

SATO



Annual Report 2004

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Sato — we provide good housing.

Sato's business is based on an understanding of the customers' housing needs and on providing the right kind of housing solutions. The key factors for success are knowledge of the housing market and the ability to anticipate changes in the market.

Sato – we provide good housing

Sato is a company providing housing services: its business is comprised of investment in housing and housing development and construction. Our business is based on understanding the customers' housing needs and on providing the right kind of housing solutions. We focus on owning, renting, commissioning and selling housing. Regionally our business concentrates on the larger urban centres of growth.

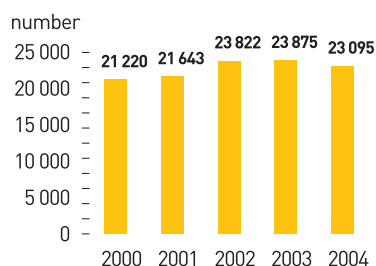
We own roughly 23,000 rental homes and shared ownership apartments and we actively develop the housing portfolio we own by practising investment and divestment. In the past few years, we have invested in roughly 2,000 housing units and divested roughly 1,000 units a year. We have built roughly 1,500 new homes a year, more than half of which are owner-occupied homes for selling, and the rest are projects built on commission.

During its sixty-five years of history, Sato has produced more than 200,000 new housing units, which represents roughly ten per cent of Finland's housing stock. Right-of-occupancy housing is part of our service offering through an associated company, Suomen Asumisoikeus Oy.

We have offices in Helsinki, Tampere, Turku, Oulu and Jyväskylä. Sato has roughly 200 employees. Sato's owners are Finnish employment pension companies, banks and insurers, and corporations in wholesale and retail and in industry.

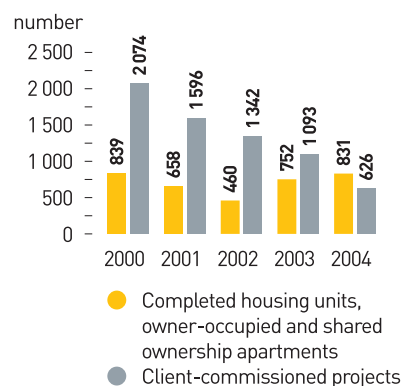
Investment in housing

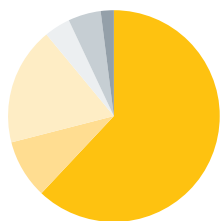
Trend in the housing stock, 2000–2004



Housing construction

Trend in housing construction, 2000–2004





Regional distribution of housing stock, 31 Dec. 2004

- Helsinki Metropolitan Area 62%
- Rest of Southern Finland 9%
- Western Finland 18%
- Eastern Finland 4%
- Oulu Province 5%
- Lapland 2%

Total housing portfolio MEUR 924

Financial key indicators

	2004	2003*
Turnover (MEUR)	362	248
Profit before extraordinary items and taxes (MEUR)	34	18
Balance sheet total (MEUR)	1,106	1,074
Return on equity, %	15.8	6.6
Return on investment, %	6.6	5.2
Equity ratio, %	14.3**	15.8
Earnings per share (EUR)	11.12	5.20
Equity per share (EUR)	69.12	62.69
Dividend (MEUR)	12.1***	8.2

Operational key indicators

Net rental income of units, %	8.0	8.2
Rental occupancy rate of units, %	96.6	96.2
Number of housing units	23,095	23,875
Total output of new units	1,327	1,659
Output of owner-occupied homes and shared ownership apartments	831	752

Personnel

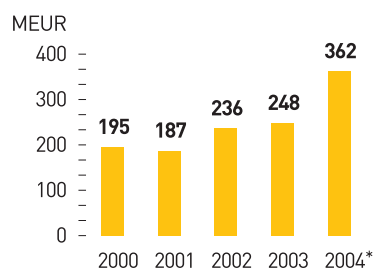
Personnel, average	228	339
Personnel, 31 Dec.	215	297

* the financial key indicators for 2003 are not comparable due to a change in the consolidation method

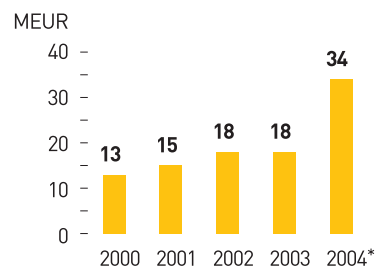
** the change in the consolidation method reduces the equity ratio by 1.8%

*** the Board of Directors' proposal to the annual general meeting

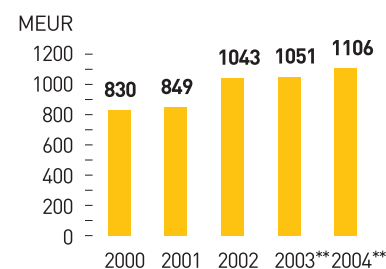
Group turnover, 2000–2004*



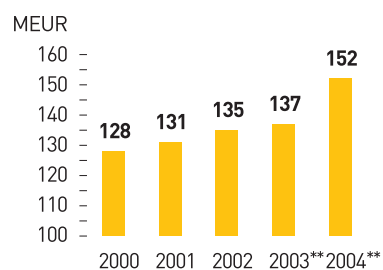
Group profit before extraordinary items and taxes, 2000–2004*



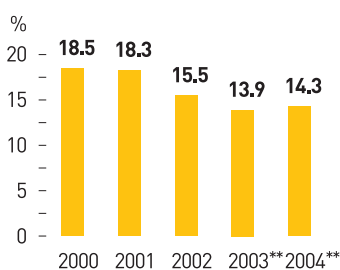
Consolidated balance sheet, 2000–2004*



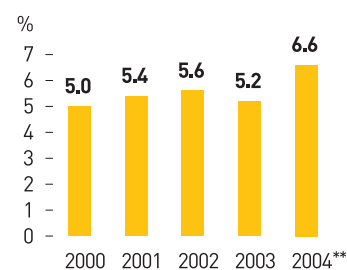
Shareholders' equity, 2000–2004*



Equity ratio, 2000–2004*



Return on investment, 2000–2004*



* the indicator was calculated for the period 2000–2002 without Sato-Asumisoikeus Oy

** new consolidation method

Vision, values and strategy

Vision

Sato is the provider of the best housing services to its customers. Sato is a company that is attractive to investors, giving its owners a competitive return in view of the risks in this business.

Values

The values guiding Sato's operations are as follows:

- 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

Strategy

Sato's business sectors are investment in housing and housing development and construction. Operational profitability is improved by focusing on core competencies, by developing operational business and by devoting effort to customer relationship management. The aim is profitable growth. The target for return on equity is at least ten per cent. Operations are targeted geographically on areas with the greatest long-term demand for housing: the Helsinki Metropolitan Area, and the Tampere, Turku, Oulu and Jyväskylä economic zones.

Investment in housing includes the active development of the housing portfolio through acquisitions and sales. The aim is to consolidate holdings in approximately thirty municipalities and to expand the relative proportion of small apartments in rental units. Investments are channelled mainly to the old housing stock and to new housing for the elderly.

The main emphasis in housing development and construction is on the production of owner-occupied homes. Enough land inventory is acquired to meet needs for three years' construction.

Crucial factors for the company's success are knowledge of the housing market and the ability to anticipate changes. Information on the company and its goals is being stepped up and the transparency of operations is being increased.



Review by the President and CEO



The business climate

The economic trend continued to be positive and consumers' confidence in their own economy continued to be strong. Interest rates remained low and demand for owner-occupied homes was good. Housing construction concentrated on owner-occupied homes and was exceptionally buoyant relative to the population of Finland and the level across Europe; this was due to internal migration and advantageous terms for housing loans. Although the production figures for 2005 so far indicate no significant difference from last year, new construction is likely to turn down in quantitative terms in the long run.

Demand for owner-occupied homes led to an increase in tenant turnover in rented homes, and demand was heavier in the regions of centres of urban growth.

Output quantities of rental homes remained low as high production costs relative to rent levels in the market undermined profitable investment in this sector. Because of the restrictions imposed on state- and interest-subsidised projects, it is mostly local authorities and companies owned by them that are initiating these projects. It is our view that the rental housing stock declined last year, partly because private individuals and institutional investors sold off rental homes for owner-occupied units. Although the rental housing market is running smoothly at the moment, in the future a shortage of rental homes – particularly in the Helsinki Metropolitan Area – may interfere with growth in the service sector and thus hamper economic growth.

An attractive field of business

Investors have become more active in the property business in the past few years. Increased international interest has made itself apparent mainly in the office premises and property service segments, but in the future international investors are also likely to appear in the housing sector.

Finnish institutional investors are stepping up indirect investment in addition to direct property ownership. They have stepped up their investments in property funds and in companies which own housing. Deals made in Sato shares send the same message: the pension insurance companies Ilmarinen and Varma became major shareholders in Sato.

The Ministry of Finance appointed a committee to work on the present law on property funds. Their report, which was issued at the end of the year, did not meet the sector's expectations and hopes in all respects, however. The main problem is seen as the committee's negative stance on property funds in the form of limited liability companies.

A fruitful year for Sato

During the year under review, Sato's strategy was focused in respect of business priorities, profitability targets and geographical business areas. The policies outlined and efficient operational functions, combined with a favourable market outlook and low interest rates, generated a record profit.

The biggest single investment in Sato's history was the acquisition from the Suomi Group of roughly 1,800 housing units, mostly in the Helsinki Metropolitan Area. This transaction supports the chosen strategy, according to which the company will focus geographically on the largest urban centres of growth. The aim in the long term is to target investments in housing on approximately thirty municipalities. During the year under review, the number of municipalities in which the company's housing units are located declined by roughly twenty as a result of sales.

With demand for rental homes tending towards small units, we increased the proportion of these in our housing portfolio and divested some of the large rental units. Although the state of the market favoured sales and was challenging for rental business, we succeeded in improving the rental occupancy rate of units relative to the previous year.

In the housing development and construction, the regional focus and the channelling of resources towards the construction of owner-occupied homes improved operational profitability. The procurement of plots during the past year will also provide us with good prospects in years to come.

Aiming for customer-driven operations

An essential aspect of success is to understand the customers' needs and to base flexible customer service on them. Sato's housing offering and services are developed in anticipation of the customers' expectations. We specified the organisation's spheres of responsibility to promote these objectives.

In the new SATO PlusHome projects, individual wishes for housing are realised by offering a wide range of alternatives in the unit's floor plan and in the choice of materials. The positive feedback received on the first project encourages us to continue building homes based on this concept.

To diversify and promote the possibility for the elderly to live at home for as long as possible, we and the Helsinki Deaconess Institute have embarked on action to combine housing with care services. This partnership facilitates the provision of care services for people already living in Sato's rental homes and in new facilities to be built for ageing people.

Sato enjoyed a successful year in 2004. Sato's expert personnel worked systematically to achieve results and to boost service quality standards. This also creates a good basis for the future. I express my warm thanks to the personnel. I would also like to thank the customers, the members of the Board of Directors, the owners and other stake-holders for the good job we have done together.



Erkka Valkila
President and CEO

Description of the business climate

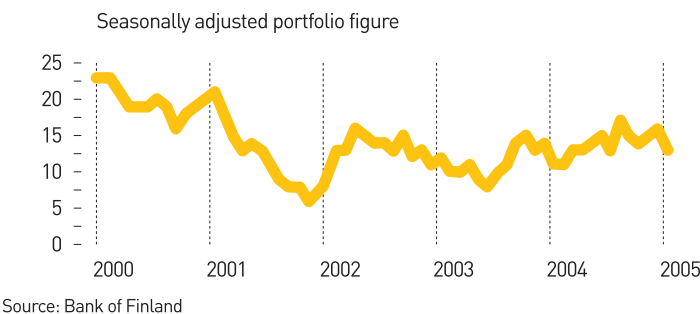
The economic trend was favourable and consumers' confidence in their own economy continued to be strong. Owner-occupied housing has expanded its popularity due to a prolonged period of low interest rates, and the proportion of first-time buyers has been significant. Construction has focused on owner-occupied homes and trade in housing has been buoyant. This has been reflected in the market for rental housing, where rental occupancy rates have deteriorated. Trade in housing is forecast to continue to grow, albeit more moderately than in recent years.

In the Helsinki Metropolitan Area, there are already signs that the market for owner-occupied homes is slowing; the time it takes to sell homes has increased, at least temporarily, and the rise in prices is topping out. As a result of high prices, the small supply of houses, and a scarcity of plots, internal migration has shifted to the municipalities surrounding the Helsinki Metropolitan Area.

