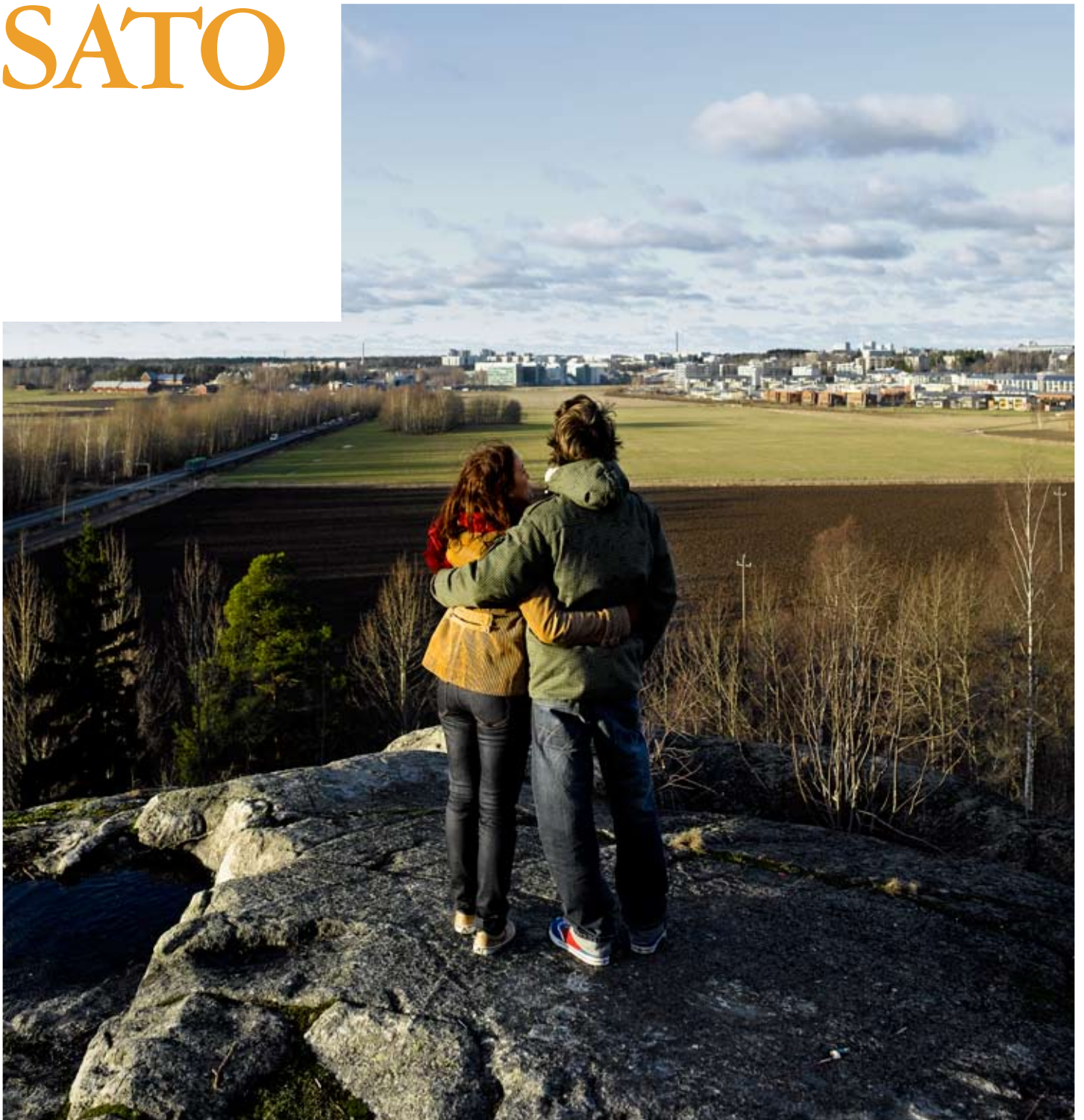


SATO



Interim report 1.1.–30.6.2007

SATO

Interim report

1.1.–30.6.2007

Summary of the period 1-6/2007

- the Group's turnover was 140.5 (1.1.–30.6.2006: 152.8) million euros
- profit before taxes was 18.7 (24.8) million euros
- return on equity was 14.1 (20.3) % and return on investment was 6.5 (7.7) %
- investments in housing were 78.9 (10.2) million euros and divestments were 13.4 (11.5) million euros
- the financial rental occupancy rate for rented homes was 96.8 (96.8) % and the turnover rate was 32.1 (34.8) %
- the number of owner-occupied homes completed was 275 (244)
- investments in building land were 34.7 million euros, the largest of which were in Sarfvik and Tali

SATO is a company providing housing solutions, and its business is comprised of Investment in housing and Housing development and construction. SATO concentrates on owning, leasing, building and selling homes. Regionally its business focuses primarily on the economic zones of the Helsinki Metropolitan Area, Tampere, Turku, Oulu and Jyväskylä. During the past year, SATO started up investment in housing business in St Petersburg.

SATO owns roughly 22,000 rented homes with a balance sheet value of roughly a 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 we have invested an average of 90 million euros and divested 30 million euros per year. Roughly 1,000 new homes are built annually, of which 600 - 800 are owner-occupied homes for sale and the rest are homes in client commissioning projects.

In its history, SATO has built more than 220,000 new homes, representing approximately ten per cent of Finland's housing stock.

Change in accounting conventions

On 1 January 2007, SATO changed over to IFRS accounting conventions in its Group reporting. The figures for the period 1.1 – 30.6.2006 given in the interim report are comparative figures calculated in accordance with IFRS.

Turnover and profit

The Group's turnover for the early months of the year was 140.5 million euros (152.8 million euros 1.1–30.6.2006), of which the turnover from Investment in housing was 84.3 (79.5) million euros and the turnover from Housing development and construction was 56.2 (73.3) million euros.

