

SATO Interim report

1-9/06



Interim report 1.1.-30.9.2006

SATO is a company providing housing solutions, and its business is comprised of investment in housing and housing development and construction. The company owns roughly 23,000 rented homes. In three years, SATO has acquired ownership of a total of approximately 6,000 homes in the urban centres of growth and divested some 4,000 properties from its rental home portfolio in other parts of Finland. SATO commissions the construction of roughly 1,000 new homes a year, most of which are owner-occupied homes for sale. Regionally business focuses on the major urban centres of growth.

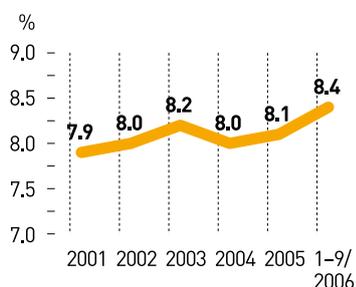
of the period under review were 28.7 (22.2) million euros.

Interest-bearing liabilities at the end of the period under review were 801 (798) million euros, of which market rate loans totalled 367 (342) million euros, interest-subsidised loans totalled 101 (104) million euros, and state subsidised loans totalled 280 (299) million euros. At the end of the period under review, there were debts in the amount of 53 (53) 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, 193 (182) million euros was hedged with interest-rate swaps. The average maturity of the swaps was 36 (42) months.

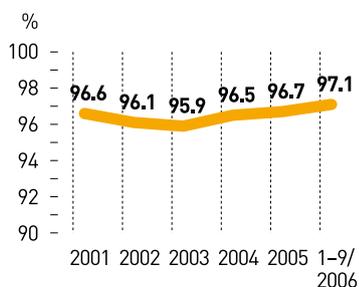
Investment in housing

Net rental income 2001-1-9/2006



Investment in housing

Financial occupancy rate of rental housing 2001-1-9/2006



Turnover and profit

The Group's turnover for the early months of the year was 214.0 million euros (213.4 million euros in 1.1.-30.9.2005), of which the turnover from investment in housing was 125.9 (128.8) million euros and the turnover from housing development and construction was 88.1 (84.6) million euros.

The Group's profit before extraordinary items and taxes for the period under review was 31.8 (31.9) million euros. This figure includes a total of 7.8 (11.3) million euros in capital gains on divestments. The net profit from investment in housing for the period under review was 24.4 (27.0) million euros and the net profit from housing development and construction was 7.4 (4.9) million euros.

Investment in housing

The turnover from investment in housing during the period under review was 125.9 (128.8) million euros and its net profit was 24.4 (27.0) million euros. Of the turnover, 114.3 (110.3) million euros was rental income and sales of shares generated 11.6 (18.5) million euros. The business area's profit includes a total of 7.3 (10.7) million euros in capital gains on divestments.

On 30 September 2006, SATO owned a total of 22,713 (22,889) homes with a balance sheet value of 954 (945) million euros, of which rental homes accounted for 21,133 (21,183) and shared ownership apartments for 1,580 (1,706). In addition to this, SATO has a 50 per cent holding in Suomen Asumisoikeus Oy, which owned 13,856 right-of-occupancy apartments.

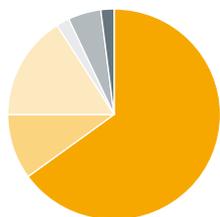
During the period under review, investments were made in 649 (926) rental homes and a total of 515 (1,011) rental homes were divested from the portfolio. Residents living in shared ownership apartments purchased a total of 114 (117) homes. In July, SATO took possession of 309 rental homes acquired from Varma Mutual Pension Insurance Company to a value of approximately 20 million euros as well as 207 rental homes acquired from the municipality of Vihti valued at 6.2 million euros.

