

SATO

Interim report

1.1.-30.6.2008



SATO

Interim report

1.1.–30.6.2008

Summary of the period 1-6/2008 (1-6/2007)

- The Group's turnover was 125.8 (129.7) million euros and operating profit was 36.8 (32.2) million euros.
- Profit before taxes was 19.4 (18.2) million euros.
- Earnings per share were EUR 0.32 (0.30).
- Return on equity was 13.7 (13.8) per cent and return on investment was 8.0 (7.0) per cent.
- Gross investments in Investment Properties were 89.2 (78.9) million euros and divestments of housing were 7.6 (13.4) million euros.
- The book value of Investment Properties as at 30.6.2008 was 1,138.8 (1,022.0) million euros and the fair value was 1,318.2 (1,135.5) million euros. The difference between fair value and book value was 179.4 million euros and the difference increased by 15.1 million euros during the period under review.

Turnover and profit

The Group's turnover for the first half of the year was 125.8 million euros (129.7 million euros 1.1.–30.6.2007), of which the SATO Homes segment's turnover was 60.3 (55.0) million euros, that of the VATRO Homes segment was 18.9 (18.7) million euros and that of the Housing Development and Construction segment was 50.4 (60.1) million euros.

The Group's profit before taxes for the period was 19.4 (18.2) million euros. The SATO Homes segment's net profit was 16.9 (13.1) million euros, that of the VATRO Homes segment was 0.7 (0.2) million euros and that of Housing Development and Construction was 2.2 (5.0) million euros.

Financial status and financing

The consolidated balance sheet total at the end of the period under review totalled 1,349.4 (1,220.2) million euros. Shareholders' equity was 209.1 (197.9) million euros and the equity ratio was 15.7 (16.5) per cent. Shareholders' equity ratio net of the VATRO Homes segment was 19.6 (22.1) per cent. The Group's return on equity was 13.7 (13.8) per cent and return on investment was 8.0 (7.0) per cent.

The financial position of the Group and parent company was favourable during the period under review. The Group's financial assets at the end of the period under review were 32.3 (46.1) million euros.

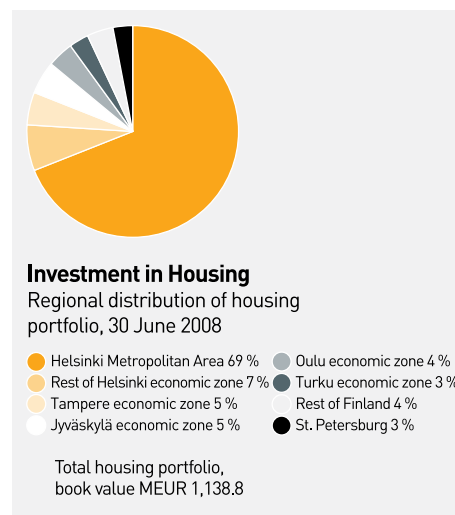
Interest-bearing liabilities at the end of the period under review were 1,015.1 (913.2) million euros, of which market rate loans totalled 612.6 (500.9) million euros, interest-subsidised loans totalled 100.3 (100.6) million euros, and state-subsidised ARAVA loans totalled 242.5 (260.4) million euros. There were debts in the amount of 59.7 (51.3) million euros on shares held in housing companies and mutual property holding companies included in Investment Properties.

Of the principal of market rate loans at the end of the period under review, 350.9 (263.2) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 3.3 (3.4) years.

Investments and divestments

The Group's gross investment in Investment Properties totalled 89.2 (78.9) million euros. During the period under review, Group housing properties were sold for a total of 7.6 (13.4) million euros.

During the period under review, no plots were acquired for inventories (34.7 million euros 1.1.–30.6.2007). Plots were transferred to construction for a total of 1.4 (2.1) million euros and divested for 1.1 (0) million euros.



Business area Investment in Housing

On 30 June 2008, SATO held a total of 22,561 (22,563) homes, of which 21,145 (21,065) were rented and 1,416 (1,498) were shared ownership apartments. The book value of the rented homes was 1,138.8 (1,022.0) million euros and their fair value was 1,318.2 (1,135.5) million euros. During the period under review, the book value of the housing portfolio grew by 78.6 (78.0) million euros and the number of homes increased by 174 (decrease of 15).

SATO's investment housing is divided between two business segments, SATO Homes and VATRO Homes. SATO Homes include privately financed housing and those housing units subject to state subsidies and interest subsidised credits to which property-specific restrictions end during the period 2008 – 2025. VATRO Housing includes those housing units which are subject to longer-term property-specific restrictions under legislation on state subsidised loans.

