

# SATO

## Interim report

### 1.1.-30.9.2008



# SATO

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### 1.1.–30.9.2008

#### Summary of the period 1-9/2008 (1-9/2007)

- The Group's turnover was 183.4 million euros (191.7) and operating profit was 54.8 (50.3) million euros.
- Profit before taxes was 24.2 (27.5) million euros.
- Improvement in net profit of Business Area Investment in Housing, downturn in that of Business Area Housing Development and Construction.
- Earnings per share were EUR 0.40 (0.45).
- Return on equity was 11.4 (13.5) per cent and return on investment was 7.6 (6.6) per cent.
- Gross investments in Investment Properties were 94.2 (109.5) million euros and divestments of housing were 11.0 (13.8) million euros.
- The book value of Investment Properties as at 30.9.2008 was 1,137.4 (1,037.8) million euros and the fair value was 1,325.1 (1,136.9) million euros. The difference between fair value and book value was 187.7 million euros and the difference increased by 23.4 million euros during the period under review.

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's 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.

#### Turnover and profit

The Group's turnover for the early months of the year was 183.4 million euros (191.7 million euros 1.1.-30.9.2007), of which the SATO Homes segment's turnover was 91.0 (82.1) million euros, that of the VATRO Homes segment was 28.3 (28.7) million euros and that of the Housing Development and Construction segment was 67.7 (85.5) million euros.

The Group's profit before taxes for the period was 24.2 (27.5) million euros. The SATO Housing segment's net profit was 20.9 (21.4) million euros, that of the VATRO Homes segment was 1.7 (0.7) million euros and that of Housing Development and Construction was 1.7 (5.6) million euros.

#### Financial status and financing

The consolidated balance sheet total at the end of the period under review totalled 1,351.1 (1,239.7) million euros. Shareholders' equity was 209.5 (203.3) million euros and the equity ratio was 15.7 (16.7) per cent. Shareholders' equity net of the VATRO Homes segment was 19.4 (22.1) per cent. The Group's return on equity was 11.4 (13.5) per cent and return on investment was 7.6 (6.6) 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 40.7 (31.6) million euros.

Interest-bearing liabilities at the end of the period under review were 1,024.8 (915.4) million euros, of which market rate loans totalled 625.9 (508.0) million euros, interest-subsidised loans totalled 100.2 (100.6) million euros, and state-subsidised loans totalled 238.6 (256.1) million euros. There were debts in the amount of 60.1 (50.7) 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, 375.9 (263.2) million euros was hedged. The average maturity of the hedging instruments was 3.3 (3.1) years.

#### Investments and divestments

The Group's gross investment in Investment Properties totalled 94.2 (109.5) million euros. During the period under review, Group housing properties were sold for a total of 11.0 (13.8) million euros.

During the period under review, no plots were acquired for inventories (36.6 million euros in 1.1.-30.9.2007). Plots were transferred to production for a total of 2.0 (7.9) million euros and divested for 2.5 (0) million euros.

## Business area Investment in Housing

On 30.9.2008, SATO held a total of 22,464 (22,616) homes, of which 21,063 (21,150) were rented and 1,401 (1,466) were shared ownership apartments. The book value of the rented homes was 1,137.4 (1,037.8) million euros and their fair value was 1,325.1 (1,136.9) million euros. During the period under review, the book value of the housing portfolio grew by 77.1 (88.4) million euros and the number of homes grew by 77 (68).

SATO's investment housing is divided between two business segments, SATO Homes and VATRO Homes. SATO Homes includes the privately financed homes and those housing units subject to state subsidies and interest subsidised credits to which property-specific restrictions end during the period 2008 - 2025. The segment includes a total of 15,833 homes. VATRO Homes includes those housing units which are subject to longer-term property-specific restrictions under legislation on state subsidised loans. The VATRO Homes segment has a total of 5,230 homes.

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. 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 119.3 (110.8) million euros. Of turnover, rental income was 119.0 (110.7) 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 22.6 (22.1) million euros. The profit from rental operations was 17.4 (17.0) million

euros and proceeds from sales of shares in divestments were 5.2 (5.1) million euros.

