

interim report 1 January - 30 June 2012



strong
results



sato

SATO

MISSION

SATO is a provider of good housing

VISION

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

STRATEGIC GOALS

- Constantly improving services for the customers
- Average 12% p.a. total annual return for the shareholders
- Value of the investment properties > €3 billion in 2020

SATO'S VALUES

- customer satisfaction – we keep our promises
- the personnel's expertise – skilled personnel is our strength
- partnership – we win by working together
- profitability – profit enables us to build the future

FINANCIAL TARGETS

To promote business continuity, profitability and growth, the following targets have been set for the equity ratio, dividend payments and investments:

	actual 2011
• SATO business equity ratio at fair values \geq 25% *	29.5
• Dividend \geq 60% of distributable profit	79.8
• MEUR 100 of annual investments in rented housing	148.8

*) the equity ratio may fall briefly below 25% due to investments

SATO Corporation Interim report

1 Jan.–30 June 2012

Summary of the period 1-6/2012 (1-6/2011)

- Profit before taxes was 29.9 (30.5) million euros, in addition to which the difference in value of the investment properties grew during the period under review by 25.1 (56.7) million euros.
- The Group's turnover was 142.0 (109.4) million euros, of which rental income was 105.2 (95.8) million euros.
- Operating profit was 49.1 (45.9) million euros.
- The fair value of the investment properties was 1,974.3 (1,798.4) million euros.
- Investments in investment properties were 62.8 (102.4) million euros.
- Annualised total return was 12.8% (23.1%).
- Net assets per share at fair value were 12.86 (11.44) euros.
- Earnings per share were 0.44 (0.44) euros.

The business climate

In the urban growth centres, demand for small rented homes has continued to be good. Urbanisation, smaller family sizes, the greying population and work-based immigration support expectations for growth in demand for rented housing. Too few rented homes are being completed in view of the continuing demand.

Uncertainty over the direction of the overall economic trend continues, which has fuelled nervousness in the financial market also in Finland. Interest rates are at an exceptionally low level.

Although consumers' confidence in the economic situation in Finland deteriorated markedly in July, consumers' intentions to buy homes held at an average level. This, combined with low interest rates, is maintaining demand for owner-occupied housing.

President and CEO Erkkä Valkila:

"The results for the early months of the year were strong due to the favourable rental occupancy rate. New rented homes have grown in desirability, and we have increased the proportion of these in our investments.

"SATO has increased the supply of rented housing in the urban growth centres. In the 21st century, we have invested a total of roughly 1.4 billion euros in expanding our portfolio of rented housing. In terms of the value of investments made, SATO has been Finland's biggest housing investor during this period.

"The intention is to continue to acquire rented housing at a rate of 100-150 million

euros a year. The investments will be aimed at St. Petersburg in addition to Finland's largest urban growth centres."

Segment division

In financial reporting, the Group's investment properties are grouped under two segments, namely SATO business and VATRO business. This segmentation increases the transparency of operations and reporting related to the state-subsidised housing stock.

SATO business is comprised of investment properties which are restriction-free or have shorter-term restrictions as well as owner-occupied home construction. VATRO business is comprised of investment properties with longer-term restrictions.

In accordance with the Group's strategy, most of the new investments are allocated to homes included in SATO business and the relative importance of VATRO business in the Group is declining.

Turnover and profit

The Group's turnover grew relative to the comparison period by 29.9 per cent and was 142.0 million euros (109.4 million euros 1.1–30.6.2011). The growth was due to a higher level of owner-occupied housing output than in the comparison period. Rental income accounted for 105.2 (95.8) million euros of turnover. During the period under review, the rental occupancy rate held steady at a favourable level and rental income grew by 9.8 per cent. Of turnover, 123.7 (92.0) million euros was generated by SATO business and 18.3 (17.4)

million euros by VATRO business.

Operating profit for the period under review was 49.1 (45.9) million euros.

The Group's profit before taxes for the period under review was 29.9 (30.5) million euros. Furthermore, the difference in value of the investment properties grew by 25.1 (56.7) million euros. The profit figure includes 6.6 (8.6) million euros for proceeds from divestments. The effect of changes in the market value of interest-rate hedging on the profit is 0.6 (2.1) million euros.

Of the profit before taxes, SATO business accounted for 28.2 (27.4) million euros and VATRO business for 1.7 (3.1) million euros.

Annualised total return was 12.8 (23.1) per cent.

Financial status and financing

The consolidated balance sheet total at the end of the period under review totalled 1,807.5 (1,577.1) million euros. Shareholders' equity was 278.0 (280.1) million euros. Net assets, calculated on the fair value of investment properties, were 654.6 (582.1) million euros.

The Group's equity ratio, calculated on the book value of investment properties, was 15.5 (17.9) per cent and at fair value it was 28.6 (29.5) per cent.

The Group's return on equity was 15.9 (16.2) per cent. Return on investment was 6.3 (6.7) per cent.