SATO applies the historical cost method to Investment Properties and states the fair value of Investment Properties in a note to the financial statements and interim statements. The fair values of SATO's Investment Properties are based on the following:

- the market value in properties where the homes can freely be sold,
- the yield value for properties which can be sold only by complete buildings and to a restricted number of buyers,
- for state subsidised properties financed with ARAVA loans, at the remaining historical cost shown in the accounting.

In the market value method, comparative information is used for the 24 months preceding the assessment date.

The turnover of Investment in Housing during the period under review was 79.2 (73.7) million euros. Of turnover, rental income was 78.9 (73.6) million euros and sales of shares were 0.3 (0.1) million euros. Sales of shares do not include sales of shared ownership apartments. The division's profit before taxes was 17.6 (13.3) million euros. The net

profit from rental operations was 14.0 (8.9) million euros and divestments generated 3.6 (4.4) million euros in proceeds from sales.

During the period under review, the total invested in housing was 89.2 (78.9) million euros, and this was all allocated to the SATO Homes segment. Investments were used to acquire a total of 420 (484) rented homes, of which 47 (67) were newly built. Of the apartments, 337 are in the Helsinki Metropolitan Area. Among the properties acquired during the period under review were heritage buildings in Helsinki city centre for a total of 19.7 million euros and 111 apartments in the Vuosaari district for a total of 13.5 million euros. A property acquired in the Eiranranta district of Helsinki in 2006 was completed in June. At the end of June, there were a total of 196 rented homes under construction in Finland for Group ownership.

St. Petersburg business is part of the SATO Homes operation. At the end of the period, a total of 72 rented homes were under construction in St. Petersburg. The book value of the investments in St. Petersburg at the end of the period under review was 34.3 (6.5) million euros. Rental business will get under way in October-November, when the first 11 apartments will be completed.

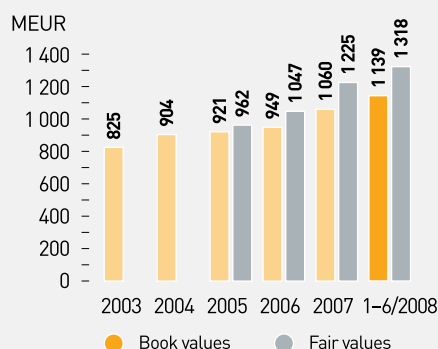
The value of housing divestments totalled 7.6 (13.4) million euros. During the period under review, a total of 235 (411) rental homes were sold from the Group's housing portfolio.

The financial occupancy rate of VATRO Homes' rental apartments during the period under review averaged 97.9 (96.8) per cent and that of shared ownership apartments was 100.0 (99.7) per cent. The tenant turnover rate of rental homes was 31.4 (32.1) per cent and that of shared ownership apartments was 10.9 (9.7) per cent. SATO's average monthly rent per square metre during the period under review was EUR 10.69 (EUR 10.09) for rental housing and EUR 8.96 (EUR 8.61) for shared ownership apartments.

The net rental income annualised on the book value of

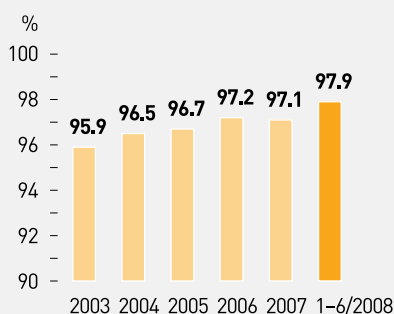
Investment in Housing

Trend in the housing portfolio, book values 2003–1–6/2008 and fair values 2005–1–6/2008



Investment in Housing

Financial occupancy rate of rental housing 2003–1–6/2008



rental housing was 8.0 (8.0) per cent and 6.9 (7.1) on the fair value.

During the period under review, the contracts for the building management of SATO's Investment Properties were renewed for three years and at the same time SATO wound up its in-house building management operations.

Information on the Investment in Housing by segments

1 January - 30 June 2008	SATO Housing	VATRO Housing	Total
Turnover, MEUR	60.3	18.9	79.2
Profit before taxes, MEUR	16.9	0.7	17.6
- incl. proceeds from divestments, MEUR	3.6	-	3.6
Net rental income of rented homes, %			
- at book values	8.1	7.6	8.0
- at fair values	6.7	7.6	6.9
Financial rental occupancy rate of rented homes, %	97.8	98.5	97.9
Tenant turnover, %	31.1	32.3	31.4
Average rent, €/sq.m./month	10.93	10.00	10.69
Gross investments, MEUR	89.2	-	89.2
Divestments, MEUR	7.0	0.6	7.6
Repairs, MEUR	8.9	2.2	11.1
30 June 2008			
Number of rented homes	15,892	5,253	21,145
Number of shared ownership homes	1,416	-	1,416
Investment Properties:			
- book value, MEUR	881.6	257.2	1,138.8
- fair value, MEUR	1,061.0	257.2	1,318.2
Difference in value, MEUR	179.4	-	179.4

Business area Housing Development and Construction

The turnover from Housing Development and Construction during the period under review was 50.4 (60.1) million euros. The turnover of Housing Development and Construction includes 3.8 (4.1) million euros of internal sales.

