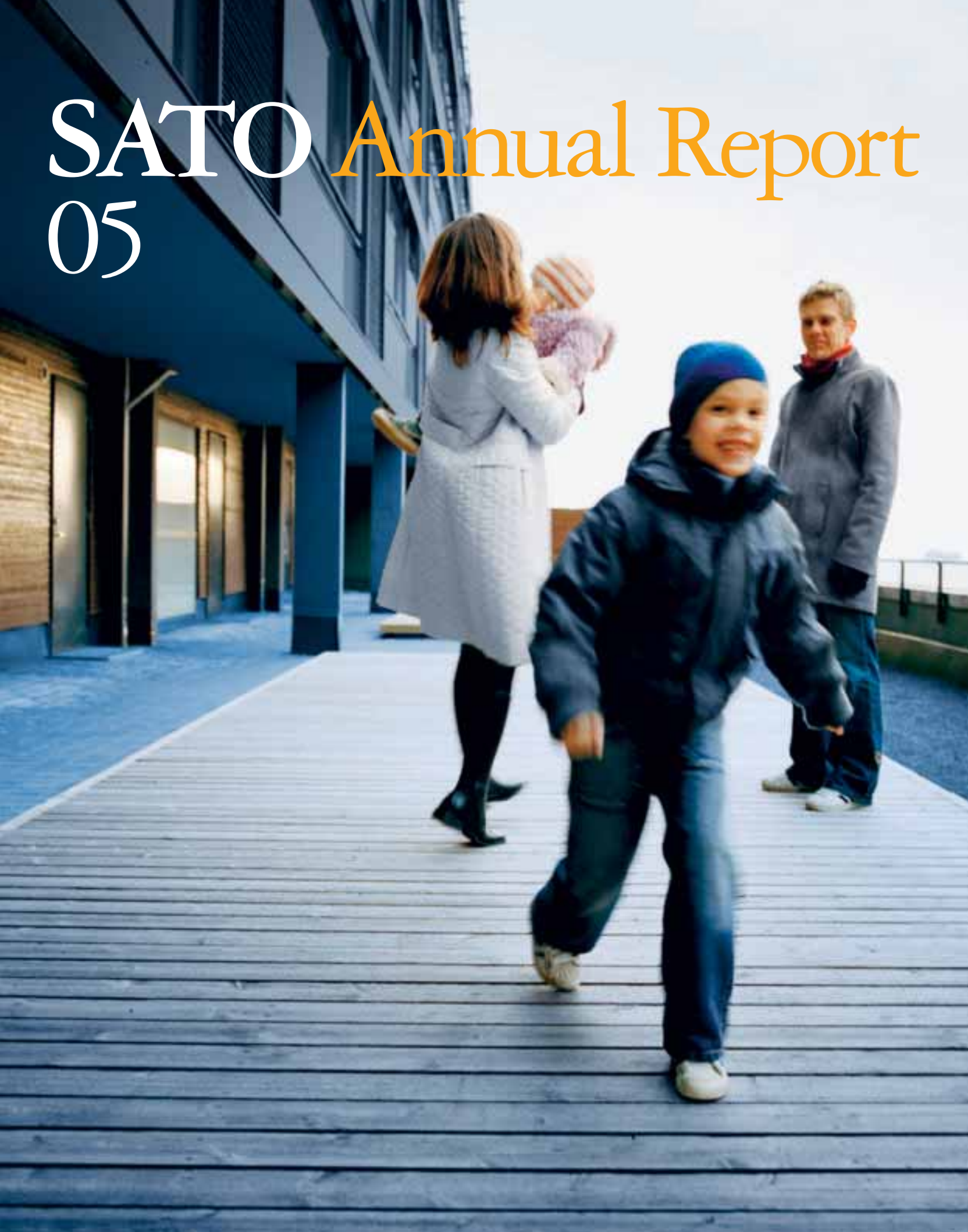


SATO Annual Report 05



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65 years of providing good housing.

From the early days onward, SATO's business principles have included respect for the customer's needs, professionalism, developing alternative forms of high-quality housing, and safe, financially responsible partnership.





