



SATO
Interim report
1.1.-30.6.2009

SATO

The mission

- SATO is a provider of good housing.

The vision

- Homes are our passion –
50,000 satisfied residents in 2020.

The business strategy

SATO

- owns, rents, develops and builds housing
- operates in Finland's largest centres of urban growth and St. Petersburg
- expands its housing portfolio profitably
- operates on a customer-driven basis and efficiently
- is a bold pioneer in its field and stands out through excellent service
- communicates its activities transparently

Strategic strengths

- a high profile
- centrally located housing
- excellent service
- quality guarantee
- network of skilled partners

SATO's values

- 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

SATO

Interim report

1.1.–30.6.2009

Summary of the period 1-6/2009 (1-6/2008)

- The Group's turnover was 125.4 (128.8) million euros and operating profit was 36.6 (39.0) million euros.
- Net rental income from leasing was 46.5 (47.1) million euros.
- Profit before taxes was 14.7 (22.8) million euros and earnings per share were EUR 0.24 (0.38). The downturn in profit was influenced by a reduction in owner-occupied housing construction, an increase in financial expenses, and reserves booked during the period under review.
- Return on equity was 10.7 (16.3) per cent and return on investment was 5.8 (7.0) per cent.
- Investments in investment properties were 55.9 (90.5) million euros.
- The fair value of the investment properties as at 30.6.2009 was 1,412.9 (1,319.8) million euros. The difference between book value and fair value was 209.6 million euros and the differential increased by 11.8 million euros during the period.
- The main thrust in SATO's business is on investment in housing, and operations were accordingly reorganised as of 1 April.

SATO is one of Finland's leading corporate investors in housing. SATO owns a total of some 23,000 rentable homes in the major growth centres of Finland and in St. Petersburg. The fair value of SATO's investment property is roughly 1.4 billion euros. The housing portfolio is actively developed to meet changing customer needs through servicing and maintenance combined with investment and divestment. In the past five years, investments have averaged 100 million euros and divestments have totalled approximately 34 million euros a year. SATO also develops new housing as investment housing for the Group and for sale. The company's main owners are Finnish pension insurance companies and other insurers. The company's turnover in 2008 was 290.4 million euros, operating profit was 74.3 million euros and the profit before taxes was 31.5 million euros.

The business climate

Demand on the rented housing market has continued to be good. The supply of rented housing has remained unchanged for some years, and there is a shortage in the centres of growth of small rented homes in particular. In the past ten years, the rate of rises in rent has been distinctly slower than the trend in housing prices. In 2007-2008, rises in rents were higher than before, but the upward trend is forecast to become more moderate. The construction of rented housing receiving state support for financing has increased, partly due to interest-subsidised lending under the so-called interim model introduced during the period under review. The use of interim-model financing involves no more restrictions than keeping the homes in rental occupation for a minimum of five years.

The number of housing starts has been exceptionally low. After a sluggish start to the review period, first-time buyers in particular have somewhat boosted housing trade due to record low overall interest rates.

Turnover and profit

The Group's turnover for the early months of the year was 125.4 million euros (128.8 million euros Q2 2008), of which the turnover of SATO business was 106.4 (109.9) million euros and that of VATRO business was 19.0 (18.9) million euros.

The Group's profit before taxes for the period under review was 14.7 (22.8) million euros. The figure includes a 2.3 million euro reserve for completion costs on an owner-occupied property built in the Arabianranta district of Helsinki and a 0.3 million euro reserve associated with the reorganisation of SATO's operations. A drag on profit was also exerted by a change in the market value of interest-rate hedging to the tune of -2.3 (2.1) million euros. SATO business accounted for 12.1 (22.1) million euros of the profit and VATRO business for 2.6 (0.7) million euros.

As of the beginning of 2009, SATO changed the method of income-recognising sales according to degree of completion in accordance with the new interpretation under IFRIC 15. Homes sold during construction are recognised at the time of completion of the property and completed homes are recognised on the date of sale. The change in the convention increases the net profit for the financial year 2008 by 3.6 million euros. After the change, the 2008 financial year's comparable profit before taxes is 31.5 million euros.

Financial status and financing

The consolidated balance sheet total at the end of the period under review totalled 1,420.4 (1,399.9) million euros. Shareholders' equity was 206.7 (208.1) million euros. The equity ratio calculated at book values was 14.8 (15.4) per cent, and, when investment properties are calculated at fair value, 22.4 (22.2) per cent. The equity ratio of SATO business calculated at book values was 17.6 (19.1) per cent, and, when investment properties are calculated at fair value, 26.1 (26.7) per cent.

The Group's return on equity was 10.7 (16.3) per cent and its return on investment was 5.8 (7.0) per cent.

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 51.3 (32.3) million euros.