In accordance with IFRS accounting conventions, projects of owner-occupied homes are income-recognised according to overall percentage of completion. The profit before taxes of the Housing Development and Construction division was 2.2 (5.0) million euros for the period under review. Net profit includes proceeds from the sale of plots in the amount of 1.1 (0) million euros and a 2.6 million euro loss concerning one project.

During the period under review, a total of 323 (463) new homes were completed, of which 280 (275) were owner-occupied and 43 (188) were homes in client projects. The number of new owner-occupied homes started was 122 (190). In terms of value, the main projects started during the period were in the Pakkala district of Vantaa and the Linnainmaa area of Tampere.

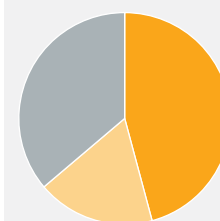
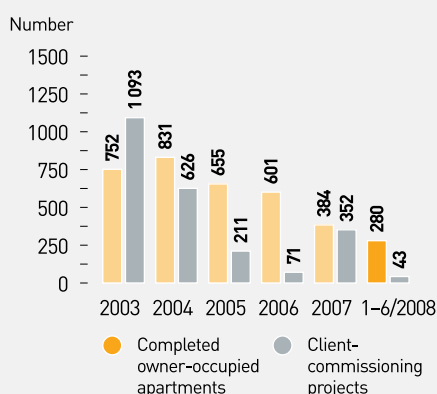
Under construction at the end of June were a total of 574 (894) homes, of which 461 (592) were owner-occupied, 21 (0) were rented homes intended for Group ownership, and 92 (302) were apartments in client projects. At the end of the period under review, 246 (290) homes under construction and 57 (38) completed homes were unsold.

SATO together with Palmberg-Urakoitsijat Oy won a plot reservation competition for the Old Brewery arranged by the city of Hämeenlinna. Following a change in land use zoning, the permitted housing volume is scheduled to be roughly 5,500 square metres of floor area. There were no new investments in plots during the period under review. The permitted building volume used for residential construction was valued at 1.4 (2.1) million euros.

The book value of the building land inventory held at the end of the period under review was 65.6 (67.4) million euros.

Housing construction

Trend in housing construction 2003- 1-6/2008



Housing construction

Reserve of plots for owner-occupied housing construction 30 June 2008 (sq.m. floor area)
Total approx. 447,000, approx. 5,000 units

- Zoned 214,000
- Framework zoning 84,000 *)
- Letters of intent and allocations 169,000

*) Permitted building volume in zoning proposals

Risks and uncertainty factors in the near future

The risks in the housing market include cyclic fluctuations in housing demand and supply and changes in interest rates. During the period under review, uncertainty in the market for owner-occupied housing was fuelled by an increase in interest rates and a downturn in consumer confidence.

SATO's financing is denominated in euros, which involves an interest rate risk. Investments in St. Petersburg involve a currency risk as well as the risks of a new business environment.

Personnel

At the end of the period under review, the Group had 159 (176) employees and during the period under review it had an average of 164 (177) employees.

Outlook

The positive trend continues in the market for rented housing. The volume of output of owner-occupied housing is expected to decline. SATO's growth target is supported by a rising demand for rented and senior housing in the Helsinki Metropolitan Area and by the start of investment in housing business in St. Petersburg.

As SATO increases its proportion of new housing investments in both Finland and St. Petersburg, the Group's capital will be committed upfront this year relative to the profits accruing.

It is forecast that the Group's net profit for 2008 will be on a par with the previous year's figure.

Shareholders in SATO Corporation, 28 July 2008

The ten biggest shareholders and their holdings (per cent)

Varma Mutual Pension Insurance Company	39.5
Ilmarinen Mutual Pension Insurance Company	16.3
Suomi Mutual Life Assurance Company	15.1
Tapiola Insurance Group	7.4
Tapiola Mutual Pension Insurance Company	5.2
Wärtsilä Corporation	4.5
Mutual Insurance Company Pension Fennia	3.4
Pohjola Insurance Ltd	2.8
Notalar Oy	2.0
Habinvest Oy	1.0
Others	2.8

On 28 July 2008, the Group had 29 shareholders entered in the book-entry securities register.

