

SATO Interim report

1-3/06



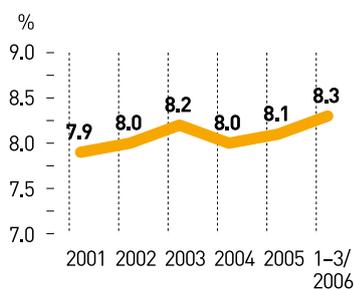
Interim report 1.1.-31.3.2006

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 on the economic zones of the Helsinki Metropolitan Area, Tampere, Turku, Oulu and Jyväskylä.

SATO owns roughly 23,000 rental homes. In the past few years the volume of investments has been approximately 1,500 housing units and divestments roughly 1,000 units per year. The construction of new dwellings comprises about 1,000 homes each year, of which roughly 700 are for sale to owner-occupiers and the remainder are client commissioning projects. In its sixtyfive years of history, SATO has built 220,000 new homes, representing approximately ten per cent of Finland's housing stock.

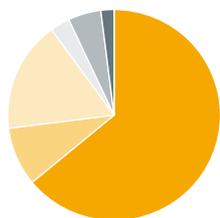
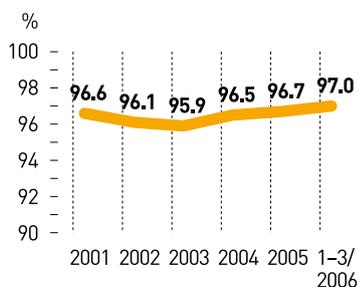
Investment in housing

Net rental income 2001–1-3/2006



Investment in housing

Financial occupancy rate of rental housing 2001–1-3/2006



Investment in housing

Regional distribution of housing stock 31 March 2006

- Helsinki Metropolitan Area 64 %
- Rest of Southern Finland 9 %
- Western Finland 17 %
- Eastern Finland 3 %
- Oulu Province 5 %
- Lapland 2 %

Total housing portfolio MEUR 942

Turnover and profit

The Group's turnover for the early months of the year was 66.4 million euros (77.4 million euros 1.1.-31.3.2005), of which the turnover from investment in housing was 39.9 (44.0) million euros and the turnover from housing development and construction was 26.5 (33.4) million euros. The downturn in turnover is the result primarily of sales of shares by housing development and construction.

The Group's profit for the period under review before extraordinary items and taxes was 10.6 (11.2) million euros. This figure includes a total of 4.3 (4.1) million euros in capital gains on divestments. The net profit from investment in housing for the period under review was 10.6 (8.6) million euros and the net profit from housing development and construction was 0.0 (2.6) million euros.

Financial status

The consolidated balance sheet total at the end of the period under review totalled 1,097 (1,058) million euros. Shareholders' equity was 162.9 (147.5) million euros and the equity ratio was 15.4 (14.6) per cent. The Group's return on equity was 17.6 (20.4) per cent and return on investment 7.2 (7.6) 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 23.3 (27.5) million euros.

Interest-bearing liabilities at the end of the period under review were 782 (770) million euros, of which market rate

loans totalled 335 (306) million euros, interest-subsidised loans totalled 102 (104) million euros, and state subsidised loans totalled 290 (306) million euros. At the end of the period under review, there were debts in the amount of 55 (54) 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, 197 (180) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 42 (27) months.

Investment in housing

The turnover from investment in housing during the period under review was 39.9 (44.0) million euros and its net profit was 10.6 (8.6) million euros. The business area's profit includes a total of 4.3 (3.7) million euros capital gains on divestments.

On 31 March 2006, SATO owned a total of 22,452 (22,691) homes with a balance sheet value of 942 (914) million euros, of which rental homes accounted for 20,770 (20,897) and shared ownership apartments for 1,682 (1,794). In addition to this, SATO has a 50 per cent holding in Suomen Asumisoikeus Oy.

