

SATO

Interim report

1.1.-31.3.2008



SATO

Interim report

1.1.–31.3.2008

Summary of the period 1-3/2008 (1-3/2007)

- The Group's turnover was 68.9 (69.0) million euros and operating profit was 20.3 (16.8) million euros.
- Profit before taxes was 10.0 (10.2) million euros.
- Earnings per share were EUR 0.17 (0.17).
- Return on equity was 14.5 (15.6) per cent and return on investment was 8.1 (6.9) per cent.
- Gross investments in Investment Properties were 51.1 (16.9) million euros and divestments of housing were 6.6 (12.0) million euros.
- The book value of Investment Properties as at 31.3.2008 was 1,106.4 (962.4) million euros and the fair value was 1,278.3 (1,074.4) million euros. The difference between book value and fair value grew by 7.6 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 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 265.9 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 68.9 million euros (69.0 million euros Q1 2007), of which the SATO Homes segment's turnover was 30.8 (31.4) million euros, that of the VATRO Homes segment was 9.5 (7.0) million euros and that of the Housing Development and Construction segment was 31.1 (33.5) million euros.

The Group's profit before taxes for the period was 10.0 (10.2) million euros. The SATO Housing segment's net profit was 8.7 (8.2) million euros, that of the VATRO Homes segment was 0.6 (0.1) million euros and that of Housing Development and Construction was 0.9 (2.0) million euros.

Financial status and financing

The consolidated balance sheet total at the end of the period under review totalled 1,308.1 (1,143.8) million euros. Shareholders' equity was 198.5 (188.2) million euros and the equity ratio was 15.4 (16.8) per cent. Shareholders' equity net of the VATRO Homes segment was 19.8 (22.9) per cent. The Group's return on equity was 14.5 (15.6) per cent and return on investment was 8.1 (6.9) 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 32.4 (49.7) million euros.

Interest-bearing liabilities at the end of the period under review were 983.5 (830.7) million euros, of which market rate loans totalled 581.4 (408.7) million euros, interest-subsidised loans totalled 100.4 (100.8) million euros, and state-subsidised ARAVA loans totalled 245.1 (268.0) million euros. There were debts in the amount of 56.6 (53.2) 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, 324.5 (219.6) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 3.4 (2.8) years.

Investments and divestments

The Group's gross investment in Investment Properties totalled 51.1 (16.9) million euros. During the period under review, Group housing properties were divested for a total of 6.6 (12.0) million euros.

During the period under review, no plots were acquired for inventories (10.7 million euros in Q1 2007). Plots were transferred to construction for a total of 1.2 (1.6) million euros.

Business area Investment in Housing

On 31 March 2008, SATO held a total of 22,475 (22,220) homes, of which 21,044 (20,676) were rented and 1,431 (1,544) were owner-occupied. The book value of the rented homes was 1,106.4 (962.4) million euros and their fair value was 1,278.3 (1,074.4) million euros. The book value of investments in St. Petersburg was 32.8 (0) million euros. During the period under review, the book value of the housing portfolio grew by 46.1 (13.0) million euros and the number of homes increased by 88 (decrease of 328).

SATO's investment housing is divided between two business areas, SATO Housing and VATRO Housing. SATO Housing 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. St. Petersburg business is also part of the SATO Housing operation. VATRO Housing includes those housing units which are subject to longer-term property-specific restrictions under legislation on state subsidised loans.

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 are freely to be sold,
- the yield value for properties which are for sale 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 40.3 (38.4) million euros. Of turnover, rental income was 39.0 (36.3) million euros and sales of shares were 1.3 (2.1) million euros. The division's profit before taxes was 9.3 (8.3) million euros. The profit from rental business was 5.8 (3.9) million euros and proceeds from sales of shares in divestments were 3.5 (4.3) million euros.

During the period under review, the total invested in housing was 51.1 (16.9) million euros, and this was all allocated to the SATO Homes segment. Investments were used to acquire a total of 292 (97) rented homes, of which 255 were in the Helsinki Metropolitan Area. 25 (19) were newly built.