Interest-bearing liabilities at the end of the period under review were 1,361.3 (1,162.3) million euros, of which market rate loans totalled 866.3 (690.5) million euros,

pension insurance loans totalled 33.6 (37.2) million euros, interest-subsidised loans totalled 96.3 (98.2) million euros, and state-subsidised loans totalled 173.2 (184.9) million euros. There were debts in the amount of 191.9 (151.5) million euros on shares held in housing companies and mutual property holding companies included in investment properties. At the end of the period under review, the average interest rate on loans was 3.16 per cent.

During the period under review, new long-term financing of 143.4 million euros was obtained. In addition, contingent liabilities on shares in housing companies increased by 21.4 million euros.

Of the capital of market rate loans at the end of the period under review, 83.5 (74.7) per cent was hedged with interest-rate swaps. The average maturity of the swaps was 4.4 (3.8) years. During the period under review, the computational effect of changes in the market value of hedging on the shareholders' equity was -2.8 (2.1) million euros and the effect on net profit was 0.6 (2.1) million euros.

The state-subsidised ARAVA loans, interest-subsidised loans and pension insurance loans are pegged to a long-term reference rate or include an element limiting the interest risk. When these loans are included, the hedged total of the interest-bearing liabilities is 77 (74) per cent.

Investment properties

The trend in the investment properties' value is of key importance to SATO. Housing property is consolidated in areas in which long-term demand for rented housing is growing. Allocations for renovations of properties are based on lifecycle plans and renovation requirement analyses.

On 30 June 2012, SATO held a total of 23,469 (23,176) homes, of which 19,371 (19,074) were included in SATO business and 4,098 (4,102) were included in VATRO business. There were 22,234 (21,889) rented homes and 1,235 (1,287) shared ownership apartments. The number of homes increased during the period under review by 190.

The book value of the investment properties totalled 1,475.5 (1,390.3) million

euros and their fair value totalled 1,974.3 (1,798.4) million euros. During the period under review, the book value of the housing portfolio grew by 50.6 (84.4) million euros and its fair value by 75.7 (141.1) million euros.

The positive difference between the fair value and the book value was 498.8 (408.1) million euros and it increased during the period under review by 25.1 (56.7) million euros. The differential increased due to the effect of the trend in housing rents and prices.

In its accounting, SATO applies the historical cost method to investment properties. The change in differential in the value of investment properties is not posted to the profit and loss account but is stated in a note to the financial statements.

Investments

Investment business lays the foundations for growth. In the 21st century, SATO has invested roughly 1.4 billion euros in rented housing. SATO acquires and commissions the construction of both whole rental properties and individual rented apartments.

During the period under review, the Group's investments in investment properties were 62.8 (102.4) million euros, of which investments in new construction accounted for 36.3 (20.0) million euros. The main acquisition was the purchase of 88 rented apartments from Pension Fennia Mutual Insurance Company for a price of 14.1 million euros. Of the new construction investments, the most significant properties were started in the Matinkylä district of Espoo and the Kalasatama district of Helsinki.

Of the investments, 9.9 (6.6) million euros was comprised of housing renovations.

Rental business

Efficient rental business secures rapid availability for people who need a home and a steady trend in cash flow for the Group. Rental services are handled mainly by SATO's rental offices.

The key indicators for rental business were at a favourable level during the period under review. The financial

occupancy rate of the homes in Finland averaged 97.9 (97.9) per cent and tenant turnover averaged 33.9 (31.2) per cent. SATO has consolidated its rental housing in regions with growing demand, which creates a basis for a high rental occupancy rate also for the future.

The average monthly rent per square metre for SATO's rented homes in Finland during the period under review was EUR 13.66 (12.73) for rental housing and 9.49 (8.87) for shared ownership apartments.

The net rental income on the housing portfolio was 60.4 (53.9) million euros. The net rental income annualised on the book value of rental housing was 8.5 (8.0) per cent and 6.3 (6.3) on the fair value.

Property development

Property development is used to create a basis for investment in SATO's new rented homes and for the development of owner-occupied homes. The attractiveness of the rented homes held is improved and their value is developed by means of renovation.

The book value of the building land inventory held at the end of the period under review was 79.2 (77.2) million euros. The value of acquisitions of plots of land during the period under review was 4.4 (4.3) million euros. Plots valued at 6.4 (4.6) million euros were transferred to production.

During the period under review 124 (121) rented homes were completed and a total of 598 (490) were under construction as at 30 June.

During the period under review a total of 18.5 (13.4) million euros was used for renovations of investment properties. A further 9.9 (6.6) million euros in all of renovation costs was capitalised.

During the period under review 103 (23) owner-occupied homes were completed and the construction of 156 (201) was started. There were 430 (367) owner-occupied homes under construction at the end of the period under review.

Sales

Through divestments of rented housing, SATO carries out its strategic aim to consolidate its investment properties in the five largest urban growth centres in Finland

and in St. Petersburg. Sales of new owner-occupied homes are mostly handled as an in-house operation.