The Group's profit before taxes for the period under review was 18.7 (24.8) million euros. This figure includes a total of 4.5 (6.4) million euros in capital gains on divestments. The net profit from Investment in housing for the period under review was 13.6 (18.3) million euros and the net profit from Housing development and construction was 5.1 (6.5) million euros. The downturn in profit was caused by a deterioration in earnings from divestments, increased repairs aimed at improving quality, and an increase in financial expenses.

Financial status

The consolidated balance sheet total at the end of the period under review was 1,247 (1,115) million euros. Shareholders' equity was 197.0 (181.7) million euros and the equity ratio was 16.4 (16.8) per cent. The Group's return on equity was 14.1 (20.3) per cent and its return on investment was 6.5 (7.7) 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 46.1 (40.5) million euros.

Interest-bearing liabilities at the end of the period under review were 909.6 (805.9) million euros, of which market rate loans totalled 497.3 (360.9) million euros, interest-subsidised loans totalled 100.6 (101.0) million euros, and state-subsidised loans totalled 260.4 (288.7) million euros. There were debts in the amount of 51.3 (55.3) 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, 263.2 (193.3) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 41 (39) months.

Investment in housing

The turnover from Investment in housing during the period under review was 84.3 (79.5) million euros and profit before taxes was 13.6 (18.3) million euros. The business area's profit includes a total of 4.5 (6.4) million euros of capital gains on divestments.

During the period under review, a total of 17.1 (10.0) million euros was spent on improving the quality of homes and on repairs.

On 30 June 2007, SATO owned a total of 22,563 (22,391) homes, of which rental homes accounted for 21,065 (20,717) and shared ownership apartments for 1,498 (1,674). The balance sheet value of the apartments was 1,027 (933) million euros. SATO applies the cost model to the investment properties and will show the fair value of the investment properties as a note to the financial statements of the year 2007.

