

SATO



Interim report 1-3/2005

Interim report

1.1.-31.3.2005

Sato is a company providing housing services and its business is comprised of investment in housing and housing development and construction. Our operations are based on understanding the customers' housing needs and providing the right kind of housing solutions. We own roughly 23,000 rental homes. In the past few years we have invested in approximately 2,000 housing units and divested roughly 1,000 units per year. We commission the construction of about 1,200 homes each year, most of which are for sale to owner-occupiers. Regionally our business focuses on the major urban centres of growth.

Turnover and profit

The Group's turnover for the early months of the year was 77.4 million euros (98.7 in 2004), of which the Investment in Housing Division's turnover was 44.0 (59.1) million euros and the Housing Development and Construction Division's turnover was 33.4 (39.6) million euros. The downturn in turnover is the result of the ending of sales of shares in ten-year shared ownership apartments.

The Group's profit for the period under review before extraordinary items and taxes was 11.2 (9.2) million euros. This figure includes a total of 4.1 (2.2) million euros in capital gains on divestments. The Investment in Housing Division's profit before extraordinary items and taxes for the period under review was 8.6 (7.6) million euros and the Housing Development and Construction Division's was 2.6 (1.6) million euros.

Financial status

The consolidated balance sheet total at the end of the period under review totalled 1,058 (1,141) million euros. Shareholders' equity was 147.5 (133.7) million euros and the equity ratio was 14.6 (12.7) per cent. The Group's return on equity was 20.4 (18.2) per cent and return on investment 7.6 (7.4) 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 27.5 (16.4) million euros.

Interest-bearing liabilities at the end of the period under review were 770 (821) million euros, of which market rate loans totalled 306 (340) million euros, interest-subsidised loans totalled 104 (104) million euros and state subsidised loans totalled 306 (319) million euros. At the end of the period under review, there were debts in the amount of 54 (58) million euros on shares held in housing companies and mutual property holding companies.

Of the capital of market rate loans at the end of the period under review, 180 (137) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 27 (38) months.

Investment in housing

The Investment in Housing Division's turnover during the period under review was 44.0 (59.1) million euros and its net profit was 8.6 (7.6) million euros. The division's profit includes a total of 3.7 (2.2) million euros capital gains on divestments.

On 31 March 2005, Sato owned a total of 22,691 (25,278) homes with a balance sheet value of 914 (940) million euros, of which rental homes accounted for 20,897 (22,337) and shared ownership apartments for 1,794 (2,941). Suomen Asumisoikeus Oy, which is 50 per cent owned by Sato, owned 13,784 right-of-occupancy apartments.

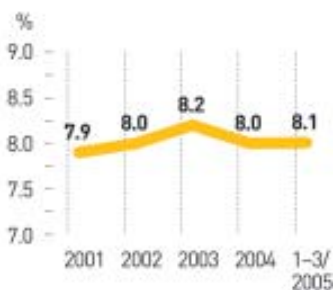
A total of 373 rental homes were divested from the housing portfolio. Occupants of shared ownership apartments acquired ownership of 36 homes in all. The investments in housing during the period under review amounted to 0.6 (100.7) million euros and divestments of housing totalled 15.2 (13.7) million euros. Due to the investments and divestments, during the period under review Sato's housing portfolio declined in value by 11 million euros and the number of homes declined by 404 units.

The financial occupancy rate of rental homes during the period under review averaged 96.7 (96.4) per cent and that of shared ownership apartments averaged 99.4 (98.2) per cent. During the period under review, the occupant turnover in rental housing was 34.1 (34.4) per cent and in shared ownership apartments 14.7 (11.7) per cent. The average rent per square metre of Sato's rental homes during the period under review was 8.99 (8.88) euros per month. The average rent per square metre for shared ownership apartments was 8.25 (7.14) euros per month. The rental homes' net rental income on an annualised basis was 8.1 (8.0) per cent.