During the period under review, investments were made in 125 (8) rental homes and a total of 347 (373) rental homes were divested from the portfolio. Residents living in shared ownership apartments purchased a total of 15 (36) homes. The investments in housing during the period under review amounted to 9.0 (0.6) million euros and divestments of housing totalled 7.5 (15.2) million euros. During the period under review, SATO's housing portfolio declined by 241 units in all.

The financial occupancy rate of rental homes during the period under review averaged 97.0 (96.7) per cent and that of shared ownership apartments averaged 99.6 (99.4) per cent. During the period under review, the occupant turnover in rental housing was 33.7 (34.1) per cent and in shared ownership apartments 12.7 (14.7) per cent. The average rent per square metre of SATO's rental homes during the period under review was 9.75 (8.99) euros per month. The average rent per square metre for shared ownership apartments was 8.10 (8.25) euros per month. The rental homes' net rental income on an annualised basis was 8.3 (8.1) per cent.

In March, SATO became the first in Finland to launch a guarantee based on the quality rating of rental homes. The quality guarantee will be aimed in the initial stage at homes for renovation and new leases, but in the long term it will be extended to cover SATO's entire rental home portfolio. There are five quality

classes, with the highest level symbolised by a five-star category. The quality class is affected by the home's location, materials, fittings and condition.

Housing development and construction

The turnover from housing development and construction during the period under review was 26.5 (33.4) million euros and its net profit was 0.0 (2.6) million euros. There were no capital gains on sales of plots during the period under review (0.4 million euros 1.1.-31.3.2005).

During the period under review, a total of 53 (221) new homes were completed. Of these, 35 (191) were owner-occupied and 18 (30) were homes in client projects. At the end of March, 1,074 (835) new homes were under construction, of which 763 (654) were owner-occupied and 311 (181) were homes in client projects.

At the end of the period under review, the Group had 7 (11) completed homes unsold, and the number of unsold owner-occupier homes under construction was 286 (262).

The building land inventory was augmented by purchases and plot reservations with 7,028 square metres of permitted building area. Of the permitted building volume, 2,550 square metres was brought into production.

The building land inventory was valued at the end of the period under review at 35 (25) million euros.

Personnel

At the end of the period under review, the Group had 176 (185) employees and during the period under review it had an average of 176 (198) 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.

Annual general meeting, 30 March 2006

The annual general meeting adopted the financial statements and granted release from personal liability for 2005 to the members of the Board of Directors and the President and CEO. It was decided to pay 7.00 euros per share or a total of 15.4 million euros in dividend.

Commercial Counsellor Jouko Tuu-

nainen was re-elected as the chairman of the Board of Directors. The members elected to the Board were Juhani Järvi, Jorma Kuokkanen, Raimo Lind, Martti Porkka and Jukka Salminen. The new members elected to the Board of Directors were Eino Halonen and Esko Torsti. 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 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, in such a way that these instruments may be used to subscribe a maximum total of 439,569 shares in the company with a par value of EUR 2.00 each. 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 ten per cent of the company's share capital or total number of voting rights after the purchase of the shares. The above authorisations are valid for one year from the date of the annual general meeting's decision.

Events after the period under review

In April, SATO won a design competition arranged by the city of Helsinki for two plots of land in the Latokartano area of the Viikki district. The plot will be developed with 63 privately financed city-regulated owner-occupied homes.

Outlook

The rental income and rental occupancy rate for investment in housing is forecast to be on a par in 2006 with the previous year's figures. The volume of housing divestment business is likely to be down on the previous year.

Demand for and prices of owner-occupied homes are expected to hold steady. The number of owner-occupier homes built by the Group will be similar to the figure for 2005.

The Group's earnings from business operations are estimated to be on a par with the previous year's figure. Earnings in all are estimated to decline due to the downturn in earnings from divestments.

