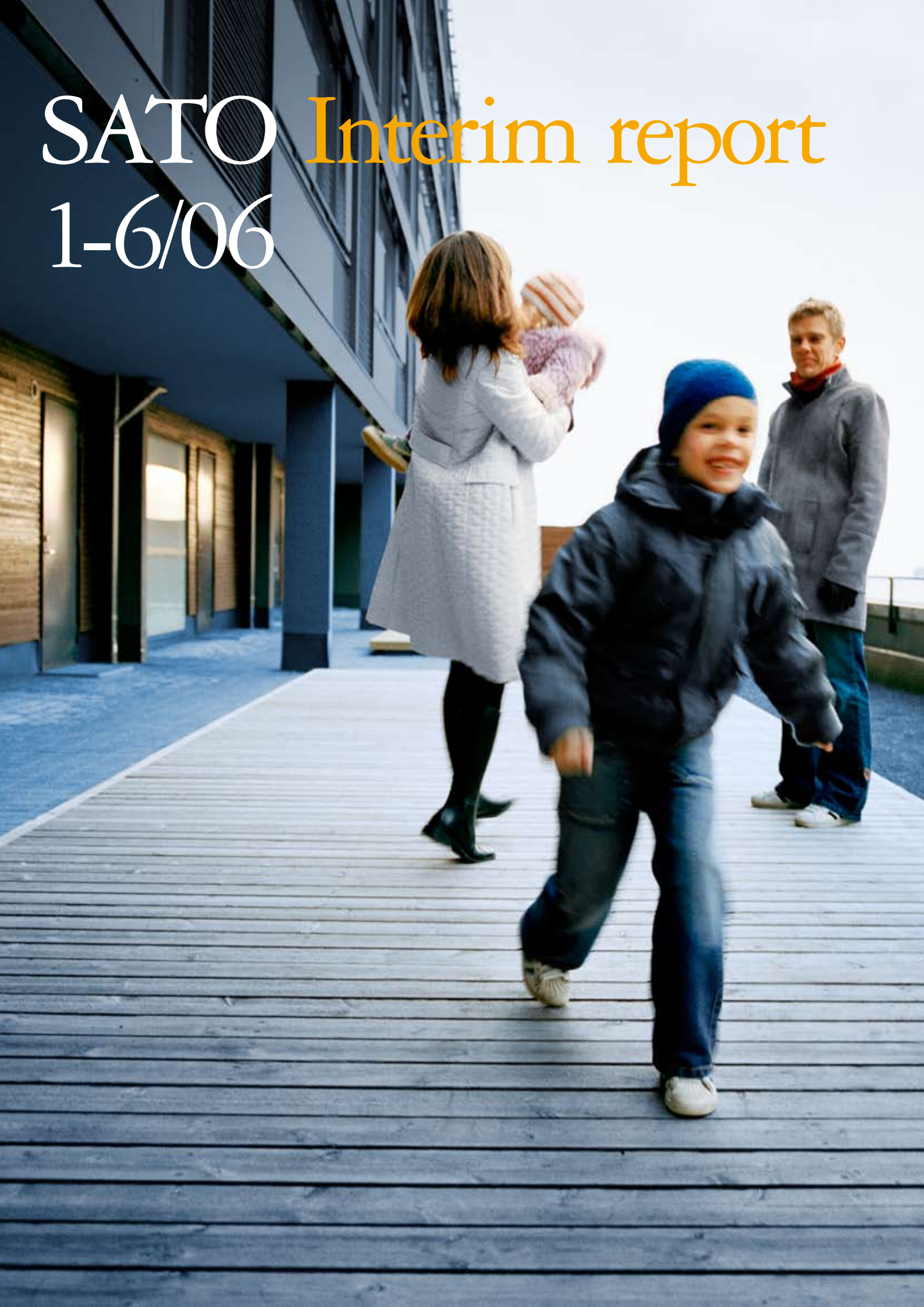


# SATO Interim report

1-6/06



# Interim report 1.1.-30.6.2006

SATO is a company providing housing solutions, and its business is comprised of investment in housing and housing development and construction. Operations are based on understanding the customers' housing needs and offering appropriate solutions. The company owns roughly 23,000 rental homes. In three years, SATO has acquired ownership of a total of approximately 6,000 homes in the urban centres of growth and divested some 4,000 properties from its rental home portfolio in other parts of Finland. SATO commissions the construction of roughly 1,000 new homes a year, most of which are owner-occupied homes for sale. Regionally business focuses on the major urban centres of growth.