Interest-bearing liabilities at the end of the period under review were 1,078.4 (1,037.9) million euros, of which market rate loans totalled 677.9 (635.4) million euros, interest-subsidised loans totalled 97.9 (100.3) million euros, and state-subsidised loans totalled 223.7 (242.5) million euros. There were debts in the amount of 78.9 (59.7) million euros on shares held in housing companies and mutual property holding companies included in investment properties.

Of the capital of market rate loans at the end of the period under review, 372.3 (350.9) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 2.5 (3.3) years. During the period under review, the computational effect of changes in the market value of hedging on the shareholders' equity was -2.4 (2.6) million euros and the effect on net profit was -2.3 (2.1) million euros.

Investment properties

The trend in the investment properties' value is of key importance to SATO's business operations. Housing property is consolidated in areas in which demand for rented housing is growing.

On 30 June 2009, SATO held a total of 22,409 (22,561) homes, of which 17,462 (17,308) were included in SATO business and 4,947 (5,253) were included in VATRO business. There were 21,046 (21,145) rented homes and 1,363 (1,416) shared ownership apartments. The number of homes increased during the period under review by 9 (174).

The book value of the rented homes totalled 1,203.3 (1,140.4) million euros, of which St. Petersburg accounted for 43.2 (34.3) million euros. The fair value of the investment properties totalled 1,412.9 (1,319.8) million euros. During the period under review, the book value of the housing portfolio grew by 39.8 (79.9) million euros and its fair value by 51.6 (94.9) million euros. The difference between the book value and the fair value was 209.6 million euros and it increased during the period under review by 11.8 million euros. The increase in the differential was due to a rise in housing rents and to the ending of restrictions on certain properties subject to state-subsidised lending. SATO applies the historical cost method to investment properties and states the fair value of the investment properties in a note to the financial statements and interim statements.

Investments

Investment business lays the foundations for growth and for a positive trend in the cash flow from renting.

During the period under review the Group's gross investments in investment properties totalled 55.9 (90.5) million euros, of

which St. Petersburg accounted for 4.2 (6.0) million euros. The investments were all concentrated on SATO business. Investments were used to purchase a total of 332 (420) rented homes, 293 of which were in the Helsinki Metropolitan Area. The main investment of the period was 195 homes in the Helsinki Metropolitan Area purchased from Pension Fennia.

At the end of June, 336 (170) rented homes intended for Group ownership were under construction, of which 38 (72) are in St. Petersburg and 161 are being built in the Helsinki Metropolitan Area and Oulu with interest-subsidised financing under the so-called interim model.

Rental business

Rental business secures a steady trend in cash flow. By devoting effort to customer relationships, we improve customer satisfaction and maintain a high rental occupancy rate.

In the Helsinki Metropolitan Area, Tampere, Turku and Oulu, SATO handles the renting of homes mostly as an in-house operation. In other areas, renting is done through partners.

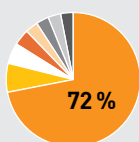
The financial occupancy rate of rented homes during the period under review averaged 95.9 (97.9) per cent and that of shared ownership apartments was 100.0 (100.0) per cent. The downturn in the occupancy rate was influenced by the completion of new rented apartment properties and the start-up of leasing for these during the period under review as well as by a fall in demand for large rented homes and luxury apartments.

The tenant turnover rate of rental homes was 31.7 (31.4) per cent and that of shared ownership apartments was 10.3 (10.9) per cent.

The average monthly rent per square metre during the period under review was EUR 11.60 (EUR 10.69) for rental housing and EUR 9.13 (EUR 8.96) for shared ownership apartments.

The net rental income on the housing portfolio was 46.5 (47.1) million euros. The net rental income annualised on the book value of rental housing was 7.8 (8.0) per cent and 6.6 (6.9) per cent on the fair value.

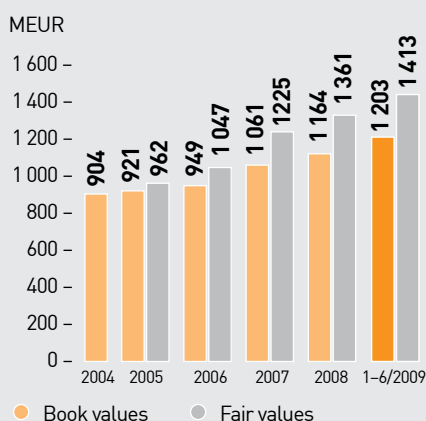
Regional distribution of housing portfolio, 30 June 2009