During the period under review, the Group's holdings of rental housing were divested to the tune of 4.1 (14.0) million euros.

A total of 140 (105) new owner-occupied homes were sold to the tune of 39.1 (12.3) million euros. Left unsold at the end of the period under review were 266 (236) owner-occupied homes under construction and 30 (4) completed ones. SATO's owner-occupied homes are mostly sold only after completion in accordance with a new concept.

Sales of plots of land totalled 10.8 (5.9) million euros.

Business in St. Petersburg

The housing market in St. Petersburg is equivalent in volume to the entire Finnish housing market. SATO achieves growth by investing in rented homes in St. Petersburg. Properties are acquired in central locations in the city.

The book value of investments in St. Petersburg as at 30 June 2012 totalled 78.0 (66.5) million euros. At the end of June, SATO had a total of 112 (93) completed apartments and 124 (85) under construction in St. Petersburg.

SATO's investments are new elite and business or comfort-class homes, and the apartments are mostly rented in furnished form. The average monthly rent per square metre of SATO's furnished apartments in St. Petersburg was EUR 30.05 and the financial occupancy rate of the during the review period was 88.4 per cent.

Personnel

At the end of the period under review, the Group had 157 (142) employees and during the period it had an average of 148 (136) employees.

Corporate bond issue

On 16 April 2012, SATO Corporation issued secured corporate bonds in the amount of 100 million euros. The maturity of the bonds is seven years and their maturity date is 16 April 2019. The fixed annual interest on the bonds is 3.375 per cent. The bonds are secured by the housing portfolio. The bonds were listed for public trading by NASDAQ OMX Helsinki Ltd on 17 April 2012.

Risks and uncertainty factors in the near future

General economic uncertainty continues, which may be reflected by the housing and finance market.

The change in the market prices of housing will have 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.

New owner-occupied housing projects will be launched on the basis of project-specific market surveys.

The risks of investment in housing business in St. Petersburg are related to the trend in market prices for housing, currency fluctuations, and changes in the business climate. The amount of investment in St. Petersburg is limited in proportion to the Group's investments in housing as a whole.

Changes in interest rates affect SATO's profit through changes in interest expenses and through changes in the market value of interest rate hedging. In line with the Group's financing policy, the intention is to keep the proportion of fixed-rate loans to 50–80 per cent of all loans. The adequacy of financing is monitored on an ongoing basis by liquidity forecasting.

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

A broader description of the risks can be found in the Group's annual report for the year 2011 and on the website www.sato.fi.

Outlook

Uncertainty continues over economic conditions, and forecasts show little growth in the Finnish economy in 2012.

Interest rates are expected to stay low in 2012.

Demand for rented homes is forecast to continue to be good in SATO's business areas. SATO's net rental income is forecast to be an improvement on last year's figure.

Continuing uncertainty may impact the housing business. In that case, SATO's number of divestments may decline and SATO may cut back housing starts.

Shareholders in SATO corporation, 26 July 2012

The biggest shareholders and their holdings (per cent)

Varma Mutual Pension Insurance Company	39.9%
Ilmarinen Mutual Pension Insurance Company	16.0%
Suomi Mutual Life Assurance Company	14.8%
Tapiola Mutual Pension Insurance Company	7.5%
Pension Fennia Mutual Insurance Company	5.4%
Tapiola Insurance Group	4.8%
Wärtsilä Corporation	3.9%
Pohjola Insurance Ltd	2.7%
Notalar Oy	2.0%
Others	3.0%

On 26 July 2012, the total number of SATO shares was 51,001,842 and there were 29 shareholders entered in the book-entry securities register.

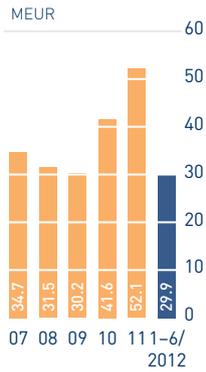
Information on segments

SATO's investment in housing business includes both privately financed and state-subsidised housing property, of which the latter is affected by restrictions set by housing legislation both at the company level and for individual properties. SATO's housing investments are divided into two segments for purposes of financial reporting, SATO business and VATRO business. SATO business includes privately financed homes as well as those state-subsidised and interest-subsidised homes to which property-specific restrictions under legislation on state-subsidised and interest-subsidised loans will end in the period 2011-2025. The construction of owner-occupied housing and business operations in St. Petersburg are also included in SATO business. The VATRO business segment includes housing subject to longer-term, property-specific restrictions under legislation on state-subsidised loans. These restrictions will end by roughly the year 2047.