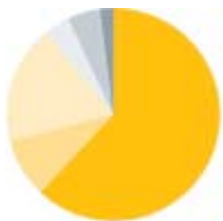
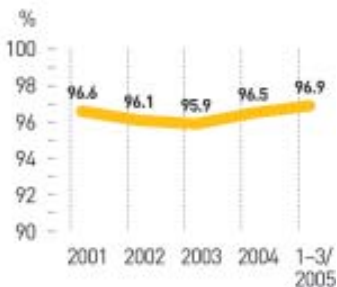
During the period under review, operations to enhance customer service were continued, for example, by updating spheres of responsibility and by extending partnering. In January, contracts were signed on the building management of Sato's properties with SKV Oy and YIT Kiinteistötekniikka Oy, and the handover of building management duties was started in March. Sato handles its own building management for approximately 6,500 homes in the Helsinki Metropolitan Area.

Occupant partnership in 2005 spotlights actions to promote neighbourliness.

Investment in housing
Net rental income 2001–1–3/2005



Investment in housing
Financial occupancy rate of rental housing 2001–1–3/2005



Investment in housing
Regional distribution of housing stock 31.3.2005

- Helsinki Metropolitan Area 62 %
- Rest of Southern Finland 9 %
- Western Finland 18 %
- Eastern Finland 4 %
- Dulu Province 5 %
- Lapland 2 %

Housing stock total 914 Milj. €

Housing development and construction

The Housing Development and Construction Division's turnover during the period under review was 33.4 (39.6) million euros and its net profit was 2.6 (1.6) million euros. The profit figure includes capital gains on sales of plots totalling 0.4 (0.0) million euros.

During the period under review, a total of 221 (193) new homes were completed. Of these, 191 (117) were owner-occupied and 30 (76) were homes in client projects. At the end of March, 835 (1,364) new homes were under construction, of which 654 (882) were owner-occupied and 181 (482) were homes in client projects. During the period under review, the construction of 122 privately financed homes was started.

At the end of the period under review, the Group had eleven completed homes unsold, and the number of unsold owner-occupier homes under construction was 262.

The building land inventory was augmented by plot reservations and letters of intent with 9,500 square metres of permitted building area. Of the permitted building volume, 3,000 square metres was brought into production.

Personnel

At the end of the period under review, the Group had 185 (235) employees and during the period under review it had an average of 198 (241) employees. As a result of contracts affecting Sato's building management, 22 employees were transferred to the employ of Sato's partners.

Management

The Management Group is comprised of President and CEO 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 Kai Simberg, Head of Legal Affairs Katri Innanen and Director of Marketing and Communications Monica Aro.

Annual general meeting, 31 March 2005

The annual general meeting adopted the financial statements and granted release from personal liability for 2004 to the members of the Board of Directors and the President and CEO. It was decided to pay 5.50 euros per share or a total of 12.1 million euros in dividend.

Commercial Counsellor Jouko Tuunainen was re-elected as the chairman of the Board of Directors. The members elected to the Board were Heikki Hyppönen, Juhani Järvi,

Raimo Lind, Martti Porkka, Pekka Pystynen and Commercial Counsellor Jukka Salminen. Jorma Kuokkanen was a new member elected to the Board. The auditors elected were KPMG Oy Ab, a firm of Authorised Public Accountants, with Markku Sohlman, APA, as the auditor in charge.

The annual general meeting voted to change the company name to SATO Oyj, in English SATO Corporation. The name change will come into effect on 1 June 2005.

The annual general meeting authorised the Board of Directors to decide on increasing the share capital by means of one or more issues of new shares and/or to decide on one or more issues of convertible bonds and/or issuing of share options on terms decided by the Board. The Board was authorised to waive the shareholders' preemption rights if there are compelling financial reasons for the company to do so.

The annual general meeting authorised the Board of Directors to decide on buying back company shares with the company's distributable assets and on relinquishing shares obtained under this authorisation. Shares may be purchased in proportion to shareholders' holdings, to a maximum combined par value or number of voting rights amounting to five per cent of the company's share capital or total number of voting rights after the purchase of the shares. The authorisations are valid for one year from the date of the annual general meeting's decision.

Events after the period under review

In May, Sato signed a letter of intent with Elisa Corporation for the purchase of a plot in the Pitäjänmäki district of Helsinki. The intention is to bring about a change in the land-use planning for the plot to permit the construction of roughly 200 – 350 homes. Sato also acquired from Renor Ltd a plot in the Finlayson area in the centre of Tampere, where 70 – 80 homes will be built.

Outlook

Rental income and rental occupancy rates in 2005 for the Investment in Housing Division are forecast to be on a par with last year's figures. The volume of housing divestment business will be lower than last year.