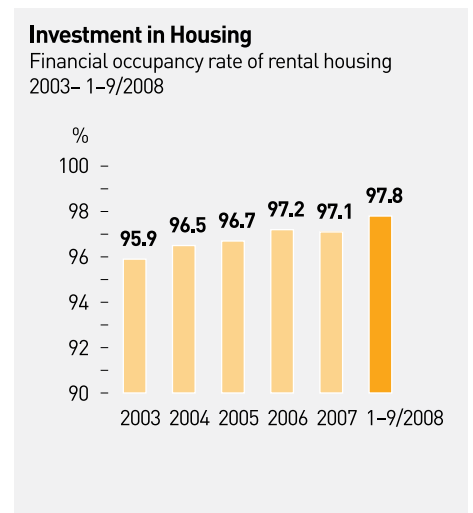
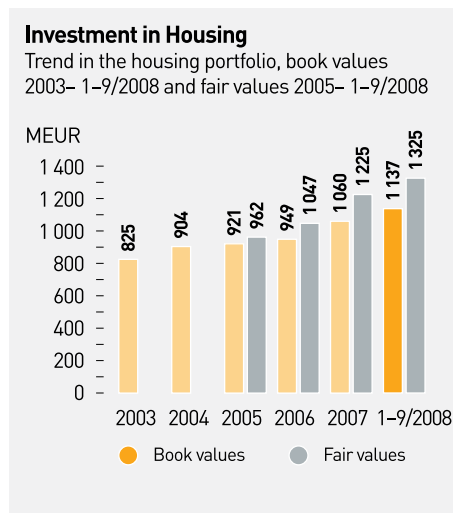
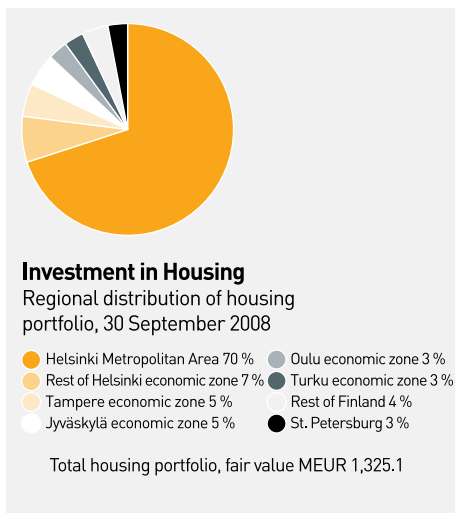
During the period under review, the total invested in housing was 94.2 (109.5) million euros, and this was all allocated to the SATO Homes segment. Investments were used to acquire a total of 441 (567) rented homes, of which 52 (74) were newly built. Of the apartments, 349 are in the Helsinki Metropolitan 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 September, there were a total of 180 rental 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 34.6 (9.4) million euros. The first four rental homes were completed in the beginning of October.

The value of housing divestments totalled 11.0 (13.8) million euros. During the period under review, a total of 342 (387) rental homes were sold from the Group's housing portfolio.

The financial occupancy rate of rental homes during the period under review averaged 97.8 (96.8) per cent and that of shared ownership apartments was 100.0 (99.8) per cent. The tenant turnover rate of rental homes was 30.9 (31.6) per cent and that of shared ownership apartments was 11.8 (10.7) 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 rental housing was 8.0 (8.1) per cent and 6.9 (7.4) 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