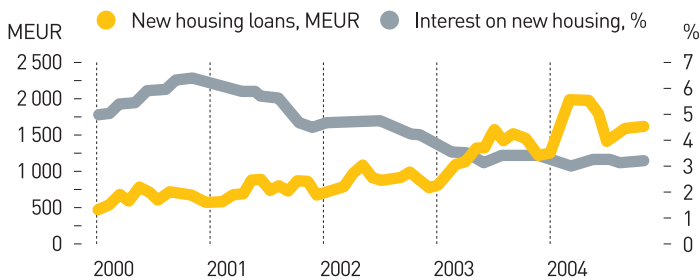
Current interest rates have resulted in a movement from rental apartments to owner-occupied homes. In the Helsinki Metropolitan Area and the largest urban centres of growth, the need for rental homes is ongoing due to internal migration and changing stages of life. Demand for rental homes is focused primarily on small housing units. Rental accommodation is also growing among the elderly due to an upswing in sheltered housing. Because of the high cost of construction and plots, there is little construction of new rental homes.

Some rental homes owned by institutional investors and private individuals have been sold to owner-occupiers. In the long term, the volume of rental home construction will be inadequate to meet the demands for growth among trade and industry, particularly in the Helsinki Metropolitan Area.

Consumer confidence indicator

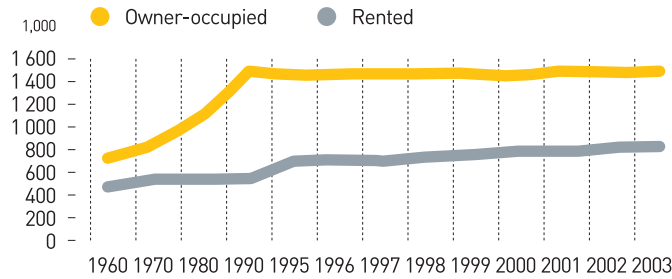


New housing loans and average interest rate



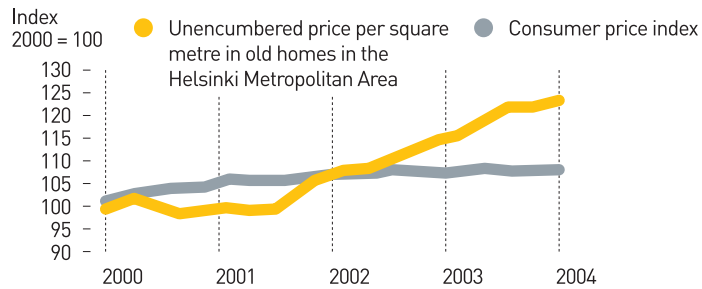
The figures for 2003 and after are not comparable with those for previous years.

Finland's housing stock



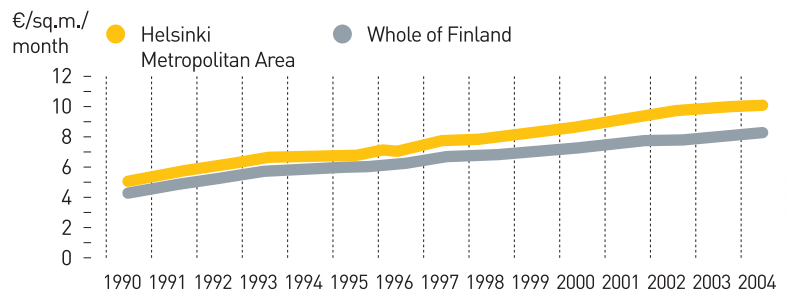
Source: Statistics Finland

Trend in housing prices



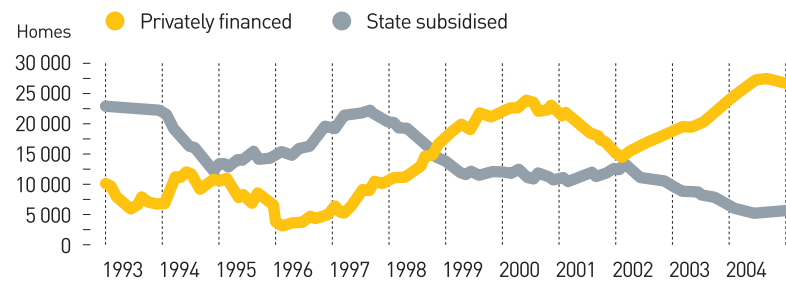
Source: Bank of Finland

Average rents per square metre



Source: Statistics Finland

Privately financed and state subsidised, 12-month sliding total



Source: Housing Fund of Finland





A good supply of housing.

In demand for rental homes, questions of location, the size of apartments, and the price-quality ratio come to the fore. This drives the Group's investments and divestments as well as the content of the housing services supplied.

Investment in housing

Operations

The mission of investment in housing is actively to develop the housing portfolio by means of investment and divestment. During the year under review, 1,808 housing units were acquired and 2,588 units were sold from the housing portfolio. Increased tenant turnover and shorter periods of tenancy are challenges for rental business. However, the Group managed to increase the rental occupancy rate of units from the level of the previous year.

The turnover from investment in housing in 2004 was 250 (164) million euros and profit before extraordinary items and taxes was 26.5 (17.4) million euros. Of turnover, rental income was 150 (144) million euros and sales of shares were 98 (17) million euros. The 81 million euros from sales of shares was generated by final purchases of shared ownership apartment financed on a ten-year interest-subsidised loan. The profit from rental business was 23.3 (17.7) million euros and the capital gains on divestments were 11.0 (4.2) million euros. A drag on profits was exerted by write-downs amounting to a total of 7.8 (4.5) million euros on property for sale as a result of the regional consolidation.

Holdings of housing

The Group has holdings of housing in 94 (115) municipalities. The long-term aim is to consolidate investments in housing in roughly thirty municipalities. The main thrust of operations is being moved to the larger urban centres of growth; the Helsinki Metropolitan Area and the economic zones of Tampere, Turku and Oulu.

At year-end, the Group held a total of 23,095 (23,875) housing units with a balance sheet value of 925 (855) million euros. Of these units, rental homes accounted for 91 (88) per cent and shared ownership apartments for 9 (12) per cent. Approximately 60 per cent of the housing portfolio in terms of value is in the Helsinki Metropolitan Area and its surrounding municipalities. The Group holds 50 per cent of Suomen Asumisoikeus Oy, which at year-end held 13,736 right-of-occupancy housing units.

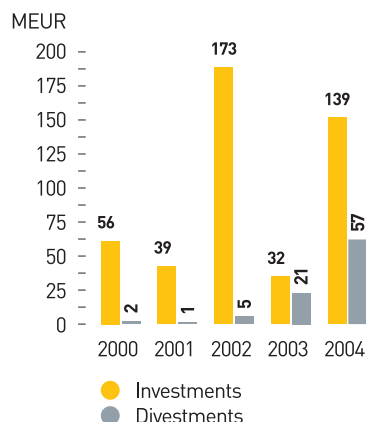
Housing investments and divestments

During 2004, a total of 1,629 (347) housing units were purchased of the existing housing stock. Newly completed homes totalled 179 (228). Of the shared ownership housing, 87 (31) housing units were repurchased for use as rental homes. In value terms, 85 per cent of the investments in housing were located in the Helsinki Metropolitan Area. The value of housing investments totalled 139 (32) million euros.

The main investment during the year under review was the purchase by the Group of 1,572 housing units from the Suomi Group in the beginning of the year. With this acquisition, Sato boosted its range of housing, particularly in the central districts of Helsinki.

During 2004, a total of 1,423 (498) rental homes were sold from the Group's housing portfolio on the basis of the strategic regional consolidation and increase in the proportion of small units. The value of the divestments was 57 (21) million euros. Of the divestments, 1,091

Investments and divestments in housing, 2000–2004



housing units constituted entire properties located in 15 municipalities outside the centres of urban growth. In addition to this, 332 individual housing units were sold, mostly large units in the Helsinki Metropolitan Area. During the period 1993–1994, the shared ownership periods of shared ownership apartments completed on the basis of a 10-year interest-subsidised loan ended during the year under review. In addition to the above-mentioned divestments of rental homes, occupants of shared ownership properties purchased ownership of a total of 1,165 (75) housing units. As a result of investments and divestments, the value of the housing portfolio rose during 2004 by 70 million euros and the number of homes declined by 780 units.

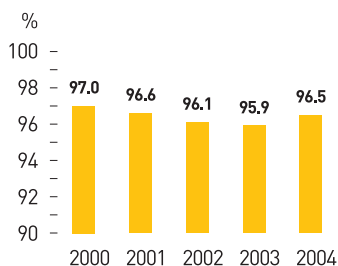
Rental business

The Group's average monthly rent per square metre in 2004 was EUR 8.99 (EUR 8.48) for rental housing and EUR 7.14 (EUR 6.93) for shared ownership apartments. The average increase in rent for valid leases was 3.5 (2.1) per cent. As a result of changes in the structure of the housing portfolio and its regional distribution and because of new leases, the change in rents per square metre of rental homes averaged 6.0 (4.2) per cent on the previous year.

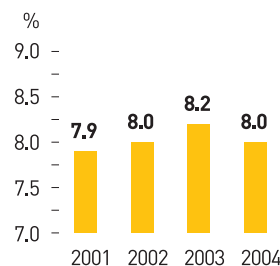
The financial occupancy rate for rental homes was 96.5 (95.9) per cent and that of shared ownership apartments was 97.5 (98.7) per cent. A drag was exerted on the financial occupancy rate by units which were vacant for renovation and for sale. The turnover of housing units in 2004 was 34.2 (33.6) per cent. The net rental income of rental housing was 8.0 (8.2) per cent.

Management of the rental occupancy rate and turnover was challenging throughout the financial year, as the low interest rates and long loan periods for home loans directed housing demand towards owner-occupied homes. By deploying effort in repairs, developing the rental business model and marketing, the rental occupancy rate was improved relative to the previous year.

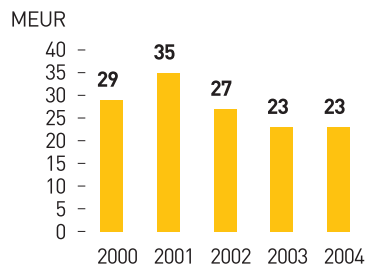
Financial occupancy rate of rental housing, 2000–2004



Net rental income



Repairs to properties, 2000-2004



Resident activities

The goal of partnership with residents is to influence amenity value and the management of housing costs in interaction both with the residents and among them. Partnership with residents is carried out on many levels: for a specific property, regionally, and nationwide. Collaboration between Sato and residents is spotlighted in each year of business in an annual theme chosen by the residents. The theme for 2004 was "Safety in the Neighbourhood" and the residents chose the theme of "Neighbourliness" for this year.

The maintenance of holdings of housing

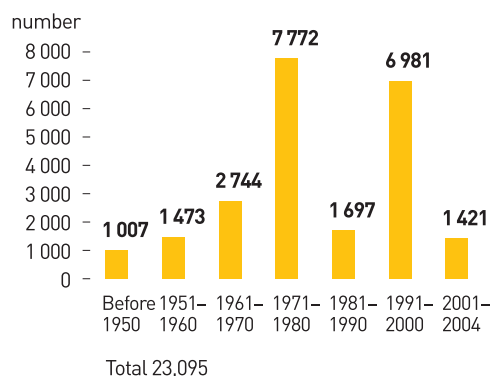
The allocation of repairs is based on life cycle plans for the individual building and on assessments of the need for repairs. During the year under review, a total of 23 (23) million euros was spent on repairs of properties.

To enhance the management of maintenance, the introduction of an electronic maintenance manual was expanded. The aim is to achieve control of the entire maintenance of the property holdings via the internet by the end of 2006. Regional competitive tendering for property maintenance was continued.

During 2004, the trend in energy and water consumption in the property holdings was charted for the past three years in order to specify a target for conservation. Examples of the actions for conservation include fitting water-saving plumbing fittings in homes and inspecting building's HEPAC regulators. Also, energy audits were performed to determine the energy budget of buildings.

During the year under review, Sato went over to partnership solutions on a broad front for its holdings of housing. Also, the business interests of Sato's office Nurmijärvi were sold off. In the beginning of 2005, partnership operations are being extended further to cover roughly 70 per cent of the Group's housing portfolio. Contracts have been made for the outsourcing of building supervision, management, renting and sales of properties as well as services related to maintenance and repairs. The biggest contractual partners are Suomen SKV Oy and YIT Kiinteistötekniikka Oy.

Housing stock by year of completion (31 Dec. 2004)



Holdings of business premises

At year-end, the Group owned 54 (78) business premises for sale, with a total area of 4,634 (9,569) square metres and a book value of 2.8 (5.2) million euros. During the financial year, commercial and office premises totalling 6,372 (4,278) square metres were sold for a total of 2.1 (2.4) million euros.

In addition, the ownership of Sato House in the Käpylä district of Helsinki, sold in 2003, was transferred to Suomi Mutual Life Assurance Company on 2 January 2004. The Group operates in the building as a tenant.

