolku 5 As Oy	2.1	2.1	Kuopion Vuorikatu 23 As Oy	59.8	59.8
Helsingin Vanhanlinnantie 10 As Oy	2.1	2.1	Kylänpäänkaari As Oy	50.0	50.0
lidesranta 42 Tampere As Oy	3.3	3.3	Kylänpäänpelto As Oy	48.3	48.3
Jyväskylän mlk:n Kirkkotie 3 As Oy	7.5	7.5	Laakavuorentie 4 As Oy	39.1	39.1
Jyväskylän Vaneritori 4 As Oy	9.6	9.6	Lahden Roopenkuja As Oy	57.7	57.7
Kaarinan Kiurunpuisto As Oy	11.5	11.5	Marolinnankoti As Oy	15.4	15.4
Kaarinan Kultarinta As Oy	17.5	17.5	Meriramsi As Oy	25.6	25.6
Kuopion Lakeissuontie 5 As Oy	96.7	96.7	Meri-Rastilan tie 5 As Oy	23.5	23.5
Lappeenrannan Kanavansato 2 As Oy	12.5	12.5	Meri-Rastilan tie 9 As Oy	9.1	9.1
Oulun Laamannintie 14 ja 17 As Oy	45.7	45.7	Naantalin Kastovuorenrinne As Oy	34.6	34.6
Oulun Laamannintie As Oy	19.8	19.8	Nastolan Moreeniraitti As Oy	27.2	27.2
Raision Toripuisto As Oy	4.5	4.5	Nurmijärven Kylänpäänniitty As Oy	47.2	47.2
Tampereen Haapalinnan Antintalo As Oy	22.7	22.7	Pirilänportti As Oy	14.5	14.5
Tampereen Kyläleni As Oy	56.0	56.0	Pohjanpoika As Oy	24.5	24.5
Tampereen Kyyhky As Oy	5.6	5.6	Puolukkavarikko As Oy	33.9	33.9
Tampereen Rantatie 13 E-G As Oy	23.3	23.3	Pupumäki As Oy	8.5	8.5
Turun Maarianportti As Oy	100.0	100.0	Raudikkokuja 3 KOy	100.0	100.0
Turun Merenneito As Oy	11.6	11.6	Riviuhkola As Oy	49.9	49.9
Turun Meripoika As Oy	20.6	20.6	Saarenkylän Saarenkartanot As Oy	33.3	33.3
Turun Metallikatu As Oy	100.0	100.0	Salon Valhojanrivi As Oy	21.2	21.2
Vantaan Herttuanatie 3 As Oy	22.9	22.9	Salpalohi KOy	33.3	33.3
Vantaan Orvokkitie 17 As Oy	3.8	3.8	Satosyppi As Oy	50.0	50.0
			Satotaival As Oy	50.2	50.2
<b>Suomen Satokodit Oy</b>			Tasakuusi As Oy	11.7	11.7
Karpalopolku KOy	100.0	100.0	Turun Kivimaanrivi As Oy	13.1	13.1
Kaskenkaatajantie KOy	100.0	100.0	Turun Mietoistenkuja As Oy	22.5	22.5
Meiramikuja As Oy	4.7	4.7	Turun Pernon Kartanonlaakso As Oy	68.8	68.8
Pellervon Pysäköinti KOy	68.9	25.8	Turun Sipimetsä As Oy	19.8	19.8
Satosorsa As Oy	19.9	19.9	Vantaan Minkkikuja As Oy	74.9	74.9
Vantaan Kortteeri As Oy	6.4	6.4	Vantaan Omaksi As Oy	2.8	2.8

34. EVENTS AFTER YEAR-END

In order to secure growth in accordance with the strategy, the Board of Directors decided at its meeting held on 5 February 2010 to propose to the annual general meeting of 4 March 2010 that a paid issue of shares in the amount of approximately 35 million euros be held for shareholders in spring 2010.