The financial occupancy rate of rental homes during the period under review averaged 96.8 (96.8) per cent and that of shared ownership apartments averaged 99.7 (99.7) per cent. During the period under review, the occupant turnover in rental housing was 32.1 (34.8) per cent and in shared ownership apartments it was 9.7 (13.8) per cent. The average rent per square metre of SATO's rental homes during the period under review was 10.09 (9.75) euros per month. The average rent per square metre for shared ownership apartments was 8.61 (8.10) euros per month. The rental homes' net rental income based on book value on an annualised basis was 8.2 (8.4) per cent.

Investments in Finland

In accordance with the Group's strategy, during the period under review, investments were made in 484 (130) rental homes, of which 67 were new. The investments totalled 78.9 (10.2) million euros. The 175 privately financed rented apartments in the Reimarla district of Helsinki acquired from Apteekkien Eläkekassa for 20.5 million euros in March became owned by SATO in the beginning of April. In June, a housing company with 141 rental apartments in the Tapiola district of Espoo was acquired from the Central Union of Agricultural Producers and Forest Owners (MTK); the company has a pending change in planning permission for additional building

rights on its plot. An office building in the Lauttasaari district of Helsinki with roughly 7,000 square metres of area which was part of the transaction was sold on during the period under review.

A total of 411 (408) rented homes were divested from the housing portfolio and residents in shared ownership apartments purchased ownership of a total of 58 (24) homes. Divestments of housing totalled 13.4 (11.5) million euros.

Investments outside Finland

At the end of last year, SATO made a decision to initiate investment in housing business in St Petersburg. By the end of June, investments totalling 18.4 million euros had been placed in new apartments in the centre of St Petersburg. The investments comprise a total of 31 apartments, the renting of which will get under way in 2008 and 2009. It is SATO's long-term intention to attain a position as the most significant foreign housing investor in St Petersburg.

Housing development and construction

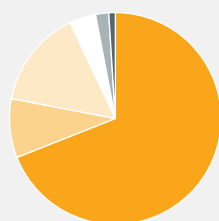
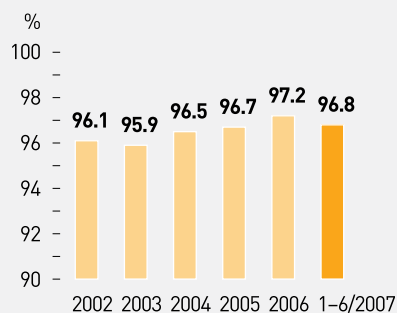
The turnover from Housing development and construction during the period under review was 60.3 (74.0) million euros and profit before taxes was 5.1 (6.5) million euros. The turnover of Housing development and construction includes 4.1 (0.7) million euros of internal sales. In accordance with IFRS accounting conventions, projects of owner-occupied homes are income-recognised according to overall percentage of completion.

During the period under review, a total of 463 (286) new homes were completed, of which 275 (244) were owner-occupied and 188 (42) were homes in client projects. The number of new owner-occupied homes started was 190 (219). Under construction at the end of June were 894 (1,145) homes, of which 592 (739) were owner-occupied and 302 (406) were homes in client projects. At the end of the period under review, the Group had 290 (371) homes under construction and 38 (4) completed homes unsold.

Investments in building land totalled 34.7 million euros, amounting to 89,300 square metres of permitted building area. In January SATO acquired from Sponda Plc a block for

Investment in housing

Financial occupancy rate of rental housing
2002-1-6/2007



Investment in housing

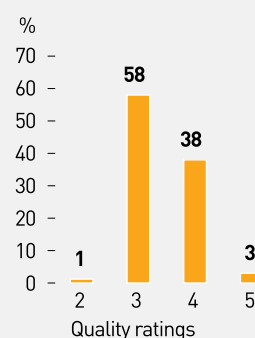
Regional distribution of housing
portfolio, 30 June 2007



Total housing portfolio MEUR 1 027

Investment in housing

Distribution of units by quality rating
(% of balance sheet value)



apartment buildings of roughly 17,000 square metres of floor area in the Linnainmaa district of Oulu for 3.6 million euros. The confirmed planning permission for the block will permit the construction of over 200 apartments of high standards. In the Sarfvik area of Kirkkonummi, SATO acquired from Golsarfvik Oy, Pohjola Non-Life Insurance Company Ltd and UPM-Kymmene Corporation during the period under review a total of 43,000 square metres of permitted building volume for housing. The value of the deals was 15.8 million euros. Following the transactions, SATO's permitted housing building volume in the Sarfvik district totals 56,000 square metres of floor area, which will permit the construction of an estimated 700 homes.