The value of housing divestments totalled 6.6 (12.0) million euros. During the period under review, a total of 197 (406) rental homes were sold from the Group's housing portfolio.

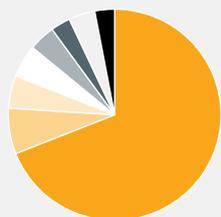
The financial occupancy rate of rental homes during the period under review averaged 97.8 (97.0) per cent and that of shared ownership apartments was 100.0 (99.6) per cent. The tenant turnover rate of rental homes was 29.5 (31.2) per cent and that of shared ownership apartments was 8.6 (9.0) per cent. 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 (8.0) per cent and 6.9 (7.1) 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.

Investment in Housing

Trend in the housing portfolio, book values 2003–1-3/2008 and fair values 2005–1-3/2008



Investment in Housing

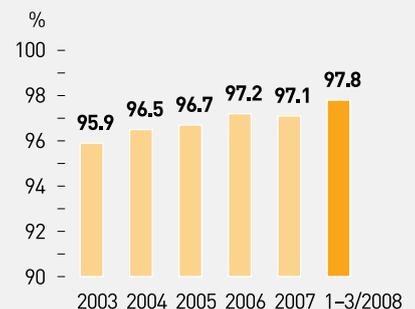
Regional distribution of housing portfolio, 31 March 2008



Total housing portfolio, book value MEUR 1,106.4

Investment in Housing

Financial occupancy rate of rental housing 2003–1-3/2008



Information on the Investment in Housing by segments

1 January - 31 March 2008	SATO Housing	VATRO Housing	Total
Turnover, MEUR	30.8	9.5	40.3
Profit before taxes, MEUR	8.7	0.6	9.3
- incl. proceeds from divestments, MEUR	3.5	-	3.5
Net rental income of rented homes, %			
- at book values	8.1	7.6	8.0
- at fair values	6.7	7.6	6.9
Financial rental occupancy rate of rented homes, %	97.6	98.6	97.8
Tenant turnover, %	28.8	31.9	29.5
Average rent, €/sq.m./month	10.93	10.00	10.69
Gross investments, MEUR	51.1	-	51.1
Divestments, MEUR	6.6	-	6.6
Repairs, MEUR	3.7	0.8	4.5
31 March 2008			
Number of rented homes	15,760	5,284	21,044
Number of shared ownership homes	1,431	-	1,431
Investment Properties:			
- book value, MEUR	847.4	259.0	1,106.4
- fair value, MEUR	1,019.3	259.0	1,278.3
Difference in value, MEUR	171.9	-	171.9

Business area Housing Development and Construction

The turnover of Housing Development and Construction during the period under review was 31.1 (33.5) million euros and the profit before taxes was 0.9 (2.0) million euros. The turnover of Housing Development and Construction includes 2.5 (2.9) 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 236 (178) new homes were completed, of which 193 (178) were owner-occupied and 43 (0) were homes in client projects. The number of new owner-occupied homes started was 57 (148). The main building start during the period under review was an apartment property in the Pakkala district of Vantaa. At the end of March, a total of 575 (1,087) homes were under construction, of which 483 (690) were owner-occupied and 92 (397) were homes in client projects. At the end of the period under review, the Group had 238 (360) unsold homes under construction and 59 (34) completed homes unsold.

SATO together with Palmberg-Urakoitsijat Oy won a plot reservation competition for the Old Brewery property, 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. There were no new investments in plots during the period under review. The permitted building volume used for residential construction was valued at 1.2 (1.6) million euros.

The book value of the building land inventory held at the end of the period under review was 65.8 (46.8) 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.

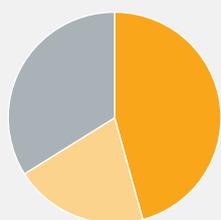
SATO's financing is denominated in euros, which is subject to an interest rate risk. Investments in St. Petersburg also involve an exchange rate risk. Operations in St. Petersburg also include risks associated with a new business environment.