65 years of providing good housing

SATO is closely linked with the history of building and housing in Finland. Over the years, the company has upgraded its operations to match the social and economic changes taking place in the country. However, its core values have been preserved for the past 65 years.

Early history

The company was founded in Finland after the Winter War (1939–40), in which conditions were harsh: the damage of war had to be made good and almost half a million refugees from the lost territories in the east had to be rehoused. There were shortages of building materials and defence construction tied up the best available labour and a lot of other resources. A number of influential professionals in the construction industry held the company's meeting of incorporation on 20 September 1940. The founders were convinced that the efficiency and resources of free competition and private enterprise had to be consolidated to aid the large number of homeless people. The mission required the encouragement and support of state and local authorities. Homes began to be built, mainly for owner-occupiers.

Growing to become the biggest developer

After the vibrant work of rebuilding, the continuity of SATO's business was ensured by promoting housing construction in various parts of Finland and by expanding the ownership base. Partnerships in home saving were started with various banking groups, and estate development was secured with large purchases of land. At the maximum, there were 28 SATO companies and their operations covered practically all municipalities in Finland. SATO also became a major developer of commercial and service buildings.

The evolution of SATO's value proposition, 1940–2010

1940–	1960–	1980–	1990–	2000–	2010
We rebuild	Home saving	The branded Finnish home	The one-stop shop for housing	We provide good housing	Vision: Home the way you like it

Expansion of field of business into investment in housing

In the early 1990s, the corporation's business, which was almost exclusively based on development, came to a crossroads. SATO expanded its business operations into ownership and management of rented homes by way of acquisition. In the past fifteen years, SATO has expanded to become a major provider of rented homes by purchasing them in significant transactions and through building. Its position as a developer has remained strong and it has produced a total of roughly 220,000 homes, the equivalent of ten per cent of Finland's entire housing portfolio. SATO has grown profitably by concentrating on housing and by focusing operations geographically on the larger centres of growth.

From the early days onward, the company's business principles have included professionalism, respect for the customer's needs, the development of high-quality and economical housing alternatives, and safe, financially responsible partnership. These principles still guide SATO's actions today.

SATO today

SATO is a private company providing housing solutions with two business areas: investment in housing, and housing development and construction. Its major owners are Finnish pension insurers, banks and insurance companies, and corporations operating in the wholesale and retail sector and industry.

SATO's business is based on an understanding of the customers' housing needs and on providing the right kind of housing solutions. Investment in housing focuses on maintaining and improving the competitiveness of its rented homes and rental business. Housing development and construction concentrates on producing and selling owner-occupied homes. The company's business area is comprised of the major growth centres. SATO has offices in Helsinki, Tampere, Turku, Oulu and Jyväskylä. It has roughly 180 employees.

SATO owns approximately 23,000 rental homes. The housing portfolio is improved actively to meet changing customer demands, through repairs and maintenance as well as investment and divestment. In recent years, the total level of investment has been roughly 1,500 homes and about 1,000 homes a year have been divested.

The number of new homes built per year is roughly 1,000, of which approximately 700 are owner-occupied homes for sale and the rest are client projects.

SATO's values

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

The year 2005

- SATO's 65th year in business
- the highest net profit in the company's history, 43 million euros
- company name changed from Sato Corporation plc to SATO Corporation

Investment in housing

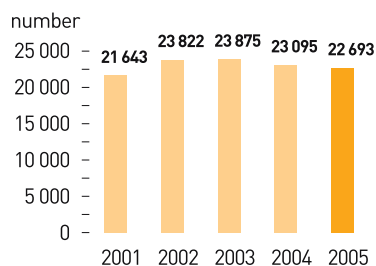
- housing portfolio at year-end 22,693 homes
- investments totalled 65 million euros, 943 homes
- divestments 43 million euros, 1,224 homes
- building management partnership agreements rose to cover 75 % of the housing portfolio

Housing development and construction

- output of owner-occupied homes 655 completed units
- at year-end 777 owner-occupied homes under construction
- land inventory at year-end for roughly 3,500 homes
- The Association of Finnish Civil Engineers RIL award for the first SATO PlusHome project