After the change in planning permission was confirmed, 23,000 square metres of permitted building volume in the Tali district of Helsinki for 13.2 million euros was purchased from Elisa Communications Oy in accordance with a letter of intent made in 2005.

The balance sheet value of the building land inventory at the end of the period under review was 72.6 (29.9) million euros.

Personnel

At the end of the period under review, the Group had 176 (173) employees and during the period under review it had an average of 177 (176) employees.

Management

The Corporate Management Group is comprised of President and CEO Erkkä Valkila, Vice President Tuula Entelä of the Investment in Housing Division, Vice President Pekka Komulainen of the Housing Development and Construction Division, Chief Financial Officer Harri Huttunen, Head of Legal Affairs Katri Innanen, and Director, Marketing and Communications Monica Aro.

Increase in the share capital and targeted share issue

SATO Corporation's share capital was raised, in disapplication of pre-emption rights, by 46,500 euros. In the targeted issue,

a company founded by the members of the SATO Group's Corporate Management Group, Habinvest Oy, subscribed 23,250 new shares in SATO Corporation, which is the equivalent of 1.05 per cent of the company's issued stock. This arrangement concerns the long-term commitment of the management. The increase in the share capital was entered in the Trade Register on 12 July 2007. Following the increase, the company's share capital is 4,442,192.00 euros and the number of shares is 2,221,096.

Outlook

SATO's net profit for 2006 was a record. The Group's earnings in 2007 are expected to be good, but lower than in the previous year. This is due to an increase in financing expenses combined with a fall in the earnings of divestments and of Housing development and construction. The rental income from Investment in housing is forecast to be an improvement on last year's figure.

Shareholders in SATO Corporation, 1 August 2007

The ten biggest shareholders and their holdings (per cent)

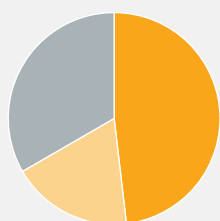
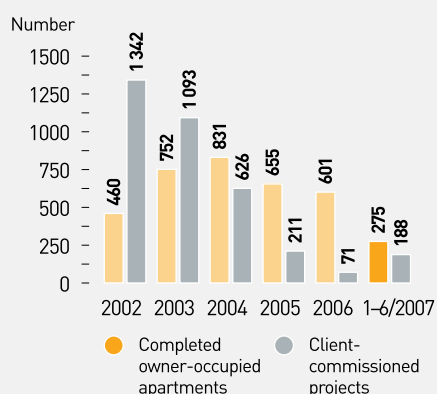
Varma Mutual Pension Insurance Company	39.5
Ilmarinen Mutual Pension Insurance	16.3
Suomi Mutual Life Assurance Company	15.1
Tapiola Insurance Group	7.4
Pohjola Non-Life Insurance Company Ltd	6.1
Tapiola Mutual Pension Insurance Company	5.2
Wärtsilä Corporation	4.5
Habinvest Oy	1.0
Valentia Oy	0.7
Outokumpu Oyj	0.7
Others	3.5

On 1 August 2007, the Group had 32 shareholders.

In a transaction on 7 February 2007, Varma Mutual Pension Insurance Company acquired the shares in SATO Corporation held by Kesko Corporation, amounting to a 16.5 per cent holding in SATO Corporation's issued stock. SOK Corporation, Osuuskauppa Arina and Turun Osuuskauppa have sold the shares they held in SATO Corporation, totalling 10.4 per cent of SATO Corporation's issued stock, to the Tapiola Insurance Group and Tapiola Mutual Pension Insurance Company.