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, 193 (182) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 39 (37) months.

## Investment in housing

The turnover from investment in housing during the period under review was 79.1 (88.5) million euros and its net profit was 17.7 (18.8) million euros. The business area's profit includes a total of 6.4 (9.9) million euros capital gains on divestments.

On 30 June 2006, SATO owned a total of 22,391 (22,106) homes with a balance sheet value of 933 (896) million euros, of which rental homes accounted for 20,717 (20,369) and shared ownership apartments for 1,674 (1,737). In addition to this, SATO has a 50 per cent holding in Suomen Asumisoikeus Oy, which owned 13,856 right-of-occupancy apartments.

During the period under review, investments were made in 130 (10) rental homes and a total of 408 (909) rental homes were divested from the portfolio. Residents living in shared ownership apartments purchased a total of 24 (90) homes. The investments in housing during the period under review amounted to 10.2 (1.2) million euros and divestments of housing totalled 11.5 (32.3) million euros. During the period under review, SATO's housing portfolio declined by 302 units in all.

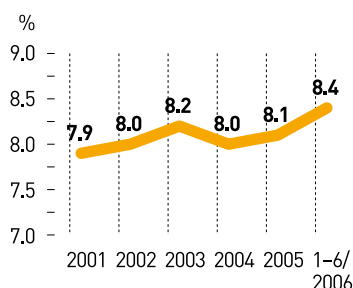
A deal was made in June with Varma Mutual Pension Insurance Company for 309 rented homes with a value of roughly 20 million euros. Title to the homes was conveyed to SATO after the end of the period under review, on 3 July 2006.

The financial occupancy rate of rental homes during the period under review averaged 96.8 (96.7) per cent and that of shared ownership apartments averaged 99.7 (99.3) per cent. During the period under review, the occupant turnover in rental housing was 34.8 (36.7) per cent and in shared ownership apartments it was 13.8 (14.6) per cent. The average rent per square metre of SATO's rental homes during the period under review was 9.75 (9.28) euros per month. The average rent per square metre for shared ownership apartments was 8.10 (8.20) euros per month. The rental homes' net rental income on an annualised basis was 8.4 (8.1) per cent.

SATO's rented homes are classified in a five-stage quality category system and a quality guarantee is supplied for homes. The guarantee applies in the first stage to homes being remodelled and to new leases, but in the long term it

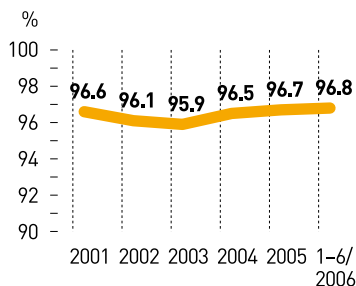
## Investment in housing

Net rental income 2001-1-6/2006



## Investment in housing

Financial occupancy rate of rental housing 2001-1-6/2006



## Turnover and profit

The Group's turnover for the early months of the year was 134.0 million euros (149.1 million euros in 1.1.-30.6.2005), of which the turnover from investment in housing was 79.1 (88.5) million euros and the turnover from housing development and construction was 54.9 (60.6) million euros.

The Group's profit before extraordinary items and taxes for the period under review was 21.7 (22.6) million euros. This figure includes a total of 6.6 (10.4) million euros in capital gains on divestments. The net profit from investment in housing for the period under review was 17.7 (18.8) million euros and the net profit from housing development and construction was 4.0 (3.8) million euros.

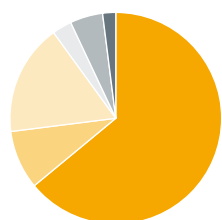
## Financial status

The consolidated balance sheet total at the end of the period under review totalled 1,094 (1,057) million euros. Shareholders' equity was 171.5 (155.0) million euros and the equity ratio was 16.3 (15.4) per cent. The Group's return on equity was 18.6 (20.2) per cent and return on investment was 7.2 (7.6) 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 25.3 (19.3) million euros.