In February, Mutual Insurance Company Pension Fennia acquired from Pohjola Insurance Ltd a number of shares in SATO Corporation equal to 3.4 per cent of SATO Corporation's issued stock.

SATO is one of Finland's leading corporate investors in housing. The housing portfolio is actively developed to meet changing customer needs through servicing and maintenance combined with investment and divestment. SATO owns some 23,000 homes with a fair value of roughly 1.3 billion euros. SATO is also Finland's most experienced housing developer: roughly ten per cent of Finland housing stock was built on commissions from SATO. Housing development and construction focuses on building owner-occupied homes and on commissioning rental housing projects for ownership by SATO. The company's main owners are Finnish pension insurance companies and other insurers. The SATO Group's turnover in 2007 was 256.2 million euros and the profit before taxes was 34.3 million euros.

Consolidated profit and loss account

MEUR	IFRS 1.4.-30.6.2008	IFRS 1.4.-30.6.2007	IFRS 1.1.-30.6.2008	IFRS 1.1.-30.6.2007	IFRS 1.1.-31.12.2007
Turnover	58.1	62.7	125.8	129.7	256.2
Capital gains/losses on investment properties	0.1	0.2	3.6	4.4	7.0
Share of joint venture's profit	0.0	0.0	0.0	0.0	0.0
Other income from business operations	0.0	0.1	0.0	0.2	0.6
Consumption of materials and services	-15.3	-20.7	-40.9	-47.6	-93.4
Personnel expenses	-2.9	-2.6	-5.5	-5.3	-10.6
Depreciation and write-downs	-4.4	-4.5	-8.7	-8.8	-16.9
Other expenses of business operations	-19.0	-19.8	-37.5	-40.5	-76.7
Operating profit	16.5	15.4	36.8	32.2	66.2
Financial income	6.7	2.6	10.8	5.0	11.3
Financial expenses	-13.8	-10.1	-28.2	-19.0	-43.3
	-7.1	-7.4	-17.4	-14.0	-32.0
Profit before taxes	9.4	7.9	19.4	18.2	34.3
Income taxes	-2.4	-1.9	-5.0	-4.6	-9.0
Profit for the period	6.9	6.0	14.4	13.6	25.2
Distribution					
To the owners of the parent company	6.9	6.0	14.2	13.5	25.1
To minorities	0.0	0.0	0.1	0.1	0.1
	6.9	6.0	14.4	13.6	25.2
Profit per share calculated on the profit due to the owners of the parent enterprise					
Earnings per share, €	0.16	0.14	0.32	0.30	0.57
Average number of shares, million	44.4	44.4	44.4	44.4	44.4

Consolidated balance sheet

MEUR	IFRS 30.6.2008	IFRS 30.6.2007	IFRS 31.12.2007
Assets			
Non-current assets			
Investment properties	1,138.8	1,022.0	1,060.3
Tangible assets included in fixed assets	1.9	2.2	2.1
Intangible assets	1.3	1.2	1.2
Holdings in associated companies	0.5	0.3	0.8
Financial assets for sale	2.1	2.0	2.1
Receivables	8.1	3.0	7.2
Deferred tax credits	12.6	13.3	11.1
	1,165.3	1,043.9	1,084.8
Current assets			
Inventories	114.2	94.1	113.2
Trade receivables and other receivables	36.8	34.0	27.6
Tax credits based on taxable income for period	0.7	2.0	3.5
Cash and cash equivalents	32.3	46.1	34.0
	184.1	176.3	178.2
Assets, total	1,349.4	1,220.2	1,263.0

MEUR	IFRS 30.6.2008	IFRS 30.6.2007	IFRS 31.12.2007
Shareholders' equity and liabilities			
Shareholders' equity belonging to the owners of the parent company			
Share capital	4.4	4.4	4.4
Value adjustment fund	5.3	4.1	2.8
Reserve fund	43.7	43.7	43.7
Other funds	3.2	3.2	3.2
Retained profits	152.6	142.4	154.3
	209.1	197.9	208.4
Minority interest	1.5	1.3	1.4
Shareholders' equity, total	210.6	199.2	209.8
Liabilities			
Long-term liabilities			
Deferred tax liability	62.2	58.3	56.8
Reserves	5.6	6.3	5.5
Interest-bearing debts	826.7	777.5	768.1
	894.5	842.1	830.5
Current liabilities			
Accounts payable and other debts	55.8	43.2	44.9
Tax liability based on taxable income for period	0.0	0.0	0.9
Interest-bearing debts	188.4	135.7	177.0
	244.3	178.9	222.7
Liabilities, total	1,138.8	1,021.0	1,053.2
Shareholders' equity and liabilities, total	1,349.4	1,220.2	1,263.0