Outlook for the near future

The consolidation of the housing portfolio in the urban centres of growth and in small apartments will continue. Demands for competitiveness and service have increased in the rental housing market, and questions of location, the apartment's size and its price-quality ratio are becoming accentuated. This trend will guide the Group's investments and divestments as well as the content of the housing services provided. Investments will be channelled into the existing housing stock. The financial foundation of business operations will remain steady in respect of the housing portfolio held by the Group.





An individual home.

In newly built properties, Sato's customers are offered new opportunities to choose individual materials and fittings. The home's far-reaching adaptability boosts its long-term practical value.

Housing development and construction

Operations

Housing development operations focused on construction of owner-occupied homes. Construction projects were also carried out in the form of commissions for corporate customers. The volume of production during the year under review was 1,327 (1,659) housing units, of which 831 (752) were owner-occupied and shared ownership housing units. At year-end, a total of 974 (1,371) new housing units were under construction, of which 723 (828) were owner-occupied homes. Regionally construction concentrates on the Helsinki Metropolitan Area and the economic zones of Tampere, Turku, Oulu and Jyväskylä.

The turnover from housing development and construction in 2004 was 112 (84) million euros and profit before extraordinary items and taxes was 7.7 (0.5) million euros. Write-downs on plots to be divested totalling 0.5 (0.5) million euros exerted a drag on the profit.

Output of owner-occupied homes

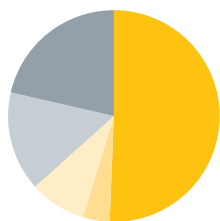
During the year under review, a total of 701 (566) owner-occupied homes were completed. Of these, half are in the Helsinki Metropolitan Area, 20 per cent are in Oulu, and 10 per cent each are in Tampere, Jyväskylä and Turku. The number of unsold units at year-end was 13 (7).

At the end of 2004, 723 (828) owner-occupied homes were under construction, of which 358 (405) were unsold. The financing tied up in the Group's output under construction at year-end was 19.6 (15.6) million euros.

The main privately financed apartment building projects were started in the Lauttasaari district of Helsinki, the Saunalahti district of Espoo and the Eteläranta district of Turku. The first SATO Plus-Home project, the construction of which was started during the year under review, was completed in the Arabianranta district of Helsinki in February 2005. PlusHome is based on an open housing construction technique, and design and data management methods have been developed for the concept to assist customer service and the progress of design. Future occupants have availed themselves of new possibilities for alterations and addition work, and all the 78 owner-occupied homes in the project differ in solutions or materials. On the basis of the positive feedback obtained on the concept the construction of the next PlusHome project began in Espoo and the planning of further projects is in hand.

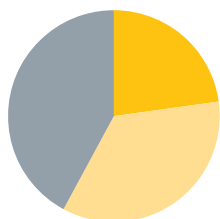
Two projects were started by Sato at the site of the 2005 National Housing Fair in Oulu: an eight-storey apartment building which will become a local landmark and a seaside terraced housing and low-rise project. For the Housing Fair to be held in Espoo in 2006, Sato is working together with Finnforest Corporation to build wooden low-rise buildings based on a box frame unit technique. This is a pilot project in the development of Sato's producer-format low-rise concept.

Sato received a mention of honour for design and quality from the Housing Fund of Finland for the Asunto Oy Vantaan Bäckbynpuisto owner-occupied home project which it built.



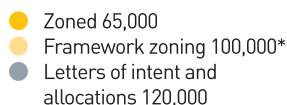
Completed housing units by region

Total 1,327 units



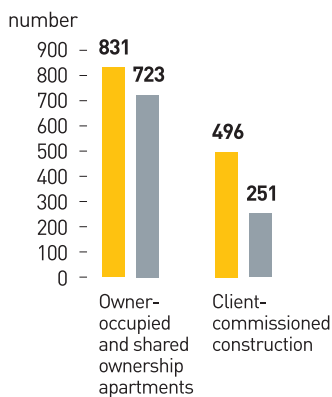
Reserve of plots for owner-occupied housing construction (sq.m. floor area)

Total 285,000



* Permitted building volume in zoning proposals

Construction of new housing in 2004



Client commissioning

On client commissioning, the construction of a total of 626 (1,093) new housing units was commissioned, of which 130 (186) privately financed shared ownership apartments and 50 (42) rental homes were for the Group's ownership. 109 right-of-occupancy housing units were completed for Suomen Asumisoikeus Oy.

At the turn of the year, 251 (413) new housing units were under construction for clients.

Output of senior homes and sheltered housing

At the turn of the year, 66 senior homes and sheltered housing units were under construction in the Haaga district of Helsinki. The design of the first projects resulting from a partnership between Sato and Helsinki Deaconess Institute was started, to be completed in the Pitäjänmäki district of Helsinki and the Tapiola district of Espoo.

Plots

At the end of 2004, Sato held land for construction of owner-occupied homes amounting to roughly 65,000 square metres of floor area. In addition to this, the permitted building volume based on plot reservations and letters of intent totalled roughly 120,000 square metres of floor area. Projects under zoning development total roughly 100,000 square metres of floor area.

During the year under review, Sato won a handover competition for a plot in the Tuuliniitty district of Tapiola, arranged by the City of Espoo. The plot has 6,500 square metres of floor area in permitted building volume. Other major acquisitions of plots were housing tracts comprising 5,800 square metres of floor area in the Koivuhaka district of Vantaa and a plot on Linnankatu in Turku with 4,300 square metres of floor area in permitted building volume. In 2004, roughly 14 million euros was invested in plots of land with a permitted building volume totalling 37,500 square metres of floor area.

The principal new plot reservations were in the Viikki, Vuosaari and Arabianranta districts of Helsinki totalling more than 15,000 square metres of floor area, which were received from the city. In all, permitted building volume amounting roughly to 44,000 square metres of floor area was allocated through plot reservations and letters of intent.

The main zoning projects applying to Sato's unzoned land inventory are under way in the Saunalahti and Tillinmäki districts of Espoo and in the Sarfvik area in Kirkkonummi. In these zoning plans, Sato is to receive a total of over 50,000 square metres of floor area in permitted building volume. Construction in the areas is intended to begin in the period 2006–2007.

Roughly 51,000 square metres of floor area of the Group's permitted building volume was brought into production.

Outlook for the near future

Demand for owner-occupied homes is expected to level out and the price level is forecast to hold steady. Sato's output volume of owner-occupied homes will be on a par with the previous year's level, being approximately 700 housing units.



Taking care of good housing

Sato's housing services evolve in step with changes in society. Our operations began in the 1940s, when Sato took part in postwar reconstruction. In the course of its history, the Group has developed many financing solutions that lowered the threshold for buying new homes, and it has increased options for the housing of the elderly and services that support their housing. Today, Sato owns and rents, builds and sells homes to different groups of customers.

The amenity value of residential areas is enhanced by participation in zoning and area projects. During the year under review, for example, Sato has supported the development of the Suvela and Kirkkojärvi district of Espoo by taking part in the City of Espoo's Safety project, in which local residents jointly improve the safety and enjoyableness of the area.

Partnership with residents

Sato collaborates with its residents on many levels: for a specific property, regionally, and nationwide. The aim of partnership with residents is to influence amenity values in customer-drive and diverse ways. It is of great importance also in keeping a check on housing costs. Collaboration between Sato and residents is spotlighted in each year of business in an annual theme chosen by the residents. The theme for 2004 was "Safety in the Neighbourhood". During the theme year, the safety situation for buildings was checked out and training sessions were held. The promotion of safety was also spotlighted in maintenance and repairs. A Building Safety Book was issued for the residents' use. During the present year, the theme is neighbourliness.

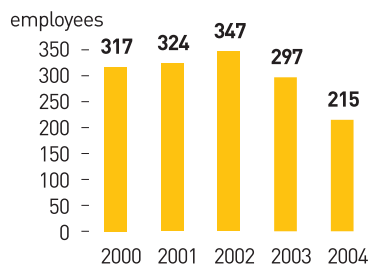
In partnership with residents, efforts are deployed in improving communications with residents and in smoothly running everyday matters. During the year under review, Sato's website was updated to serve the residents even better than before.

Environmental programme

Sato's environmental programme was issued in 1999. The aim of the programme is to promote sustainable development in the residential properties owned and produced by the Group and for in-house procedures. The programme embraces the environmental requirements of both the commissioning process and the various stages of buildings' use as well as benchmarks for assessing the environmental impacts.

Responsibility for environmental matters belongs to Sato's entire personnel and its partners. The environmental committee appointed for the company supervises the implementation of the programme, produces an annual environmental action plan, and charts the needs for improvement. Its mission is also to be in charge of the implementation of changes. It also awards an annual environmental prize for the best practices promoting sustainable development. The target for 2004 was to initiate the systematic monitoring of energy consumption in Sato's properties. Half of Sato's approximately one thousand properties are now being monitored. In addition to monitoring, energy audits

Personnel at year-end, 2000–2004



of buildings are held, and on the basis of these energy-efficient adjustments are made or repairs are carried out on structures, technical functions or equipment. Regulation and inspection guidelines have been produced for properties using district heating to be used, for example, for maintenance on the properties' district heating centres and for putting inspection services out for competitive tendering. The intention is to improve the energy efficiency of heating and control systems. In order to reduce water consumption, the conversion of roughly 5,000 homes' plumbing fittings for water-conserving ones has been initiated, and it is estimated that this action will result in roughly 10 per cent savings on water consumption annually. To promote the conservation of energy, Sato is on the development committee for the nationwide residential buildings energy conservation agreement (AESS). In co-operation with the Information Centre for Energy Efficiency, Sato has developed reporting on residential properties by which the Ministry of Trade and Industry and the Ministry of the Environment are monitoring on a nationwide basis the actions of the AESS signatory companies and corporations and their results in reducing energy consumption.

Personnel wellbeing

Personnel wellbeing is measured with regular workplace morale surveys. According to the survey carried out in the spring, the main items for improvement were in-house communications and cooperation between units. During the year under review, six days of in-house training were held per employee in the Group. The subjects of the training were particularly linked to customer service and data systems.

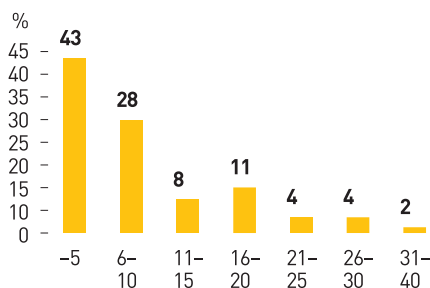
The implementation of Sato's values is guided and promoted by a values team consisting of personnel and management. The main event associated with action on the values, the "Sato Days", was held in Hyvinkää in June.

Personnel sports and recreational activities were subsidised during the year under review to the tune of 23,000 euros. Absence due to sickness during the year under review was four days per employee.

Sponsorship

Sato's sponsorships during the year under review were channelled to work with seniors and the elderly, youth and team sports, and disaster relief.

Number of years of service by personnel, 31 Dec. 2004





Annual report of the Board for the period 1 January– 31 December 2004

Turnover and net profit

The Group's turnover was 362 million euros (248 million euros in 2003), of which the turnover of investment in housing was 250 (164) million euros and that of housing development and construction was 112 (84) million euros.

The Group's profit before extraordinary items and taxes was 34.2 (17.9) million euros. The net profit of investment in housing was 26.5 (17.4) million euros, including a total of 11.0 (4.2) million euros in capital gains on divestments and write-downs totalling 7.8 (4.5) million euros effected on holdings of housing. The net profit of housing development and construction was 7.7 (0.5) million euros, including write-downs totalling 0.5 (0.5) million euros effected on plot holdings.

An additional appropriation of 1.8 million euros was made in connection with the operational reorganisations effected, refund claim costs, and old liabilities under the Housing Transactions Act.

The Group's return on equity was 15.8 (6.6) per cent and its return on investment was 6.6 (5.2) per cent.

Change in consolidation method and the timetable for IFRS

The consolidation method for housing companies and mutual building management companies has been changed. Holdings in housing companies and mutual building management companies confer entitlement to control of certain apartments. The updated consolidation method gives a more accurate view of the Group's financial status when minority shareholders' shares in these companies' equity are not treated as the Group's minority shareholding and the portion of debt to which these shareholders are liable is not consolidated with the Group's debts.

The effect of the change in the consolidation method is shown in the notes to the financial statements.

According to a decision of Sato Corporation plc's Board of Directors, the Group will go over to compliance with IFRS accounting standards as of the beginning of the 2007 financial year.

Financial status

The consolidated balance sheet total as at 31 December 2004 was 1,106 (1,074) million euros and the Group's interest-bearing liabilities were 790 (741) million euros.

Because of the nature of the shared ownership system, the financial statements of the housing companies holding shared ownership apartments have not been consolidated. A total of 151 (254) million euros in interest-bearing liabilities apply to the shared ownership apartments. As surety for these debts, certificates of mortgage to a combined total of 216 (323) million euros have been attached to the property of housing companies holding shared ownership apartments.