Interest-bearing liabilities at the end of the period under review were 791 (750) million euros, of which market rate loans totalled 346 (286) million euros, interest-subsidised loans totalled 101 (104) million euros, and state subsidised loans totalled 289 (307) million euros. At the end of the period under review, there were debts in the amount of 55 (53)



## Investment in housing

Regional distribution of housing stock 30 June 2006

- Helsinki Metropolitan Area 64 %
- Rest of Southern Finland 9 %
- Western Finland 17 %
- Eastern Finland 3 %
- Oulu Province 5 %
- Lapland 2 %

Total housing portfolio MEUR 933

will be extended to SATO's entire rented home portfolio.

During the period under review, an Investments and Divestments unit and a Senior Housing unit were established within the Business Area Investment in Housing to reinforce these functions.

## Housing development and construction

The turnover from housing development and construction during the period under review was 54.9 (60.6) million euros and its net profit was 4.0 (3.8) million euros. The net profit figure includes a total of 0.2 (0.5) million euros in capital gains on sales of plots.

During the period under review, a total of 286 (356) new homes were completed. Of these, 244 (326) were owner-occupied and 42 (30) were homes in client projects. At the end of June, 1,145 (945) new homes were under construction, of which 739 (764) were owner-occupied and 406 (181) were homes in client projects.

At the end of the period under review, the Group had 4 completed homes unsold, and the number of unsold owner-occupier homes under construction was 371.

Of the permitted building volume owned by the company, 18,778 square metres was brought into production. New purchases and plot reservations gave the company roughly 28,400 square metres of new permitted building area. The total of the building land inventory at the end of the period under review amounted to roughly 324,000 square metres of floor area. This figure includes zoned plots, projects under zoning development, residential permitted building volume based on plot reservations and letters of intent. The balance sheet value of the plots held by the Group at the end of the period under review was 29.9 (23.4) million euros.

In April, SATO won a design competition arranged by the city of Helsinki for two plots of land in the Latokartano area of the Viikki district. The plot will be developed with 63 privately financed city-regulated owner-occupied homes.

SATO is a participant in the housing fair held in the Kauklahti district of Espoo with a low-rise project entitled Asunto Oy Espoon Kaupunkivillat, comprising a total of 23 homes built using box frame unit technology.

## Personnel

At the end of the period under review, the Group had 172 (172) employees and during the period under review it had an average of 176 (187) employees.

## Committees

Based on the decision made by the annual general meeting held in March, SATO's Board of Directors appointed Board members for the current term of office to the Nomination and Compensation Committee and to the Audit Committee. The Nomination and Compensation Committee is comprised of Jouko Tuunainen (chairman), Jorma Kuokkanen and Raimo Lind. The chairman appointed for the Audit Committee is Juhani Järvi, with Martti Porkka and Esko Torsti as members.

## Events after the period under review

In July, SATO acquired 207 rental homes from the municipality of Vihti, more than half of which are senior apartments. The value of the deal was 6.2 million euros.

## Outlook

The rental income and rental occupancy rate for investment in housing is forecast to be on a par in 2006 with the previous year's figures. The volume of housing divestment business is likely to be down on the previous year.

Demand for and prices of owner-occupied homes are expected to hold steady. The number of owner-occupier homes built by the Group will be similar to the figure for 2005.

The Group's net profit is expected to be on a par with the net profit level of the previous year.