Consolidated cash flow statement

MEUR	1.1.- 30.6.2008	1.1.- 30.6.2007	1.1.- 31.12.2007
Cash flow from operating activities			
Net profit for period	14.4	13.6	25.2
Adjustments:			
Business activities not associated with payments	6.3	8.8	16.5
Capital gains on fixed assets	-3.6	-4.4	-7.0
Interest expenses and other financial expenses	28.2	19.0	43.3
Interest income	-8.6	-4.5	-10.9
Dividend income	0.1	-0.1	-0.1
Taxes	5.0	4.6	9.0
Change in fixed assets:			
Change in trade receivables and other receivables	1.7	-8.3	-5.3
Change in inventory	-4.5	-16.2	-35.3
Change in accounts payable and other debts	6.8	-6.9	1.3
Change in reserves	0.0	-0.7	-1.4
Interest paid	-24.7	-17.7	-40.6
Interest received	6.2	4.5	10.8
Taxes paid	-2.7	-4.1	-8.0
Net cash flow from operating activities	24.4	-12.3	-2.5

MEUR	1.1.- 30.6.2008	1.1.- 30.6.2007	1.1.- 31.12.2007
Cash flow from investments			
Sales of subsidiaries less cash and cash equivalents at the date of sale	0.2	0.0	0.0
Acquisition of associated companies	0.0	0.0	0.0
Investments in tangible fixed assets	-78.5	-87.5	-148.6
Investments in intangible assets	-0.2	-0.3	-0.5
Instalment on notes receivable	0.6	0.9	0.7
Loans granted	-0.9	-1.9	-5.6
Sales of associated companies	0.3	0.0	0.0
Sales of tangible fixed assets	7.0	12.4	27.5
Interest received	0.0	0.0	0.0
Net cash flow from investments	-71.4	-76.4	-126.5
Cash flow from financing			
Payments received from share issues	0.0	2.8	2.8
Repayments (-) / withdrawals (+) of short-term loans	5.3	50.0	58.8
Withdrawals of long-term loans	71.5	75.8	115.9
Repayments of long-term loans	-15.5	-19.1	-39.8
Interest paid	-16.0	-15.9	-15.9
Net cash flow from financing	45.3	93.6	121.8
Change in cash and cash equivalents	-1.7	4.8	-7.2
Cash and cash equivalents at start of period	34.0	41.3	41.3
Cash and cash equivalents at end of period	32.3	46.1	34.0

Calculation of changes in Group shareholders' equity, 1.1.–30.6.2008

MEUR	Shareholders' equity belonging to owners of parent company						Minority interest	Shareholders' equity, total
	Share capital	Value adjustment fund	Reserve fund	Other funds	Retained profits	Total		
Shareholders' equity 1.1.2008	4.4	2.8	43.7	3.2	154.3	208.4	1.4	209.8
Hedging of cash flow		2.6				2.6		2.6
Financial assets for sale		-0.1				-0.1		-0.1
Net profit for period					14.2	14.2	0.1	14.4
Total income and expenses booked for during period	0.0	2.5	0.0	0.0	14.2	16.7	0.1	16.8
Dividend payment					-16.0	-16.0		-16.0
Other adjustments						0.0	0.0	0.0
Shareholders' equity 30.6.2008	4.4	5.3	43.7	3.2	152.6	209.1	1.5	210.6

Calculation of changes in Group shareholders' equity, 1.1.–30.6.2007

MEUR	Shareholders' equity belonging to owners of parent company						Minority interest	Shareholders' equity, total
	Share capital	Value adjustment fund	Reserve fund	Other funds	Retained profits	Total		
Shareholders' equity 1.1.2007	4.4	2.6	43.7	0.4	145.2	196.3	1.3	197.6
Hedging of cash flow		1.6				1.6		1.6
Financial assets for sale		0.0				0.0		0.0
Net profit for period					13.5	13.5	0.0	13.6
Total income and expenses booked for during period	0.0	1.6	0.0	0.0	13.5	15.1	0.0	15.1
Dividend payment					-15.9	-15.9		-15.9
Targeted share issue	0.0			2.7		2.8		2.8
Other adjustments					-0.4	-0.4		-0.4
Shareholders' equity 30.6.2007	4.4	4.1	43.7	3.2	142.4	197.9	1.3	199.2

Notes to the interim report

SATO's interim report for the period 1.1.-30.6.2008 has been drawn up in compliance with on the IAS 34 Interim Report Standard as approved for use by the EU. The interim report is unaudited.

The interim report was drawn up with the same accounting conventions as in the IFRS consolidated financial statements for the financial year 1.1.-31.12.2007.