MEUR	SATO- business 1-6/2012	VATRO- business 1-6/2012	Total 1-6/2012	SATO- business 1-6/2011	VATRO- business 1-6/2011	Total 1-6/2011
Turnover	123.7	18.3	142.0	92.0	17.4	109.4
Net rental income	50.3	10.1	60.4	44.5	9.4	53.9
Profit before taxes	28.2	1.7	29.9	27.4	3.1	30.5
Gross investments in investment properties	62.8	0	62.8	102.4	0	102.4
Book value of the investment properties	1,273.6	201.9	1,475.5	1,184.4	205.9	1,390.3
Fair value of the investment properties	1,772.4	201.9	1,974.3	1,592.5	205.9	1,798.4
Rented homes (number)	18,136	4,098	22,234	17,787	4,102	21,889
Shared ownership apartments (number)	1,235	0	1,235	1,287	0	1,287
Completed owner-occupied homes (number)	103	0	103	23	0	23

FINANCIAL TREND

Profit before taxes
2007 - 1-6/2012



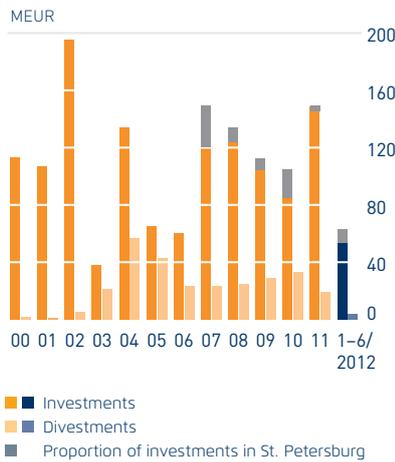
Change in value difference
of investment properties
2007 - 1-6/2012



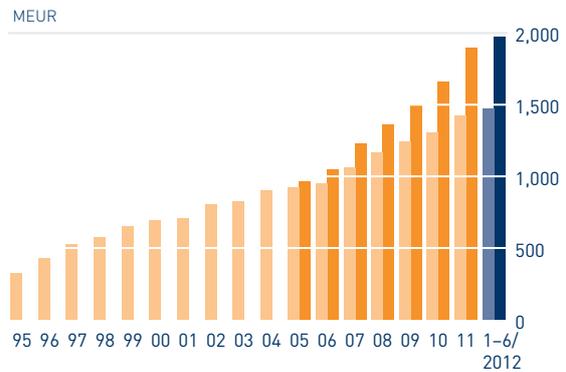
Net worth
2007 - 1-6/2012



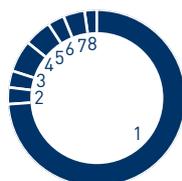
Investments and divestments 2000 - 1-6/2012



Trend in housing stock, book values 1995 - 1-6/2012
and fair values 2005 - 1-6/2012



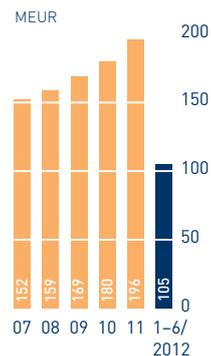
Regional distribution of the investment properties
30 June 2012



- 1 Helsinki Metropolitan Area 74%
- 2 Rest of Helsinki Region 3%
- 3 Turku Region 3%
- 4 Tampere Region 6%
- 5 Jyväskylä, Lahti and Hämeenlinna 5%
- 6 Oulu Region 3%
- 7 St. Petersburg 4%
- 8 Outside the designated focus area 2%

Total housing portfolio,
fair value MEUR 1,974

Rental income
2007 - 1-6/2012



Regional distribution of the building
land inventory (floor area, sq.m.)
30 June 2012



- 1 Helsinki Metropolitan Area 67%
- 2 Tampere 6%
- 3 Turku 10%
- 4 Jyväskylä 4%
- 5 Oulu 13%

Total approx. 292,000
floor area, sq.m.,
about 3,300 apartments

Consolidated comprehensive profit and loss account, IFRS

MEUR	1 Apr.–30 June 2012	1 Apr.–30 June 2011	1 Jan.–30 June 2012	1 Jan.–30 June 2011	1 Jan.–31 Dec. 2011
TURNOVER	61.2	59.5	142.0	109.4	232.0
Capital gains/losses on Investment properties	1.6	3.7	2.2	6.8	9.9
Share of profit in associated companies	0.0	0.0	0.0	0.0	0.0
Other income from business operations	0.0	0.0	0.0	0.0	0.5
Consumption of materials and services	-5.6	-9.0	-29.8	-10.1	-28.2
Personnel expenses	-3.5	-2.9	-6.4	-5.5	-12.2
Depreciation, amortization and impairment charges	-5.4	-5.1	-10.8	-10.1	-20.6
Losses from disposals of Investment Properties	0.0	0.0	0.0	-0.1	-0.2
Other expenses of business operations	-24.3	-21.2	-48.1	-44.5	-94.3
OPERATING PROFIT	24.0	25.1	49.1	45.9	86.8
Financial income	0.4	0.3	0.7	0.4	0.8
Financial expenses	-10.0	-8.9	-19.9	-15.8	-35.5
	-9.7	-8.6	-19.2	-15.4	-34.7
PROFIT BEFORE TAXES	14.4	16.5	29.9	30.5	52.1
Income taxes	-3.6	-4.4	-7.6	-8.0	-10.5
PROFIT FOR THE PERIOD	10.7	12.1	22.4	22.5	41.6
OTHER COMPREHENSIVE INCOME ITEMS					
Cash flow hedges	-4.5	-5.9	-4.0	3.0	-17.9
Financial assets available for sale	0.0	0.0	0.0	0.0	0.0
Translation difference	0.0	0.0	0.0	0.0	0.0
Taxes applied to other comprehensive income items	1.1	1.6	1.0	-0.8	4.2
Other comprehensive income items for the accounting period after taxes	-3.5	-4.4	-3.0	2.3	-13.8
COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD, TOTAL	7.2	7.8	19.4	24.7	27.9
Distribution of net profit for financial period					
To the owners of the parent company	10.7	12.1	22.3	22.4	41.6
To the shareholders without a controlling interest	0.0	0.1	0.0	0.1	0.1
	10.7	12.1	22.4	22.5	41.6
Distribution of comprehensive income					
To the owners of the parent company	7.2	7.7	19.3	24.6	27.8
To the shareholders without a controlling interest	0.0	0.1	0.0	0.1	0.1
	7.2	7.8	19.4	24.7	27.9
Earnings per share calculated for the profit due to the parent company's shareholders (euros per share)					
Undiluted	0.21	0.24	0.44	0.44	0.82
Diluted	0.21	0.24	0.44	0.44	0.82
Average number of shares, million	50.8	50.8	50.8	50.8	50.8