35. IAS 23 BORROWING COSTS

MEUR	2009	2008
Changeover date 1.1.2007		
Capitalised expenses of borrowing costs during the period	1.0	2.5
Financial expense index	2.23	5.26

# Parent company's profit and loss account

Profit and loss account, FAS

MEUR	Note	1.1.–31.12. 2009	1.1.–31.12. 2008
Turnover	1	7.0	4.4
Other operating income	2	3.3	6.2
Materials and services	3	0.2	-0.8
Personnel expenses	4–6	-2.1	-1.9
Depreciation, amortization and impairment charges	7	-0.6	-0.6
Other operating expenses	8	-6.5	-6.6
<b>Operating profit</b>		<b>1.3</b>	<b>0.7</b>
Financial income and expenses	9	2.3	-0.8
<b>Profit/loss before extraordinary items</b>		<b>3.6</b>	<b>-0.1</b>
Extraordinary items	10	11.5	14.7
<b>Profit before taxes</b>		<b>15.2</b>	<b>14.6</b>
Income taxes	11	-4.0	-3.8
<b>Net profit for the financial year</b>		<b>11.2</b>	<b>10.8</b>

# Parent company's balance sheet

Balance sheet , FAS

MEUR	Note	31.12.2009	31.12.2008
<b>ASSETS</b>			
<b>Fixed assets and other long-term investments</b>			
Intangible assets	12	1.0	1.2
Tangible assets	13	0.6	0.8
Holdings in Group companies	14	68.5	62.2
Holdings in associated companies	15	0.0	0.0
Other holdings and shares	16	1.2	1.2
		71.2	65.3
<b>Inventories and financial assets</b>			
Inventories	17	3.6	4.6
Long-term receivables	18	37.7	38.2
Short-term receivables	19	123.2	153.4
Financial securities		5.8	7.9
Cash and cash equivalents		1.9	0.3
		172.3	204.4
<b>ASSETS, TOTAL</b>		<b>243.5</b>	<b>269.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	21–22		
Share capital		4.4	4.4
Revaluation fund			
Reserve fund		43.7	43.7
Other funds		10.1	3.9
Retained earnings		17.4	17.3
Profit for the period		11.2	10.8
		86.8	80.0
<b>Obligatory reserves</b>	23	0.3	0.9
<b>Liabilities</b>			
Non-current	24	7.5	0.8
Current	25	148.9	187.9
		156.4	188.7
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>		<b>243.5</b>	<b>269.7</b>



# Parent company’s cash flow statement

Cash flow statement, FAS		
Cash flow from operating activities		
MEUR	2009	2008
Net profit for financial year	11.2	10.8
Adjustments:		
Depreciation	0.6	0.6
Financial income (-) and expenses (+)	-2.3	0.8
Income tax	4.0	3.8
Proceeds (-) and losses (+) on sales of fixed assets	0.0	-1.8
Other adjustments	-11.5	-14.7
Cash flow before change in working capital	1.9	-0.5
Change in working capital:		
Decrease (+)/increase (-) in current non-interest bearing receivables	-0.2	-0.2
Decrease (+)/increase (-) in inventories	1.0	1.6
Decrease (-)/increase (+) in current debts	0.3	-0.6
Increase (+)/decrease (-) in obligatory reserves	-0.6	0.0
Cash flow before financial items and taxes	2.4	0.3
Interest paid and payments of other financial expenses	-7.6	-6.3
Dividends received	0.0	0.0
Interest received	8.4	6.5
Direct taxes paid	-4.2	-3.6
Cash flow before extraordinary items	-0.9	-3.1
Cash flow from operating activities (A)	-0.9	-3.1
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-0.2	-0.4
Income from surrender of tangible assets	0.1	6.3
Investments in other placements	-0.1	-0.3
Instalments on notes receivable	15.7	-54.9
Cash flow from investing activities (B)	15.5	-49.2
CASH FLOW FROM FINANCING ACTIVITIES		
Change in funds		
Loans taken	12.4	53.5
Payments on loans	-42.4	-0.5
Group contributions (contribution-based)	25.7	18.3
Dividends paid and other distribution of profit	-10.7	-16.0
Cash flow from financing activities (C)	-15.0	55.3
Calculated change in cash and cash equivalents (A+B+C)	-0.5	3.0
Cash and cash equivalents at start of year	8.2	5.2
Cash and cash equivalents at year-end	7.7	8.2

