

SATO



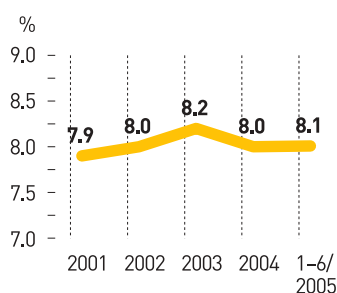
Interim report 1-6/2005

Interim report

1.1.-30.6.2005

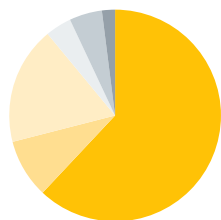
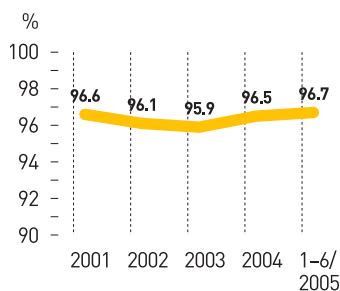
Investment in housing

Net rental income 2001-1-6/2005



Investment in housing

Financial occupancy rate of rental housing 2001-1-6/2005



Investment in housing

Regional distribution of housing stock 30 June 2005



Total housing portfolio MEUR 896

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 2,000 housing units and divested roughly 1,000 units per year. We commission the construction of about 1,200 homes each year, most of which are for sale to owner-occupiers. 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 149.1 million euros (196.4 in 2004), of which the Investment in Housing Division's turnover was 88.5 (132.3) million euros and the Housing Development and Construction Division's turnover was 60.6 (64.1) 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 22.6 (17.3) million euros. This figure includes a total of 10.4 (5.1) million euros in capital gains on divestments. The Investment in Housing Division's net profit for the period under review was 18.8 (12.6) million euros and the Housing Development and Construction Division's was 3.8 (4.7) million euros.

Financial status

The consolidated balance sheet total at the end of the period under review totalled 1,057 (1,108) million euros. Shareholders' equity was 155.0 (138.0) million euros and the equity ratio was 15.4 (13.2) per cent. The Group's return on equity was 20.2 (16.4) per cent and return on investment was 7.6 (6.8) 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 19.3 (12.8) million euros.

Interest-bearing liabilities at the end of the period under review were 750 (816) million euros, of which market rate loans totalled 286 (339) million euros, interest-subsidised loans totalled 104 (106) million euros, and state subsidised loans totalled 307 (316) 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 (186) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 37 (36) months.

Investment in housing

The Investment in Housing Division's turnover during the period under review was 88.5 (132.3) million euros and its net profit was 18.8 (12.6) million euros. The division's profit includes a total of 9.9 (5.0) million euros in capital gains on divestments.

On 30 June 2005, SATO owned a total of 22,106 (23,771) homes with a balance sheet value of 896 (923) million euros, of which rented homes accounted for 20,369 (21,526) and shared ownership apartments for 1,737 (2,245). Suomen Asumisoikeus Oy, which is 50 per cent owned by SATO, owned 13,657 right-of-occupancy apartments.

A total of 909 (644) rented homes were divested from the housing portfolio. Occupants of shared ownership apartments acquired ownership of 90 homes in all. The investments in housing during the period under review amounted to 1.2 (113.4) million euros and divestments of housing totalled 32.3 (30.7) million euros. Due to the investments and divestments, during the period under review SATO's housing portfolio declined in value by 29.0 million euros and the number of homes declined by 989 units. Divestments reduced the number of municipalities in which housing is owned by nine to 85.

The financial occupancy rate of rented homes during the period under review averaged 96.7 (96.4) per cent and that of shared ownership apartments averaged 99.3 (98.3) per cent. During the period under review, the occupant turnover in rental housing was 36.7 (37.6) per cent and in shared ownership apartments 14.6 (13.0) per cent. The average rent per square metre of SATO's rented homes during the period under review was 9.28 (8.88) euros per month. The average rent per square metre for shared ownership apartments was 8.20 (7.14) euros per month. The rented homes' net rental income on an annualised basis was 8.1 (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 build-

ing 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 60.6 (64.1) million euros and its net profit was 3.8 (4.7) million euros. The profit figure includes capital gains on sales of plots totalling 0.5 (0.1) million euros.

During the period under review, a total of 356 (700) new homes were completed. Of these, 326 (527) were owner-occupied and 30 (173) were homes in client projects. At the end of June, 945 (1,217) new homes were under construction, of which 764 (868) were owner-occupied and 181 (349) were homes in client projects. During the period under review, the construction of 346 privately financed homes was started.

