

# SATO



Interim report 1-9/2005

# Interim report

## 1.1.-30.9.2005

SATO is a company providing housing services and its business is comprised of investment in housing and housing development and construction. Our operations are based on understanding the customers' housing needs and providing the right housing solutions. We own roughly 23,000 rented homes. In the past few years we have invested in approximately 1,500 housing units and divested roughly 1,000 units per year. We commission the construction of about 1,000 homes each year, most of which are for sale to owner-occupiers, or are other apartments in client projects. Regionally our business focuses on the major urban centres of growth.

### Turnover and profit

The Group's turnover for the early months of the year was 213.4 million euros (288.8 in 2004), of which the Investment in Housing Division's turnover was 128.8 (203.2) million euros and the Housing Development and Construction Division's turnover was 84.6 (85.6) million euros. The decline in turnover is the result of a downturn in sales of shares in ten-year shared ownership apartments.

The Group's profit for the period under review before extraordinary items and taxes was 31.9 (25.8) million euros. This figure includes a total of 11.3 (7.9) million euros in capital gains on divestments. The Investment in Housing Division's net profit for the period under review was 27.0 (19.5) million euros and the Housing Development and Construction Division's was 4.9 (6.3) million euros.

### Financial status

The consolidated balance sheet total at the end of the period under review totalled 1,153 (1,120) million euros. Shareholders' equity was 162.3 (144.6) million euros and the equity ratio was 14.7 (13.6) per cent. The Group's return on equity was 19.1 (15.2) per cent and return on investment was 6.9 (6.6) per cent.

### Financing

The cash position of the Group and parent company was favourable during the period under review. The Group's financial assets at the end of the period under review were 22.2 (33.3) million euros.

Interest-bearing liabilities at the end of the period under review were 798 (810) million euros, of which market rate loans totalled 342 (337) million euros, interest-subsidised loans totalled 104 (105) million euros, and state subsidised loans

totalled 299 (313) million euros. At the end of the period under review, there were debts in the amount of 53 (55) million euros on shares held in housing companies and mutual property holding companies.

Of the capital of market rate loans at the end of the period under review, 182 (187) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 42 (35) months.

### Investment in housing

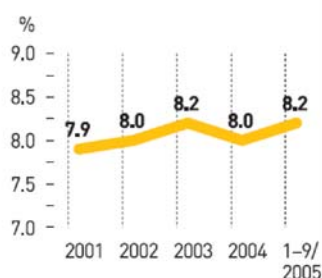
The Investment in Housing Division's turnover during the period under review was 128.8 (203.2) million euros and its net profit was 27.0 (19.5) million euros. Of turnover, rental income was 110.3 (114.8) million euros and shares of sales 18.5 (88.4) million euros. The division's profit includes a total of 10.7 (7.7) million euros in capital gains on divestments.

On 30 September 2005, SATO owned a total of 22,889 (23,413) homes with a balance sheet value of 945 (916) million euros, of which rented homes accounted for 21,183 (21,350) and shared ownership apartments for 1,706 (2,063). Suomen Asumisoikeus Oy, which is 50 per cent owned by SATO, owned 13,784 right-of-occupancy apartments.

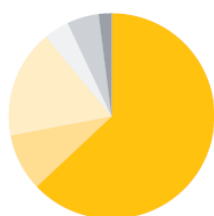
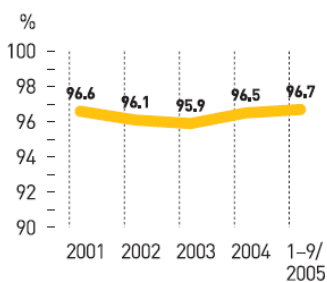
The investments in housing during the period under review amounted to 60.1 (123.3) million euros and divestments of housing totalled 35.5 (42.7) million euros. The largest single investment was made in September when SATO acquired a total of 895 homes from Ilmarinen Mutual Pension Insurance Company. Most of these are in the Helsinki Metropolitan Area. A total of 21 new rental homes for senior citizens were completed in the Haaga district of Helsinki. A total of 1,011 (1,222) units were divested from the housing portfolio. Residents of shared ownership apartments acquired a total of 117 (1,108) homes. During the period under review, SATO's housing portfolio increased in value by 20.0 million euros and the number of homes declined by 206 units. At the end of the period under review, SATO had housing units in 84 (101) municipalities.