	SATO Housing 1-9/2008	VATRO Housing 1-9/2008	Total 1-9/2008	SATO Housing 1-9/2007	VATRO Housing 1-9/2007	Total 1-9/2007
Turnover, MEUR	91.0	28.3	119.3	82.1	28.7	110.8
Profit before taxes, MEUR	20.9	1.7	22.6	21.4	0.7	22.1
- incl. proceeds from divestments, MEUR	5.3	-0.1	5.2	5.1	0	5.1
Net rental income of rented homes, %						
- at book values	8.1	7.6	8.0	8.4	7.4	8.1
- at fair values	6.7	7.6	6.9	7.4	7.4	7.4
Financial rental occupancy rate of rented homes, %	97.5	98.6	97.8	96.5	97.7	96.8
Tenant turnover, %	30.6	32.0	30.9	30.9	33.5	31.6
Average rent, €/sq.m./month	10.93	10.00	10.69	10.37	9.59	10.09
Gross investments, MEUR	94.2	0	94.2	109.5	0	109.5
Divestments, MEUR	9.4	1.6	11.0	9.9	3.9	13.8
Repairs, MEUR	11.3	2.8	14.1	21.6	4.0	25.6
	<b>30.9.2008</b>	<b>30.9.2008</b>	<b>30.9.2008</b>	<b>30.9.2007</b>	<b>30.9.2007</b>	<b>30.9.2007</b>
Number of rented homes	15,833	5,230	21,063	15,607	5,543	21,150
Number of shared ownership homes	1,401	0	1,401	1,466	0	1,466
Investment Properties:						
- book value, MEUR	883.3	254.1	1,137.4	771.0	266.8	1,037.8
- fair value, MEUR	1,071.0	254.1	1,325.1	870.2	266.8	1,136.9
Difference in value, MEUR	187.7	0	187.7	99.1	0	99.1

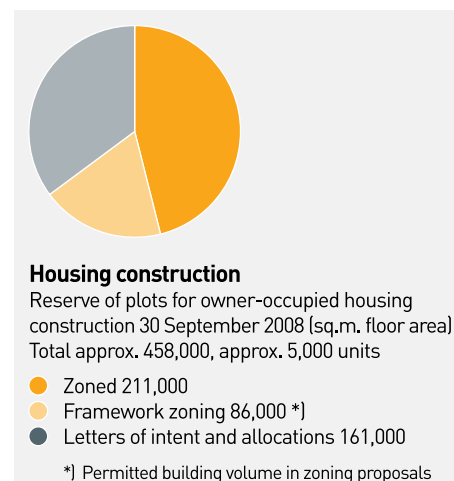
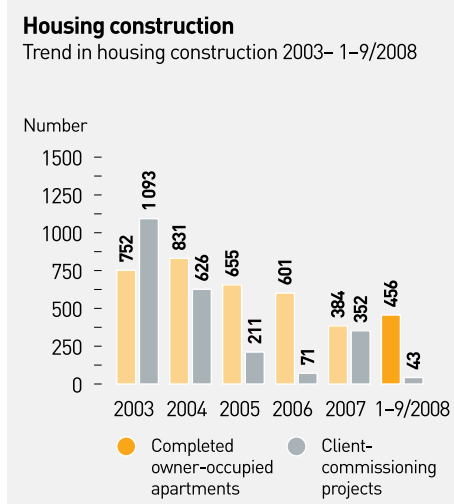
## Business area Housing Development and Construction

The turnover from Housing Development and Construction during the period under review was 67.7 (85.5) million euros. The turnover includes 3.6 (4.5) million euros of internal sales.

In accordance with IFRS accounting conventions, developer/client projects are income-recognised according to overall percentage of completion. The profit before taxes of the Housing Development and Construction division was 1.7 (5.6) million euros for the period under review. Net profit includes 2.1 (0) million euros in proceeds from divestments of plots and a 4.4 million euro provision for a loss on one project.

During the period under review, a total of 499 (588) new homes were completed, of which 456 (301) were owner-occupied and 43 (287) were homes in client projects. The number of new owner-occupied homes started was 137 (285). In terms of value, the main projects started during the period were in the Pakkala district of Vantaa, the Linnainmaa area of Tampere, and the city centre of Jyväskylä.