Personnel

At the end of the period under review, the Group had 170 (176) employees and during the period under review it had an average of 170 (173) employees.

Housing construction

Trend in housing construction 2003–1–3/2008



Housing construction

Reserve of plots for owner-occupied housing construction 31 March 2008 (sq.m. floor area)
Total approx. 457,000, approx. 5,000 units

- Zoned 209,000
- Framework zoning 93,000 *)
- Letters of intent and allocations 155,000

*) Permitted building volume in zoning proposals

Annual general meeting, 26 March 2008

The annual general meeting adopted the company's financial statements and released the members of the Board of Directors and the President and CEO from personal liability for the financial year 2007. It was decided to distribute 0.36 euros per share in dividend for 2007, totalling 16.0 million euros.

The number of members on SATO Corporation's Board of Directors was confirmed as six. Juha Laaksonen continues as chairman of the Board in the current term of office. Also elected as members of the Board of Directors were Jorma Kuokkanen, Raimo Lind, Asko Salminen and Esko Torsti, as well as new member Chief Investment Officer Timo Hukka of Suomi Mutual Life Assurance Company. The Board elected Raimo Lind from its membership to serve as deputy chairman.

The Board of Directors elected from its membership Juha Laaksonen as chairman of the Nomination and Compensation Committee with Jorma Kuokkanen and Timo Hukka as its members. Raimo Lind was elected as chairman of the Audit Committee, with Asko Salminen and Esko Torsti as members.

The firm of Authorised Public Accountants KPMG Oy Ab was elected as the auditor, with Markku Sohlman, APA, as the auditor in charge.

The annual general meeting authorised the Board of Directors to decide on one or more targeted, for-payment share issues, in such a way that the combined total number of new shares issued will not exceed 4,442,192. The proposed maximum is equal to 10 % of the company's shares.

The Board of Directors was authorised to decide on the terms of the issue, the issue price of the shares and the criteria on which the price is based, and on the other terms of the issue.

The Board of Directors may decide on a share issue other than in proportion to the holdings of existing shareholders (targeted issue) if there is a pressing financial reason for this from the company's perspective.

The following may be considered pressing financial reason for disapplication of the shareholders' preemption rights in an issue of shares:

- 1) strengthening the company's capital structure
- 2) acquiring assets for the company's business, using company shares as payment, and
- 3) financing or implementing forthcoming corporate acquisitions or other arrangements.

The authorisation is valid until 26 March 2009.

Events after the period under review

In April, SATO acquired 17 privately financed rental apartments in Helsinki city centre. The apartments, which are being renovated, will be completed at the end of this year.

SATO Corporation and VVO Corporation have made an offer to purchase the shares in Avara Suomi Oy held by the cities of Hyvinkää, Lahti, Kemi and Vantaa.

Outlook

The positive trend continues in the market for rented housing. The volume of output of owner-occupied housing is expected to decline. SATO's growth target is supported by rising demand for rented and senior housing in the Helsinki Metropolitan Area and by investment in housing business in St. Petersburg.

As SATO increases its proportion of new housing investments in both Finland and St. Petersburg, the Group's capital will be committed upfront this year relative to the profits accruing.

It is forecast that the Group's net profit for 2008 will be on a par with the previous year's figure.

Shareholders in SATO Corporation, 14 April 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 April 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 1.1.-31.3.2008	IFRS 1.1.-31.3.2007	IFRS 1.1.-31.12.2007
Turnover	68.9	69.0	265.9
Capital gains/losses on investment properties	3.5	4.3	7.0
Share of joint venture's profit	0.0	0.0	0.0
Other income from business operations	0.0	0.0	0.6
Consumption of materials and services	-26.7	-28.8	-102.9
Personnel expenses	-2.6	-2.7	-10.6
Depreciation and write-downs	-4.3	-4.3	-16.9
Other expenses of business operations	-18.5	-20.8	-76.9
Operating profit	20.3	16.8	66.2
Financial income	4.1	2.4	11.3
Financial expenses	-14.4	-9.0	-43.3
	-10.3	-6.6	-32.0
Profit before taxes	10.0	10.2	34.3
Income taxes	-2.6	-2.7	-9.0
Profit for the period	7.4	7.6	25.2
Distribution			
To the owners of the parent company	7.3	7.5	25.1
To minorities	0.1	0.0	0.1
	7.4	7.6	25.2
Profit per share calculated on the profit due to the owners of the parent enterprise			
Earnings per share, €	0.17	0.17	0.57
Average number of shares, million	44.4	44.4	44.4