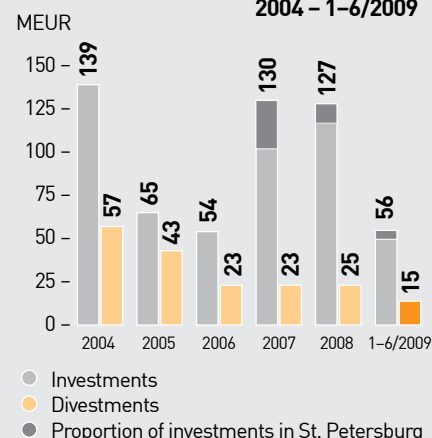
- Helsinki Metropolitan Area 72 %
- Rest of Helsinki Region 7 %
- Tampere Region 5 %
- Jyväskylä Region 4 %
- Turku Region 3 %
- Oulu Region 3 %
- Rest of Finland 3 %
- St. Petersburg 3 %

Total housing portfolio, fair value MEUR 1,412.9

Trend in the housing portfolio, book values 2004 - 1-6/2009 and fair values 2005 - 1-6/2009



Investments and divestments in housing 2004 - 1-6/2009

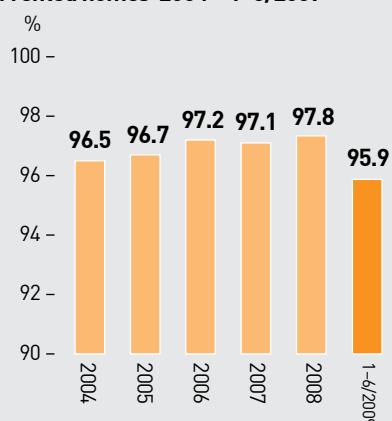


Information on segments

SATO business includes privately financed investment homes as well as those state-subsidised and interest-subsidised homes, to which property-specific restrictions end mostly by 2016, although for some properties they will continue until 2025. Construction of owner-occupied housing and investment in housing in St. Petersburg are also included in SATO business. VATRO business includes housing subject to longer-term property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by the year 2047.

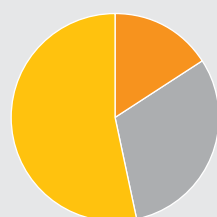
	SATO business	VATRO business	Total	SATO business	VATRO business	Total
	30.6.2009	30.6.2009	30.6.2009	30.6.2008	30.6.2008	30.6.2008
Investment Property						
- book value, MEUR	961.0	242.3	1,203.3	883.2	257.2	1,140.4
- fair value, MEUR	1,170.6	242.3	1,412.9	1,062.6	257.2	1,319.8
- differential, MEUR	209.6	0	209.6	179.4	0	179.4
Homes owned, total	17,462	4,947	22,409	17,308	5,253	22,561
- rented homes	16,099	4,947	21,046	15,892	5,253	21,145
- share ownership apartments	1,363	-	1,363	1,416	-	1,416
Completed owner-occupied homes	163	-	163	280	-	280
	1-6/2009	1-6/2009	1-6/2009	1-6/2008	1-6/2008	1-6/2008
Turnover, MEUR	106.4	19.0	125.4	109.9	18.9	128.8
Profit before taxes, MEUR	12.1	2.6	14.7	22.1	0.7	22.8
Gross investment, MEUR	55.9		55.9	90.5		90.5
- old stock, MEUR	33.8		33.8	54.6		54.6
- new homes, MEUR	20.0		20.0	32.7		32.7
- repairs, MEUR	2.1		2.1	3.1		3.1
Net rental income on the housing portfolio, MEUR	35.5	11.0	46.5	36.5	10.6	47.1
Net rental income of rented homes, %						
- on book value	7.7	8.2	7.8	8.1	7.6	8.0
- on fair value	6.2	8.2	6.6	6.7	7.6	6.9
Financial rental occupancy rate of rented homes, %	95.3	97.9	95.9	97.8	98.5	97.9
Tenant turnover, %	32.3	29.9	31.7	31.3	32.3	31.4
Average rent, €/sq.m./month	11.91	10.65	11.60	10.93	10.00	10.69
Divestments, MEUR	16.9	1.5	18.4	8.1	0.6	8.7

Financial rental occupancy rate of rented homes 2004 – 1-6/2009



Reserve of plots 30 June 2009 (sq.m. floor area)

Total approx. 405,500, approx. 4,800 units



- Zoned 216,500
- Framework zoning 64,000*
- Letters of intent and allocations 125,000

* Permitted building volume in zoning proposals

Divestments

SATO's strategic intent is to consolidate its investment properties in the five largest urban growth centres in Finland and St. Petersburg. Most divestments of housing will take place in other regions.

During the period under review, SATO continued the regional consolidation of its housing portfolio in the largest centres of growth. Divestments of the Group's rental housing portfolio amounted to 15.1 (7.6) million euros. The main deals were made in June with the companies of the AL-Vuokratalot Oy group, to which SATO sold a total of 175 homes in Punkaharju, Iisalmi, Kouvola and Nastola. Also in June, 89 of SATO's homes in Kuopio were sold to Lähisijoitus Oy.