Under construction at the end of September were a total of 413 (769) homes, of which 300 (661) were owner-occupied, 21 (0) were rented homes intended for Group ownership, and 92 (108) were apartments in client projects. At the end of the period under review, 181 (305) homes under construction and 74 (32) 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. A plot allocation has been obtained from the City of Helsinki for roughly 6,000 square metres of floor area in the Laajasalo district and two more were obtained from the City of Vantaa for roughly 4,000 square metres of floor area in Ylästö and approximately 5,300 square metres of floor area in Martinlaakso. A letter of intent has been signed for a plot area in the centre of Jyväskylä to be developed together with Rakennus-Otava Oy with the aim of a total of roughly 10,000 square metres of residential floor area. The permitted building volume used for residential construction was valued at 2.0 (7.9) million euros.

The book value of the building land inventory held at the end of the period under review was 64.9 (67.7) million euros.

### 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 increased due to the state of the market and a downturn in consumer confidence. A change in the market price of homes has an impact on the value of SATO's housing portfolio.

SATO's financing is denominated in euros, which includes an interest rate risk. The interest risk has been limited by hedging 63 per cent of the market-rate loans. 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 158 (175) employees and during the period under review it had an average of 163 (176) employees.

### Outlook

There was a marked change in the state of the housing market during the autumn due to uncertainty on the financial market. The positive trend on the market for rental homes continues, but demand for owner-occupied homes has declined and the number of unsold completed homes has risen. No rapid change in the state of the market can be expected. SATO is adjusting its operations to match the state of the market and it has initiated consultative procedures for the personnel of Business Area Housing Development and Construction.

SATO's growth target is supported by rising demand for rented and senior homes in the Helsinki Metropolitan Area and by the start-up of Investment in Housing business in St. Petersburg. In the near future, however, the implementation of investments will decline due to the prevailing uncertainty in the financial market.

During the current year, capital will be committed upfront relative to earnings accrued due to an increase in the proportion of investment in new homes in Finland and St. Petersburg.

The consolidated net profit for 2008 is expected to decline relative to the previous year's figure due to a downturn in Business Area Housing Development and Construction's net profit.

### Shareholders in SATO Corporation, 14 October 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 14 October 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.



## Consolidated profit and loss account

MEUR	IFRS 1.7.-30.9.2008	IFRS 1.7.-30.9.2007	IFRS 1.1.-30.9.2008	IFRS 1.1.-30.9.2007	IFRS 1.1.-31.12.2007
<b>Turnover</b>	57.7	62.0	183.4	191.7	256.2
Capital gains/losses on investment properties	1.7	1.0	5.6	5.6	7.7
Share of joint venture's profit	0.0	0.0	0.0	0.0	0.0
Other income from business operations	0.0	0.0	0.0	0.2	0.6
Consumption of materials and services	-15.8	-21.8	-56.6	-69.5	-93.4
Personnel expenses	-2.6	-2.9	-8.2	-8.3	-10.6
Depreciation and write-downs	-4.5	-4.0	-13.2	-12.8	-16.9
Losses from disposals of Investment Properties	-0.1	-0.4	-0.3	-0.6	-0.7
Other expenses of business operations	-18.4	-15.8	-55.9	-56.2	-76.7
<b>Operating profit</b>	<b>18.0</b>	<b>18.0</b>	<b>54.8</b>	<b>50.3</b>	<b>66.2</b>
Financial income	2.9	2.8	13.6	7.8	11.3
Financial expenses	-16.0	-11.6	-44.2	-30.6	-43.3
	-13.2	-8.8	-30.6	-22.8	-32.0
<b>Profit before taxes</b>	<b>4.8</b>	<b>9.3</b>	<b>24.2</b>	<b>27.5</b>	<b>34.3</b>
Income taxes	-1.3	-2.6	-6.3	-7.2	-9.0
<b>Profit for the period</b>	<b>3.6</b>	<b>6.7</b>	<b>17.9</b>	<b>20.3</b>	<b>25.2</b>
Distribution					
To the owners of the parent company	3.5	6.6	17.8	20.2	25.1
To minorities	0.1	0.1	0.2	0.2	0.1
	3.6	6.7	17.9	20.3	25.2
Profit per share calculated on the profit due to the owners of the parent enterprise					
Earnings per share, €	0.08	0.15	0.40	0.45	0.57
Average number of shares, million	44.42	44.42	44.42	44.42	44.42