# Notes to the parent company’s financial statements

## Notes to the profit and loss account

### 1. TURNOVER

MEUR	2009	2008
Rental income and compensation	2.5	1.8
Building management and maintenance fees	0.0	0.0
Sales of shares	0.0	0.1
Other income	4.5	2.4
	7.0	4.4

### 2. OTHER INCOME FROM BUSINESS OPERATIONS

MEUR	2009	2008
Other income from business operations	0.0	0.0
Proceeds from sales of fixed assets	0.0	1.9
Charges for management costs	3.2	4.3
	3.3	6.2

### 3. MATERIALS AND SERVICES

MEUR	2009	2008
Materials and supplies		
Purchases during the period (=procurements)	-0.2	0.9
Change in inventories	0.0	-0.1
	-0.2	0.8

### 4. PERSONNEL EXPENSES

MEUR	2009	2008
Salaries and wages	1.5	1.4
Pension expenses	0.5	0.3
Other personnel expenses	0.1	0.1
	2.1	1.9

### 5. MANAGEMENT SALARIES AND EMOLUMENTS

MEUR	2009	2008
Presidents and members of the Board of Directors	0.9	0.9
The President and CEO is entitled to retire at the age of 60.		

### 6. PARENT COMPANY HAD DURING THE FINANCIAL YEAR AN AVERAGE NUMBER OF

	2009	2008
Employees	12	15

**7. DEPRECIATION**

MEUR	2009	2008
Depreciation on tangible and intangible assets	0.6	0.6
	0.6	0.6

**8. OTHER EXPENSES OF BUSINESS OPERATIONS**

MEUR	2009	2008
Rents	1.9	1.7
Properties' maintenance expenses	0.4	0.3
Other fixed expenses	4.1	4.4
Other expenses of business operations	0.0	0.3
	6.5	6.6

**9. FINANCIAL INCOME AND EXPENSES**

MEUR	2009	2008
<b>Dividend income</b>		
From others	0.0	0.0
<b>Dividend income, total</b>	0.0	0.0
<b>Interest income on long-term investments</b>		
From Group companies	7.5	6.6
From others	0.1	0.4
	7.6	6.9
<b>Interest expenses and other financing expenses</b>		
To Group companies	0.5	0.5
To others	4.9	7.2
	5.3	7.7
<b>Financial income and expenses, total</b>	2.3	-0.8

**10. EXTRAORDINARY ITEMS**

MEUR	2009	2008
<b>Extraordinary income</b>		
Group contributions	11.5	14.7
	11.5	14.7

**11. INCOME TAXES**

MEUR	2009	2008
Income taxes on actual business	4.0	3.8
	4.0	3.8

**Notes to the balance sheet****12. INTANGIBLE ASSETS**

MEUR	2009	2008
<b>Other long-term expenditure</b>		
Acquisition cost, 1 Jan.	2.0	1.8
Increases	0.1	0.3
Transfers between items	0.0	-0.1
Acquisition cost, 31 Dec.	2.1	2.0
Accumulated depreciation and write-downs, 1 Jan.	0.8	0.6
Accumulated depreciation of transfers	0.0	-0.1
Depreciation for year	0.3	0.3
Accumulated depreciation, 31 Dec.	1.2	0.8
Book value, 31 Dec.	1.0	1.2
<b>Intangible assets, total</b>	1.0	1.2

**13. TANGIBLE ASSETS**

MEUR	2009	2008
<b>Land and water areas</b>		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
<b>Buildings and structures</b>		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Accumulated depreciation and write-downs, 1 Jan.	0.0	0.0
Accumulated depreciation, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
<b>Connection fees</b>		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
<b>Machinery and equipment</b>		
Acquisition cost, 1 Jan.	1.7	1.8
Increases	0.1	0.1
Decreases	-0.0	
Transfers between items	-0.2	-0.2
Acquisition cost, 31 Dec.	1.5	1.7
Accumulated depreciation and write-downs, 1 Jan.	0.9	0.9
Accumulated depreciation of transfers	-0.2	-0.2
Depreciation for year	0.2	0.3
Accumulated depreciation, 31 Dec.	1.0	0.9
Book value, 31 Dec.	0.5	0.7