The financial occupancy rate of rented homes during the period under review averaged 96.7 (96.3) per cent and that of shared ownership apartments averaged 99.3 (98.0) per cent. During the period under review, the occupant turnover in rental housing was 36.8 (37.4) per cent and in shared ownership apartments 14.5 (13.6) per cent. The average rent per square metre of SATO's

**Investment in housing**  
Net rental income 2001–1–9/2005



**Investment in housing**  
Financial occupancy rate of rental housing 2001–1–9/2005



**Investment in housing**  
Regional distribution of housing stock 30 September 2005

- Helsinki Metropolitan Area 63 %
- Rest of Southern Finland 9 %
- Western Finland 17 %
- Eastern Finland 4 %
- Oulu Province 5 %
- Lapland 2 %

Total housing portfolio MEUR 945

rented homes during the period under review was 9.32 (8.99) euros per month. The rented homes' net rental income on an annualised basis was 8.2 (8.0) per cent.

In January, contracts were signed on the building management of SATO's properties with Suomen SKV Oy and YIT Kiinteistötekniikka Oy, and the handover of building management duties was started in March. SATO handles its own building management for approximately 6,500 homes in the Helsinki Metropolitan Area.

Occupant partnership in 2005 spotlights action to promote neighbourliness.

## Housing development and construction

The Housing Development and Construction Division's turnover during the period under review was 84.6 (85.6) million euros and its net profit was 4.9 (6.3) million euros. The profit figure includes capital gains on sales of plots totalling 0.6 (0.2) million euros.

During the period under review, a total of 619 (875) new homes were completed. Of these, 418 (609) were owner-occupied and 201 (266) were homes in client projects. At the end of September, 886 (1,002) new homes were under construction, of which 810 (865) were owner-occupied and 76 (137) were homes in client projects. During the period under review, the construction of 498 privately financed homes was started.

At the end of the period under review, the Group had 13 completed homes unsold, and the number of unsold owner-occupier homes under construction was 332.

Of the permitted building volume, roughly 31,000 square metres was brought into production. The building land inventory was augmented by plot reservations and letters of intent with roughly 47,000 square metres of permitted building area. The main acquisitions were a letter of intent made with Elisa Corporation in May concerning a plot in the Pitäjänmäki district of Helsinki, where a change in the land-use planning will permit roughly 23,000 square metres of permitted building volume, and a plot in the Finlayson area in the centre of Tampere with roughly 7,000 square metres of permitted building volume.

In September, a total of 12,000 square metres of permitted building volume in Espoo and Vantaa was acquired from Ilmarinen Mutual Pension Insurance Company. During the period under review, the land-use

plan for Saunalahdenportti in Espoo came into effect, and a land-use plan and land-use contract for the Sarfvik district in Kirkkonummi were approved by the municipal council. The permitted building volume for SATO will be roughly 20,000 square metres of floor area in Saunalahti and roughly 13,500 in Sarfvik.

## Change of the company name

The company name of Sato-Yhtymä Oyj (Sato Corporation plc) was changed as of 1 June 2005 to SATO Oyj, in English SATO Corporation.

## Personnel

At the end of the period under review, the Group had 175 (221) employees and during the period under review it had an average of 183 (238) employees. As a result of contracts affecting SATO's building management, 22 employees were transferred to the employ of SATO's partners.

## Management

The Management Group is comprised of President and CEO Erkkä Valkila, Vice President Tuula Entelä of the Investment in Housing Division, Vice President Pekka Komulainen of the Housing Development and Construction Division, Chief Financial Officer Kai Simberg (until 7 October 2005), Head of Legal Affairs Katri Innanen and Vice President Monica Aro of Marketing and Communications.

## Outlook

Rental income and rental occupancy rates in 2005 for the Investment in Housing Division are forecast to be on a par with last year's figures, as is income from housing divestment business.

Demand for owner-occupied homes is forecast to hold steady this year and the number of owner-occupier homes commissioned by the Group will be similar to the 2004 figure.

The Group's earnings from business operations are expected to exceed the 2004 figure due to factors including low interest expenses and a downturn in fixed costs.