## Consolidated balance sheet

MEUR	IFRS 30.9.2008	IFRS 30.9.2007	IFRS 31.12.2007
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	1,137.4	1,037.8	1,060.3
Tangible assets included in fixed assets	1.8	2.0	2.1
Intangible assets	1.2	1.2	1.2
Holdings in associated companies	0.5	0.2	0.8
Financial assets for sale	2.1	2.0	2.1
Receivables	8.5	2.9	7.2
Deferred tax credits	13.9	13.4	11.0
	1,165.4	1,059.5	1,084.8
<b>Current assets</b>			
Inventories	112.3	112.8	113.2
Trade receivables and other receivables	31.8	35.7	27.6
Tax credits based on taxable income for period	1.0	0.0	3.5
Cash and cash equivalents	40.7	31.6	34.0
	185.8	180.1	178.2
<b>Assets, total</b>	<b>1,351.1</b>	<b>1,239.7</b>	<b>1,263.0</b>

MEUR	IFRS 30.9.2008	IFRS 30.9.2007	IFRS 31.12.2007
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity belonging to the owners of the parent company</b>			
Share capital	4.4	4.4	4.4
Value adjustment fund	2.2	2.9	2.8
Reserve fund	43.7	43.7	43.7
Other funds	3.2	3.2	3.2
Retained profits	156.1	149.1	154.3
	209.5	203.3	208.4
Minority interest	1.5	1.4	1.4
<b>Shareholders' equity, total</b>	<b>211.1</b>	<b>204.7</b>	<b>209.8</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Deferred tax liability	62.6	54.1	56.8
Reserves	5.6	6.1	5.5
Interest-bearing debts	817.0	769.4	768.1
	885.2	829.6	830.5
<b>Current liabilities</b>			
Accounts payable and other debts	47.1	57.2	44.9
Tax liability based on taxable income for period	0.0	2.2	0.9
Interest-bearing debts	207.8	146.0	177.0
	254.9	205.4	222.7
<b>Liabilities, total</b>	<b>1,140.1</b>	<b>1,035.0</b>	<b>1,053.2</b>
<b>Shareholders' equity and liabilities, total</b>	<b>1,351.1</b>	<b>1,239.7</b>	<b>1,263.0</b>

## Consolidated cash flow statement

MEUR	1.1.- 30.9.2008	1.1.- 30.9.2007	1.1.- 31.12.2007
<b>Cash flow from operating activities</b>			
Net profit for period	17.9	20.3	25.2
Adjustments:			
Business activities not associated with payments	13.6	12.3	16.5
Capital gains on fixed assets	-5.2	-5.0	-7.0
Interest expenses and other financial expenses	43.9	25.2	43.3
Interest income	-13.6	-2.1	-10.9
Dividend income	0.0	-0.1	-0.1
Taxes	6.3	7.2	9.0
Change in fixed assets:			
Change in trade receivables and other receivables	4.2	-11.5	-5.3
Change in inventory	-1.4	-39.9	-35.3
Change in accounts payable and other debts	0.5	17.8	1.3
Change in reserves	0.0	-0.9	-1.4
Interest paid	-42.8	-24.6	-40.6
Interest received	11.3	2.1	10.8
Taxes paid	-4.1	-6.4	-8.0
<b>Net cash flow from operating activities</b>	<b>30.6</b>	<b>-5.6</b>	<b>-2.5</b>