Other divestments totalled 3.3 (1.1) million euros. The divestments generated a total of 8.7 (4.7) million euros in capital gains.

Property development

Property development is used to create a basis for the construction for SATO of investment properties and of owner-occupied homes for sale.

The book value of the building land inventory held at the end of the period under review was 71.6 (65.6) million euros. No new plots were purchased during the period (plot acquisitions at the end of Q2 2008 had a value of 0.5 million euros). The city of Helsinki allocated to SATO a total of 11,950 square metres of floor area of permitted building area in the Kalasatama district and Pakila. As a result of a change in land use zoning in the Kupittaa district of Turku, a total of 47,690 square metres of floor area of permitted building area was confirmed for a former industrial block, of which SATO's share is 17,800 square metres of floor area.

During the period under review, a total of 147 (280) owner-occupied apartments were completed. Under construction at the end of June were a total of 81 (461) owner-occupied apartments.

During the period under review, a total of 120 (133) owner-occupied apartments were sold, to a value of 27.2 (32.8) million euros, of which 11 apartments to a value of 3.3 million euros were transferred to Investment Property for rental use. Unsold at the end of the period under review were 50 (246) owner-occupied apartments under construction and 34 (57) completed ones.

Personnel

At the end of the period under review, the Group had 138 (159) employees and during the period under review it had an average of 140 (164) employees.

Risks and uncertainty factors in the near future

The change in the market prices of housing has an impact on the value of SATO's housing portfolio. A favourable trend in the value of the housing portfolio and the rental attractiveness of the apartments will be secured by concentrating on the urban centres of growth.

Changes in interest rates affect SATO's profits through changes in interest expenses and in the market value of interest rate hedging. In line with the Group's financing policy, 50–80 per cent of the market-rate loans' interest positions are hedged.

The adequacy of financing is monitored on an ongoing basis by liquidity forecasting.

The reorganisation of operations will reduce the company's dependency on cyclical fluctuations in the construction of owner-occupied housing. In the present market conditions, SATO will not initiate new owner-occupied housing projects due to weak demand for owner-occupied homes.

The economic uncertainty is also reflected in the housing market in St. Petersburg, as a result of which SATO will not enter into new investment commitments in St. Petersburg in 2009, concentrating instead on starting up rental business.

Lawsuits and countersuits between the contracting parties are pending in respect of the implementation and invoicing for the construction project known as Asunto Oy Helsingin Tila.

Outlook

Demand for rented housing is forecast to remain positive. Demand will focus in particular on small apartments in the urban centres of growth, for which the trend in rents will continue to be favourable. As a result of the deterioration in overall economic conditions, there will be less demand for larger rented apartments and changes in rents will be modest.

In accordance with its strategy, SATO has consolidated its holdings of rented homes on a long-term basis in the five largest urban growth centres and the proportion of small rented homes has been expanded. In 2009, the net rental income from the Group's rented homes is expected to be an improvement on the previous year's figure.

In view of the uncertainty in the financial market, SATO's investments in housing will be lower than last year. SATO is carrying out investments in new construction for start-up in 2009 with interest-subsidised financing on the so-called interim model.

Due to the low demand for owner-occupied apartments, SATO will not consider starting new owner-occupied apartment projects before the end of the year at the earliest.

Due to the smaller volume of owner-occupied housing construction and due to non-recurring items, the Group's overall profit is expected to be lower than that of 2008.

Shareholders in SATO Corporation, 29 July 2009

The ten biggest shareholders and their holdings (per cent)

Varma Mutual Pension Insurance Company	38.6
Ilmarinen Mutual Pension Insurance Company	15.9
Suomi Mutual Life Assurance Company	14.8
Tapiola Insurance Group	7.3
Pension Fennia Mutual Insurance Company	5.4
Tapiola Mutual Pension Insurance Company	5.1
Wärtsilä Corporation	4.4
Pohjola Insurance Ltd	2.7
Notalar Oy	2.0
Habinvest Oy	1.0
Others	2.8

On 29 July 2009, the Group had 29 shareholders entered in the book-entry securities register.