## Shareholders in SATO Corporation, 9 August 2006

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

Varma Mutual Pension Insurance Company	23.4
Kesko Corporation	16.5
Ilmarinen Mutual Pension Insurance Company	16.5
Suomi Mutual Life Assurance Company	15.3
SOK Corporation	8.7
Pohjola Non-Life Insurance Company Ltd	6.2
Wärtsilä Corporation	4.5
Tapiola Insurance Group	2.3
Turun Osuuskauppa	1.1
Aktia Savings Bank plc	0.8

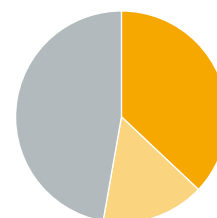
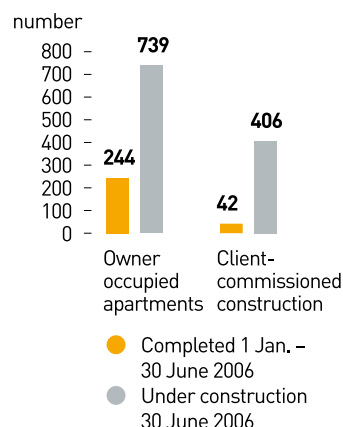
On 16 March 2006, Suomi Mutual Life Assurance Company acquired the shares in SATO Corporation held by Nordea Bank Finland Plc and Nordea /KOP/Pension Fund, which are the equivalent of a 15.3 per cent holding in SATO Corporation's issued stock. Varma Mutual Pension

Insurance Company's holding rose during the period under review from 11.9 per cent to 23.4 per cent.

The Group had 36 shareholders on 9 August 2006.

## Housing construction

Construction of new housing 1-6 / 2006



## Housing construction

Reserve of plots for owner-occupied housing construction 30 June 2006  
Total 324,000 sq.m.floor area

- Zoned 120,000 sq.m.floor area
- Framework zoning 51,000 sq.m.floor area\*)
- Letters of intent and allocations 153,000 sq.m.floor area

\*) Permitted building volume in zoning proposals

<b>Consolidated profit and loss account (MEUR)</b>	<b>1.1.-30.6.2006</b>	<b>1.1.-30.6.2005</b>	<b>1.1.-31.12.2005</b>
Turnover	134.0	149.1	289.6
Operating profit	33.9	34.8	66.3
Financial income and expenses	-12.2	-12.3	-23.1
Profit before extraordinary items and taxes	21.7	22.6	43.1
Extraordinary items	0.0	0.0	0.2
Direct taxes	-5.7	-6.9	-12.0
Minority interest in profit	-0.1	-0.1	-0.2
Net profit for the financial period	15.9	15.6	31.2

<b>Consolidated balance sheet (MEUR)</b>	<b>30.6.2006</b>	<b>30.6.2005</b>	<b>31.12.2005</b>
Fixed assets and other long-term investments	925	872	920
Inventories and financial assets	170	185	210
<b>Assets</b>	<b>1,094</b>	<b>1,057</b>	<b>1,130</b>
Shareholders' equity	172	155	171
Minority interest	1	2	1
Consolidated reserve	0	0	0
Obligatory reserves	7	6	8
Long-term liabilities	815	805	799
Short-term liabilities	99	89	151
<b>Liabilities and shareholders' equity</b>	<b>1,094</b>	<b>1,057</b>	<b>1,130</b>

#### **Group indicators**

Return on investment (% annualised)	7.2	7.6	7.1
Return on equity (% annualised)	18.6	20.2	19.1
Net rental income on housing (% annualised)	8.4	8.1	8.1
Equity ratio (%)	16.3	15.4	15.6
Earnings per share (EUR)	7.2	7.1	14.1
Equity per share (EUR)	78.0	70.7	77.8
Gross investments (MEUR)	10	1	65
Personnel, average	176	187	181

#### **Group contingent liabilities (MEUR)**

Pledges	331	252	276
Corporate mortgages	3	3	3
Mortgages on land areas and buildings	735	669	734
Guarantees	40	40	41
Buyback commitments on shared ownership apartments	21	22	22
Other liabilities	0	0	0
<b>Total</b>	<b>1,130</b>	<b>986</b>	<b>1,076</b>

#### **Liabilities of unconsolidated shared ownership homes (MEUR)**

Loans	147	152	149
Mortgages	205	220	222
Advance payment debt corresponding to buy-back liability	16	18	17

#### **Other information (MEUR)**

Par value of interest rate derivatives	193	182	197
Fair value of interest rate derivatives	2.7	-5.7	-3.1
RS guarantee limit used	22	22	22

Interim report 1 January – 30 September 2006 will be issued on 25 October 2006