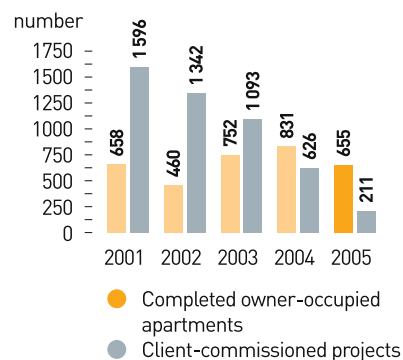
Investment in housing

Trend in the housing portfolio 2001–2005

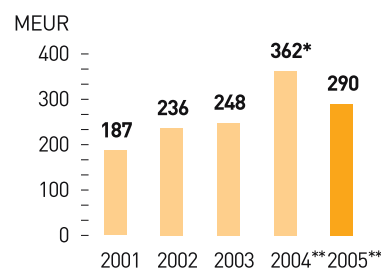


Housing construction

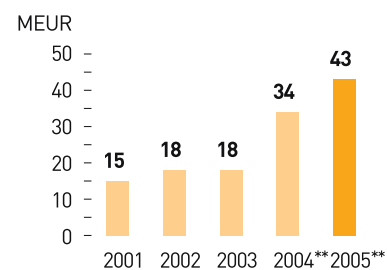
Trend in housing construction 2001–2005



Group turnover 2001–2005



Group profit before extraordinary items and taxes 2001–2005

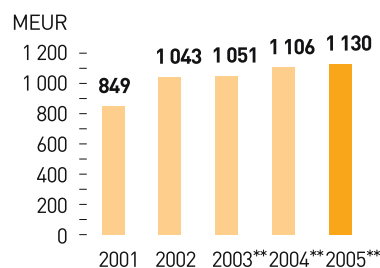


*] includes 81 million euros in sales of 10-year shared ownership apartments

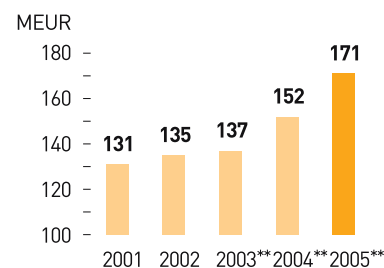
Financial key indicators	2005	2004
Turnover (MEUR)	290	362
Profit before extraordinary items and taxes (MEUR)	43	34
Balance sheet total (MEUR)	1,130	1,106
Return on equity, %	19.1	15.8
Return on investment, %	7.1	6.6
Equity ratio, %	15.6	14.3
Earnings per share (EUR)	14.11	11.12
Equity per share (EUR)	77.79	69.12
Dividend (MEUR)	15.4^{*)}	12.1
Operational key indicators		
Net rental income of units, %	8.1	8.0
Rental occupancy rate of units, %	96.7	96.5
Number of housing units	22,693	23,095
Total output of new units	866	1,327
Output of owner-occupied homes and shared ownership apartments	655	831
Personnel		
Personnel, average	181	228
Personnel, 31 Dec.	178	215

*) the Board of Directors' proposal to the annual general meeting

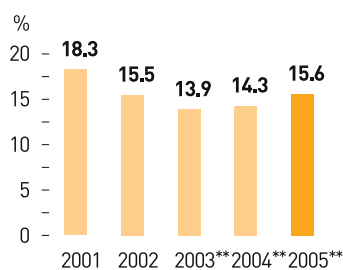
Consolidated balance sheet 2001–2005



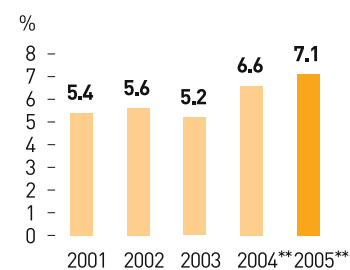
Shareholders' equity 2001–2005



Equity ratio 2001–2005



Return on investment 2001–2005



**]) new consolidation method,
the change in the consolidation method decreases equity ratio by 1.8%

The future

Vision

SATO is the provider of the best housing services to its customers. SATO is a company that is attractive to investors, giving its owners a competitive return in view of the risks in the business.