Consolidated profit and loss account, IFRS

MEUR	1.4.-30.6.2009	1.4.-30.6.2008*	1.1.-30.6.2009	1.1.-30.6.2008*	1.1.-31.12.2008*
Turnover	68.6	50.3	125.4	128.8	290.4
Capital gains/losses on Investment Properties	5.8	0.2	5.9	3.9	9.6
Share of profit in associated companies	0.0	0.0	0.0	0.0	0.1
Other income from business operations	0.6	0.0	0.6	0.0	0.3
Consumption of materials and services	-23.4	-6.8	-39.4	-41.7	-121.0
Personnel expenses	-1.8	-2.9	-4.8	-5.5	-10.7
Depreciation and write-downs	-4.7	-4.4	-9.5	-8.7	-17.6
Losses from disposals of Investment Properties	0.0	0.0	0.0	-0.3	0.1
Other expenses of business operations	-21.3	-19.0	-41.7	-37.5	-76.8
Operating profit	23.7	17.4	36.6	39.0	74.3
Financial income	0.2	2.7	0.5	3.2	2.4
Financial expenses	-9.5	-9.2	-22.5	-19.3	-45.3
	-9.3	-6.5	-21.9	-16.1	-42.9
Profit before taxes	14.4	10.9	14.7	22.8	31.5
Income taxes	-3.5	-2.8	-3.7	-5.9	-7.9
Profit for the period	10.9	8.1	11.0	16.9	23.5
Other comprehensive income items					
Hedging of cash flow	2.0	5.6	-3.4	3.5	-12.5
Financial assets available for sale	0.0	-0.1	0.0	-0.2	-0.2
Translation difference	0.0	0.0	0.0	0.0	0.0
Taxes applied to other comprehensive income items	-0.5	-1.5	0.9	-0.9	3.3
Other comprehensive income items for the accounting period after taxes	1.5	4.1	-2.5	2.5	-9.4
Comprehensive income for the accounting period, total	12.4	12.2	8.5	19.4	14.1
Distribution of net profit for financial period					
To the owners of the parent company	10.8	8.0	10.9	16.8	23.4
To minorities	0.1	0.0	0.1	0.1	0.2
	10.9	8.1	11.0	16.9	23.5
Distribution of comprehensive income					
To the owners of the parent company	12.3	12.2	8.4	19.3	14.0
To minorities	0.1	0.0	0.1	0.1	0.2
	12.4	12.2	8.5	19.4	14.1
Profit per share calculated on the profit due to the owners of the parent enterprise					
Earnings per share, €	0.24	0.18	0.24	0.38	0.53
Average number of shares, million	45.2	44.4	45.2	44.4	44.4

*) Equivalent to existing, amended accounting conventions [backdated correction as per IFRIC 15]

Consolidated balance sheet, IFRS

MEUR	30.6.2009	30.6.2008*	31.12.2008*
Assets			
Non-current assets			
Investment Properties	1,203.3	1,140.4	1,163.5
Tangible assets included in fixed assets	1.4	1.9	1.8
Intangible assets	1.1	1.3	1.2
Holdings in associated companies	0.5	0.5	0.6
Financial assets for sale	2.2	2.1	2.2
Receivables	9.4	8.3	9.1
Deferred tax credits	21.0	13.4	18.0
	1,238.8	1,167.9	1,196.3
Current assets			
Inventories	104.2	177.0	128.6
Trade receivables and other receivables	24.4	22.2	16.1
Tax credits based on taxable income for period	1.6	0.7	1.6
Cash and cash equivalents	51.3	32.3	46.8
	181.5	232.0	193.3
Assets, total	1,420.4	1,399.9	1,389.6
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	-9.1	5.3	-6.6
Reserve fund	43.7	43.7	43.7
Other funds	9.3	3.2	3.2
Retained profits	158.4	151.6	158.1
	206.7	208.1	202.8
Minority interest	1.6	1.5	1.5
Shareholders' equity, total	208.3	209.6	204.3
Liabilities			
Long-term liabilities			
Deferred tax liability	67.5	62.7	63.3
Reserves	5.9	5.6	6.1
Interest-bearing debts	875.5	849.4	846.9
	948.8	917.7	916.3
Current liabilities			
Accounts payable and other debts	60.4	84.2	58.8
Tax liability based on taxable income for period	0.0	0.0	0.0
Interest-bearing debts	202.9	188.4	210.3
	263.2	272.6	269.0
Liabilities, total	1,212.1	1,190.3	1,185.3
Shareholders' equity and liabilities, total	1,420.4	1,399.9	1,389.6

*) Equivalent to existing, amended accounting conventions (backdated correction as per IFRIC 15)