Consolidated balance sheet

MEUR	IFRS 31.3.2008	IFRS 31.3.2007	IFRS 31.12.2007
Assets			
Non-current assets			
Investment properties	1,106.4	962.4	1,060.3
Tangible assets included in fixed assets	2.0	1.9	2.1
Intangible assets	1.2	1.1	1.2
Holdings in associated companies	0.5	0.2	0.8
Financial assets for sale	2.2	2.0	2.1
Receivables	7.9	2.5	7.2
Deferred tax credits	12.2	12.6	11.1
	1,132.5	982.7	1,084.8
Current assets			
Inventories	107.5	77.7	113.6
Trade receivables and other receivables	35.1	32.7	27.6
Tax credits based on taxable income for period	0.6	1.0	3.5
Cash and cash equivalents	32.4	49.7	34.0
	175.6	161.2	178.6
Assets, total	1,308.1	1,143.8	1,263.4

MEUR	IFRS 31.3.2008	IFRS 31.3.2007	IFRS 31.12.2007
Shareholders' equity and liabilities			
Shareholders' equity belonging to the owners of the parent company			
Share capital	4.4	4.4	4.4
Value adjustment fund	1.1	2.8	2.8
Reserve fund	43.7	43.7	43.7
Other funds	3.2	0.4	3.2
Retained profits	146.1	136.8	154.7
	198.5	188.2	208.8
Minority interest	1.4	1.3	1.4
Shareholders' equity, total	199.9	189.4	210.2
Liabilities			
Long-term liabilities			
Deferred tax liability	59.1	53.2	56.8
Reserves	5.6	6.8	5.5
Interest-bearing debts	801.7	708.5	768.1
	866.4	768.5	830.5
Current liabilities			
Accounts payable and other debts	59.9	63.6	44.9
Tax liability based on taxable income for period	0.0	0.0	0.9
Interest-bearing debts	181.8	122.2	177.0
	241.7	185.9	222.7
Liabilities, total	1,108.1	954.4	1,053.2
Shareholders' equity and liabilities, total	1,308.1	1,143.8	1,263.4

Consolidated cash flow statement

MEUR	IFRS	IFRS	IFRS
	1.1.- 31.3.2008	1.1.- 31.3.2007	1.1.- 31.12.2007
Cash flow from operating activities			
Net profit for period	7.4	7.6	25.2
Adjustments:			
Business activities not associated with payments	5.1	4.3	16.5
Capital gains on fixed assets	-3.5	-4.3	-7.0
Interest expenses and other financial expenses	13.6	9.0	43.3
Interest income	-4.1	-2.4	-10.9
Dividend income	0.0	0.0	-0.1
Taxes	2.6	2.7	9.0
Change in fixed assets:			
Change in trade receivables and other receivables	-5.4	-10.8	-5.3
Change in inventory	7.5	0.6	-35.3
Change in accounts payable and other debts	-1.9	5.0	1.3
Change in reserves	0.1	-0.2	-1.4
Interest paid	-12.8	-9.2	-40.6
Interest received	1.9	2.4	10.8
Taxes paid	-2.0	-2.0	-8.0
Net cash flow from operating activities	8.5	2.7	-2.5