Consolidated balance sheet, IFRS

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
ASSETS			
Non-current assets			
Investment Property	1,475.5	1,390.3	1,424.9
Tangible assets	1.5	1.2	1.3
Intangible assets	0.7	0.7	0.8
Holdings in joint ventures and associated companies	0.1	0.2	0.2
Financial assets available for sale	2.9	2.3	2.5
Receivables	59.2	6.7	57.9
Deferred tax receivables	28.0	21.9	26.9
	1,568.0	1,423.3	1,514.5
Current assets			
Inventories	155.3	118.2	154.3
Accounts receivable and other receivables	26.9	8.8	21.8
Tax credits based on the taxable income for the period	0.0	0.0	2.4
Cash and cash equivalents	57.3	26.8	23.6
	239.5	153.8	202.1
ASSETS, TOTAL	1,807.5	1,577.1	1,716.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity due to the parent company's owners			
Share capital	4.4	4.4	4.4
Fair value reserve	-27.4	-8.4	-24.4
Reserve fund	43.7	43.7	43.7
Other funds	45.0	44.9	44.9
Retained earnings	211.3	194.7	213.9
	277.0	279.4	282.6
Proportion of shareholders without a controlling interest	1.0	0.7	1.0
SHAREHOLDERS' EQUITY, TOTAL	278.0	280.1	283.5
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	71.6	72.9	69.1
Provisions	3.6	4.1	3.9
Other debts	39.2	18.9	34.4
Interest-bearing debt	1,269.8	1,053.4	1,115.3
	1,384.1	1,149.3	1,222.7
Current liabilities			
Accounts payable and other liabilities	53.3	55.9	65.7
Income tax liabilities	0.7	1.9	4.5
Interest-bearing debt	91.5	89.9	140.2
	145.4	147.7	210.4
LIABILITIES, TOTAL	1,529.5	1,297.1	1,433.1
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	1,807.5	1,577.1	1,716.6

Consolidated cash flow statement, IFRS

MEUR	1 Jan.–30 June 2012	1 Jan.–30 June 2011	1 Jan.–31 Dec. 2011
Cash flow from operating activities			
Net profit for period	22.4	22.5	41.6
Adjustments:			
Business activities not involving payment	10.4	11.4	19.4
Proceeds from sales of fixed assets	-2.1	-6.7	-9.7
Interest expenses and other financial expenses	20.5	17.7	37.7
Interest income	-0.6	0.0	-0.8
Dividend income	-0.1	0.0	-0.1
Taxes	7.6	8.0	10.5
Cash flow before change in working capital	57.9	52.8	98.7
Change in working capital:			
Change in accounts receivable and other receivables	-5.8	-1.6	-14.3
Change in inventories	-0.8	-10.9	-37.0
Change in accounts payable and other liabilities	-8.8	5.7	24.1
Change in reserves	-0.4	-0.2	-0.4
Interest paid	-20.2	-16.3	-36.0
Interest received	0.9	0.1	0.2
Taxes paid	-6.6	-8.3	-14.1
Net cash flow from operating activities	16.3	21.2	21.2
Cash flow from investing activities			
Acquisition of subsidiaries less cash and cash equivalents at time of acquisition	0.0	-1.5	0.0
Sale of subsidiaries less cash and cash equivalents at time of sale	-0.7	0.6	1.1
Investments in tangible assets	-43.5	-71.6	-102.9
Repayments of notes receivable	0.4	0.2	0.4
Loans granted	-1.6	0.0	-1.4
Increase (-) / decrease (+) in short-term investments	0.0	0.0	-50.0
Sale of associated companies	0.0	0.1	0.1
Sale of tangible assets	4.1	12.1	15.7
Net cash flow from investing activities	-41.3	-59.9	-136.8
Cash flow from financial activities			
Repayments (-) / withdrawals (+) of short-term loans	-46.1	-36.4	-4.7
Withdrawals of long-term loans	162.4	123.3	205.4
Repayments of long-term loans	-32.7	-21.6	-61.6
Dividends paid	-24.9	-17.8	-17.8
Net cash flow from financial activities	58.7	47.6	121.3
Change in cash and cash equivalents	33.7	8.9	5.7
Cash and cash equivalents at the beginning of the period	23.6	18.0	18.0
Cash and cash equivalents at the end of the period	57.3	26.8	23.6