Housing construction

Trend in housing construction 2002–1–6/2007



Housing construction

Reserve of plots for owner-occupied housing construction 30 June 2007 (sq.m. floor area)
Total 459,000

- Zoned 221,000
- Framework zoning 85,000 *)
- Letters of intent and allocations 153,000

*) Permitted building volume in zoning proposals

Consolidated profit and loss account

MEUR	IFRS 1.4.-30.6.2007	IFRS 1.4.-30.6.2006	IFRS 1.1.-30.6.2007	IFRS 1.1.-30.6.2006	IFRS 1.1.-31.12.2006
Turnover	65.4	80.7	140.5	152.8	327.8
Other income from business operations	0.3	2.4	4.8	7.4	12.4
Consumption of materials and supplies	-21.5	-36.0	-54.3	-66.1	-157.3
Personnel expenses	-2.7	-2.4	-5.3	-5.5	-10.6
Depreciation and write-downs	-4.4	-5.2	-8.7	-10.0	-19.8
Other expenses of business operations	-21.6	-21.8	-44.2	-42.5	-85.5
Operating profit	15.4	17.7	32.7	36.1	67.0
Financial income	1.2	0.7	1.9	1.5	2.6
Financial expenses	-8.6	-6.6	-15.9	-12.8	-26.8
Profit before taxes	8.0	11.8	18.7	24.8	42.7
Income taxes	-2.0	-2.3	-4.8	-6.4	-11.1
Net profit for the period	6.0	9.5	13.9	18.4	31.6
Distribution					
To the owners of the parent enterprise	5.9	9.5	13.8	18.3	31.5
To minorities	0.0	0.0	0.1	0.1	0.1
	5.9	9.5	13.9	18.4	31.6
Profit per share calculated on the profit due to the owners of the parent enterprise: Earnings per share, €	2.7	6.2	4.3	8.3	14.3

Consolidated balance sheet

MEUR	IFRS 30.6.2007	IFRS 30.6.2006	IFRS 31.12.2006
Assets			
Non-current assets			
Tangible assets included in fixed assets	2	3	1
Intangible assets	8	2	4
Investment properties	981	907	930
Holdings in associated companies	0	0	0
Other investments	36	17	20
Receivables	3	2	2
Deferred tax credits	13	13	12
	1,043	944	969
Current assets			
Inventories	86	65	68
Trade receivables and other receivables	71	66	45
Advance payments	0	0	0
Tax credits based on taxable income for period	0	0	2
Cash and cash equivalents	46	40	41
	204	170	156
Assets, total	1,247	1,115	1,126
Shareholders' equity and liabilities			
Shareholders' equity belonging to the owners of the parent company			
Share capital	4	4	4
Other equity	192	177	190
	197	182	195
Minority interest	1	1	1
Shareholders' equity, total	198	183	196
Long-term liabilities			
Deferred tax liability	54	49	54
Reserves	6	6	7
Interest-bearing debts	882	759	783
Other debts	13	14	12
	956	828	856
Current liabilities			
Accounts payable and other debts	65	57	47
Tax liability based on taxable income for period	0	0	0
Reserves	0	0	0
Short-term interest-bearing debts	28	47	26
	93	104	73
Liabilities, total	1,049	932	930
Shareholders' equity and liabilities, total	1,247	1,115	1,126

Consolidated cash flow statement

MEUR	IFRS 1.1.- 30.6.2007	IFRS 1.1.- 30.6.2006	IFRS 1.1.- 31.12.2006
Cash flow from operating activities	-8.7	7.5	36.3
Cash flow from investments	-80.6	-1.8	-35.8
Cash flow from financial activities	94.1	0.9	6.9
Change in cash and cash equivalents	4.8	6.7	7.5
Cash and cash equivalents at start of period	41.3	33.8	33.9
Cash and cash equivalents at end of period	46.1	40.5	41.3