MEUR	1.1.- 30.9.2008	1.1.- 30.9.2007	1.1.- 31.12.2007
<b>Cash flow from investments</b>			
Sales of subsidiaries less cash and cash equivalents at the date of sale	0.5	0.0	0.0
Acquisition of associated companies	0.0	0.0	0.0
Investments in tangible fixed assets	-94.5	-109.5	-148.6
Investments in intangible assets	-0.2	-6.9	-0.5
Instalment on notes receivable	0.6	0.5	0.7
Loans granted	-4.9	-1.0	-5.6
Sales of associated companies	0.3	0.0	0.0
Sales of tangible fixed assets	10.4	18.1	27.5
Interest received	0.0	0.1	0.0
<b>Net cash flow from investments</b>	<b>-87.8</b>	<b>-98.7</b>	<b>-126.5</b>
<b>Cash flow from financing</b>			
Payments received from share issues	0.0	2.8	2.8
Repayments (-) / withdrawals (+) of short-term loans	25.6	61.0	58.8
Withdrawals of long-term loans	78.4	72.5	115.9
Repayments of long-term loans	-24.1	-25.8	-39.8
Interest paid	-16.0	-15.9	-15.9
<b>Net cash flow from financing</b>	<b>63.9</b>	<b>94.6</b>	<b>121.8</b>
<b>Change in cash and cash equivalents</b>	<b>6.7</b>	<b>-9.7</b>	<b>-7.2</b>
Cash and cash equivalents at start of period	34.0	41.3	41.3
<b>Cash and cash equivalents at end of period</b>	<b>40.7</b>	<b>31.6</b>	<b>34.0</b>

## Calculation of changes in Group shareholders' equity, 1.1.–30.9.2008

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		
<b>Shareholders' equity 1.1.2008</b>	<b>4.4</b>	<b>2.8</b>	<b>43.7</b>	<b>3.2</b>	<b>154.3</b>	<b>208.4</b>	<b>1.4</b>	<b>209.8</b>
Hedging of cash flow		-0.5				-0.5		-0.5
Financial assets for sale		-0.1				-0.1		-0.1
Net profit for period					17.8	17.8	0.2	17.9
<b>Total income and expenses booked for during period</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>0.0</b>	<b>17.8</b>	<b>17.1</b>	<b>0.2</b>	<b>17.3</b>
Dividend payment					-16.0	-16.0		-16.0
Other adjustments						0.0	0.0	0.0
<b>Shareholders' equity 30.9.2008</b>	<b>4.4</b>	<b>2.2</b>	<b>43.7</b>	<b>3.2</b>	<b>156.1</b>	<b>209.5</b>	<b>1.5</b>	<b>211.1</b>

## Calculation of changes in Group shareholders' equity, 1.1.–30.9.2007

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		
<b>Shareholders' equity 1.1.2007</b>	<b>4.4</b>	<b>2.6</b>	<b>43.7</b>	<b>0.4</b>	<b>144.8</b>	<b>195.9</b>	<b>1.3</b>	<b>197.2</b>
Hedging of cash flow		0.3				0.3		0.3
Financial assets for sale		0.0				0.0		0.0
Net profit for period					20.2	20.2	0.2	20.3
<b>Total income and expenses booked for during period</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>20.2</b>	<b>20.5</b>	<b>0.2</b>	<b>20.7</b>
Dividend payment					-15.9	-15.9		-15.9
Targeted share issue	0.0			2.7		2.8		2.8
Other adjustments						0.0	-0.1	-0.1
<b>Shareholders' equity 30.9.2007</b>	<b>4.4</b>	<b>2.9</b>	<b>43.7</b>	<b>3.2</b>	<b>149.1</b>	<b>203.3</b>	<b>1.4</b>	<b>204.7</b>

## Notes to the interim report

SATO's interim report for the period 1.1.-30.9.2008 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 September 2008, SATO had rouble-denominated commitments in the amount of 2.0 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.–30.9.2008