Consolidated cash flow statement, IFRS

MEUR	1.1.- 30.6.2009	1.1.- 30.6.2008	1.1.- 31.12.2008
Cash flow from operating activities			
Net profit for period	11.0	16.9	23.5
Adjustments:			
Business activities not associated with payments	11.4	7.4	21.7
Capital gains on fixed assets	-5.9	-3.6	-9.7
Interest expenses and other financial expenses	20.2	19.3	40.7
Interest income	-0.5	-1.0	-2.3
Dividend income	0.0	0.1	-0.1
Taxes	3.7	5.9	7.9
Change in fixed assets:			
Change in trade receivables and other receivables	-11.4	0.7	-2.2
Change in inventory	24.8	-3.6	45.0
Change in accounts payable and other debts	1.6	8.3	-36.6
Change in reserves	-0.3	0.0	0.6
Interest paid	-23.4	-20.0	-38.3
Interest received	1.3	1.4	1.9
Taxes paid	-2.8	-2.7	-7.1
Net cash flow from operating activities	29.7	29.1	45.0
Cash flow from investments			
Acquisition of subsidiaries less cash assets on acquisition date	0.0	0.3	0.0
Investments in tangible fixed assets	-39.4	-79.8	-117.9
Investments in intangible assets	0.0	-0.2	-0.3
Instalment on notes receivable	0.2	0.6	1.9
Loans granted	-0.3	-0.9	-2.3
Sales of associated companies	0.0	0.4	0.0
Sales of tangible fixed assets	8.1	7.0	23.8
Net cash flow from investments	-31.5	-72.7	-94.8
Cash flow from financing			
Payments received from share issues	0.0	0.0	0.0
Repayments (-) / withdrawals (+) of short-term loans	-12.8	5.3	53.1
Withdrawals of long-term loan	64.8	68.2	86.4
Repayments of long-term loans	-35.1	-15.5	-61.0
Interest paid	-10.7	-16.0	-16.0
Net cash flow from financing	6.3	41.9	62.6
Change in cash and cash equivalents	4.5	-1.7	12.8
Cash and cash equivalents at start of period	46.8	34.0	34.0
Cash and cash equivalents at end of period	51.3	32.3	46.8

Calculation of changes in Group shareholders' equity, 1.1.–30.6.2009

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 1.1.2009	4.4	-6.6	43.7	3.2	158.1	202.8	1.5	204.3
Comprehensive income for the accounting period, total		-2.5		0.0	10.9	8.4	0.1	8.5
Dividend payment					-10.7	-10.7		-10.7
Targeted share issue				6.2		6.2		6.2
Other adjustments						0.0		0.0
Shareholders' equity 30.6.2009	4.4	-9.1	43.7	9.3	158.4	206.7	1.6	208.3

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	150.8	204.9	1.4	206.1
Comprehensive income for the accounting period, total		2.5			16.8	19.3	0.1	19.4
Dividend payment					-16.0	-16.0		-16.0
Targeted share issue						0.0		0.0
Other adjustments						0.0		0.0
Shareholders' equity 30.6.2008	4.4	5.3	43.7	3.2	151.6	208.1	1.5	209.6

Notes to the interim report

SATO's interim report for the period 1.1.-30.6.2009 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.

As of the beginning of 2009, SATO changed the method of income-recognising sales of newly built housing according to degree of completion in accordance with the new interpretation under IFRIC 15. Homes sold during construction are recognised at the time of completion of the property and completed homes are recognised on the date of sale. The change in the convention increases the net profit for the financial year 2008 by 3.6 million euros. After the change, the 2008 financial year's comparable profit before taxes is 31.5 million euros. Since 1 January 2009, SATO has applied the following new and amended standards: IFRS 8 Operating Segments and IAS 1 Presentation of Financial Statements. In other respects, the same accounting conventions have been applied in the production of the interim report as were used in the IFRS consolidated financial statements for the financial year 1.1-31.12.2008.

SATO's operations are managed and monitored in the form of two business areas, namely SATO business and VATRO business. The division into segments is done on the same principle. SATO business includes privately financed investment homes as well as those state-subsidised and interest-subsidised homes to which property-specific restrictions end mostly by 2016, although for some properties they will continue until 2025. Construction of owner-occupied housing and investment in housing in St. Petersburg are also included in SATO business. VATRO business includes housing subject to longer-term property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by the year 2047.

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.–30.6.2009

MEUR	SATO business	VATRO business	Eliminations	Total SATO Group
External turnover	106.4	19.0		125.4
Internal turnover	0.0	0.0		0.0
Turnover, total	106.4	19.0		125.4
Profits/losses on surrender of Investment Properties	5.2	0.8		5.9
Depreciation and write-downs	-7.0	-2.4		-9.5
Operating profit	29.0	7.6		36.6
Financial expenses (net)	-16.9	-5.0		-21.9
Profit before taxes	12.1	2.6		14.7
Net rental income on the housing portfolio	35.5	11.0		46.5
Net rental income, % of book value (%)	7.7	8.2		7.9
Investments	55.9			55.9
Acquisition of land for inventor				0.0
Depreciation	-7.0	-2.4		-9.5
Impairments	0.0			0.0
Investment Properties	961.0	242.3		1,203.3
Cash and cash equivalents	23.5	5.5		29.0
Other assets of the segment	142.8	1.5		144.3
Share in joint venture	0.2	0.3		0.5
Total assets and eliminations allocated to segments	1,127.5	249.6		1,377.1
Unallocated assets				43.3
Assets, total				1,420.4
Interest-bearing debts	846.8	237.4		1,084.2
Segment's other debts	54.5	5.9		60.4
Total debts and eliminations allocated to segments	901.3	243.3		1,144.6
Unallocated debts				67.5
Debts, total				1,212.1