Key indicators for Group

MEUR	30.6.2007	30.6.2006	31.12.2006
Return on investment (% annualised)	6.5	7.7	7.1
Return on equity (% annualised)	14.1	20.3	16.9
Net rental income of housing (% annualised)	8.2	8.4	8.2
Equity ratio (%)	16.4	16.8	17.8
Equity per share (EUR)	88.7	81.8	87.7
Gross investments (MEUR)	93.8	10.0	54.1
Average personnel	177	176	173

Group's contingent liabilities

MEUR	30.6.2007	30.6.2006	31.12.2006
Pledges	418	334	346
Mortgages on company assets	1	3	1
Mortgages on land areas and buildings	688	716	710
Guarantees	31	40	33
Repurchase commitments on shared ownership apartments	17	21	18
Total	1,155	1,114	1,108

Segment information 1.1.–30.6.2007

MEUR	Investment development in housing	Housing development and constr.	Other items	Total for Group
External sale	84.3	56.2	0.0	140.5
Internal sale	0.0	4.1	-4.1	0.0
Turnover, total	84.3	60.3	-4.1	140.5
Segment's profit after financial expenses	13.6	5.1	0.0	18.7

Change in shareholders' equity 1–6/2007

MEUR	Share capital	Value adjustment fund	Revaluation fund	Reserve fund	Other reserves	Retained earnings	Total	Minority interest	Total
Shareholders' equity at start of period	4.4	2.1	0.0	43.7	0.4	144.2	194.8	1.3	196.1
Uusmerkintä	0.0				2.7		2.7		2.7
Cash flow hedges		1.6					1.6		1.6
Net profit for accounting period						13.8	13.8	0.1	13.9
Other changes						-0.1	-0.1		-0.1
Payment of dividend						-15.9	-15.9		-15.9
Shareholders' equity at end of period	4.4	3.7	0.0	43.7	3.1	142.0	196.9	1.4	198.3

Change in shareholders' equity 1–6/2006

MEUR	Share capital	Value adjustment fund	Revaluation fund	Reserve fund	Other reserves	Retained earnings	Total	Minority interest	Total
Shareholders' equity at start of period	4.4	-0.5	0.2	43.7	0.4	127.9	176.1	1.3	177.4
Cash flow hedges		2.6					2.6		2.6
Net profit for accounting period						18.3	18.3	0.1	18.4
Other changes						0.0	0.0		0.0
Payment of dividend						-15.4	-15.4		-15.4
Shareholders' equity at end of period	4.4	2.1	0.2	43.7	0.4	130.8	181.6	1.4	183.0

Calculation of reconciliation of shareholders' equity

MEUR	1.1.2006	30.6.2006
Shareholders' equity according to FAS	173.1	173.6
Effects of changeover to IFRS		
Percentage of completion	3.3	5.0
Cash flow hedges	-1.7	2.8
Financial leasing	0.0	0.0
Deferred taxes	0.1	-1.0
Other items	1.2	1.2
IFRS adjustments, total	3.0	8.0
Shareholders' equity according to IFRS	176.1	181.6

Liabilities on non-consolidated shared ownership apartments

MEUR	30.6.2007	30.6.2006	31.12.2006
Loans	120	137	127
Mortgages	159	175	171
Advance payment liability equivalent to repurchase commitments	13	16	15
Total	292	328	313

Segment information 1.1.–30.6.2006

MEUR	Investment development in housing	Housing development and constr.	Other items	Total for Group
External sale	79.5	73.3	0.0	152.8
Internal sale	0.0	0.7	-0.7	0.0
Turnover, total	79.5	74.0	-0.7	152.8
Segment's profit after financial expenses	18.3	6.5	0.0	24.8



Calculation of reconciliation of net profit for period

MEUR	1–6/2006
Net profit for period according to FAS	15.9
Percentage of completion	1.7
Cash flow hedges	0.9
Financial leasing	0.0
Deferred taxes	-0.2
IFRS adjustments, total	2.4
Net profit for period according to IFRS	18.3