Statement of changes in Group's shareholders' equity, IFRS

Calculation of changes in Group's shareholders' equity 1 Jan.–30 June 2012

MEUR	Shareholders' equity due to the parent company's owners					Total	Shareholders without a controlling interest	Shareholders' equity, total
	Share capital	Revaluation fund	Reserve fund	Other funds	Retained profits			
Shareholders' equity 1 Jan. 2012	4.4	-24.4	43.7	44.9	213.9	282.6	1.0	283.5
Comprehensive income for the accounting period, total		-3.0			22.4	19.4	0.0	19.4
Dividend payment					-24.9	-24.9		-24.9
Share issue						0.0		0.0
Other adjustments				0.0		0.0	0.0	0.0
	0.0	-3.0	0.0	0.0	-2.6	-5.5	0.0	-5.5
Shareholders' equity 30 June 2012	4.4	-27.4	43.7	45.0	211.3	277.0	1.0	278.0

Calculation of changes in Group's shareholders' equity 1 Jan.–30 June 2011

MEUR	Shareholders' equity due to the parent company's owners					Total	Shareholders without a controlling interest	Shareholders' equity, total
	Share capital	Revaluation fund	Reserve fund	Other funds	Retained profits			
Shareholders' equity 1 Jan. 2011	4.4	-10.6	43.7	44.9	190.1	272.5	1.6	274.2
Comprehensive income for the accounting period, total		2.2			22.4	24.6	0.1	24.7
Dividend payment					-17.8	-17.8		-17.8
Share issue						0.0		0.0
Other adjustments						0.0	-1.0	-1.0
	0.0	2.2	0.0	0.0	4.6	6.8	-0.9	5.9
Shareholders' equity 30 June 2011	4.4	-8.4	43.7	44.9	194.7	279.4	0.7	280.1

Notes to the interim report

SATO's interim report for the period 1 Jan.–30 June 2012 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 same accounting conventions were applied in the production of the interim report as in the IFRS consolidated financial statements for the financial year 1 Jan.–31 Dec. 2011.

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.

Information for segments 1 Jan.–30 June 2012

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	123.7	18.3		142.0
Internal turnover				0.0
Turnover, total	123.7	18.3		142.0
Profits/losses from divestments of Investment Properties	2.2	0.0		2.2
Depreciation, amortizations and impairment charges	-8.9	-1.9		-10.8
Operating profit	43.8	5.3		49.1
Interest income	0.7	0.0		0.7
Interest expenses	-16.3	-3.6		-19.9
Profit before taxes	28.2	1.7		29.9
Net rental income on the housing portfolio	50.3	10.1		60.4
Net rental income of rented homes, % of book value	8.2%	10.1%		8.5%
Investments	62.8			62.8
Acquisition of land for inventory	4.4			4.4
Depreciation and amortization	-8.9	-1.9		-10.8
Impairment charges				0.0
Assets and eliminations allocated to segments, total	1,546.8	218.5	-13.6	1,751.7
Investment Properties	1,273.6	201.9		1,475.5
Cash and cash equivalents	27.5	2.0		29.5
Other assets of the segment	245.8	14.4	-13.6	246.6
Holding in joint venture and associated companies	-0.1	0.2		0.1
Unallocated assets				55.8
Assets, total				1,807.5
Liabilities and eliminations allocated to segments, total	1,273.9	197.6	-13.6	1,457.9
Interest-bearing debt	1,173.9	187.4		1,361.3
Other liabilities of segment	100.0	10.2	-13.6	96.6
Unallocated liabilities				71.6
Liabilities, total				1,529.5