Segment information 1.1.–30.6.2008

MEUR	SATO business	VATRO business	Eliminations	Total SATO Group
External turnover	109.9	18.9		128.8
Internal turnover				0.0
Turnover, total	109.9	18.9		128.8
Profits/losses on surrender of Investment Properties	3.6			3.6
Depreciation and write-downs	-6.4	-2.3		-8.7
Operating profit	33.1	5.9		39.0
Financial expenses (net)	-10.9	-5.2		-16.1
Profit before taxes	22.1	0.7		22.8
Net rental income on the housing portfolio	36.5	10.6		47.1
Net rental income, % of book value (%)	8.1	7.6		8.0
Investments	90.5			90.5
Acquisition of land for inventor	0.0			0.0
Depreciation	-6.4	-2.3		-8.7
Impairments	0.0			0.0
Investment Properties	883.2	257.2		
Cash and cash equivalents	24.2	3.5		
Other assets of the segment	213.6	2.5		
Share in joint venture	0.2	0.3		
Total assets and eliminations allocated to segments	1,121.2	263.5		1,384.7
Unallocated assets				15.2
Assets, total				1,399.9
Interest-bearing debts	782.9	255.0		
Segment's other debts	84.9	7.1		
Total debts and eliminations allocated to segments	867.8	262.1		1,129.9
Unallocated debts				60.4
Debts, total				1,190.3

Segment information 1.1.–31.12.2008

MEUR	SATO business	VATRO business	Eliminations	Total SATO Group
External turnover	252.7	37.7		290.4
Internal turnover				0.0
Turnover, total	252.7	37.7		290.4
Profits/losses on surrender of Investment Properties	9.1	0.6		9.7
Depreciation and write-downs	-12.7	-4.9		-17.6
Operating profit	61.8	12.5		74.3
Financial expenses (net)	-32.6	-10.3		-42.9
Profit before taxes	29.3	2.2		31.5
Net rental income on the housing portfolio	73.1	21.5		94.6
Net rental income, % of book value (%)	8.0	7.9		8.0
Investments	133.3			133.3
Acquisition of land for inventor	6.0			6.0
Depreciation	-12.7	-4.9		-17.6
Impairments				0.0
Investment Properties	915.2	248.3		
Cash and cash equivalents	34.0	4.7		
Other assets of the segment	156.4	3.0		
Share in joint venture	0.3	0.3		
Total assets and eliminations allocated to segments	1,105.9	256.3		1,362.2
Unallocated assets				27.4
Assets, total				1,389.6
Interest-bearing debts	819.1	246.2		
Segment's other debts	49.0	7.7		
Total debts and eliminations allocated to segments	868.1	253.9		1,122.0
Unallocated debts				63.3
Debts, total				1,185.3

2. Investment properties

MEUR	30.6.2009	30.6.2008	31.12.2008
Acquisition cost, 1 Jan.	1,244.2	1,124.7	1,124.7
Increases; new properties	53.8	87.4	127.3
Increases; additional investments	2.1	3.1	5.9
Decreases	-9.2	-4.0	-15.2
Transfers between items	1.9	1.4	1.5
Acquisition cost, total	1,292.8	1,212.7	1,244.2
Accumulated depreciation and impairments, 1 Jan.	-80.7	-64.1	-64.1
Depreciation	-8.9	-8.2	-16.6
Losses on impairments	0.0	0.0	0.0
Accumulated depreciation and impairments, total	-89.6	-72.3	-80.7
Book value	1,203.3	1,140.4	1,163.5
Fair value	1,412.9	1,319.8	1,361.3

An external assessor has given a statement on the fair value of SATO's investment properties as at 30 June 2009.

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. At the time the interim financial statements are prepared, the fair values are updated in respect of investments, surrenders and changes in limitation periods. Also, an external specialist makes a statement on the appraisal.

3. Tangible assets in fixed assets

MEUR	30.6.2009	30.6.2008	31.12.2008
Book value at start of period	1.8	2.1	1.8
Increases	0.0	0.2	0.4
Decreases	0.0	-0.2	0.3
Depreciation for accounting period	-0.4	-0.2	-0.7
Book value at end of period	1.4	1.9	1.8

4. Inventories

MEUR	30.6.2009	30.6.2008	31.12.2008
Housing under construction	9.4	84.1	30.9
Completed housing and commercial facilities	17.7	18.2	20.8
Land areas and holding companies thereof	68.9	67.0	67.6
Other inventories	8.1	7.7	9.3
Total	104.2	177.0	128.6

EUR 2.1 million was posted as an expense in 2008, by which the book value of inventories was reduced to correspond to its net divestment value.