MEUR	IFRS	IFRS	IFRS
	1.1.- 31.3.2008	1.1.- 31.3.2007	1.1.- 31.12.2007
Cash flow from investments			
Investments in tangible fixed assets	-49.8	-20.7	-148.6
Investments in intangible assets	0.0	0.0	-0.5
Instalment on notes receivable	0.6	0.6	0.7
Loans granted	-0.6	-0.3	-5.6
Sales of associated companies	0.2	0.0	0.0
Sales of tangible fixed assets	6.5	7.6	27.5
Interest received	0.0	0.0	0.0
Net cash flow from investments	-43.1	-12.9	-126.5
Cash flow from financing			
Payments received from share issues	0.0	0.0	2.8
Repayments (-) / withdrawals (+) of short-term loans	2.3	29.9	58.8
Withdrawals of long-term loans	37.7	0.0	115.9
Repayments of long-term loans	-7.0	-11.3	-39.8
Interest paid	0.0	0.0	-15.9
Net cash flow from financing	33.0	18.6	121.8
Change in cash and cash equivalents	-1.6	8.5	-7.2
Cash and cash equivalents at start of period	34.0	41.3	41.3
Cash and cash equivalents at end of period	32.4	49.8	34.0

Calculation of changes in Group shareholders' equity, 1.1.–31.3.2008

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		
Shareholders' equity 1.1.2008	4.4	2.8	43.7	3.2	154.7	208.8	1.4	210.2
Hedging of cash flow		-1.6			0.0	-1.6		-1.6
Financial assets for sale		-0.1			0.0	-0.1		-0.1
Net profit for period					0.0	7.3	0.1	7.4
Total income and expenses booked for during period	0.0	-1.7	0.0	0.0	0.0	5.7	0.1	5.8
Dividend payment					-16.0	-16.0		-16.0
Targeted share issue					0.0	0.0		0.0
Other adjustments					0.0	0.0	0.0	0.0
Shareholders' equity 31.3.2008	4.4	1.1	43.7	3.2	138.7	198.5	1.4	199.9

Calculation of changes in Group shareholders' equity, 1.1.–31.3.2007

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		
Shareholders' equity 1.1.2007	4.4	2.6	43.7	0.4	145.2	196.3	1.3	197.6
Hedging of cash flow		0.2				0.2		0.2
Financial assets for sale		0.0				0.0		0.0
Net profit for period					7.5	7.5	0.0	7.5
Total income and expenses booked for during period	0.0	0.2	0.0	0.0	7.5	7.8	0.0	7.8
Dividend payment					-15.9	-15.9		-15.9
Other adjustments						0.0		0.0
Shareholders' equity 31.3.2007	4.4	2.8	43.7	0.4	136.8	188.2	1.3	189.5

Notes to the interim report

SATO's interim report for the period 1.1.-31.3.2008 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 first and second quarters of 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 Q1 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 31 March 2008, SATO had rouble-denominated commitments in the amount of 4.5 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.–31.3.2008

MEUR	Investment in Housing SATO Housing	Investment in Housing VATRO Housing	Housing Development and Construction	Eliminations	Total SATO Group
External turnover	30.8	9.5	28.6		68.9
Internal turnover			2.5	-2.5	0.0
Turnover, total	30.8	9.5	31.1	-2.5	68.9
Profits/losses on surrender of investment properties	3.5				3.5
Depreciation and write-downs	-3.0	-1.2	0.0	0.0	-4.3
Operating profit	15.8	3.2	1.5	-0.2	20.3
Financial expenses (net)	-7.0	-2.6	-0.6		-10.3
Profit before taxes	8.8	0.6	0.9	-0.2	10.0
Net rental income	17.2	4.9			22.1
Net rental income, % of book value	8.1	7.6			8.0
Investments	51.1				51.1
Acquisition of land for inventory			0.0		0.0
Depreciation	-3.0	-1.2	0.0		-4.3
Impairments		0.0			0.0
Investment properties	847.4	259.0			
Cash and cash equivalents	12.1	2.4	0.8		
Other assets of the segment	34.2	1.0	137.0	0.0	
Share in joint venture		0.5			
Total assets and eliminations allocated to segments	893.8	262.9	137.8	0.0	1,294.5
Unallocated assets					13.6
Assets, total					1,308.1
Interest-bearing debts	675.2	254.0	54.3		
Segment's other debts	30.8	5.6	28.6	0.0	
Total debts and eliminations allocated to segments	706.0	259.6	83.0	0.0	1,048.6
Unallocated debts					59.5
Debts, total					1,108.1