The date of changeover to IFRS previously announced by SATO has been moved back by one year, so SATO's changeover date to IFRS is 1 January 2005. In this connection, the IFRS conventions on drafting and presentation have also been reviewed and for this reason there are changes in the information previously given for the year 2007. These changes have affected the content of items in the balance sheet, profit and loss account and cash flow statement, but they have no significant effect on the net profits for the periods. Adjusted information is provided with this interim report in the form of comparative information for 2007.

During 2007, SATO started up investment in housing business in St. Petersburg. As at 30 June 2008, SATO had rouble-denominated commitments in the amount of 2.2 million euros in relation to the investments. The currency risk has not been hedged.

SATO's principal form of segment reporting corresponds to the business segments. As business is done almost entirely in Finland, SATO has only one geographical segment. The business segments presented correspond to the Group's internal organisational structure and its internal financial reporting structure. The business segments are comprised of asset-based groups and business operations whose risks and profitability vary from those of the other business segments. SATO's business is comprised of Investment in Housing and Housing Development and Construction. The Group's business segments are SATO Housing, VATRO Housing and Housing Development and Construction.

The SATO Housing segment holds homes which are rented to private individuals. The provision of homes is increased both by buying them in the existing housing stock and by producing new homes.

The VATRO Housing segment holds housing which is within the

sphere of very long-term non-profit restrictions.

The Housing Development and Construction segment's business prominently features commissioning the construction of owner-occupied homes. Also, construction commissioning functions are handled by order of corporate clients.

The earnings and expenses shown for the segments are the direct earnings and expenses due to the segments plus those earnings and expenses which are reasonably attributable to the segments. Within SATO, the segments' earnings and expenses are also taken to include financial income and expenses, as these are considered to be such a crucial factor in forming the net profit of the segment that leaving them out would not give a fair view of the segments' net profit. The assets and liabilities of a segment are such business items as the segment uses in its business operations or are reasonably attributable to the segments. All items are included in the segments' assets and liabilities which give rise to items in the profit and loss account which are shown into the segments' net profits, including the segments liabilities which are deemed to constitute an important part in describing the segments' financial position.

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

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

Pricing between segments is done at appropriate market rate.

Calculation of net rental income

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

1. Segment information 1.1.–30.6.2008

MEUR	Investment in Housing SATO Housing	Investment in Housing VATRO Housing	Housing Development and Construction	Eliminations	Total SATO Group
External turnover	60.3	18.9	46.6		125.8
Internal turnover			3.8	-3.8	0.0
Turnover, total	60.3	18.9	50.4	-3.8	125.8
Profits/losses on surrender of investment properties	3.6				3.6
Depreciation and write-downs	-6.3	-2.3	-0.1	0.0	-8.7
Operating profit	28.1	5.9	3.2	-0.4	36.8
Financial expenses (net)	-11.2	-5.2	-1.0		-17.4
Profit before taxes	16.9	0.7	2.2	-0.4	19.4
Net rental income	34.3	9.8			44.1
Net rental income, % of book value	8.1	7.6			8.0
Investments	89.2				89.2
Acquisition of land for inventory			0.0		0.0
Depreciation	-6.3	-2.3	-0.1		-8.7
Impairments		0.0			0.0
Investment properties	881.6	257.2			
Cash and cash equivalents	21.4	3.5	2.8		
Other assets of the segment	26.1	2.5	136.5	0.0	
Share in joint venture	0.2	0.3			
Total assets and eliminations allocated to segments	929.3	263.5	139.3	0.0	1,332.1
Unallocated assets				0.0	17.3
Assets, total					1,349.4
Interest-bearing debts	703.6	255.0	56.6		
Segment's other debts	23.2	7.1	31.1	0.0	
Total debts and eliminations allocated to segments	726.8	262.1	87.7	0.0	1,076.6
Unallocated debts					62.2
Debts, total					1,138.8