Strategy

SATO's business sectors are investment in housing and housing development and construction. Crucial factors for the company's success are knowledge of the housing market and the ability to anticipate changes. Operational profitability is improved by focusing on core competencies, by developing operational efficiency and by devoting effort to customer relationship management. The aim is growth through new investment. Operations are targeted geographically on areas with the greatest long-term demand for housing: the Helsinki Metropolitan Area, and the Tampere, Turku, Oulu and Jyväskylä areas. The company's service offering is adjusted to meet changing customer needs.

Investment in housing includes the active development of the housing portfolio through acquisitions and sales. The aim is to consolidate holdings in approximately thirty municipalities and to expand the relative proportion of small apartments in rental units. Investments are channelled mainly to the old housing portfolio and to new housing for the elderly.

The main emphasis in housing development and construction is on the production of owner-occupied homes. The volume of output of owner-occupied homes is in the order of 700 – 1,000 units per year. Land inventory is acquired to meet three years' construction needs.

The transparency of operations is being increased and the company structure is being further streamlined. Information on the company and its objectives is being stepped up.

The company's indicator targets, excluding non-profit activities

- Return on equity > 10 per cent
- Equity ratio > 20 per cent
- Dividend payment 50 – 70 per cent of net profit



Review by the President and CEO

An active market

Property investment has become more attractive in recent years due to its steady and competitive earnings. New property investment companies and funds have appeared on the market, and several international players have entered Finland. It is to be expected that investment in housing will also become more international in nature.

Exceptionally low interest rates have stimulated the housing market. Interest rates, combined with consumers' strong faith in their own economic trend, have activated first-time buyers and encouraged trading-up. The occupancy rate of rented homes has stayed high, although tenant turnover has increased and the residential period has got shorter.

The state of the market speeded up the implementation of SATO's regional rented home divestment programme included in its strategy and it maintained the high volume of owner-occupied home output. Investments also continued, and the total value of the Group's investments in 2005 was roughly 90 million euros. In accordance with the growth strategy, we constantly look for new investment prospects while bearing in mind our profitability targets.

Construction of new rented homes has been scanty due to high production costs in proportion to the market rent level. Interest-subsidised and state-subsidised loans have lost their competitiveness to market-based loans due to restrictions included in the loan terms. Private capital is not being allocated to projects due to current restrictions on income-recognition.

Individuality spotlighted

Statistics indicate quantitative changes in housing transactions and removals, but qualitative changes in demand can best be detected through constant contacts with customers. Management of the customer interface and anticipation of changes in demand are the cornerstones of SATO's business.

A common denominator of changes in consumer demand is a rise in requirements that emphasise individuality. These demands apply both to the home itself and to services. SATO has been in the front line in developing solutions for both of these for various customer target groups. In December, the SATO PlusHome concept brought us one of the main awards of the Finnish construction industry, the RIL award, granted by the Association of Finnish Civil Engineers.

For rented homes, SATO is the first in Finland to introduce a quality classification with which an occupant can be given a quality guarantee for a home. For senior citizens, we have developed a concept offering housing and care in which the services for the occupants are determined on the basis of an individual needs analysis.



Customer relationships are the foundation of continuing success

Our aim is to keep customers satisfied and this is why we emphasise the customer's role as the most important stakeholder when new business models are rolled out. Feedback collected from the customers points to the correct subjects for action on improvement. Our framework for development work is good, as roughly 90 per cent of our customers could already recommend us to their friends.

During the year under review, we launched action intended to intensify customer relationships. For example, we lowered the deposit on leases of indefinite duration, we eliminated the deposit on new fixed-term leases, we increased the benefits available to our customers through our partnership network, and we supported occupants' activities to increase amenity value. We will continue to augment the benefits of a customer relationship with SATO.

New expertise

At SATO, in-house personnel resources are focused on expanding knowledge of the market, on customer relationships, and on arriving at a palette of housing that corresponds to demand. Services supporting housing are bought in from external service providers. Trends in customer needs and expanded partnering demand changes in SATO's own operating methods and require new expertise of the entire personnel. To ensure the quality of outsourced services, the management of the service chain rises in importance.