Segment information 1.1.–31.3.2007

MEUR	Investment in Housing SATO Housing	Investment in Housing VATRO Housing	Housing Development and Construction	Eliminations	Total SATO Group
External turnover	31.5	7.0	30.6		69.0
Internal turnover			2.9	-2.9	0.0
Turnover, total	31.5	7.0	33.5	-2.9	69.0
Profits/losses on surrender of investment properties	4.3	0.0		0.0	4.3
Depreciation and write-downs	-2.5	-1.7	-0.1	0.0	-4.3
Operating profit	11.9	2.7	2.3	-0.1	16.8
Financial expenses (net)	-3.6	-2.6	-0.3		-6.6
Profit before taxes	8.2	0.1	2.0	-0.1	10.2
Net rental income	15.0	5.1			20.1
Net rental income, % of book value	8.1	7.7			8.0
Investments	16.9				16.9
Acquisition of land for inventory			10.7		10.7
Depreciation	-2.5	-1.2	-0.1	0.0	-3.8
Impairments		-0.5			-0.5
Investment properties	692.5	269.8			
Cash and cash equivalents	40.6	1.6	4.6		
Other assets of the segment	14.6	4.0	100.2	0.0	
Share in joint venture	0.0	0.2			
Total assets and eliminations allocated to segments	747.7	275.7	104.8	0.0	1,128.2
Unallocated assets					15.6
Assets, total					1,143.8
Interest-bearing debts	538.6	263.3	28.7		
Segment's other debts	29.1	9.3	30.6	0.0	
Total debts and eliminations allocated to segments	567.7	272.6	59.3	0.0	899.6
Unallocated debts					54.7
Debts, total					954.4

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	124.1	37.8	104.1		265.9
Internal turnover			5.4	-5.4	0.0
Turnover, total	124.1	37.8	109.5	-5.4	265.9
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	141.2	-13.8	
Share in joint venture	0.5	0.3			
Total assets and eliminations allocated to segments	854.5	264.1	142.4	-13.8	1,247.2
Unallocated assets					16.2
Assets, total					1,263.4
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	31.3.2008	31.3.2007	31.12.2007
Acquisition cost, 1 Jan.	1,124.4	997.6	997.6
Increases; new properties	49.8	20.5	134.3
Increases; additional investments	1.3	2.3	13.5
Decreases	-3.2	-7.6	-21.7
Transfers between items	2.2	1.9	0.7
Acquisition cost, total	1,174.5	1,014.8	1,124.4
Accumulated depreciation and impairments, 1 Jan.	-64.1	-48.2	-48.2
Depreciation	-4.1	-3.7	-14.9
Losses on impairments	0.0	-0.5	-1.0
Accumulated depreciation and impairments, total	-68.2	-52.4	-64.1
Book value	1,106.4	962.4	1,060.3
Fair value	1,278.3	1,074.4	1,224.6

An external assessor has given a statement on the fair value of SATO's investment properties as at 31 March 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	31.3.2008	31.3.2007	31.12.2007
Book value at start of period	2.1	2.0	2.0
Increases	0.0	0.1	0.7
Decreases	0.0	0.0	0.0
Depreciation for accounting period	-0.2	-0.1	-0.6
Book value at end of period	2.0	1.9	2.1

4. Inventories

MEUR	31.3.2008	31.3.2007	31.12.2007
Housing under construction	20.3	22.8	30.7
Completed housing and commercial facilities	13.2	2.6	11.0
Land areas and holding companies thereof	67.8	43.9	67.6
Other inventories	6.2	8.5	4.4
Total	107.5	77.7	113.6

During 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
31.3.2008	44,422	4.4	43.7	2.7	50.8

6. Interest-bearing debts

In the course of 2008, during the first quarter, additional long-term loans have been raised for 35 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.