Information for segments 1 Jan.–30 June 2011

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	92.0	17.4		109.4
Internal turnover				0.0
Turnover, total	92.0	17.4		109.4
Profits/losses from divestments of Investment Properties	6.6	0.0		6.6
Depreciation, amortizations and impairment charges	-8.2	-1.9		-10.1
Operating profit	39.9	6.0		45.9
Interest income	0.4	0.0		0.4
Interest expenses	-12.9	-2.9		-15.8
Profit before taxes	27.4	3.1		30.5
Net rental income on the housing portfolio	44.5	9.4		53.9
Net rental income of rented homes, % of book value	7.8%	9.0%		8.0%
Investments	102.4			102.4
Acquisition of land for inventory	4.3			4.3
Depreciation and amortization	-8.2	-1.9		-10.1
Impairment charges				0.0
Assets and eliminations allocated to segments, total	1,359.7	223.9	-12.2	1,571.4
Investment Properties	1,184.4	205.9		1,390.3
Cash and cash equivalents	38.5	4.5		43.0
Other assets of the segment	136.8	13.3	-12.2	137.9
Holding in joint venture and associated companies	0.0	0.2		0.2
Unallocated assets				5.7
Assets, total				1,577.1
Liabilities and eliminations allocated to segments, total	1,030.9	205.4	-12.2	1,224.1
Interest-bearing debt	964.3	197.9		1,162.2
Other liabilities of segment	66.6	7.5	-12.2	61.9
Unallocated liabilities				72.9
Liabilities, total				1,297.1

Information for segments 1 Jan.–31 Dec. 2011

MEUR	SATO business	VATRO business	Eliminations	SATO Group, total
External turnover	196.9	35.1		232.0
Internal turnover	0.0	0.0	0.0	0.0
Turnover, total	196.9	35.1	0.0	232.0
Profits/losses from divestments of Investment Properties	9.7	0.0		9.7
Depreciation, amortizations and impairment charges	-16.8	-3.8	0.0	-20.6
Operating profit	77.2	9.6	0.0	86.8
Interest income	0.8	0.0		0.8
Interest expenses	-28.9	-6.6		-35.5
Profit before taxes	48.8	3.3	0.0	52.1
Net rental income on the housing portfolio	92.9	16.5		109.4
Net rental income of rented homes, % of book value	8.1%	8.0%		8.1%
Investments	148.8	0.0		148.8
Acquisition of land for inventory	19.1			19.1
Depreciation and amortization	-16.8	-3.8		-20.6
Impairment charges	0.0			0.0
Assets and eliminations allocated to segments, total	1,467.4	226.2	-14.5	1,679.1
Investment Properties	1,221.0	203.9		1,424.9
Cash and cash equivalents	9.8	3.2		13.0
Other assets of the segment	236.7	18.8	-14.5	241.0
Holding in joint venture and associated companies	-0.1	0.3		0.2
Unallocated assets				37.5
Assets, total				1,716.6
Liabilities and eliminations allocated to segments, total	1,174.2	204.3	-14.5	1,364.0
Interest-bearing debt	1,063.1	192.4		1,255.5
Other liabilities of segment	111.1	11.9	-14.5	108.5
Unallocated liabilities				69.1
Liabilities, total				1,433.1

2. Investment properties (=investment property as per IAS 40)

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
Acquisition cost, 1 Jan.	1,561.9	1,423.0	1,423.0
Additions; new properties	60.0	98.4	140.4
Additions; additional investments	2.8	4.0	8.1
Decreases	-2.1	-7.3	-9.4
Reclassifications	0.3	-0.9	-0.2
Acquisition cost, total	1,622.9	1,517.2	1,561.9
Accumulated depreciation and write-downs, 1 Jan.	-137.0	-117.1	-117.1
Depreciation	-10.4	-9.8	-19.9
Accumulated depreciation and write-downs, total	-147.4	-126.9	-137.0
Book value	1,475.5	1,390.3	1,424.9
Fair value	1,974.3	1,798.4	1,898.6
Difference between fair and book value	498.8	408.1	473.7
Change in difference in value	25.1	56.7	122.3

An external appraiser has made a statement on the fair value of SATO's investment properties as at 30 June 2012.

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.

3. Tangible assets

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
Book value at start of period	1.3	1.0	1.0
Increases	0.5	0.5	0.9
Decreases	-0.1	-0.1	-0.2
Depreciation for accounting period	-0.2	-0.2	-0.4
Book value at end of period	1.5	1.2	1.3

4. Inventories

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
Housing under construction	51.5	27.1	45.0
Completed housing units and commercial space	12.0	6.8	7.9
Land areas and land area companies	79.2	77.2	90.8
Other inventories	12.6	7.2	10.6
Total	155.3	118.2	154.3

5. Notes on shareholders' equity

MEUR	Number of shares (1,000)	Share capital	Reserve-fund	Fund for distributable equity invested	Total
Precision calculation of the number of shares:					
1 Jan. 2012	50,842	4.4	43.7	44.9	93.0
	0	0.0	0.0	0.0	0.0
30 June 2012	50,842	4.4	43.7	45.0	93.0

6. Financial liabilities

During the period under review, new long-term financing in the amount of 43.4 million euros was raised for so-called ownership companies. The contingent liabilities on shares in housing companies have increased by 24.5 million euros, mostly on the basis of investments during the financial period.

On 16 April 2012, SATO Corporation issued secured corporate bonds in the amount of 100 million euros. The maturity of the bonds is seven years and their maturity date is 16 April 2019. The fixed annual interest on the bonds is 3.375 per cent. The bonds are secured by the housing portfolio. The bonds were listed for public trading by NASDAQ OMX Helsinki Ltd on 17 April 2012.