MEUR	Investment in Housing SATO Housing	Investment in Housing VATRO Housing	Housing Development and Construction	Eliminations	Total SATO Group
External turnover	91.0	28.3	64.1		183.4
Internal turnover			3.6	-3.6	0.0
Turnover, total	91.0	28.3	67.7	-3.6	183.4
Profits/losses on surrender of investment properties	5.3	-0.1			5.2
Depreciation and write-downs	-9.4	-3.6	-0.2	0.0	-13.2
Operating profit	41.9	9.4	3.6	-0.1	54.8
Financial expenses (net)	-21.0	-7.7	-1.9		-30.6
Profit before taxes	20.9	1.7	1.7	-0.1	24.2
Net rental income	51.4	14.8			66.2
Net rental income, % of book value	8.1	7.6			8.0
Investments	94.2				94.2
Acquisition of land for inventory			0.0		0.0
Depreciation	-9.4	-3.6	-0.2		-13.2
Impairments		0.0			0.0
Investment properties	883.3	254.1			1,137.4
Cash and cash equivalents	31.6	1.6	0.7		33.9
Other assets of the segment	22.8	2.6	132.2	0.0	157.6
Share in joint venture	0.3	0.2			0.5
Total assets and eliminations allocated to segments	938.0	258.5	132.9	0.0	1,329.4
Unallocated assets				0.0	21.7
Assets, total					1,351.1
Interest-bearing debts	717.7	252.4	54.7		1,024.8
Segment's other debts	22.5	4.5	25.7	0.0	52.7
Total debts and eliminations allocated to segments	740.2	256.9	80.4	0.0	1,077.5
Unallocated debts					62.6
Debts, total					1,140.1



## Segment information 1.1.–30.9.2007

MEUR	Investment in Housing SATO Housing	Investment in Housing VATRO Housing	Housing Development and Construction	Eliminations	Total SATO Group
External turnover	82.1	28.7	81.0		191.7
Internal turnover			4.5	-4.5	0.0
Turnover, total	82.1	28.7	85.5	-4.5	191.7
Profits/losses on surrender of investment properties	5.0				5.0
Depreciation and write-downs	-7.7	-4.8	-0.3	0.0	-12.8
Operating profit	35.4	8.5	6.6	-0.2	50.3
Financial expenses (net)	-14.0	-7.9	-0.9		-22.8
Profit before taxes	21.4	0.7	5.6	-0.2	27.5
Net rental income	44.3	16.0			60.3
Net rental income, % of book value	8.3	7.4			8.1
Investments	114.2				114.2
Acquisition of land for inventory			36.6		36.6
Depreciation	-7.7	-3.8	-0.3		-11.8
Impairments		-1.0			-1.0
Investment properties	771.1	266.8			
Cash and cash equivalents	21.9	2.2	1.5		
Other assets of the segment	27.0	1.7	139.5	-11.7	
Share in joint venture		0.2			
Total assets and eliminations allocated to segments	820.0	270.8	141.0	-11.7	1,220.1
Unallocated assets					19.6
Assets, total					1,239.7
Interest-bearing debts	606.0	258.1	51.3		
Segment's other debts	18.3	9.4	48.4	-11.7	
Total debts and eliminations allocated to segments	624.3	267.5	99.7	-11.7	979.9
Unallocated debts					55.1
Debts, total					1,035.0

## 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	30.9.2008	30.9.2007	31.12.2007
Acquisition cost, 1 Jan.	1,124.4	997.6	997.6
Increases; new properties	91.4	101.8	134.3
Increases; additional investments	2.8	12.4	13.5
Decreases	-5.9	-13.1	-21.7
Transfers between items	1.2	-0.5	0.7
Acquisition cost, total	1,213.9	1,098.2	1,124.4
Accumulated depreciation and impairments, 1 Jan.	-64.1	-48.2	-48.2
Depreciation	-12.4	-11.2	-14.9
Losses on impairments	0.0	-1.0	-1.0
Accumulated depreciation and impairments, total	-76.5	-60.4	-64.1
<b>Book value</b>	<b>1,137.4</b>	<b>1,037.8</b>	<b>1,060.3</b>
<b>Fair value</b>	<b>1,325.1</b>	<b>1,136.9</b>	<b>1,224.6</b>

An external assessor has given a statement on the fair value of SATO's investment properties as at 30 September 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	30.9.2008	30.9.2007	31.12.2007
Book value at start of period	2.1	2.0	2.0
Increases	0.3	0.4	0.7
Decreases	-0.2	0.0	0.0
Depreciation for accounting period	-0.4	-0.4	-0.6
<b>Book value at end of period</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>

## 4. Inventories

MEUR	30.9.2008	30.9.2007	31.12.2007
Housing under construction	20.6	24.0	30.7
Completed housing and commercial facilities	20.4	3.6	11.0
Land areas and holding companies thereof	62.6	63.4	67.2
Other inventories	8.6	21.8	4.4
<b>Total</b>	<b>112.3</b>	<b>112.8</b>	<b>113.2</b>

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
30.9.2008	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. During the third quarter, no long-term loans were taken.