For purposes of short-term financing, SATO has a corporate paper programme for EUR 100 million and short-term credit limits for 60 million euros. As at 31 March 2008, the issued corporate paper amounted to 79.4 million euros and the short-term credits taken totalled 30 million euros.

7. Derivatives

MEUR	31.3.2008	31.3.2007	31.12.2007
Interest rate derivatives			
Interest rate derivatives, par value,	427.1	219.6	368.1
of which included in calculation of hedging	234.5	111.8	204.5
Interest rate derivatives, fair value,	0.9	3.6	3.8
of which included in calculation of hedging	1.1	3.2	3.2

8. Collateral and contingent liabilities

MEUR	31.3.2008	31.3.2007	31.12.2007
Debts secured by mortgages and pledges			
Market loans	458.3	320.7	424.3
Mortgages provided	54.3	45.7	54.3
Book value of pledged shares	459.7	322.5	432.0
Value of corporate mortgages pledged	0.0	2.5	2.5
Value of deposits pledged	0.7	2.6	2.2
State housing loans	242.4	262.0	246.4
Mortgages provided	415.9	443.7	419.4
Book value of pledged shares	28.9	31.8	29.2
Interest subsidised credits	100.4	100.8	99.8
Mortgages provided	121.9	121.9	121.9
Book value of pledged shares	0.8	0.8	0.8
Debts of housing and mutual property holding companies, secured by mortgages on properties			
Loans from financial institutions	56.6	53.2	51.2
Mortgages provided	83.9	88.4	76.0
Other liabilities			
Guarantees	2.0	6.1	2.7
Guarantee pledges for others			
Owner-occupier home purchase commitments	18.3	17.4	18.5
Rs-guarantees	23.7	25.0	25.2

MEUR	31.3.2008	31.3.2007	31.12.2007
Mortgages provided to secure payment of rent and street maintenance			
Property mortgages provided	5.1	5.3	5.1
Binding purchase agreements			
For acquisitions of investment properties	53.7	27.7	57.5
Pledges for land use payments on zoned plots:	20.9	36.1	20.9
Letters of intent on land for which there is a zoning condition	12.7	8.4	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 112.5 on 31 March 2008 (MEUR 125.1 on 31 March 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	31.3.2008	31.3.2007	31.12.2007
Sums outstanding with owners			
Receivables	0.0	0.0	0.0
Debts	1.5	3.1	1.6

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

MEUR	31.3.2008	31.3.2007	31.12.2007
Management perquisites			
Salaries and other short-term perquisites	0.4	0.4	3.1
Other long-term perquisites	0.0	0.0	0.0
Total	0.4	0.4	3.1

In 2007, the share capital of SATO Corporation was increased in disapplication of pre-emption rights, by 46,500 euros. 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.

10. Events after the period under review

In April, SATO acquired 17 privately financed rental apartments in Helsinki city centre. The apartments, which are being renovated, will be completed at the end of this year.

SATO Corporation and WVO Corporation have made an offer to purchase the shares in Avara Suomi Oy held by the cities of Hyvinkää, Lahti, Kemi and Vantaa.

11. Key indicators

	31.3.2008	31.3.2007	31.12.2007
Return on investment, %	8.1	6.9	7.2
Return on equity, %	14.5	15.6	12.4
Equity ratio, %	15.4	16.8	16.8
Earnings per share, €	0.17	0.17	0.57
Net worth per share, €	4.5	4.2	4.7
Gross investments, MEUR	51.1	16.9	149.1
Personnel, average	170	173	176

12. Formulas for key indicators

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



SATO Corporation, Panuntie 4, PO Box 401, FI-00601 Helsinki
Tel. +358 201 34 4000, Fax +358 201 34 4355
www.sato.fi