Segment information 1.1.–30.6.2007

MEUR	Investment in Housing SATO Housing	Investment in Housing VATRO Housing	Housing Development and Construction	Eliminations	Total SATO Group
External turnover	55.0	18.7	56.0		129.7
Internal turnover			4.1	-4.1	0.0
Turnover, total	55.0	18.7	60.1	-4.1	129.7
Profits/losses on surrender of investment properties	4.4	0.0		0.0	4.4
Depreciation and write-downs	-5.2	-3.5	-0.1	0.0	-8.8
Operating profit	21.2	5.4	5.7	-0.1	32.2
Financial expenses (net)	-8.2	-5.1	-0.7		-14.0
Profit before taxes	13.1	0.2	5.0	-0.1	18.2
Net rental income	30.0	10.2			40.2
Net rental income, % of book value	8.1	7.7			8.0
Investments	0.0				0.0
Acquisition of land for inventory			0.0		0.0
Depreciation	-5.2	-2.5	-0.1	0.0	-7.8
Impairments		-1.0			-1.0
Investment properties	756.0	266.0			
Cash and cash equivalents	26.5	2.6	1.2		
Other assets of the segment	24.6	2.1	115.4	-7.6	
Share in joint venture	0.1	0.2			
Total assets and eliminations allocated to segments	807.2	270.9	116.6	-7.6	1,187.1
Unallocated assets					33.1
Assets, total					1,220.2
Interest-bearing debts	614.2	259.1	39.9		
Segment's other debts	19.6	8.9	30.2	-7.6	
Total debts and eliminations allocated to segments	633.8	268.0	70.1	-7.6	964.3
Unallocated debts					56.7
Debts, total					1,021.0

Segment information 1.1.–31.12.2007

MEUR	Investment in Housing SATO Housing	Investment in Housing VATRO Housing	Housing Development and Construction	Eliminations	Total SATO Group
External turnover	114.7	37.4	104.1		256.2
Internal turnover			5.4	-5.4	0.0
Turnover, total	114.7	37.4	109.5	-5.4	256.2
Profits/losses on surrender of investment properties	6.7	0.4		0.0	7.0
Depreciation and write-downs	-10.7	-5.9	-0.3	0.0	-16.9
Operating profit	47.4	12.1	7.0	-0.2	66.2
Financial expenses (net)	-20.0	-10.4	-1.6		-32.0
Profit before taxes	27.4	1.6	5.4	-0.2	34.3
Net rental income	60.0	20.4			80.5
Net rental income, % of book value	8.1	7.7			8.0
Investments	143.1				143.1
Acquisition of land for inventory			37.6		37.6
Depreciation	-10.7	-4.9	-0.3	0.0	-15.9
Impairments		-1.0			-1.0
Investment properties	800.1	260.1			
Cash and cash equivalents	26.8	0.8	1.2		
Other assets of the segment	27.0	2.9	140.8	-13.8	
Share in joint venture	0.5	0.3			
Total assets and eliminations allocated to segments	854.5	264.1	142.0	-13.8	1,246.8
Unallocated assets					16.2
Assets, total					1,263.0
Interest-bearing debts	636.5	254.1	54.4		
Segment's other debts	17.8	9.0	37.7	-13.7	
Total debts and eliminations allocated to segments	654.3	263.1	92.1	-13.7	995.9
Unallocated debts					57.4
Debts, total					1,053.2

2. Investment properties

MEUR	30.6.2008	30.6.2007	31.12.2007
Acquisition cost, 1 Jan.	1,124.4	997.6	997.6
Increases; new properties	86.1	83.4	134.3
Increases; additional investments	3.1	7.2	13.5
Decreases	-4.0	-7.9	-21.7
Transfers between items	1.4	-1.7	0.7
Acquisition cost, total	1,211.1	1,078.6	1,124.4
Accumulated depreciation and impairments, 1 Jan.	-64.1	-48.2	-48.2
Depreciation	-8.2	-7.4	-14.9
Losses on impairments	0.0	-1.0	-1.0
Accumulated depreciation and impairments, total	-72.3	-56.6	-64.1
Book value	1,138.8	1,022.0	1,060.3
Fair value	1,318.2	1,135.5	1,224.6

An external assessor has given a statement on the fair value of SATO's investment properties as at 30 June 2008.

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

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

3. Tangible assets in fixed assets

MEUR	30.6.2008	30.6.2007	31.12.2007
Book value at start of period	2.1	2.0	2.0
Increases	0.2	0.4	0.7
Decreases	-0.2	0.0	0.0
Depreciation for accounting period	-0.2	-0.3	-0.6
Book value at end of period	1.9	2.2	2.1

4. Inventories

MEUR	30.6.2008	30.6.2007	31.12.2007
Housing under construction	21.3	24.5	30.7
Completed housing and commercial facilities	18.2	8.9	11.0
Land areas and holding companies thereof	67.0	55.2	67.2
Other inventories	7.7	5.4	4.4
Total	114.2	94.1	113.2

During 2008 and 2007 no write-downs were made on the book value of inventories.

5. Notes on shareholders' equity

MEUR	Number of shares (1,000)	Share capital	Reserve fund	Invested distributable equity fund	Total
Precision calculation of the number of shares:					
1.1.2008	44,422	4.4	43.7	2.7	50.8
	0	0.0	0.0	0.0	0.0
30.6.2008	44,422	4.4	43.7	2.7	50.8

6. Interest-bearing debts

During the first six months of 2008, additional long-term loans for Investment in Housing have been taken to the tune of 61.4 million euros. These loans are secured by property mortgages and share pledges. Also, a guarantee for loans taken by subsidiaries has been provided by the parent company. The loans are floating-rate and have a maturity of 30 years.