Financial status

The consolidated balance sheet total at the end of the period under review totalled 1,121 (1,153) million euros. Shareholders' equity was 177.5 (162.3) million euros and the equity ratio was 16.4 (14.7) per cent. The Group's return on equity was 16.8 (19.1) per cent and return on investment was 7.2 (6.9) 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



Investment in housing

Regional distribution of housing stock 30 September 2006

- Helsinki Metropolitan Area 65 %
- Rest of Southern Finland 10 %
- Western Finland 16 %
- Eastern Finland 2 %
- Oulu Province 5 %
- Lapland 2 %

Total housing portfolio MEUR 954

The investments in housing during the period under review amounted to 37.7 (60.1) million euros and divestments of housing totalled 17.9 (35.5) million euros. During the period under review, SATO's housing portfolio increased by 20 units in all.

The financial occupancy rate of rental homes during the period under review averaged 97.1 (96.7) per cent and that of shared ownership apartments averaged 99.5 (99.3) per cent. During the period under review, the occupant turnover in rental housing was 34.6 (36.8) per cent and in shared ownership apartments it was 14.0 (14.5) per cent. The average rent per square metre of SATO's rental homes during the period under review was 9.75 (9.32) euros per month. The rental homes' net rental income on an annualised basis was 8.4 (8.2) per cent.

SATO's rented homes are classified in a five-stage quality category system and a quality guarantee is supplied for homes. The guarantee applies in the first stage to new leases, and by the end of the decade it will be extended to SATO's entire rented home portfolio.

Housing development and construction

The turnover from housing development and construction during the period under review was 88.1 (84.6) million euros and its net profit was 7.4 (4.9) million euros. The net profit figure includes a total of 0.5 (0.6) million euros in capital gains on sales of plots.

During the period under review, a total of 412 (619) new homes were completed. Of these, 370 (418) were owner-occupied and 42 (201) were homes in client projects. At the end of September, 1,034 (886) new homes were under construction, of which 628 (810) were owner-occupied and 406 (76) were homes in client projects.

At the end of the period under review, the Group had 17 (13) completed homes unsold, and the number of unsold owner-occupier homes under construction was 244 (332).

Of the permitted building volume owned by the company, approximately 27,500 square metres was brought into production. New purchases and plot reservations gave the company roughly 58,800 square metres of new permitted building area. The most important acquisition was 53,000 square metres of permitted building volume in the centre of Oulu, jointly acquired with Peab Seicon Oy and valued at roughly 13 million euros, which will permit the construction of 700 homes.

The total of the building land inventory at the end of the period under review amounted to roughly 345,000 square metres of floor area. This figure includes zoned plots, projects under zoning development, and residential permitted building volume based on plot reservations and letters of intent. The balance sheet value of the plots held by the Group at the end of the period under review was 31.4 (30.8) million euros.

SATO was a participant in a housing fair held in the Kauklahti district of Espoo with a low-rise project entitled Asunto Oy Espoon Kaupunkivillat, built using box frame unit technology.

Personnel

At the end of the period under review, the Group had 171 (175) employees and during the period under review it had an average of 174 (183) employees.

Outlook

The rental income and rental occupancy rate for investment in housing are expected to be on a par 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 forecast to hold steady. The volume of SATO's owner-occupied home production will be similar to the 2005 figure and the net profit for housing development and construction is forecast to be on a par with the figure for 2005.

The Group's net profit as a whole is expected to be on a par with the net profit level of the previous year.

Shareholders in SATO Corporation, 12 October 2006

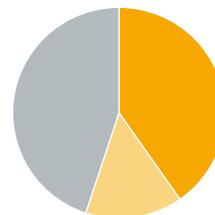
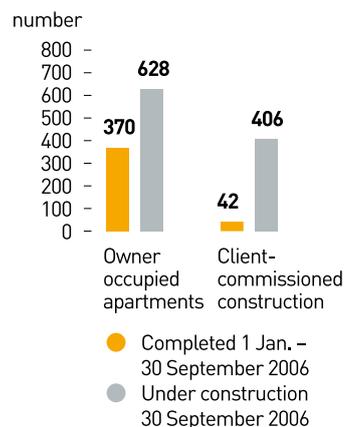
The ten biggest shareholders and their holdings (per cent).

| | |
|--|------|
| Varma Mutual Pension Insurance Company | 23.4 |
| Kesko Corporation | 16.5 |
| Ilmarinen Mutual Pension Insurance Company | 16.5 |
| Suomi Mutual Life Assurance Company | 15.3 |
| SOK Corporation | 8.7 |
| Pohjola Non-Life Insurance Company Ltd | 6.2 |
| Wärtsilä Corporation | 4.5 |
| Tapiola Insurance Group | 2.3 |
| Turun Osuuskauppa | 1.1 |
| Aktia Savings Bank plc | 0.8 |

The Group had 35 shareholders on 12 October 2006.