At the end of the period under review, the Group had four completed homes unsold, and the number of unsold owner-occupier homes under construction was 343.

Of the permitted building volume, 24,400 square metres was brought into production. The building land inventory was augmented by plot reservations and letters of intent with roughly 43,000 square metres of permitted building area. The main letter of intent was made in March with Elisa Corporation for the acquisition of a plot in the Pitäjänmäki district of Helsinki. The intention is to bring about a change in the land-use planning for the plot to permit the construction of roughly 200 – 350 homes. In May, SATO acquired from Renor Oy a plot in the Finlayson area in the centre of Tampere, where 70 – 80 homes will be built.

The land-use plan for Saunalahdenportti in Espoo came into effect in June. The permitted building volume for SATO in the district will be roughly 20,000 square metres of floor area.

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 172 (230) employees and during the period under review it had an average of 187 (238) employ-

ees. 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 Erkka 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, 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. The volume of housing divestment business will be lower than last year.

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.

Earnings from business operations are expected to exceed the 2004 figure.

Shareholders in Sato Corporation plc

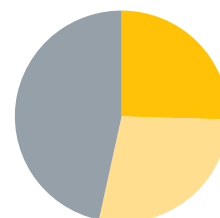
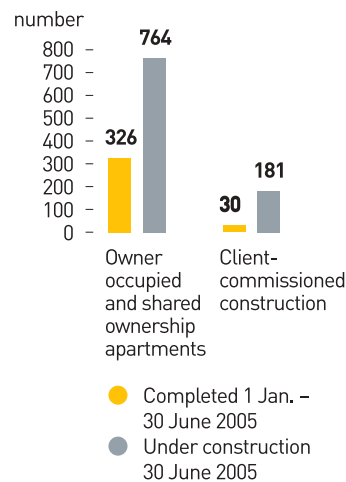
The ten biggest shareholders and their holdings (per cent).

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 40 shareholders at the end of the period under review.

Housing construction

Construction of new housing 1–6 / 2005



Housing construction

Reserve of plots for owner-occupied housing construction 30 June 2005
Total 322,000 sq.m.floor area

- Zoned 82,000 sq.m.floor area
- Framework zoning 90,000 sq.m.floor area*)
- Letters of intent and allocations 150,000 sq.m.floor area

*) Permitted building volume in zoning proposals

Consolidated profit and loss account (MEUR)	1.1.-30.6.2005	1.1.-30.6.2004	1.1.-31.12.2004
Turnover	149.1	196.4	361.6
Operating profit	34.8	31.0	60.2
Financial income and expenses	-12.3	-13.7	-26.0
Profit before extraordinary items and taxes	22.6	17.3	34.2
Extraordinary items	0.0	-1.9	-2.0
Direct taxes	-6.9	-5.8	-9.2
Minority interest	-0.1	-0.6	-0.5
Net profit for the financial period	15.6	9.0	22.4

Consolidated balance sheet (MEUR)	30.6. 2005	30.6. 2004	31.12. 2004
Fixed assets and other long-term investments	872	935	903
Inventories and financial assets	185	172	203
Assets	1,057	1,108	1,106
Shareholders' equity	155	138	152
Minority interest	2	2	1
Consolidated reserve	0	0	0
Obligatory reserves	6	4	6
Long-term liabilities	805	841	817
Current liabilities	89	123	130
Liabilities and shareholders' equity	1,057	1,108	1,106

Group indicators

Return on investment (% annualised)	7.6	6.8	6.6
Return on equity (% annualised)	20.2	16.4	15.8
Net rental income on housing (% annualised)	8.1	8.0	8.0
Equity ratio (%)	15.4	13.2	14.3
Earnings per share (EUR)	7.1	5.0	11.1
Equity per share (EUR)	70.7	63.0	69.1
Gross investments (MEUR)	1	113	134
Personnel, average	187	238	228

Group contingent liabilities (MEUR)

Pledges	252	278	263
Corporate mortgages	3	3	6
Mortgages on land areas and buildings	669	669	656
Guarantees	40	45	42
Buy-back commitments on shared ownership apartments	22	32	20
Other liabilities	0	1	1
Total	986	1,026	988

Liabilities of unconsolidated shared ownership homes (MEUR)

Loans	152	0	151
Mortgages	220	0	216
Advance payment debt corresponding to buy-back liability	18	0	19

Other information (MEUR)

Par value of interest rate derivatives	182	186	180
Fair value of interest rate derivatives	-5.7	-4	-4
RS guarantee limit used	22	19	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.

The interim report for 1 January – 30 September 2005 will be issued on 26 October 2005