Group companies had repurchase commitments on sold shared ownership apartments to a total of 20 (30) million euros, of which the advance payment debts in the consolidated balance sheet includes 19 (28) million euros.

The Group's equity ratio at year-end was 14.3 (15.8) 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 20 (21) million euros.

Interest-bearing liabilities at year-end were 790 (741) million euros, of which market rate loans totalled 367 (284) million euros, interest-subsidised loans totalled 101 (123) million euros and state subsidised loans totalled 322 (332) million euros.

Of the capital of market rate loans at year-end, 180 (137) million euros was hedged with interest-rate swaps, the average maturity of which was 31 (35) months.

Group structure

Sato Corporation plc is the parent company of the Sato Group. To streamline operations and to clarify the Group structure, a total of 56 subsidiaries were merged and wound up through voluntary liquidation during the financial year.

During the financial year, the Group acquired the entire issued stock of Sato-Taso Oy and it was merged with Sato-Rakennuttajat Oy.

The operations of the Kuopio regional office and Itä-Suomen Sato Oy, which operated in Joensuu, were terminated on 30 September 2004.

Change of the company name

The Board of Directors decided to propose to the annual general meeting a change of the company name to SATO Oyj and in English SATO Corporation.

Investment in housing

On 31 December 2004, the Group held a total of 23,095 housing units (23,875). The financial occupancy rate of the housing units averaged 96.6 (96.2) per cent and occupant turnover averaged 34.2 (33.6) per cent. The net rental income of rental housing was 8.0 (8.2) per cent.

The turnover from investment in housing was 250 (164) million euros and profit before taxes was 26.5 (17.4) million euros. Resulting from the expiry of the ten-year shared ownership period, the turnover from investment in housing includes 81 million euros in sales of shares in shared ownership apartments.

During 2004, a total of 1,629 (347) housing units were acquired from the completed housing stock. A total of 179 (228) new housing units were completed for the Group. The sum of 23 (23) million euros was spent on renovating the housing portfolio and upgrading housing units. During the financial year, 1,423 (498) rental homes with a combined value of 57 (21) million euros were sold.

Housing development and construction

During the financial year, a total of 1,327 (1,659) housing units were completed. Of these, 701 (566) were owner-occupied homes and 130 (186) were shared ownership apartments, and on client projects 496 (907) housing units were completed. The combined acquisition value of the completed owner-occupied homes was 122 (87) million euros.

At year-end, 723 (828) owner-occupied homes were under construction. On client projects, 251 (413) housing units were under construction. The acquisition value of the owner-occupied home under construction was 135 (125) million euros.

Turnover from the housing development and construction was 112 (84) million euros and profit before taxes 7.7 (0.5) million euros.

The book value of the land inventory held by the Group was 26.1 million euros at the turn of the year. During the financial year, land inventory was acquired for a total of 14 million euros. The value of the land inventory sold and transferred to housing construction during the year was 13.5 million euros.

Investments and divestments

The Group's total investments amounted to 153 (42) million euros, of which 134 (38) million euros was allocated to fixed assets and 19 (4) million euros to inventories. The 1,572 housing units acquired from the Suomi Group at the beginning of the year, at an acquisition value of roughly 101 million euros, were the biggest investment of the year in 2004. During the financial year, assets were sold for a total of 60 (23) million euros.

Personnel

At the end of 2004, the Group had 215 (297) employees. The number of Group personnel averaged 228 (339) during the year. The downturn in the number of personnel during the year was due to the geographical consolidation of business as well as decisions on streamlining operations and outsourcing.

Shareholders and shares

The members of Sato Corporation plc's Board of Directors and the President held a total of 1,200 shares at year-end, corresponding to 0.05% of the company's shares and voting rights. During the financial year, Group companies sold the 1,200 shares they held in Sato Corporation plc to President and CEO Erkka Valkila.

The annual general meeting held on 25 March 2004 authorised the company's Board of Directors to decide on the acquisition of treasury shares using the company's distributable assets. The authorisation can be used to acquire a number of shares with a combined par value or voting rights conferred by shares which is no more than five per cent of the company's share capital or voting rights of all shares after the acquisition.

The annual general meeting authorised the Board of Directors to decide on the disposal of the treasury shares obtained on the basis of the above authorisation.

The annual general meeting authorised the Board of Directors to decide on increasing the share capital by means of one or more issues of new shares and/or to decide on one or more issues of convertible bonds and/or issuing of share options, in such a way that a maximum total of 439,569 new company shares with a par value of EUR 2.00 may be subscribed in the new issue and/or issues of convertible bonds and/or issues of share options. On the basis of the authorisation, the company's share capital may be increased by a maximum total of 879,138.00 euros.

The authorisations are valid for one year from the date of the annual general meeting's decision.

The authorisations have not been exercised.

The Board of Directors, President and auditors

Jouko Tuunainen served as the chairman of the Board of Directors. The other members of the Board of Directors were Heikki Hyppönen, Mauri Jaakonaho, Juhani Järvi (as of 25 March 2004), Raimo Lind, Jukka Peltola (until 25 March 2004), Martti Porkka, Pekka Pystynen (as of 25 March 2004), Jarmo Ryttilahti, and Jukka Salminen.

Erkka Valkila served as 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.

Management

Pekka Komulainen, M.Sc. (Eng.) was appointed Vice President of the Housing construction and development Division as of 1 May, when Pentti Järvinen, LL.M, retired. Kai Simberg, M.Sc. (Econ.&BA), was appointed Chief Financial Officer of the Group as of 4 October, with responsibility for financial affairs, financing, data administration and human resources. The Corporate Management Group is comprised, in addition to the above, of President and CEO Erkka Valkila, Vice President Tuula Entelä of the Investment in Housing Division, Head of Legal Affairs Katri Innanen and Director of Marketing and Communications Monica Aro.

Outlook

The rental income and rental occupancy rate for investment in housing is forecast to be on a par in 2005 with the previous year's figures. The volume of housing divestment business is likely to be down on the previous year. Demand for owner-occupied homes is expected to top out during the present year, and the number of owner-occupied homes built by the Group will be similar to the figure for 2004. Earnings from business operations are estimated to be on a par with the 2004 level.

Profit and loss account

Profit and loss account		Consolidated		Parent company	
MEUR	Note	2004	2003	2004	2003
Turnover	1	362	248	5	10
Other income from business operations	2	14	5	0	0
Materials and services	3	-195	-90	-3	-5
Personnel expenses	4-6	-12	-16	-3	-5
Depreciation and write-downs	7 -	22	-19	-1	-1
Other expenses of business operations	8	-86	-81	0	-2
Operating profit		60	46	-2	-2
Financial income and expenses	9	-26	-28	5	10
Profit/loss before extraordinary items		34	18	4	8
Extraordinary items	10	-2		7	19
Profit before taxes		32	18	11	26
Direct taxes	11	-9	-7	-3	-5
Minority interest		-1	1		
Net profit for the financial year		22	11	8	22

Balance sheet

Balance sheet		Consolidated		Parent company	
MEUR	Note	31.12. 2004	31.12. 2003	31.12. 2004	31.12. 2003
Assets					
Fixed assets and other long-term investments					
Intangible assets	12	1	1	0	0
Tangible assets	13	540	824	1	1
Holdings in Group companies	14			65	66
Holdings in associated companies	15	0	0		
Other holdings and shares	16-17	361	52	1	1
		903	878	68	68
Inventories and financial assets					
Inventories	18	83	86	6	8
Long-term receivables	19-20	12	11	54	84
Short-term receivables	21	71	68	31	26
Financial securities		10	7	4	3
Cash and bank deposits		26	24	1	1
		203	196	96	122
Assets, total		1,106	1,074	164	189
Liabilities and shareholders' equity					
Shareholders' equity 22-24					
Share capital		4	4	4	4
Revaluation fund		0	0		
Reserve fund		44	44	44	44
Other funds		0	0	1	1
Retained earnings		81	78	16	2
Net profit for the financial year		22	11	8	22
		152	138	73	73
Minority interest		1	25		
Consolidated reserve		0	1		
Obligatory reserves	25	6	2	1	1
Liabilities					
Long-term	26	817	779	62	68
Current	27	130	129	27	47
		946	908	89	115
Liabilities and shareholders' equity, total		1,106	1,074	164	189

Cash flow statement

Cash flow statement, indirect model MEUR	Consolidated		Parent company	
	2004	2003	2004	2003
Cash flow from operating activities				
Profit before extraordinary items	34	18	4	8
Adjustments:				
Depreciation	22	19	1	1
Financial income (-) and expenses (+)	26	28	-5	-10
Increase (+) / decrease (-) in obligatory reserves	4	1	0	1
Capital gains (-) and losses (+) on fixed assets	-11	-4	0	0
Other adjustments	-0	-0		-1
Cash flow before change in working capital	75	62	-1	-1
Change in working capital:				
Decrease(+) / increase(-) in short-term non-interest-bearing receivables	1	0	3	-3
Decrease (+) / increase (-) in inventories	4	-22	2	0
Decrease (-) / increase (+) in short-term liabilities	-7	27	-3	1
Adjustments to change in working capital			1	3
Cash flow before financial items and taxes	73	68	2	1
Interest paid and payments on other financial expenses	-29	-30	-3	-4
Dividends received	0	0	4	9
Interest received	1	1	5	5
Direct taxes paid	-4	-6	-3	-3
Cash flow before extraordinary items	41	33	5	8
Cash flow from extraordinary items in business operations			0	
Cash flow from operating activities (A)	41	33	5	8
Cash flow from investments				
Investments in tangible and intangible assets	-79	-36	-1	-1
Undepreciated acquisition cost of surrendered tangible and intangible assets	44	18	0	0
Profits on surrender of tangible and intangible assets	11	4	-0	-0
Investments in other placements	-54	-2	0	6
Repayments on loans	-2	-0	10	3
Adjustments to cash flow from investments (non-cash items)		0	-0	-6
Cash flow from investments (B)	-79	-16	9	2

Cash flow statement, indirect model	Consolidated		Parent company	
MEUR	2004	2003	2004	2003
Cash flow from financial activities				
Change in minority interest (increase + / decrease -)	-1	5		
Short-term financing debts (net)	5	-40	-17	-38
Change in long-term financing debts	50	34	-6	23
Non-current non-interest bearing receivables	0	0	-0	0
Group contributions (on payment basis)			11	-7
Dividend paid and other distribution of profit	-8	-8	-8	-8
Adjustments to cash flow from financial activities (non-cash items)			7	22
Cash flow from financial activities (C)	45	-9	-14	-8
Effect of change in consolidation method	-0			
Change in cash and cash equivalents according to calculation (A+B+C)	7	7	0	2
Cash and cash equivalents at start of year	31	24	4	1
Effect of change in consolidation method	-3			
Cash and cash equivalents transferred in merger			-0	-0
Cash and cash equivalents at year-end	36	31	4	4

Accounting conventions of the financial statements as at 31 December 2004

Valuation principles

Valuation of fixed assets

Fixed assets have been valued at the historical cost or at a value adjusted for revaluations less accumulated depreciation and write-downs. Straight-line depreciation based on the economic life has been deducted from the original acquisition cost of buildings. Depreciation calculated on the economic life has been deducted from the historical cost of other fixed assets in the case of fixed assets acquired since 1 January 1995. The historical cost of other fixed assets purchased before this date is depreciated at the maximum rate permitted by the Finnish Companies Taxation Act. No depreciation has been made on revaluations.

The planned depreciation periods based on the economic life are as follows:

Vehicles	4 years
Computer hardware and software	3–6 years
Office machinery	5 years
Office equipment	10 years
Buildings	67 years
Machinery and equipment in buildings	20 years
Civil defence shelters in buildings	40 years

Other buildings and renovation expenditure on a case-by-case basis according to a separate assessment. Investments in housing companies and mutual building management companies one per cent of the remainder of the investment.

Valuation of inventories

Inventories have been valued at the direct historical cost. In the event that the probable surrender or repurchase value of the asset is lower than the historical cost on closing the books, the difference has been booked as an expense.

Valuation of financial assets

Financial assets have been valued at par value or at their probable value if lower.

Items denominated in foreign currency

Receivables and debts denominated in foreign currency have been valued at the exchange rate valid on closing the books.

Income-recognition of projects

The margin of housing development and construction has been income-recognised in accordance with the terms of invoicing in the agreement. The margin for projects handed over after a separate inspection, is income-recognised at the handover date. The margin of completed owner-occupied homes which are unsold on closing the books has been eliminated. A profit arising from the surrender of a plot to a property holding company is income-recognised on the date of the project's completion and a loss on the handover date.

Obligatory reserves

A refund claim expense reserve is made on the basis both of an estimate from experience and on claims for damages submitted. A reserve based on estimates is constituted for expenses related to business reorganisations.

Matching of pension expenses

Pension cover for the employees has been arranged through a pension insurance company.