### 13. Tangible assets

MEUR	2009	2008
<b>Other tangible assets</b>		
Acquisition cost, 1 Jan.	0.1	0.1
Increases		0.0
Transfers between items	-0.0	
Acquisition cost, 31 Dec.	0.1	0.1
Accumulated depreciation and write-downs, 1 Jan.	0.0	0.0
Accumulated depreciation of transfers	-0.0	
Depreciation for year	0.0	0.0
Accumulated depreciation, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
<b>Tangible assets, total</b>	<b>0.6</b>	<b>0.8</b>

### 14. HOLDINGS IN GROUP COMPANIES

MEUR	2009	2008
Acquisition cost, 1 Jan.	62.2	62.3
Increases	6.3	
Decreases	-0.1	
Transfers between items	0.0	
Acquisition cost, 31 Dec.	68.5	62.2
Book value, 31 Dec.	68.5	62.2

### 15. HOLDINGS IN ASSOCIATED COMPANIES

MEUR	2009	2008
Acquisition cost, 1 Jan.	0.0	
Increases		0.0
Acquisition cost, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0

### 16. OTHER STOCKS AND SHARES

MEUR	2009	2008
Acquisition cost, 1 Jan.	1.2	0.9
Increases	0.0	0.3
Decreases	-0.0	
Transfers between items		-0.0
Acquisition cost, 31 Dec.	1.2	1.2
Accumulated write-downs, 1 Jan.	0.0	0.0
Accumulated write-downs, 31 Dec.	0.0	0.0
Book value, 31 Dec.	1.2	1.2
<b>Investments, total</b>	<b>69.7</b>	<b>63.4</b>

### 17. INVENTORIES

MEUR	2009	2008
Completed housing units and commercial space	0.0	0.0
Land areas and land area companies	3.4	4.4
Other inventories	0.2	0.2
Book value, 31 Dec.	3.6	4.6

### 18. NON-CURRENT RECEIVABLES

MEUR	2009	2008
<b>Receivables from Group companies</b>		
Notes receivable, Group	37.1	37.3
	37.1	37.3
<b>Receivables from others</b>		
Notes receivable	0.6	0.9
	0.6	0.9
<b>Non-current receivables, total</b>	<b>37.7</b>	<b>38.2</b>

### 19. CURRENT RECEIVABLES

MEUR	2009	2008
<b>Receivables from Group companies</b>		
Accounts receivable	1.7	1.6
Notes receivable	115.8	145.4
Accrued assets	3.4	2.2
	120.9	149.2
<b>Receivables from others</b>		
Accounts receivable	0.2	0.2
Notes receivable	0.2	0.1
Other receivables	0.0	0.0
Accrued assets	1.9	3.9
	2.3	4.2
<b>Current receivables, total</b>	<b>123.2</b>	<b>153.4</b>
<b>Receivables, total</b>	<b>160.9</b>	<b>191.6</b>

#### Critical items of accrued assets

Taxes	1.7	1.5
Interest	1.8	3.0
Receivables from construction commissioning	1.6	1.2
Other	0.2	0.5
	5.3	6.1



**20. SHAREHOLDERS' EQUITY**

MEUR	2009	2008
Share capital, 1 Jan.	4.4	4.4
Increase in share capital		
<b>Share capital, 31 Dec.</b>	<b>4.4</b>	<b>4.4</b>
Reserve fund, 1 Jan.	43.7	43.7
<b>Reserve fund, 31 Dec.</b>	<b>43.7</b>	<b>43.7</b>
Other funds, 1 Jan.	3.9	3.9
Increase in other funds	6.2	0.0
<b>Other funds, 31 Dec.</b>	<b>10.1</b>	<b>3.9</b>
Retained earnings, 1 Jan.	28.0	33.3
Dividend payment	-10.7	-16.0
<b>Retained earnings, 31 Dec.</b>	<b>17.4</b>	<b>17.3</b>
<b>Profit for the period</b>	<b>11.2</b>	<b>10.8</b>
<b>Shareholders' equity, total, 31 Dec.</b>	<b>86.8</b>	<b>80.0</b>

**21. CALCULATION OF DISTRIBUTABLE ASSETS**

MEUR	2009	2008
Other funds	10.1	3.9
Retained earnings	17.4	17.3
Profit for the period	11.2	10.8
<b>Distributable assets, 31 Dec.</b>	<b>38.6</b>	<b>31.9</b>