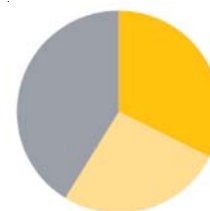
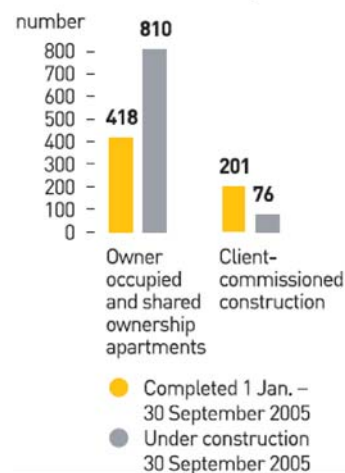
## The shareholders of SATO Corporation

The ten biggest shareholders and their holdings (per cent).

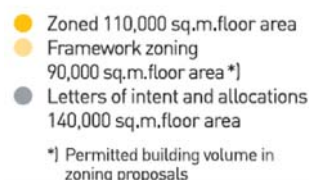
Kesko Corporation	16.5
Ilmarinen Mutual Pension Insurance Company	16.5
Varma Mutual Pension Insurance Company	11.9
Nordea Bank Finland Plc	9.6
SOK Corporation	8.7
Pohjola Non-Life Insurance Company Ltd	6.2
Kaleva Mutual Insurance Company	5.9
Nordea /KOP/ Pension Fund	5.7
Sampo Life Insurance Company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

The Group had 39 shareholders at the end of the period under review.

**Housing construction**  
Construction of new housing 1-9 / 2005



**Housing construction**  
Reserve of plots for owner-occupied housing construction 30 September 2005  
Total 340,000 sq.m.floor area



<b>Consolidated profit and loss account (MEUR)</b>	<b>1.1.-30.9.2005</b>	<b>1.1.-30.9.2004</b>	<b>1.1.-31.12.2004</b>
Turnover	213.4	288.8	361.6
Operating profit	49.1	45.6	60.2
Financial income and expenses	-17.3	-19.8	-26.0
Profit before extraordinary items and taxes	31.9	25.8	34.2
Extraordinary items	0.0	-1.9	-2.0
Direct taxes	-9.2	-8.2	-9.2
Minority interest	-0.2	-0.6	-0.5
Net profit for the financial period	22.5	15.1	22.4
<b>Consolidated balance sheet (MEUR)</b>	<b>30.9. 2005</b>	<b>30.9. 2004</b>	<b>31.12. 2004</b>
Fixed assets and other long-term investments	923	919	903
Inventories and financial assets	230	201	203
<b>Assets</b>	<b>1,153</b>	<b>1,120</b>	<b>1,106</b>
Shareholders' equity	162	145	152
Minority interest	2	2	1
Consolidated reserve	0	0	0
Obligatory reserves	6	4	6
Long-term liabilities	850	841	817
Current liabilities	133	128	130
<b>Liabilities and shareholders' equity</b>	<b>1,153</b>	<b>1,120</b>	<b>1,106</b>
<b>Group indicators</b>			
Return on investment (% annualised)	6.9	6.6	6.6
Return on equity (% annualised)	19.1	15.2	15.8
Net rental income on housing (% annualised)	8.2	8.0	8.0
Equity ratio (%)	14.7	13.6	14.3
Earnings per share (EUR)	10.2	7.8	11.1
Equity per share (EUR)	73.8	65.8	69.1
Gross investments (MEUR)	61	123	134
Personnel, average	183	238	228
<b>Group contingent liabilities (MEUR)</b>			
Pledges	314	271	263
Corporate mortgages	3	3	6
Mortgages on land areas and buildings	669	660	656
Guarantees	40	46	42
Buy-back commitments on shared ownership	22	31	20
Other liabilities	0	1	1
<b>Total</b>	<b>1,048</b>	<b>1,012</b>	<b>988</b>
<b>Liabilities of unconsolidated shared ownership homes (MEUR)</b>			
Loans	152	178	151
Mortgages	221	240	216
Advance payment debt corresponding to buy-back liability	17	24	19
<b>Other information (MEUR)</b>			
Par value of interest rate derivatives	182	187	180
Fair value of interest rate derivatives	-4.4	-4.4	-4
RS guarantee limit used	22	20	21

## Accounting conventions of the interim final statements

The review period has been changed since last year and the comparative figures have been given for the same period in 2004.