Accounting principles of the consolidated financial statement

Scope of the consolidated financial statement

The consolidated financial statements cover the parent company and the following subsidiaries and associated companies together with their own subsidiaries and associated companies: Kanta-Suomen Sato Oy, Outakessa Oy, Sato Nyt Oy, Satoportaati Oy, Sato Vuokrakodit Oy, Sato-Kotiportaati Oy, Sato-OVA Oy, Satopos 105 Oy, Sato-Rakennuttajat Oy, Suomen Satokodit Oy, Vatro Oy, Vatroasunnott Oy and Vatroalot Oy.

The consolidation includes the subsidiaries included in inventories and fixed assets with the following exceptions:

The main unconsolidated companies are comprised of the housing company-type corporations in the inventories of Sato-Kotiportaati Oy, Satoportaati Oy, Sato Nyt Oy and Sato-OVA Oy. The reason these companies are not consolidated is because of the nature of the shared ownership system. It is intended that the shares in the subsidiaries, after the period of shared ownership, will become wholly own by the part-owners and are therefore in the nature of inventories intended for sale.

The total of the housing companies' debts, promissory notes securing debts, and repurchase liability related to the shared ownership, is given in the notes to the balance sheet section 28.

Also left unconsolidated are some inactive and small subsidiaries and associated companies. These cases of non-consolidation have not significantly affected the sum of the Group's shareholders' equity or net profit.

The Sato Group holds 50 per cent of the issued stock of Suomen Asumisoikeus Oy. Suomen Asumisoikeus Oy may, under the ARAVA Act (1189/93), Subsidised Interest for Rental Home Loans and Right-of-occupancy Building Loans Act (604/2001) and decision 666/2001 by the Council of State, pay a shareholder an annual return, the taxable maximum amount of which is 8 per cent and the tax-free maximum amount of which is 5.68 per cent of the amount actually invested in the company by the shareholder. Suomen Asumisoikeus Oy may, on the basis of this, pay the Sato Group a dividend of no more than EUR 47 thousand per year. The maximum selling price of shares in Suomen Asumisoikeus Oy is their par value revised in line with the change in construction expenses. The assets accruing from a right-of-occupancy community's activities are not figured into the amount of the surrender price of the shares as a factor. The Suomen Asumisoikeus Oy corporate group had no distributable assets in its financial statements as at 31 December 2004.

On the basis of the above, Suomen Asumisoikeus Oy's 7.3 (4.4) million euros in net profit has not been consolidated with the financial statements of Sato Corporation plc.

The way in which the consolidated financial statements were produced has complied with a consolidation method for the housing companies' and mutual building management companies' income, expenses and depreciation which differs from the previous practice. Of these companies' income, expenses and depreciation, only the part accruing from Group-owned premises has been included in the consolidated profit and loss account. Similarly, the consolidated balance sheet includes the total acquisition costs of the Group-owned premises and loans which apply to the premises, including those loans taken by housing companies and mutual building management companies which apply to shares held by the Group. The updated consolidation method gives a more correct view than before of the Group's position, as

minority shareholders' holdings in these companies' shareholders' equity are not treated as minority shareholdings of the Group and the Group's debts are not consolidated with the debt portions for which these shareholders are liable.

Mutual shareholdings

The consolidated financial statements have been drawn up using the historical cost method (excluding housing companies and mutual building management companies). The acquisition cost of the subsidiaries which exceeded their shareholders' equity on the acquisition date is for the main part allocated in the consolidated financial statements to the acquisition cost of buildings and plots and the difference has been treated as consolidation goodwill. The calculation of acquisition costs in previous years was not adjusted by the amount of shareholders' equity separated from the reserves on the acquisition date. Goodwill allocated to asset items has been depreciated in accordance with the planned depreciation principles for the asset item in question. Consolidation goodwill has been subjected to straight-line depreciation over 10 years.

Intra-Group transactions and margins

Intra-Group receivables, debts, income and expenses have been eliminated, as have dividend payments and internal margins between Group companies.

Minority interests

The minority interests separated from the shareholders' equity and net profit of the companies consolidated by the historic cost method are shown as separate items in the consolidated balance sheet and the profit and loss account.

Taxes

Taxes for the financial year have been calculated on the basis of the taxable income. The accumulated depreciation differences and residential building reserves for the companies consolidated with the historic cost method have been divided into shareholders' equity, minority interest and tax liability in the consolidated financial statements. The deferred tax liability has been calculated in accordance with option 1 of the Accounting Board's general guidelines of 11 January 1999 from the matching differences affecting the profit and loss account, from voluntary reserves and depreciation differences, and from consolidation actions credited or charged to income.

The comparability of the financial statements information

The comparison data for 2003 could not be adjusted to correspond to the new consolidation method, so these data are not comparable. Housing companies and mutual building management companies do not generally accrue a profit or loss.

Insofar as these companies have accrued consolidated shareholders' equity by 31 December 2003, the transfer to the new consolidation method will result in non-recurring income and expenses, which in accordance with the new accounting conventions is shown in the consolidated financial statements as extraordinary income and expenses totalling 2.0 million euros. The change in the consolidation method also includes the change in company form of 9 ordinary building management companies into housing companies during 2004.

Minority shareholders' holdings in the shareholders' equity of housing companies and mutual building management companies are not treated as the Group's minority shareholdings and the portion of debt to which these shareholders are liable is not consolidated with the Group's debts.

Below are the Sato Group's pro forma financial statements as at 31 December 2003, in which housing companies and mutual building management companies have been consolidated in accordance with the above principles.

Consolidated profit and loss account (MEUR)	2004	Pro forma 2003	Official 2003
Turnover	362	246	248
Operating profit	60	43	46
Financial income and expenses	-26	-25	-28
Profit before extraordinary items	34	18	18
Extraordinary items	-2		
Direct taxes	-9	-7	-7
Minority interest in profit	-1	0	1
Net profit for the financial year	22	11	11

Consolidated balance sheet (MEUR)	2004	Pro forma 2003	Official 2003
Fixed assets and other long-term investments	903	852	878
Inventories and financial assets	203	199	196
Assets total	1,106	1,051	1,074
Shareholders' equity	152	137	138
Minority interest	1	2	25
Consolidated reserve	0	0	1
Obligatory reserves	6	2	2
Long-term liabilities	817	778	779
Current liabilities	130	132	129
Liabilities and shareholders' equity total	1,106	1,051	1,074

Notes

Notes to the profit and loss account	Group		Parent company	
MEUR	2004	2003	2004	2003
1 Turnover				
Rental income and remuneration	150.0	144.4	3.1	2.7
Building management and maintenance fees	1.6	3.8	0.2	3.1
Sales of shares	174.2	79.4	1.4	2.9
Construction commissioning fee	22.5	17.7		
Consultancy fee		0.0		
Other income from construction commissioning	12.2	1.0		0.0
Other income	1.1	1.3	0.4	1.0
	361.6	247.5	5.1	9.8
2 Other income from business operations				
Other income from business operations	0.9	1.2	0.1	0.2
Capital gains from fixed assets	13.1	3.7	0.2	0.0
	14.1	5.0	0.3	0.3
3 Materials and services				
Purchases during the financial year (= procurements)	195.8	117.4	1.3	4.7
Change in inventories	-0.4	-26.9	2.1	0.1
	195.4	90.5	3.4	4.8
4 Personnel expenses				
Wages and salaries	9.6	12.5	2.4	3.7
Pension expenses	2.0	2.6	0.5	0.8
Other indirect employee costs	0.7	1.0	0.2	0.3
	12.3	16.1	3.1	4.8
5 Salaries and fees for management				
President and members of the Board of Directors The President and CEO is entitled to retire at the age of 60.	0.7	0.8	0.4	0.4
6 The Group and parent company had during the financial year an average number of				
Employees	228	339	51	92
7 Depreciation				
Depreciation on tangible and intangible assets	15.3	16.0	0.5	0.8
Write-downs on fixed assets and long-term investments	6.4	2.8	0.1	0.3
	21.7	18.9	0.6	1.1

Notes to the profit and loss account	Group		Parent company	
MEUR	2004	2003	2004	2003
8 Other expenses of business operations				
Rents	26.4	18.5	2.3	2.9
Properties' maintenance expenses	49.0	54.9	0.1	0.1
Other fixed expenses	6.9	6.8	2.6	3.1
Administrative expenses charged			-5.6	-4.8
Other expenses of business operations	3.7	0.6	0.6	0.4
	86.0	80.8	-0.1	1.6
9 Financial income and expenses				
Dividend income				
From Group companies			3.6	8.9
From others	0.1	0.1	0.0	0.0
Dividend income total	0.1	0.1	3.6	9.0
Interest income on long-term investments				
From Group companies			3.9	4.4
From others	1.0	0.8	0.3	0.2
	1.0	0.8	4.2	4.6
Interest expenses and other financial expenses				
To Group companies			0.6	1.1
Charges to Group companies for interest rate hedging expenses			-2.6	-1.6
To others	27.1	29.2	4.5	4.2
	27.1	29.2	2.5	3.7
Financial income and expenses total	-26.0	-28.3	5.4	9.9
10 Extraordinary items				
Extraordinary income				
Group contributions			5.7	7.7
Profit on merger			1.6	11.2
			7.3	18.9
Extraordinary expenses				
Effect of change in consolidation method	2.0			
	2.0			
11 Direct taxes				
Income taxes on actual business	4.9	6.3	2.7	4.6
Change in deferred tax liability	4.5	1.7	0.0	
Change in deferred tax credit	-0.2	-0.5		
	9.2	7.5	2.7	4.6

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
12 Intangible assets				
Intangible rights				
Acquisition cost 1 Jan.	0.8	0.8		
Increases		0.0		
Decreases		-0.0		
Acquisition cost 31 Dec.	0.8	0.8		
Accumulated depreciation and write-downs 1 Jan.	0.7	0.7		
Depreciation for year	0.0	0.0		
Accumulated depreciation 31 Dec.	0.7	0.7		
Effect of change in consolidation method	-0.0			
Book value 31 Dec.	0.0	0.1		
Consolidated goodwill				
Acquisition cost 1 Jan.	1.3	1.3		
Increases	0.2			
Decreases		-0.0		
Acquisition cost 31 Dec.	1.5	1.3		
Accumulated depreciation 1 Jan.	1.2	1.2		
Depreciation for year	0.0	0.0		
Accumulated depreciation 31 Dec.	1.3	1.2		
Effect of change in consolidation method	0.0			
Book value 31 Dec.	0.2	0.0		
Other long-term expenditure				
Acquisition cost 1 Jan.	3.9	3.8	2.0	1.9
Increases	0.4	0.9	0.4	0.2
Decreases	0.0	-0.8	-0.0	
Transfers between items		-0.1		
Acquisition cost 31 Dec.	4.2	3.9	2.4	2.0
Accumulated depreciation and write-downs 1 Jan.	3.1	2.1	1.8	1.1
Depreciation for year	0.4	1.0	0.2	0.7
Accumulated depreciation 31 Dec.	3.4	3.1	2.0	1.8
Effect of change in consolidation method	-0.1			
Book value 31 Dec.	0.7	0.8	0.4	0.2
Intangible assets total	0.9	0.9	0.4	0.2

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
13 Tangible assets				
Land and water areas				
Acquisition cost 1 Jan.	112.2	101.9	0.0	0.0
Increases	14.2	8.7		
Decreases	-0.4	-0.0	-0.0	
Transfers between items		1.7		
Acquisition cost 31 Dec.	126.0	112.2	0.0	0.0
Accumulated write-downs 1 Jan.	0.9	0.9		
Revaluations	0.0	0.0		
Effect of change in consolidation method	-66.1			
Book value 31 Dec.	59.2	111.4	0.0	0.0
Buildings and structures				
Acquisition cost 1 Jan.	755.8	737.5	0.0	0.0
Increases	22.7	26.2		
Decreases	-6.3	-4.7		
Transfers between items	0.0	-3.2		
Acquisition cost 31 Dec.	772.2	755.8	0.0	0.0
Accumulated depreciation and write-downs 1 Jan.	70.9	55.4	0.0	0.0
Depreciation for year	10.0	14.0		0.0
Write-downs	2.5	1.5	0.0	
Accumulated depreciation 31 Dec.	83.5	70.9	0.0	0.0
Revaluations	1.3	1.3		
Effect of change in consolidation method	-227.5			
Book value 31 Dec.	462.5	686.1	0.0	0.0
Connection fees				
Acquisition cost 1 Jan.	11.0	10.9	0.0	0.0
Increases	0.7	0.2	0.0	
Decreases	-0.6	-0.1		
Effect of change in consolidation method	-3.3			
Acquisition cost 31 Dec.	7.7	11.0	0.0	0.0
Machinery and equipment				
Acquisition cost 1 Jan.	25.3	31.4	3.1	2.8
Increases	0.3	1.1	0.2	0.4
Decreases	-0.2	-7.2	-0.0	-0.1
Acquisition cost 31 Dec.	25.4	25.3	3.3	3.1
Accumulated depreciation and write-downs 1 Jan.	13.2	12.3	1.8	1.5
Depreciation for year	1.3	0.9	0.3	0.3
Accumulated depreciation 31 Dec.	14.5	13.2	2.1	1.8
Effect of change in consolidation method	-1.9			
Book value 31 Dec.	9.0	12.1	1.2	1.3