**22. THE PARENT COMPANY'S SHARE CAPITAL IS DIVIDED INTO SHARES AS FOLLOWS:**

	2009	2008
Number of shares	45,372,689	44,421,920
Combined par value of shares		

**23. OBLIGATORY RESERVES**

MEUR	2009	2008
Refund claim expense reserve	0.3	0.9
	0.3	0.9

**24. LONG-TERM LIABILITIES**

MEUR	2009	2008
<b>Debts to Group companies</b>		
Loans, Group	0.8	0.8
	0.8	0.8
<b>Debts to others</b>	<b>6.7</b>	
Loans from financial institutions	6.7	
<b>Long-term liabilities, total</b>	<b>7.5</b>	<b>0.8</b>
<b>Debts maturing in more than five years</b>	<b>0.8</b>	<b>0.8</b>
	0.8	0.8

**25. CURRENT LIABILITIES**

MEUR	2009	2008
<b>Debts to Group companies</b>		
Loans	13.9	11.6
Accounts payable	0.4	0.4
Deferred liabilities	0.1	0.7
	14.4	12.8
<b>Debts to others</b>		
Loans from financial institutions	131.3	170.3
Advances received	0.1	0.0
Accounts payable	0.1	0.3
Other debts	0.1	0.1
Deferred liabilities	3.0	4.5
	134.5	175.1
<b>Current liabilities, total</b>	<b>148.9</b>	<b>187.9</b>
<b>Liabilities, total</b>	<b>156.4</b>	<b>188.7</b>
<b>Critical items of deferred liabilities</b>		
Wages and salaries with employee benefits	0.5	0.3
Interest	2.1	4.7
Others	0.5	0.2
	3.1	5.2

26. COLLATERAL, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

MEUR	2009	2008
<b>For own debt</b>		
Pledged shares	0.3	0.3
Mortgages on land areas and buildings	0.5	0.5
	0.7	0.7
<b>For Group company debts</b>		
Pledges	0.4	0.4
Mortgages on land areas and buildings	4.5	4.5
Guarantees	414.4	349.1
	419.3	354.0
<b>For others</b>		
Guarantees	14.1	20.9
<b>Other own commitments</b>		
Leasing commitments		
To be paid in the next financial year	0.1	0.1
To be paid in subsequent financial years	0.1	0.1
	0.1	0.2
<b>Total</b>		
Pledges	0.6	0.7
Mortgages on land areas and buildings	5.0	5.0
Guarantees	428.5	369.9
Other commitments	0.1	0.2
Pledges and contingent liabilities, total	434.2	375.7

# Auditor’s Report

### To the Annual General Meeting of SATO Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SATO Corporation for the financial period 1 January – 31 December 2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

### The Responsibility of the Board of Directors and the Managing Director

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

### Auditor’s Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company’s financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements or the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors,

whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### Opinion on the Company’s Financial Statements and the Report of the Board of Directors

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

### Other opinions

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

Helsinki, 5 February 2010

KPMG OY AB

Markku Sohlman  
Authorized Public Accountant

# Key indicators

### Five-year review

Key indicators for financial trend	2005	2006	2007	2008*	2009*
MEUR					
Turnover, MEUR	270	273	256	290	230
Operating profit, MEUR	66	67	66	74	71
as percentage of turnover	24.4	24.5	25.9	25.6	30.7
Net financing expenses, MEUR	-24	-24	-32	-43	-41
as percentage of turnover	-8.8	-8.9	-12.4	-14.8	-17.6
Profit before taxes, MEUR	42	43	35	32	30
as percentage of turnover	15.6	15.6	13.5	10.8	13.1
Balance sheet total, MEUR	1,074	1,113	1,264	1,390	1,418
Shareholders’ equity and minority interest, MEUR	179	197	210	204	221
Liabilities, MEUR	895	916	1,053	1,185	1,197
Return on equity, % (ROE)	18.9	16.7	12.5	11.5	10.7
Return on investment, % (ROI)	7.0	6.9	6.3	6.3	5.6
Equity ratio, %	16.8	17.9	16.8	14.8	15.7
Equity ratio, % SATO business	24.3	24.9	21.9	17.9	18.2
Equity ratio, % SATO business at fair values	26.9	30.1	29.4	26.3	28.2
Gross investments in fixed assets, MEUR	65	60	149	134	112
as percentage of turnover	24.0	21.9	58.2	46.1	48.6
Personnel, average	181	173	176	160	141
KEY INDICATORS FOR SHARES					
Earnings per share, EUR	0.71	0.70	0.57	0.53	0.50
Equity per share, EUR	3.99	4.41	4.70	4.57	4.83
Net worth per share, EUR at fair values	4.68	6.04	7.44	7.86	9.10
Dividend per share, EUR	0.35	0.36	0.36	0.24	0.24**
Dividend, MEUR	15.4	15.9	16.0	10.7	10.9**
Adjusted number of shares, average	44,421,920	44,421,920	44,421,920	44,421,920	45,269,689