In order to spotlight the importance of collaboration, for the first time, we presented awards to deserving representatives of stakeholders in 2005: we named the Partner of the Year, the Customers of the Year, and the SATO Employee of the Year.

Strong profitability

Our achievements in 2005 prove that the action in line with the strategy to improve the profitability level has yielded results. Because of this action and in a favourable market, SATO achieved the best net profit in its 65 years in business. Thanks for this are due to the entire personnel, who amidst many changes have done exemplary work to achieve the common objectives.

I would also like to express my warm thanks to the customers, the members of the Board of Directors, the owners and other stakeholders for their confidence in SATO during the successful year 2005. With our partnership, the prospects for progress in SATO's business continue to be good.

Erkka Valkila
President and CEO

Description of the business climate

The population

The increasing concentration of the population in the five largest cities and their surrounding communities has continued. The number of households in Finland is roughly 2.4 million. The majority of these consist of one and two people, and the number of small households is forecast to continue growing. The proportion of over 65-year-old citizens in the population is forecast to rise from the current figure of roughly 15 per cent to approximately 30 per cent by the year 2040.

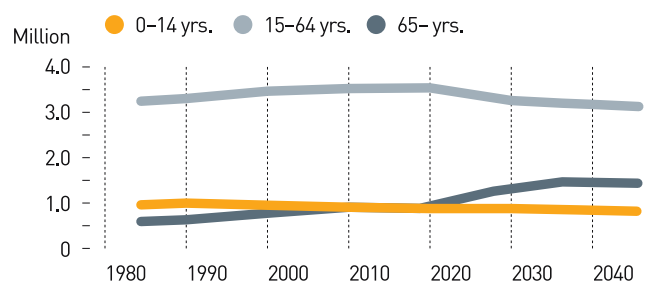
Housing demand

Of the householders, roughly 60 per cent live in owner-occupied accommodation and demand for owner-occupied homes continued to grow in 2005. An increase in interest rates in the second half of the year had no effect on demand, and there was a 28 per cent increase in new housing credits compared with the previous year. Consumers' confidence in their personal economic trend was still above the long-term average in December.

Because of the large number of one- and two-person households, demand for small housing units has continued to be strong. The popularity of houses has also increased. In the Helsinki Metropolitan Area, migration to the surrounding communities has increased, due to the lack of plots scheduled for house building and rising prices for land.

In the rental market, the situation is fairly well balanced, although the supply of larger homes exceeds supply in some places, even in the centres of growth. This has tended to keep rents steady. Migration, changes in the structure of trade and industry, and changes in family relationships are keeping up a continuing demand for rented homes. In general, rental periods have got shorter and the number of removals has increased. Rental housing is typical among young people. Roughly two thirds of households in which the oldest member is aged under 30 live in rented homes. Among the upper age group, rental accommodation is rising in line with an increase in assisted housing.

Age structure of Finns 1980–2040



Source: Statistics Finland



The supply of plots

The supply of plots in the Helsinki Metropolitan Area and other centres of growth is inadequate to increase the supply of housing to a significant extent. The price rise for plots of land has been particularly sharp and it has therefore had a great impact on the price of new homes. In order for the supply of plots to be increased, it is essential to speed up the appeals procedure related to planning permission. The state authorities have launched an inquiry to bring about the necessary changes.

The housing supply

There were roughly 2.6 million homes in Finland, 46 per cent of which were one- or two-room apartments.

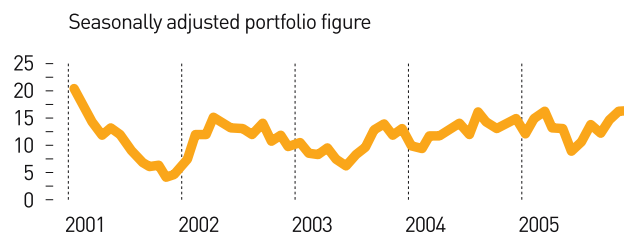
According to advance information, the number of housing transaction in 2005 was roughly 68,000, which is up by roughly 9 per cent on 2004. Approximately 30,000 new homes are completed per year, of which apartment buildings and terraced housing account for roughly 40 per cent.