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
Other tangible assets				
Acquisition cost 1 Jan.	0.6	0.5	0.4	0.3
Increases	0.2	0.1		0.0
Decreases	-0.0			
Transfers between items		0.1		
Acquisition cost 31 Dec.	0.8	0.6	0.4	0.4
Accumulated depreciation and write-downs 1 Jan.	0.6	0.4	0.3	0.3
Depreciation for year	0.1	0.1	0.0	0.1
Accumulated depreciation 31 Dec.	0.7	0.6	0.4	0.3
Effect of change in consolidation method	0.1			
Book value 31 Dec.	0.2	0.1	0.0	0.0
Advance payments				
Acquisition cost 1 Jan.	3.8	8.0		
Increases	0.5	3.0		
Decreases	-1.5	-7.2		
Effect of change in consolidation method	-0.9			
Book value 31 Dec.	1.9	3.8		
Tangible assets total	540.4	824.5	1.2	1.3
Summary of revaluations				
Land and water areas				
Value 1 Jan.	0.0	0.0		
Value 31 Dec.	0.0	0.0		
Buildings and structures				
Value 1 Jan.	1.3	1.8		
Disbursement of revaluations 1 Jan.-31 Dec.		-0.5		
Value 31 Dec.	1.3	1.3		

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
14 Holdings in Group companies				
Acquisition cost 1 Jan.			65.6	72.3
Increases			1.5	1.0
Decreases			-0.9	-7.7
Transfers between items			-4.9	0.0
Acquisition cost 31 Dec.			61.3	65.6
Book value 31 Dec.			61.3	65.6
15 Holdings in participating interests				
Acquisition cost 1 Jan.	0.4	0.4		
Increases	0.3	0.0		
Decreases		-0.1		
Transfers between items	-0.4			
Acquisition cost 31 Dec.	0.3	0.4		
Accumulated write-downs 1 Jan.	0.1	0.1		
Accumulated write-downs 31 Dec.		0.1		
Effect of change in consolidation method	0.2			
Book value 31 Dec.	0.4	0.3		
16 Other stocks and shares				
Acquisition cost 1 Jan.	53.2	50.9	0.7	0.3
Increases	7.1	3.7	0.0	0.5
Decreases	-7.6	-1.4	-0.0	-0.1
Transfers between items	-45.2			-0.0
Acquisition cost 31 Dec.	7.5	53.2	0.7	0.7
Accumulated write-downs 1 Jan.	0.9	0.2		
Write-downs	0.5	0.7	0.0	
Accumulated write-downs 31 Dec.	1.4	0.9	0.0	
Book value 31 Dec.	6.1	52.3	0.7	0.7
17 Investments/housing companies and mutual building management companies				
	355.4		4.1	
Investments total	361.9	52.6	66.1	66.3

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
18 Inventories				
Housing under construction	34.6	32.8		
Completed housing units and commercial space	27.1	33.7	1.2	2.8
Land areas and land area companies	11.6	18.1	2.8	2.9
Other inventories	10.0	1.3	2.2	2.7
Book value 31 Dec.	83.3	85.9	6.2	8.3
19 Non-current receivables				
Notes receivable	4.3	3.1	2.4	1.8
Notes receivable, Group			51.8	81.5
Deferred tax credits	7.7	7.5	0.1	0.2
Other receivables	0.0	0.0	0.0	0.0
Book value 31 Dec.	12.1	10.6	54.4	83.5
20 Deferred tax credits				
Resulting from companies' matching differences	4.2	3.1		
Resulting from intra-Group margins	3.5	4.4		
	7.7	7.5		
21 Current receivables				
Receivables from Group companies				
Accounts receivable			1.9	1.8
Notes receivable			25.7	17.2
Other receivables				0.0
Accrued assets			0.4	0.8
			28.0	19.9
Receivables from others				
Accounts receivable	61.5	56.2	1.1	1.1
Notes receivable	0.8	0.2	0.3	0.0
Other receivables	2.2	7.9	1.1	3.3
Accrued assets	6.6	3.9	0.6	1.5
	71.1	68.2	3.1	5.9
Current receivables total	71.1	68.2	31.1	25.8
Receivables, total	83.2	78.8	85.5	109.3

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
22 Shareholders' equity				
Share capital 1 Jan.	4.4	4.4	4.4	4.4
Share capital 31 Dec.	4.4	4.4	4.4	4.4
Revaluation fund 1 Jan.	0.2	0.2		
Revaluation fund 31 Dec.	0.2	0.2		
Reserve fund 1 Jan.	43.7	43.7	43.7	43.7
Reserve fund 31 Dec.	43.7	43.7	43.7	43.7
Other funds 1 Jan.	0.4	0.4	1.1	1.1
Other funds 31 Dec.	0.4	0.4	1.1	1.1
Retained profits 1 Jan.	89.0	85.9	24.1	10.5
Dividend payment	-8.2	-8.2	-8.2	-8.2
Retained earnings 31 Dec.	80.8	77.6	15.8	2.2
Net profit for the financial year	22.4	11.4	8.4	21.8
Shareholders' equity total 31 Dec.	151.9	137.7	73.4	73.3
23 Calculation of distributable assets				
Other funds	0.4	0.4	1.1	1.1
Retained earnings	80.8	77.6	15.8	2.2
Net profit for year	22.4	11.4	8.4	21.8
The portion of accumulated depreciation difference and voluntary reserves entered in shareholders' equity plus the non-distributable shareholders' equity of non-profit companies in the sphere of housing legislation's provisions on distribution of profit	-90.3	-79.8		
Distributable assets 31 Dec.	13.4	9.7	25.3	25.2
24 The parent company's share capital is divided into shares as follows				
	2004	2003		
Number of shares	2,197 846	2,197 846		
Combined par value of shares	4.4	4.4		
Number of shares in the parent company held by the Group		1,200		
Combined par value of shares in the parent company held by the Group		0.0		
Combined book value of shares in the parent company held by the Group		0.0		
25 Obligatory reserves				
Refund claim expense reserve	3.2	1.1	0.9	0.7
Other obligatory reserves	2.8	0.6	0.4	0.4
	6.0	1.7	1.3	1.0

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
26 Long-term liabilities				
Other long-term debts				
Loans from financial institutions	706.2	713.5	60.6	63.5
Loans from financial institutions (housing companies and mutual building management companies)	53.7			
Pension loans	0.9	1.2	0.9	1.0
Loans, Group			0.8	3.5
Advances received	16.6	27.7		
Deferred tax liability	39.2	36.4		
Other debts	0.0	0.2		
	816.6	779.0	62.3	68.0
Long-term liabilities 31 Dec.	816.6	779.0	62.3	68.0
Debts maturing in more than five years				
Loans from financial institutions	552.6	510.5		
Pension loans	0.5	0.6	0.4	0.5
	553.1	511.1	0.4	0.5
27 Current liabilities				
Debts to Group companies				
Loans			19.3	30.9
Accounts payable			0.4	1.2
Deferred liabilities			0.0	0.1
			19.7	32.2
Debts to others				
Loans from financial institutions	29.6	25.6	2.7	8.2
Pension loans	0.2	0.2	0.2	0.2
Advances received	14.8	15.4	0.1	0.1
Accounts payable	66.4	62.6	2.7	2.3
Other debts	1.8	3.8	0.1	0.2
Deferred liabilities	16.8	22.0	1.3	3.9
	129.6	129.4	7.0	14.9
Current liabilities 31 Dec.	129.6	129.4	26.7	47.1

Notes to the balance sheet	Group		Parent company	
MEUR	2004	2003	2004	2003
28 Collateral, contingent liabilities and other commitments				
For own debt				
Pledged shares	263.1	208.1	1.0	2.0
Corporate mortgages	6.2	2.6		
Mortgages on land areas and buildings	655.9	731.2	1.5	1.6
	925.2	942.0	2.6	3.7
For Group company debts				
Pledges			2.3	2.3
Guarantees			116.4	168.9
			118.6	171.2
For others				
Guarantees	41.9	43.0	39.8	43.0
Other own commitments				
Buy-back commitments	20.2	30.1		
Leasing commitments				
To be paid in the next financial year	0.2	0.2	0.1	0.1
To be paid in subsequent financial years	0.5	0.5	0.2	0.3
Other own commitments		1.0		
	20.9	31.7	0.3	0.4
Total				
Pledges	263.1	208.1	3.3	4.3
Corporate mortgages	6.2	2.6		
Mortgages on land areas and buildings	655.9	731.2	1.5	1.6
Guarantees	41.9	43.0	156.2	211.9
Other commitments	20.9	31.7	0.3	0.4
Pledges and contingent liabilities, total	987.9	1,016.6	161.3	218.2

Commitments for shared ownership apartments

The combined total of the loans of housing company-type subsidiaries of Sato-Kotiportaatt Oy, Satoportaatt Oy, Vatrotaatt Oy, and Sato-Nyt Oy, which are included in the shared ownership system was MEUR 151.1 (MEUR 254.3 on 31 December 2003).

The collateral for the loans is property mortgages totalling MEUR 216.0 (MEUR 323.1 on 31 December 2003), which are not included in the combined total for mortgages in the commitment list.

The repurchase liability for part-owners' holdings was MEUR 20.2 (MEUR 30.1 on 31 December 2003), of which MEUR 19.5 (MEUR 27.7 on 31 December 2003) has been treated as an advance payment debt in the balance sheet.

Investments

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
Subsidiaries owned by Sato Corporation plc		
As Oy Espoon Heinjoenpolku	100.0	100.0
As Oy Kastevuoren Palvelutalo	100.0	8.0
As Oy Lappeenrannan Metsäsaimaankatu 9	100.0	100.0
As Oy Louhenketo	100.0	100.0
K Oy Espoon Solberga	100.0	49.9
Kanta-Suomen Sato Oy	78.4	78.4
Outakessa Oy	100.0	100.0
Oy Uudenmaanlinna	100.0	10.0
Sato Nyt Oy	100.0	100.0
Sato Vuokrakodit Oy	100.0	100.0
Sato-Rakennuttajat Oy	100.0	100.0
Suomen Satokodit Oy	100.0	100.0
Vatro Oy	100.0	100.0
Vatrolot Oy	100.0	100.0
Companies owned by subsidiaries		
Sato Nyt Oy		
As Oy Agricolankuja 8	80.6	80.6
As Oy Espoon Punatulkuntie 3	100.0	100.0
As Oy Espoon Punatulkuntie 5	100.0	100.0
As Oy Espoon Pyhäjärventie 1	100.0	100.0
As Oy Espoon Ruusulinn	100.0	100.0
As Oy Espoon Vanharaide	90.1	90.1
As Oy Espoon Zanseninkuja 6	100.0	100.0
As Oy Eura III	100.0	100.0
As Oy Helsingin Ansaritie 1	100.0	100.0
As Oy Helsingin Ansaritie 2-4	100.0	100.0
As Oy Helsingin Ansaritie 3	100.0	100.0
As Oy Helsingin Apollonkatu 19	46.8	46.8
As Oy Helsingin Castreninkatu 3	100.0	100.0
As Oy Helsingin Eliel Saarisen tie 10	21.0	21.0
As Oy Helsingin Kaivonkatsojantie 2	25.8	25.8
As Oy Helsingin Kangaspellontie 1-5	100.0	100.0
As Oy Helsingin Kangaspellontie 4	60.3	60.3
As Oy Helsingin Kangaspellontie 8	42.1	42.1
As Oy Helsingin Klaavuntie 8-10	80.0	80.0
As Oy Helsingin Korppaanmäki	65.8	65.8
As Oy Helsingin Korppaanmäki 8	75.5	75.5
As Oy Helsingin Kristianinkatu 11-13	100.0	100.0
As Oy Helsingin Kultareuna 1	59.8	59.8
As Oy Helsingin Mechelininkatu 12-14	100.0	100.0
As Oy Helsingin Pakilantie 17	100.0	100.0
As Oy Helsingin Perustie 16	89.4	89.4
As Oy Helsingin Puuskarinne 1	98.2	98.2
As Oy Helsingin Ruusutarhantie 7	59.0	59.0
As Oy Helsingin Solnantie 22	98.0	98.0
As Oy Helsingin Stenbäckinkatu 5	60.0	60.0
As Oy Helsingin Ståhlbergintie 4	93.5	93.5
As Oy Helsingin Tuurakuja 4	35.7	35.7
As Oy Helsingin Vanha viertotie 16	76.7	76.7
As Oy Helsingin Vanha viertotie 18	74.8	74.8
As Oy Helsingin Vanha Viertotie 6	100.0	100.0
As Oy Helsingin Vanha Viertotie 8	100.0	100.0
As Oy Helsingin Vuosaaren Helmi	100.0	100.0
As Oy Hgin Hildankulma	80.1	80.1
As Oy Jyväskylän Ailakinraitti	100.0	100.0
As Oy Kasarminkatu 14 - Bostads Ab Kasärngatan 14	26.5	26.5
As Oy Kasarminkatu 10	41.6	41.6
As Oy Kauniaisten Ersintie 9-11	49.0	49.0
As Oy Kuopion Pyöröntähti	100.0	100.0