Housing construction

Construction of new housing 1-9/2006



Housing construction

Reserve of plots for owner-occupied housing construction 30 September 2006
Total 345,000 sq.m. floor area

- Zoned 139,000 sq.m. floor area
- Framework zoning 51,000 sq.m. floor area *)
- Letters of intent and allocations 155,000 sq.m. floor area

*) Permitted building volume in zoning proposals

| Consolidated profit and loss account (MEUR) | 1.1.-30.9.2006 | 1.1.-30.9.2005 | 1.1.-31.12.2005 |
|--|-----------------------|-----------------------|------------------------|
| Turnover | 214.0 | 213.4 | 289.6 |
| Operating profit | 50.8 | 49.1 | 66.3 |
| Financial income and expenses | -19.0 | -17.3 | -23.1 |
| Profit before extraordinary items and taxes | 31.8 | 31.9 | 43.1 |
| Extraordinary items | 0.0 | 0.0 | 0.2 |
| Direct taxes | -9.8 | -9.2 | -12.0 |
| Minority interest in profit | -0.1 | -0.2 | -0.2 |
| Net profit for the financial period | 21.9 | 22.5 | 31.2 |

| Consolidated balance sheet (MEUR) | 30.6.2006 | 30.6.2005 | 31.12.2005 |
|--|------------------|------------------|-------------------|
| Fixed assets and other long-term investments | 947 | 923 | 920 |
| Inventories and financial assets | 175 | 230 | 210 |
| Assets | 1,121 | 1,153 | 1,130 |
| Shareholders' equity | 178 | 162 | 171 |
| Minority interest | 1 | 2 | 1 |
| Consolidated reserve | 0 | 0 | 0 |
| Obligatory reserves | 7 | 6 | 8 |
| Long-term liabilities | 826 | 850 | 799 |
| Short-term liabilities | 109 | 133 | 151 |
| Liabilities and shareholders' equity | 1,121 | 1,153 | 1,130 |

Group indicators

| | | | |
|---|------|------|------|
| Return on investment (% annualised) | 7.2 | 6.9 | 7.1 |
| Return on equity (% annualised) | 16.8 | 19.1 | 19.1 |
| Net rental income on housing (% annualised) | 8.4 | 8.2 | 8.1 |
| Equity ratio (%) | 16.4 | 14.7 | 15.6 |
| Earnings per share (EUR) | 10.0 | 10.2 | 14.1 |
| Equity per share (EUR) | 80.8 | 73.8 | 77.8 |
| Gross investments (MEUR) | 38 | 61 | 65 |
| Personnel, average | 174 | 183 | 181 |

Group contingent liabilities (MEUR)

| | | | |
|--|--------------|--------------|--------------|
| Pledges | 350 | 314 | 329 |
| Corporate mortgages | 3 | 3 | 3 |
| Mortgages on land areas and buildings | 723 | 669 | 734 |
| Guarantees | 36 | 40 | 41 |
| Buyback commitments on shared ownership apartments | 18 | 22 | 22 |
| Total | 1,130 | 1,048 | 1,128 |

Liabilities of unconsolidated shared ownership homes (MEUR)

| | | | |
|--|-----|-----|-----|
| Loans | 138 | 152 | 149 |
| Mortgages | 205 | 221 | 222 |
| Advance payment debt corresponding to buy-back liability | 15 | 17 | 17 |

Other information (MEUR)

| | | | |
|---|-----|------|------|
| Par value of interest rate derivatives | 193 | 182 | 197 |
| Fair value of interest rate derivatives | 1.5 | -4.4 | -3.1 |
| RS guarantee limit used | 22 | 22 | 22 |