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:					
1.1.2009	44,422	4.4	43.7	2.7	50.8
Share issue	951	0.0	0.0	6.2	6.2
30.6.2009	45,373	4.4	43.7	8.9	57.0

6. Interest-bearing debts

During the first half of 2009, further long-term loans were taken in so-called ownership companies to a total of 50.8 million euros. Contingent liabilities applied to shares in housing companies have declined by 0.6 million euros.

For short-term financing, SATO now has a MEUR 100 commercial paper programme in use as well as MEUR 150 in binding credit limits on short-term loans. On 30 June 2009 the commercial paper issued amounted to 62.5 million euros and the credits raised on short-term credit limits were 95.0 million euros.

Since the end of the period under review, the company has agreed on raising the short-term credit limits to 160 million euros in addition to agreeing on a 35 million euro long-term loan of working capital to keep the company's liquidity at a favourable level.

7. Derivatives

MEUR	30.6.2009	30.6.2008	31.12.2008
Interest rate derivatives			
Interest rate derivatives, par value,	538.0	427.5	539.9
of which included in calculation of hedging	428.0	260.9	429.9
Interest rate derivatives, fair value,	-18.9	9.5	-13.2
of which included in calculation of hedging	-12.6	6.7	-9.5

8. Collateral and contingent liabilities

MEUR	30.6.2009	30.6.2008	31.12.2008
Debts secured by mortgages and pledges			
Market loans	507.4	486.1	479.2
Mortgages provided	56.2	54.3	55.0
Book value of pledged shares	539.6	486.2	485.8
Value of corporate mortgages pledged	0.0	0.0	0.0
Value of deposits pledged	1.4	0.8	1.4
State housing loans	221.3	239.8	230.3
Mortgages provided	395.9	412.4	404.8
Book value of pledged shares	27.5	28.5	28.3
Interest subsidised credits	97.9	100.3	100.2
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	78.9	59.7	63.8
Mortgages provided	103.6	87.0	89.7
Other liabilities			
Guarantees	1.3	2.0	1.5
Guarantee pledges for others			
Owner-occupier home purchase commitments	17.7	18.1	18.1
Rs-guarantees	17.4	22.1	19.4
Mortgages provided to secure payment of rent and street maintenance			
Property mortgages provided	5.1	5.1	5.1
Binding purchase agreements			
For acquisitions of investment properties	13.2	43.7	29.4
Pledges for land use payments on zoned plots	13.5	26.7	18.4
Letters of intent on land for which there is a zoning condition	18.1	13.0	12.9

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 105.7 on 30 June 2009 (MEUR 111.2 on 30 June 2008).

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 of SATO Corporation's President and CEO; the Vice President for the Helsinki Region and St. Petersburg; the Vice President for the Tampere, Turku, Oulu and Jyväskylä Regions; the Director, Marketing and Communications; and the Chief Financial Officer. Habinvest Oy, which was founded by the members of the Corporate Management Group in 2007, held at the end of 2008 465,000 SATO Corporation shares, which amounts to 1% of the company's issued stock. SATO Corporation bought back the holdings of the employees who resigned from the company's employ during the 2008 financial year.

The following transactions were effected with related parties:

MEUR	30.6.2009	30.6.2008	31.12.2008
Sums outstanding with owners			
Receivables	0.0	0.0	0.0
Debts	45.6	1.4	1.3

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

MEUR	30.6.2009	30.6.2008	31.12.2008
Management perquisites			
Salaries and other short-term perquisites	0.3	0.9	1.6
Other long-term perquisites	0.0	0.0	0.0
Total	0.3	0.9	1.6

10. Key indicators

	30.6.2009	30.6.2008	31.12.2008
Return on investment, %	5.8	7.0	6.3
Return on equity, %	10.7	16.3	11.5
Equity ratio, %	14.8	15.4	14.8
Equity ratio, % SATO business	17.6	19.1	17.9
Equity ratio, % SATO business at fair values	26.1	26.7	26.3
Earnings per share, €	0.24	0.38	0.52
Net worth per share, €			
- at book values	4.6	4.7	4.6
- at fair values	8.0	7.7	7.9
Gross investments, MEUR	55.9	90.8	134.0
Personnel, average	140	164	160

11. Formulas for key indicators

$$\text{Return on investment, \%} = \frac{(\text{Profit or loss before taxes + interest expense and other financing expenses}) \times 100}{\text{Balance sheet total - non-interest-bearing debts (average during the financial year)}}$$

$$\text{Return on equity, \%} = \frac{(\text{Profit or loss after taxes}) \times 100}{\text{Shareholders' equity (average during the financial year)}}$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total - advances received}}$$

$$\text{Earnings per share, €} = \frac{\text{Net profit for year due to owners of parent company}}{\text{Adjusted number of shares (average during the financial year)}}$$

$$\text{Net worth per share, €} = \frac{(\text{Net worth at balance sheet value - liabilities}) \times 100}{\text{Adjusted number of shares at year-end}}$$



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