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
As Oy Kuopion Venemiehenkatu	99.8	99.8
As Oy Lipparanta	100.0	100.0
As Oy Messilä	88.6	88.6
As Oy Myllysalama	87.4	87.4
As Oy Myyrinhaukka	100.0	100.0
As Oy Oulun Aleksinranta	100.0	100.0
As Oy Oulun Kalevalantie	100.0	100.0
As Oy Oulun Laanila I	98.5	98.5
As Oy Oulun Laanila IV	100.0	100.0
As Oy Salpakolmio	31.3	31.3
As Oy Sodankylän Metsämaa	100.0	100.0
As Oy Tampereen Jankanpuisto	100.0	100.0
As Oy Tampereen Kanjoninkatu 15	95.0	95.0
As Oy Tampereen Rotkonraitti 6	88.6	88.6
As Oy Tampereen Tarmonkatu 6	100.0	100.0
As Oy Tarkk'ampujankatu 14	66.8	66.8
As Oy Terhokuja 3	100.0	100.0
As Oy Vantaan Aapramintie 4	100.0	100.0
As Oy Vantaan Kaarenlehmus	100.0	100.0
As Oy Vantaan Pronssikuja 1	100.0	100.0
As Oy Vuorastila	99.0	99.0
K Oy Espoon Joupinpolku	100.0	100.0
K Oy Helsingin Lauttasaarentie 19	58.3	58.3
K Oy Kaarentuomi	100.0	100.0
K Oy Kangaspellontie 6	100.0	100.0
K Oy Mannerheimintie 170	32.1	16.3
Länsi-Hämeen Sato Oy	100.0	100.0
Sato-Kotiportaatt Oy	100.0	100.0
Sato-Kotiportaatt Oy		
Sato-Ova Oy	100.0	100.0
Sato-Ova Oy		
As Oy Riihimäen Kolehmaisentori	88.7	88.7
As Oy Riihimäen Varjolehto	39.4	39.4
As Oy Risuharankuja 1	100.0	100.0
As Oy Rovaniemen mlk:n Niittykuja	99.0	99.0
Sato Vuokrakodit Oy		
As Oy Helsingin Finniläntalo	80.2	80.2
As Oy Kuopion Lakeissuontie 5	96.7	96.7
Suomen Satokodit Oy		
As Oy Vantaan Kortteeri	27.3	27.3
K Oy Karpalopolku	93.0	93.0
Vatro Oy		
As Oy Byraden	100.0	100.0
As Oy Espoon Sepetlahdentie 6	100.0	100.0
As Oy Helsingin Hämeenpengeri	100.0	100.0
As Oy Helsingin Pasilantornit	25.0	25.0
As Oy Hollolan Harjukoivu	100.0	100.0
As Oy Hollolan Hiihto-Salpa	100.0	100.0
As Oy Lapponia	100.0	100.0
As Oy Lohjan Koulukuja 14	100.0	100.0
As Oy Lohjan Riikenkuuas	100.0	100.0
As Oy Oulun Utelias-Salpa	100.0	100.0
As Oy Pietarsaaren Sätkä	100.0	100.0
As Oy Porin Ojantie 25-27	41.7	41.7
As Oy T:reen Hervannan Puistokallio	100.0	100.0
As Oy Tornion Kuparimarkka	100.0	100.0
As Oy Turun Veistämöntori	100.0	100.0
As Oy Uudenkaupungin Saab-Haka	100.0	100.0
As Oy Uudenkaupungin Saab-Sato	100.0	100.0
As Oy Uudenkaupungin Santtionrivi	100.0	100.0
F Ab Bodbacken K Oy	60.0	60.0
K Oy Espoon Solberga	100.0	51.0

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
K Oy Jyskävaara	63.5	63.5
K Oy Kaasilankulma	90.7	90.7
K Oy Kaksi Tornia	100.0	100.0
K Oy Kivisato	93.3	93.3
K Oy Koulukuja 4-10	53.9	53.9
K Oy Lukkokoti	77.8	77.8
K Oy Nummenpuisto	100.0	100.0
K Oy Ojamonkuusi	54.6	54.6
K Oy Osuniemi	100.0	100.0
K Oy Pajamäentie 6	100.0	100.0
K Oy Puijonsato	98.0	98.0
K Oy Pupukarsikko	100.0	100.0
K Oy Riikuntie	80.0	80.0
K Oy Sahaajankulma	94.2	94.2
K Oy Tikkurilan Satotalo	100.0	100.0
K Oy Vemmelkarsikko	100.0	100.0
Loilanpuisto Oy	59.9	59.9
Oy Uudenmaanlinna	100.0	90.0
Pateniemenhaka Oy	69.7	69.7
Satopos 105 Oy	100.0	100.0
Satopos 107V Oy	100.0	100.0
As Oy Vantaan Martinpääsky	100.0	100.0
Vatroasunnot Oy	100.0	100.0
Vatroasunnot Oy		
As Oy Kastevuoren Palvelutalo	100.0	92.1
As Oy Kuopion Pyörönkeskus	34.7	34.7
As Oy Kuusikkoahde	49.1	49.1
As Oy Liljanpolku	100.0	100.0
As Oy Mertakuja	26.3	7.4
As Oy Metsolanharju	22.3	22.3
As Oy Pohjankartano	22.8	22.8
As Oy Pyörön bulevardi	51.1	35.3
As Oy Satosaila	21.3	21.3
As Oy Satulapuisto	22.3	22.3
As Oy Tikkamatti	67.4	67.4
As Oy Ulpukkaniemi	25.4	25.4
As Oy Vaajasoppi	100.0	100.0
As Oy Vartio-Sato	100.0	100.0
As Oy Viitasaaren Oravanpesä	49.1	49.1
K Oy Mannerheimintie 170	32.1	15.8
Vatrotalot Oy		
As Oy Ahmonpesä	73.6	73.6
As Oy Elimäen Joutsenpiha	51.7	51.7
As Oy Forssan Ystävyydenaukio	73.8	73.8
As Oy Hallunkallio	100.0	100.0
As Oy Harjulansato	36.6	36.6
As Oy Harjulehmus	41.0	41.0
As Oy Helsingin Laivalahdenportti 5	75.5	75.5
As Oy Helsingin Toini Muonan katu 8	98.7	98.7
As Oy Hämeenlinnan Aaponkuja 3	47.7	47.7
As Oy Ikaalisten Päiväniitty	23.2	23.2
As Oy Ivalon Kotipiha	32.1	32.1
As Oy Joensuun Elosato	39.6	39.6
As Oy Jukolanniitty	52.6	52.6
As Oy Jukolantanner	52.3	52.3
As Oy Kajaanin Välimaanrinne	47.4	47.4
As Oy Kankaanpään Peuranpolku	55.2	55.2
As Oy Karhukorkalo	43.9	43.9
As Oy Kavilanniitty	21.3	21.3
As Oy Kemin Välipuisto	38.5	38.5
As Oy Kirkkonummen Rihipolku	100.0	100.0
As Oy Kivilahdensato	29.0	29.0

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
As Oy Koosakallio	100.0	100.0
As Oy Kuhmon Oravapolku 5	37.1	37.1
As Oy Kuopion Tikassato	79.1	79.1
As Oy Kuopion Vuorikatu 23	59.8	59.8
As Oy Kuusaanpuisto	100.0	100.0
As Oy Kuusaaikonrivi 7	70.5	70.5
As Oy Kylänpäänkaari	50.0	50.0
As Oy Kylänpäänpelto	48.3	48.3
As Oy Laakavuorentie 4	39.1	39.1
As Oy Lahden Roopenkuja	57.7	57.7
As Oy Lappalaisentie	47.1	47.1
As Oy Laukaan Raunilansato	45.6	45.6
As Oy Linkinkoppi	44.2	44.2
As Oy Meriramsi	25.6	25.6
As Oy Meri-Rastilan tie 5	23.5	23.5
As Oy Mertakuja	26.3	18.9
As Oy Messukallio	29.2	29.2
As Oy Mikkelin Tuttusato	55.4	55.4
As Oy Muuramen Rajalansato	20.7	20.7
As Oy Männikkösato	51.8	51.8
As Oy Naantalin Kastovuorenrinne	42.3	42.3
As Oy Nastolan Moreeniraitti	27.2	27.2
As Oy Nuolikadunpuisto	100.0	100.0
As Oy Nurmijärven Kylänpäänniitty	47.2	47.2
As Oy Nurmon Karhunpolku	64.2	64.2
As Oy Otavansato	33.3	33.3
As Oy Paleninsato	100.0	100.0
As Oy Papinrinteensato	36.7	36.7
As Oy Pohjanpoika	24.5	24.5
As Oy Porin Rekipelto	29.4	29.4
As Oy Poskilammenpuisto	78.9	78.9
As Oy Puolukkavarikko	33.9	33.9
As Oy Pupumäki	8.5	8.5
As Oy Rakentajankuja 4	100.0	100.0
As Oy Riviuhkola	49.9	49.9
As Oy Saarenkylän Saarenkartanot	33.3	33.3
As Oy Salon Valhojanrivi	21.2	21.2
As Oy Sato-Osua	100.0	100.0
As Oy Satosyppi	50.0	50.0
As Oy Satotaival	50.2	50.2
As Oy Sodankylän Hannuskoto	29.0	29.0
As Oy Sääkskulma	29.9	29.9
As Oy Torvelankatu	100.0	100.0
As Oy Turun Metallikatu	47.0	47.0
As Oy Turun Mietoistenkuja	22.5	22.5
As Oy Tölönkoivu	37.9	37.9
As Oy Tölönpaju	67.1	67.1
As Oy Vantaan Minkkikuja 1	74.9	74.9
As Oy Vantaan Ravurinmäki	48.1	48.1
As Oy Vantaan Ravurinpuisto	63.7	63.7
As Oy Virinsato	78.4	78.4
K Oy H:gin Muurahaisenpolku 6	64.4	64.4
K Oy Kukkaropohja	51.3	51.3
K Oy Salpalohi	33.3	33.3
Satoportaat Oy	100.0	100.0
Satoportaat Oy		
As Oy Espoon Puropuisto	95.0	95.0
As Oy Jyväskylän mlk:n Kirkkotie	90.0	90.0
As Oy Jyväskylän Vaneritori	90.7	90.7
As Oy Oulun Laamannintie 14 ja 17	91.5	91.5
As Oy Tampereen Kyläleni	91.4	91.4
As Oy Tampereen Rantatie 13	86.9	86.9

Key indicators

Five-year review	2000	2001	2002	2003	2004*
Key indicators for financial trend					
Turnover MEUR	218	215	254	248	362
Operating profit MEUR	47	56	55	46	60
as percentage of turnover	21.7	26.0	21.5	18.7	16.6
Net financing expenses MEUR	-34 -	39	-36	-28 -	26
as percentage of turnover	-15.4	-18.2	-14.2	-11.4	-7.2
Profit before extraordinary items MEUR	14	17	19	18	34
as percentage of turnover	6.3	7.8	7.4	7.2	9.4
Profit before taxes MEUR	14	17	14	18	32
as percentage of turnover	6.3	7.8	5.7	7.2	8.9
Balance sheet total MEUR	1,218	1,285	1,043	1,074	1,106
Shareholders' equity and minority interest MEUR	205	215	156	163	153
Liabilities, MEUR	1,013	1,069	887	910	952
Return on equity, % (ROE)	4.9	5.3	6.6	6.6	15.8
Return on investment, % (ROI)	4.7	5.1	5.4	5.2	6.6
Equity ratio, %	17.4	17.1	15.5	15.8	14.3
Gross investments in fixed assets, MEUR	113	107	195	38	134
as percentage of turnover	52.0	49.5	76.8	15.3	37.1
Personnel, average	359	360	352	339	228
Key indicators for shares					
Earnings per share, EUR	4.38	4.80	5.47	5.20	11.12
Shareholders' equity per share EUR	84.43	89.45	61.24	62.69	69.12
Dividend per share, EUR **	3.03	3.50	3.75	3.75	5.50
Dividend, MEUR **	6.7	7.7	8.2	8.2	12.1
Adjusted number of shares average	2,196,746	2,196,746	2,196,746	2,196,646	2,197,846

* The financial key indicators for 2000-2003 are not comparable to those of 2004 due to a change in the consolidation method

** Based on the Board of Directors' proposed dividend for 2004

Formulas for key indicators

Return on equity, %	=	$\frac{(\text{Profit or loss before extraordinary items} - \text{taxes}) \times 100}{\text{Shareholders' equity} + \text{minority interest (average during the financial year)}}$	Equity per share, €	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares on closing the books}}$
Return on investment, %	=	$\frac{(\text{Profit or loss before extraordinary items} + \text{interest expenses and other financing expenses}) \times 100}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}}$	Dividend per share, € =	=	$\frac{\text{Dividend paid for year}}{\text{Adjusted number of shares on closing the books}}$
Equity ratio, %	=	$\frac{(\text{Shareholders' equity} + \text{minority interest}) \times 100}{\text{Balance sheet total} - \text{Advances received}}$			
Earnings per share, €	=	$\frac{\text{Profit before extraordinary items} - \text{taxes} \pm \text{minority interest}}{\text{Adjusted number of shares (average during the financial year)}}$			

Proposal for the disposal of profits

The Group's distributable shareholders' equity as at 31 December 2004 was EUR 13,371,979.94, when the portion of voluntary reserves and depreciation differences included in the shareholders' equity plus the non-distributable shareholders' equity of non-profit companies in the sphere of housing legislation's provisions on distribution of profit have been deducted from the shareholders' equity.