For purposes of short-term financing, SATO has the use of a commercial paper programme 100 million euros, committed short-term credit limits 130 million euros and a non-committed current limit 5 million euros. On 30 June 2012, the commercial paper issued amounted to 47.2 million euros.

7. Derivatives

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
Derivative instruments specified for hedging cash flow			
Interest-rate swaps, nominal value	444.9	480.4	382.3
Currency forward rate agreements, nominal value	8.8	3.8	2.5
Cross currency swaps, nominal value	116.2	118.4	117.3
Fair value, positive	0.1	0.6	0.0
Fair value, negative	-36.9	-15.7	-32.7
Total	-36.8	-15.1	-32.7
Derivative instruments without hedge accounting			
Interest-rate swaps, nominal value	20.0	20.0	20.0
Interest-rate options, nominal value	60.0	90.0	90.0
Currency forward rate agreements, nominal value	-	2.0	-
Fair value, positive	-	-	-
Fair value, negative	-2.9	-3.8	-3.5
Total	-2.9	-3.8	-3.5

Interest-rate and currency swaps are used to hedge loans in foreign currency. The hedging covers the currency risks of both the payment of interest on the loan and repayment of principal. Currency derivatives are used to hedge binding purchase agreements denominated in foreign currency.

8. Collateral and contingency commitments

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
Debts for which mortgages and pledges have been given as collateral			
Market loans			
Mortgages provided	164.8	58.0	61.1
Book value of pledged shares	659.7	649.3	659.0
Value of corporate mortgages pledged	0.0	0.0	0.0
Value of deposits pledged	50.1	0.0	50.0
State-subsidised ARAVA loans			
Mortgages provided	333.0	345.6	333.0
Book value of pledged shares	23.8	23.8	23.8
Interest-subsidised loans			
Mortgages provided	127.2	127.2	127.2
Book value of pledged shares	0.0	0.8	0.8
Debts of housing and mutual property holding companies, secured by mortgages on properties			
Loans from financial institutions	191.8	151.5	170.5
Mortgages provided	275.1	203.0	265.4
Other commitments			
Guarantees	3.3	3.3	3.3
Guarantee pledges for others			
Owner-occupier home purchase commitments	18.9	18.2	18.9
Rs-guarantees	12.0	8.8	9.4
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	82.2	48.1	66.9
Pledges for land use payments on zoned plots	3.3	13.3	4.6
Commitments to cleaning and removal charges	0.9	1.2	1.0
Letters of intent on land for which there is a zoning condition	3.8	3.6	0.0

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 89.7 on 30 June 2012 (MEUR 96.8 on 30 June 2011).

9. Related party events

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. In 2011 and 2012 the shareholders included in related parties were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company and Wärtsilä Corporation.

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 Presidents; the Director, Customer Relationships and Communications; and the Chief Financial Officer.

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
The following transactions were effected with related parties:			
Open balances with shareholders			
Receivables	0.0	0.0	0.0
Debts	33.6	37.5	35.4
The terms applied in business with related parties were equal to the terms complied with in business dealings between independent parties.			
Management perquisites			
Salaries and other short-term perquisites	0.8	1.1	1.7
Other long-term perquisites	0.6	0.4	0.8
Total	1.4	1.5	2.5

10. Key indicators

MEUR	30 June 2012	30 June 2011	31 Dec. 2011
Return on investment, %	6.3	6.7	6.1
Return on equity, %	15.9	16.2	14.9
Equity ratio, %	15.5	17.9	16.7
Equity ratio, % at fair values	28.6	29.5	29.5
Earnings per share, €	0.44	0.44	0.82
Net worth per share, €			
-at book values	5.5	5.5	5.6
-at fair values	12.9	11.4	12.6
Number of shares, million *	50.8	50.8	50.8
Average number of shares, million	50.8	50.8	50.8
Gross investments, MEUR	63.4	102.9	150.0
Personnel, average	148	136	137

* The 160,000 shares held by the Group have been deducted from the number of shares.

11. Formulas for key indicators

Return on investment, %	$\frac{(\text{Profit or loss before taxes} + \text{interest expense and other financing expenses})}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}} \times 100$
Return on equity, %	$\frac{(\text{Profit or loss after taxes})}{\text{Shareholders' equity (average during the financial year)}} \times 100$
Equity ratio, %	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$
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, €	$\frac{(\text{Net worth at balance sheet value} - \text{liabilities})}{\text{Adjusted number of shares at year-end}} \times 100$

SATO is one of Finland's leading corporate investors in housing. SATO owns a total of some 23,000 rentable homes in Finland's largest centres of urban growth and St. Petersburg. Its investment assets have a fair value of over 1.9 billion euros.

SATO's value proposition:

A Home the Way You Want It



SATO Corporation, Panuntie 4,
PO Box 401, FI-00601 Helsinki, Finland
Tel. +358 201 34 4000
www.sato.fi