Demand for owner-occupied homes is forecast to hold steady this year and the number of owner-occupied homes commissioned by the Group will be similar to the 2004 figure.

Earnings from business operations are expected to be on a par with the 2004 figure.

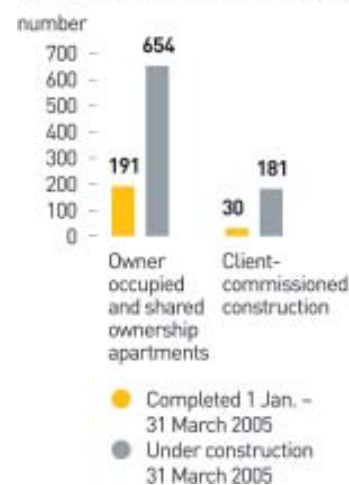
Shareholders in Sato Corporation plc

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

Kesko Corporation	16.5
Ilmarinen Mutual Pension Insurance Company	16.5
Varma Mutual Pension Insurance Company	11.9
Nordea Bank Finland Plc	9.6
SOK Corporation	8.7
Pohjola Non-Life Insurance Company Ltd	6.2
Kaleva Mutual Insurance Company	5.9
Nordea /KOP/ Pension Fund	5.7
Sampo Life Insurance Company Limited	5.7
Wärtsilä Corporation	4.5

The Group had 40 shareholders at the end of the period under review.

Housing construction
Construction of new housing 1-3 / 2005



Housing construction
Reserve of plots for owner-occupied housing construction 31 March 2005
Total 288,000 sq.m. floor area

- Zoned 68,000 sq.m. floor area
- Framework zoning 100,000 sq.m. floor area*
- Letters of intent and allocations 120,000 sq.m. floor area

*] Permitted building volume in zoning proposals

Consolidated profit and loss account (MEUR)	1.1.-31.3.2005	1.1.-31.3.2004	1.1.-31.12.2004
Turnover	77,4	98,7	361,6
Operating profit	17,2	16,9	60,2
Financial income and expenses	-6,1	-7,7	-26,0
Profit before extraordinary items and taxes	11,2	9,2	34,2
Extraordinary items	0,0	-1,9	-2,0
Direct taxes	-3,4	-2,9	-9,2
Minority interest	0,0	-0,1	-0,5
Net profit for the financial period	7,7	4,3	22,4

Consolidated balance sheet (MEUR)	31.3. 2005	31.3. 2004	31.12. 2004
Fixed assets and other long-term investments	891	952	903
Inventories and financial assets	167	189	203
Assets	1 058	1 141	1 106
Shareholders' equity	147	134	152
Minority interest	2	2	1
Consolidated reserve	0	0	0
Obligatory reserves	6	4	6
Long-term liabilities	821	879	817
Current liabilities	82	122	130
Liabilities and shareholders' equity	1 058	1 141	1 106

Group indicators

Return on investment (% annualised)	7,6	7,4	6,6
Return on equity (% annualised)	20,4	18,2	15,8
Net rental income on housing (% annualised)	8,1	8,0	8,0
Equity ratio (%)	14,6	12,7	14,3
Earnings per share (EUR)	3,5	2,8	11,1
Equity per share (EUR)	67,1	60,8	69,1
Gross investments (MEUR)	1	112	134
Personnel, average	198	240	228

Group contingent liabilities (MEUR)

Pledges	257	285	263
Corporate mortgages	3	3	6
Mortgages on land areas and buildings	653	677	656
Guarantees	40	43	42
Buy-back commitments on shared ownership apartments	20	33	20
Other liabilities	0	1	1
Total	973	1 041	988

Liabilities of unconsolidated shared ownership homes (MEUR)

Loans	156	187	151
Mortgages	228	246	216
Advance payment debt corresponding to buy-back liability	19	27	19

Other information (MEUR)

Par value of interest rate derivatives	180	186	180
Fair value of interest rate derivatives	-5	-4	-4
RS guarantee limit used	22	18	21

Accounting conventions of the interim financial statements

The review period has been changed since last year and the comparative figures have been given for the same period in 2004.

Interim report 1 January – 30 June 2004 will be issued on 12 August 2005
Interim report 1 January – 30 September 2005 will be issued on 26 October 2005