The parent company's distributable shareholders' equity as at 31 December 2004 was EUR 25,331,490.79. The company's issued shares conferring title to dividend for 2004 totalled 2,197,846 on 31 December 2004.

The Board of Directors proposes to the annual general meeting that dividend be paid of EUR 5.50 per share, being a total of EUR 12,088,153 and that EUR 13,243,337.79 be left as shareholders' equity.

Helsinki, 21 February 2005

Jouko Tuunainen

Heikki Hyppönen

Mauri Jaakonaho

Juhani Järvi

Raimo Lind

Martti Porkka

Pekka Pystynen

Jarmo Rytilahti

Jukka Salminen

Erkka Valkila
President and CEO

The above financial statements have been prepared in accordance with generally accepted accounting principles. An auditors' report has been submitted today on the audit performed.

KPMG OY AB

Markku Sohlman, APA

Helsinki, 4 March 2005

Auditors' report

To the shareholders of Sato Corporation plc

We have audited the accounting, financial statements and administration of Sato Corporation plc for the financial year 1 January–31 Dec. 2004. The financial statements produced by the Board of Directors and President include a report on operations as well as the consolidated and parent company profit and loss account, balance sheet and notes to the financial statements. On the basis of the audit we have performed, we make our declaration on the financial statements and the parent company's administration.

The audit has been performed in accordance with generally accepted auditing principles. The accounting, and the principles, content and presentation of the financial statements have thus been audited in sufficient scope to determine that the financial statements contain no essential errors or omissions. In the audit of the administration, the compliance of the parent company's Board members and the President and CEO with the regulations of the Companies Act was examined.

As our declaration, we submit that the financial statements have been drawn up in accordance with the Accounting Act as well as with other rules and regulations concerning the production of financial statements. The financial statements give, as required by the Accounting Act, a true and fair view of both the parent company's financial result and its financial status. The financial statements and consolidated financial statements may be adopted and release from personal liability may be granted to the members of the parent company's Board of Directors and to the President and CEO for the financial year audited by us. The proposal of the Board of Directors for the treatment of profit is in compliance with the Companies Act.

Helsinki, 4 March 2005

KPMG OY AB
Markku Sohlman
KHT

Corporate governance

The governance of Sato Corporation plc is based on the Companies Act and Sato Corporation plc's articles of association and on the recommendation for listed companies' corporate governance. Authority and the governance of the company are divided among the annual general meeting, the Board of Directors and the President and CEO.

The annual general meeting

The annual general meeting must be held once a year by the end of May. The annual general meeting decides on the matters due to it under the Companies Act. Also, the annual general meeting elects the chairman of the Board of Directors and decides on the fees to be paid to the members of the Board of Directors and auditors.

The Board of Directors

The company's Board of Directors attends to the company's administration and the proper arrangement of its business. In addition to the duties specified by the Companies Act, the Board of Directors decides on matters which have considerable importance to the Group's business in view of the scope and size of the Group's operations. The duties of the Board of Directors include, for example, the approval of the Group's business strategy and monitoring its implementation, and the confirmation and monitoring of the annual budget, the business plan and related investment and divestment plans. Also, the Board of Directors appoints the President and CEO, his deputy, and the members of the Corporate Management Group, and it decides on their terms of employment and postings.

The company's Board of Directors has from five to nine members, elected by the annual general meeting. In 2004, the Board had nine members. 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. In 2004, the Board of Directors convened on 11 occasions. An average of 85% of the members of the Board of Directors attended the Board meetings. Information on the members of the company's Board of Directors is given on page 54.

President and CEO

The Board of Directors appoints the company's President and CEO and his deputy. The duties of President and CEO are defined by the law, the articles of association, and guidelines 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 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 Erkka Valkila, B.Sc. (Eng.), and the deputy to the President is Vice President Tuula Entelä, LL.M, B.Sc. (Econ.).

The Corporate Management Group

The Corporate Management Group deals with key issues for the management 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 Management Group is comprised of Sato Corporation plc's President and CEO as well as the Directors in charge of the Group's business areas and supporting functions. The Management Group convenes once a week.

The duties of the Corporate Management Group members and their personal details are given on page 55.

Salaries and fees

The fees to be paid to the company's Board of Directors and auditors are decided by the annual general meeting.

The annual general meeting which convened on 25 March 2004 decided that the chairman of the Board of Directors was to be paid EUR 22,000 and the members of the Board of Directors were to be paid EUR 12,000 for the term. The fee for meetings was to be EUR 500 per meeting for the chairman of the Board of Directors and EUR 400 for members. The fees for the Board of Directors in 2004 totalled EUR 144,375. No shares or share-related entitlements were surrendered to members of the Board of Directors during the financial year.

It was decided to pay the auditors' fee on invoice. Audit fees were paid by the Sato Group during the financial year to the tune of EUR 228,000. The audit firm was paid EUR 91,000 for services not included in the audit.

The salaries and bonuses paid to the President and CEO and members of the Corporate Management Group are decided by the company's Board of Directors. People employed by the Group are not paid a separate fee when they serve 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 2004 were EUR 230,000.

The President and CEO's retirement age is 60 years. At that time, he is entitled to a pension amounting to 60% salary at retirement. The period of notice for the President is six months. In the event that the company terminates the service of the President and CEO before retirement age, the President and CEO will be entitled to 12 months of full salary in redundancy pay in addition to the salary for the period of notice.

The corporate management is covered by an annual incentive scheme based on the Group's profit, the yield of the shareholders' equity and the return on investment, and the attainment of the main targets in the specific sphere of responsibility. The corporate management is also covered by a long-term incentive scheme based on the cumulative profit for the financial years 2004 - 2006. The Board of Directors approves the payment of bonuses.

Supervision and risk management

The audit inspects the company and consolidated accounting, the financial statements and administration.

The function of the internal audit is to verify the efficiency and appropriacy of the functions, the accuracy of financial and operational reporting, and the compliance of operations with the law, as well as to ensure that the company's assets are secured.

Sato Corporation plc has one auditor, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term is the financial year and his term ends 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 2004 was KPMG Oy Ab. The auditor responsible for the auditing was Markku Sohlman, M.Sc. (Econ. & BA), APA.

In autumn 2004, Deloitte & Touche Oy was chosen to carry out the internal audit within the Group.

Articles of association and shares

Sato Corporation plc's current articles of association were registered on 16 April 2004. The articles of association do not include orders on share buybacks.

The company's share capital is EUR 4,395,692.00, divided into 2,197,846 shares. The par value of a share is two euros.

Shareholder agreements

The company is not aware of any current shareholder agreements.

The Board of Directors



Jouko Tuunainen

born 1945, Commercial Counsellor
on the Board of Directors since 1998
chairman of the Board of Directors
since 2000

Heikki Hyppönen

born 1945, B.Sc. (Econ.)
on the Board of Directors 1989–1999
and since 2001

Mauri Jaakonaho

born 1946, Senior Vice President,
Finance and Administration
on the Board of Directors
since 1997

Juhani Järvi

born 1952, Executive Vice President,
Chief Financial Officer
on the Board of Directors
since 2004

Raimo Lind

born 1953, Executive Vice President,
Chief Financial Officer
on the Board of Directors
since 2001

Jukka Salminen

born 1947, Executive Vice President,
Commercial Counsellor
on the Board of Directors
since 1993

Pekka Pystynen

born 1947, President and CEO
on the Board of Directors
since 2004

Jarmo Ryttilähti

born 1944, B.Sc. (Econ.)
on the Board of Directors
since 2003

Martti Porkka

born 1951, Head of Group Treasury
and Funding
on the Board of Directors
since 1997

Corporate Management Group



Erkka Valkila

born 1953, B.Sc. (Eng.)
President and CEO
has worked for Sato since 2003
Shareholding in Sato: 1,400 shares

Tuula Entelä

born 1955, B.Sc. (Econ.), LL.M.
Vice President, Investment in
Housing, Deputy to President
and CEO
has worked for Sato since 1981
Shareholding in Sato: 300 shares

Pekka Komulainen

born 1958, M.Sc.(Eng.)
Vice President, Housing
Development and Construction
has worked for Sato since 2004
Shareholding in Sato: 300 shares

Monica Aro

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

Kai Simberg

born 1960, M.Sc. (Econ.&BA)
Chief Financial Officer
has worked for Sato since 2004

Katri Innanen

born 1960, LL.M.
Head of Legal Affairs
has worked for Sato since 1998

Information for shareholders

Notice of the annual general meeting

The annual general meeting of Sato Corporation plc will be held at 9.00 a.m. on Thursday 31 March 2005 at Sato Corporation plc's premises, address Panuntie 4, FI-00610 Helsinki, Finland.

Entitlement to attend and enrolment

Entitlement to attend the annual general meeting is held by a shareholder who on 21 March 2005 has been entered as a shareholder in the company's register of shareholders maintained by Finnish Central Securities Depository Ltd.

A shareholder whose shares have not been transferred to a book-entry securities system will also be entitled to attend the annual general meeting, providing that the shareholder was entered in Sato Corporation plc's share register before 2 February 2003 or who has notified the company and verified his title. In these cases, the shareholder must present at the annual general meeting his share certificates or account of where they are or other account of how it is that title to the shares has not been transferred to a book-entry securities account.

Shareholders who wish to attend the annual general meeting must give notice of this no later than midday on Thursday 24 March 2005. The notification must be made in writing to the address Sato Corporation plc, Ritva Pakarinen, PO Box 401, 00601 Helsinki, by phone (+358 201 34 4002/Ritva Pakarinen), by fax (+ 358 201 34 4452) or by e-mail (ritva.pakarinen@sato.fi). Notifications must arrive before the deadline for them. Any proxy documents should be sent to the company by the deadline for enrolment.

Payment of dividend

The Board of Directors has decided to propose to the annual general meeting that the company pay EUR 5.50 per share in dividend for the year ending on 31 December 2004. Dividend would be payable to a shareholder who, on the date of record for the dividend payment, 5 April 2005, has been entered in the register of members maintained by Finnish Central Securities Depository Ltd. The Board of Directors proposes to the annual general meeting that the dividend be paid on Tuesday 12 April 2005.

Financial disclosures

The issue dates for interim reports are as follows:

January-March	18 May 2005
January-June	12 August 2005
January-September	27 October 2005

The annual report and interim reports for the financial year will be issued in Finnish and English. They will be available on the website www.sato.fi. Further information may be obtained from viestinta@sato.fi.

Distribution of shares, 31 December 2004

Kesko Corporation	16.5%
Ilmarinen Mutual Pension Insurance Company	16.5%
Varma Mutual Pension Insurance Company	11.9%
Nordea Bank Finland Plc	9.6%
SOK Corporation	8.7%
Pohjola Non-Life Insurance Company Ltd	6.2%
Kaleva Mutual Insurance Company	5.9%
Merita plc Pension Fund	5.7%
Sampo Life Insurance Company Limited	5.7%
Wärtsilä Corporation	4.5%
Other	8.8%

Significant changes in shareholdings in Sato Corporation plc during the year under review:

- Metso Corporation sold its shares in Sato (holding 10.9%) to Ilmarinen Mutual Pension Insurance Company
- Sampo plc sold its shares in Sato (holding 9.4 per cent) to Sampo Life Insurance Company Limited and to Kaleva Mutual Insurance Company
- Uponor Corporation (holding 10.4%) and Kone Corporation (holding 1.5%) sold their shares in Sato to Varma Mutual Pension Insurance Company

Contact information

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