The contingent liabilities due to Business Area Housing Development and Construction's unsold homes have increased by 8.0 million euros during the third quarter.

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 September 2008, 62.8 million euros of corporate paper had been issued and the short-term credits taken stood at 80 million euros.

## 7. Derivatives

MEUR	30.9.2008	30.9.2007	31.12.2007
<b>Interest rate derivatives</b>			
Interest rate derivatives, par value,	375.9	263.2	368.1
of which included in calculation of hedging	285.9	208.2	204.5
Interest rate derivatives, fair value,	2.9	3.9	3.8
of which included in calculation of hedging	2.6	3.3	3.2

## 8. Collateral and contingent liabilities

MEUR	30.9.2008	30.9.2007	31.12.2007
<b>Debts secured by mortgages and pledges</b>			
<b>Market loans</b>	<b>479.1</b>	<b>417.3</b>	<b>424.3</b>
Mortgages provided	54.3	45.5	54.3
Book value of pledged shares	482.7	401.2	432.0
Value of corporate mortgages pledged	0.0	2.5	2.5
Value of deposits pledged	0.8	2.1	2.2
<b>State housing loans</b>	<b>235.9</b>	<b>253.3</b>	<b>246.4</b>
Mortgages provided	412.4	433.6	419.4
Book value of pledged shares	28.5	31.5	29.2
<b>Interest subsidised credits</b>	<b>100.2</b>	<b>100.0</b>	<b>100.4</b>
Mortgages provided	121.9	121.9	121.9
Book value of pledged shares	0.8	0.8	0.8
<b>Debts of housing and mutual property holding companies, secured by mortgages on properties</b>			
Loans from financial institutions	60.1	50.7	51.2
Mortgages provided	87.6	74.0	76.0
<b>Other liabilities</b>			
Guarantees	1.6	3.9	2.7
<b>Guarantee pledges for others</b>			
Owner-occupier home purchase commitments	17.8	18.2	18.5
Rs-guarantees	20.9	24.3	25.2

### Mortgages provided to secure payment of rent and street maintenance

Property mortgages provided	5.1	5.1	5.1
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### Binding purchase agreements

For acquisitions of investment properties	49.2	74.9	57.5
Pledges for land use payments on zoned plots	12.9	12.7	20.9
Letters of intent on land for which there is a zoning condition	26.7	20.9	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 110.1 on 30 September 2008 (MEUR 118.0 on 30 September 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	30.9.2008	30.9.2007	31.12.2007
<b>Sums outstanding with owners</b>			
Receivables	0.0	0.0	0.0
Debts	1.3	2.8	1.6

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

MEUR	30.9.2008	30.9.2007	31.12.2007
<b>Management perquisites</b>			
Salaries and other short-term perquisites	1.3	2.8	3.1
Other long-term perquisites	0.0	0.0	0.0
<b>Total</b>	<b>1.3</b>	<b>2.8</b>	<b>3.1</b>

## 10. Key indicators

	30.9.2008	30.9.2007	31.12.2007
Return on investment, %	7.6	6.6	7.2
Return on equity, %	11.4	13.5	12.4
Equity ratio, %	15.7	16.7	16.8
Equity ratio, % net of VATRO Homes	19.4	22.1	21.9
Earnings per share, €	0.40	0.45	0.57
Net worth per share, €			
- at book values	4.7	4.6	4.7
- at fair values	7.8	7.0	7.4
Gross investments, MEUR	94.7	116.4	149.1
Personnel, average	163	176	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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