Contingent liabilities on the unsold homes of Housing Development and Construction increased during the first half of the year by 10.1 million euros.

During Q2, SATO acquired 150 million euros' worth of new binding short-term credit limits. For purposes of short-term financing, SATO has a currently active corporate paper programme for EUR 100 million and binding short-term credit limits for 200 million euros. On 30 June 2008, 72.4 million euros of corporate paper had been issued and the short-term credits taken stood at 50 million euros.

7. Derivatives

MEUR	30.6.2008	30.6.2007	31.12.2007
Interest rate derivatives			
Interest rate derivatives, par value,	427.5	263.2	368.1
of which included in calculation of hedging	260.9	208.2	204.5
Interest rate derivatives, fair value,	9.5	5.7	3.8
of which included in calculation of hedging	6.7	5.0	3.2

8. Collateral and contingent liabilities

MEUR	30.6.2008	30.6.2007	31.12.2007
Debts secured by mortgages and pledges			
Market loans	486.1	390.2	424.3
Mortgages provided	54.3	51.6	54.3
Book value of pledged shares	485.2	407.0	432.0
Value of corporate mortgages pledged	0.0	0.7	2.5
Value of deposits pledged	0.8	2.2	2.2
State housing loans	239.8	255.0	246.4
Mortgages provided	412.4	436.0	419.4
Book value of pledged shares	28.5	25.5	29.2
Interest subsidised credits	100.3	100.7	100.4
Mortgages provided	121.9	121.9	121.9
Book value of pledged shares	0.8	0.8	0.8

Debts of housing and mutual property holding companies, secured by mortgages on properties

Loans from financial institutions	59.7	50.6	51.2
Mortgages provided	87.0	73.3	76.0

Other liabilities

Guarantees	2.0	6.5	2.7
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Guarantee pledges for others

Owner-occupier home purchase commitments	18.1	15.2	18.5
Rs-guarantees	22.1	24.9	25.2

Mortgages provided to secure payment of rent and street maintenance

Property mortgages provided	5.1	5.3	5.1
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Binding purchase agreements

For acquisitions of investment properties	43.7	22.4	57.5
Pledges for land use payments on zoned plots:	26.7	26.0	20.9
Letters of intent on land for which there is a zoning condition	13.0	15.2	12.7

Within SATO, housing companies which hold so-called owner-occupied apartment are treated for the special purpose as units established for a fixed period, which are not included in the consolidation. The combined total for loans of such housing companies, which are included in shared ownership systems, was MEUR 111.2 on 30 June 2008 (MEUR 120.3 on 30 June 2007).

9. Related party transactions

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

Related parties are also taken to include the members of the Board of Directors and Corporate Management Groups including the President and CEO as well as the families of the members of the Board of Directors and Corporate Management Group and the President and CEO, and companies managed by these. The Group's Corporate Management Group is comprised on SATO Corporation's President and CEO, the Vice President for Investment in Housing, the Vice President for Housing Development and Construction, the Head of Legal Affairs, the Director, Marketing and Communications, and the Chief Financial Officer.

The following transactions were effected with related parties:

MEUR	30.6.2008	30.6.2007	31.12.2007
Sums outstanding with owners			
Receivables	0.0	0.0	0.0
Debts	1.4	3.0	1.6

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

MEUR	30.6.2008	30.6.2007	31.12.2007
Management perquisites			
Salaries and other short-term perquisites	0.9	2.4	3.1
Other long-term perquisites	0.0	0.0	0.0
Total	0.9	2.4	3.1

In 2007, the share capital of SATO Corporation was increased in disapplication of pre-emption rights, by 46,500 euros. A company founded by the members of the SATO Group's Corporate Management Group, Habinvest Oy, subscribed 23,250 new shares in SATO Corporation, which is the equivalent of 1.05 per cent of the company's issued stock. This arrangement concerns the long-term commitment of the management.

10. Key indicators

	30.6.2008	30.6.2007	31.12.2007
Return on investment, %	8.0	7.0	7.2
Return on equity, %	13.7	13.8	12.4
Equity ratio, %	15.7	16.5	16.8
Equity ratio, % net of VATRO Homes	19.6	22.1	21.9
Earnings per share, €	0.32	0.30	0.57
Net worth per share, €			
- at book values	4.7	4.5	4.7
- at fair values	7.7	6.3	7.4
Gross investments, MEUR	89.7	79.3	149.1
Personnel, average	164	177	176

11. Formulas for key indicators

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



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