Shareholders in SATO Corporation, 21 April 2006

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

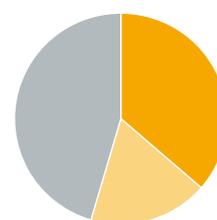
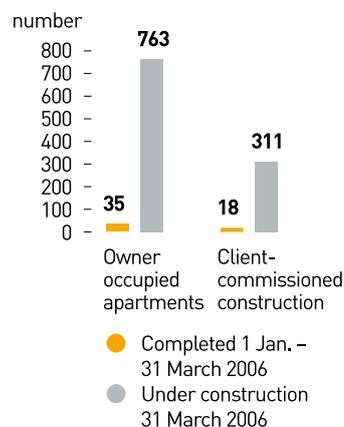
Kesko Corporation	16,5
Ilmarinen Mutual Pension Insurance Company	16,5
Suomi Mutual Life Assurance Company	15,3
Varma Mutual Pension Insurance Company	11,9
SOK Corporation	8,7
Pohjola Non-Life Insurance Company Ltd	6,2
Kaleva Mutual Insurance Company	5,9
Sampo Life Insurance Company Limited	5,7
Wärtsilä Corporation	4,5
Tapiola Insurance Group	2,3

On 16 March 2006, Suomi Mutual Life Assurance Company acquired the shares in SATO Corporation held by Nordea Bank Finland Plc and Nordea /KOP/ Pension Fund, which are the equivalent of a 15.3 per cent holding in SATO Corporation's issued stock.

The Group had 38 shareholders on 21 April 2006.

Housing construction

Construction of new housing 1-3 / 2006



Housing construction

Reserve of plots for owner-occupied housing construction 31 March 2006
Total 330,000 sq.m.floor area

- Zoned 120,000 sq.m.floor area
- Framework zoning 60,000 sq.m.floor area*)
- Letters of intent and allocations 150,000 sq.m.floor area

*) Permitted building volume in zoning proposals

Consolidated profit and loss account (MEUR)	1.1.-31.3.2006	1.1.-31.3.2005	1.1.-31.12.2005
Turnover	66.4	77.4	289.6
Operating profit	16.5	17.2	66.3
Financial income and expenses	6.0	-6.1	-23.1
Profit before extraordinary items and taxes	10.6	11.2	43.1
Extraordinary items	0.0	0.0	0.2
Direct taxes	-3.3	-3.4	-12.0
Minority interest in profit	0.0	0.0	-0.2
Net profit for the financial period	7.3	7.7	31.2

Consolidated balance sheet (MEUR)	31.3.2006	31.3.2005	31.12.2005
Fixed assets and other long-term investments	930	891	920
Inventories and financial assets	167	167	210
Assets	1,097	1,058	1,130
Shareholders' equity	163	147	171
Minority interest	1	2	1
Consolidated reserve	0	0	0
Obligatory reserves	7	6	8
Long-term liabilities	809	821	799
Short-term liabilities	116	82	151
Liabilities and shareholders' equity	1,097	1,058	1,130

Group indicators

Return on investment (% annualised)	7.2	7.6	7.1
Return on equity (% annualised)	17.6	20.4	19.1
Net rental income on housing (% annualised)	8.3	8.1	8.1
Equity ratio (%)	15.4	14.6	15.6
Earnings per share (EUR)	3.3	3.5	14.1
Equity per share (EUR)	74.1	67.1	77.8
Gross investments (MEUR)	9	0.6	65
Personnel, average	176	198	181

Group contingent liabilities (MEUR)

Pledges	317	257	276
Corporate mortgages	3	3	3
Mortgages on land areas and buildings	754	653	734
Guarantees	41	40	41
Buyback commitments on shared ownership apartments	21	20	22
Other liabilities	0	0	0
Total	1,136	973	1,076

Liabilities of unconsolidated shared ownership homes (MEUR)

Loans	147	156	149
Mortgages	222	228	222
Advance payment debt corresponding to buy-back liability	16	19	17

Other information (MEUR)

Par value of interest rate derivatives	197	180	197
Fair value of interest rate derivatives	-2.3	-5.0	-3.1
RS guarantee limit used	23	22	22

Interim report 1 January – 30 June 2006 will be issued on 11 August 2006
Interim report 1 January – 30 September 2006 will be issued on 25 October 2006