\* Income-recognition as per IFRIC15 interpretation

\*\* Based on the Board of Directors’ proposed dividend for 2009

### FORMULAS FOR KEY INDICATORS

Return on investment, %	=	$\frac{\text{(Profit or loss before taxes + interest expense and other financing expenses)}}{\text{Balance sheet total - non-interest-bearing debts (average during the financial year)}}$	x 100
Return on equity, %	=	$\frac{\text{(Profit or loss after taxes)}}{\text{Shareholders’ equity (average during the financial year)}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders’ equity}}{\text{Balance sheet total - advances received}}$	x 100
Earnings per share, €	=	$\frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$	
Net worth per share, €	=	$\frac{\text{(Net worth at balance sheet value - liabilities)}}{\text{Adjusted number of shares at year-end}}$	x 100
Dividend per share, €	=	$\frac{\text{Dividend paid for year}}{\text{Adjusted number of shares at year-end}}$	



# Information for shareholders

### Summons to the annual general meeting

The annual general meeting of SATO Corporation will be held at 9.00 a.m. on Thursday 4 March 2010 at SATO Corporation’s premises, address Panuntie 4, FI-00610 Helsinki, Finland.

### Right to attend and enrolment

Entitlement to attend the annual general meeting is held by a shareholder who on 22 February 2010 has been entered as a shareholder in the company’s register of shareholders maintained by Euroclear Finland Ltd.

Shareholders who wish to attend the annual general meeting must give notice thereof no later than Thursday 25 February 2010. The notification must be made in writing to the address SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki, by phone (+358 201 34 4002/Kati Laakso), by fax (+358 201 34 4452) or by e-mail (kati.laakso@sato.fi). Notifications must arrive before the deadline stated above. Proxies, if any, should be submitted to the company by the end of the registration period.

### Payment of dividend

The Board of Directors has decided to propose to the annual general meeting that the company will pay EUR 0.24 per share in dividend for the year ending on 31 December 2009. Dividend would be payable to a shareholder who, on the date of record for the dividend payment, 9 March 2010, has been entered in the register of the company’s shareholders maintained by Euroclear Finland Ltd. The Board of Directors will propose to the annual general meeting that the dividend be paid on Friday, 19 March 2010.

### Financial disclosures

The issue dates for interim reports are as follows:

January-March	29 April 2010
January-June	6 August 2010
January-September	26 October 2010

The annual report for the financial year and interim reports will be issued in Finnish and English. They will be available on the website [www.sato.fi](http://www.sato.fi). Further information may be obtained from [viestinta@sato.fi](mailto:viestinta@sato.fi).

### Distribution of shares, 1 February 2010

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%
Mutual Insurance Company Pension Fennia	5.4%
Tapiola Mutual Pension Insurance Company	5.1%
Wärtsilä Corporation	4.4%
Pohjola Vakuutus Oy	2.7%
Notalar Oy	2.0%
Habinvest Oy	1.0%
Other	2.8%

On 1 February 2010, the Group had 29 shareholders entered in the book-entry securities register. There was no trading in SATO shares in 2009.

### Articles of association and shares

SATO Corporation’s current articles of association were registered on 26 October 2007. The articles of association do not include provisions on share buybacks.

The company’s share capital as at 31 December 2009 was EUR 4,442,192.00. The company had 45,372,689 shares. The share has no par value. The company has a single series of shares. The shares are in a book-entry securities system maintained by Euroclear Finland Ltd.

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