The total number of rented homes is roughly 843,000, which is approximately 32 per cent of all residential properties, and there have been no major changes in the ratio in the past few years due to low rates of construction of new rented homes. In communities which are declining in population, the number of vacant rented homes is rising.

Housing allowance and support for production

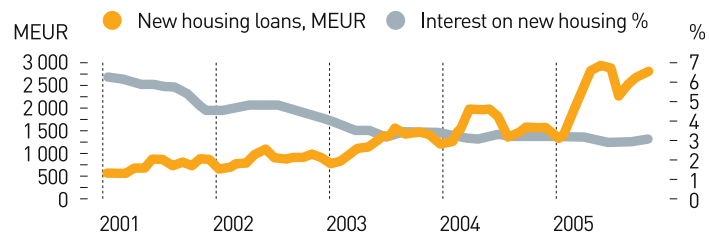
Practices of social support are switching over from supporting production to allowances for the occupier. The use of state-subsidised and interest-subsidised loans in the future will mostly focus on the construction of assisted housing for special-needs groups.

Consumer confidence indicator



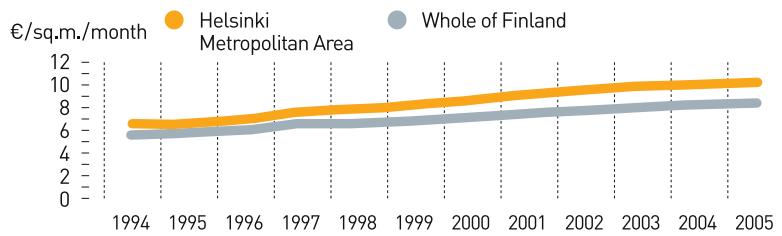
Source: Bank of Finland

New housing loans and average interest rate



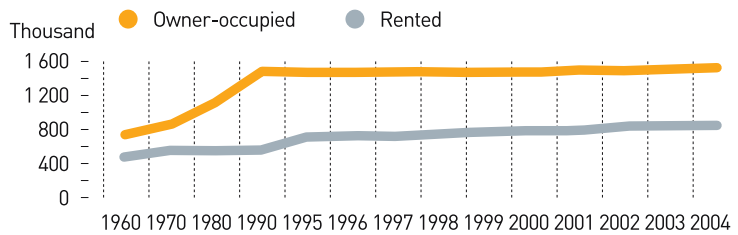
Source: Bank of Finland
The figures for 2003 and after are not comparable with those for previous years.

Average rents per square metre



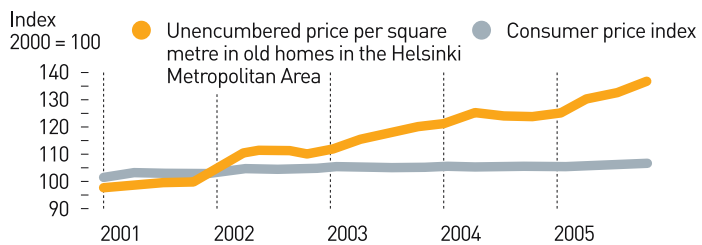
Source: Statistics Finland

Finland's housing stock



Source: Statistics Finland

Trend in housing prices



Source: Bank of Finland

Partnership with the customers.

Management of the customer interface and anticipating changes in demand are the cornerstones of SATO's business. Customer feedback is used actively to guide the improvement of operations for an enhanced experience for customers.





Business area Investment in housing

Operations

The mission of investment in housing is to provide its customers with housing solutions supporting different life stages as well as to develop actively its housing supply through investment and divestment. In regional terms, operations concentrate on the economic zones of the larger growth centres. During the year under review, 943 housing units were acquired and 1,345 homes units were sold from the housing portfolio. In rental business, success was achieved both in boosting the rental occupancy rate and in reducing tenant turnover relative to the previous year, although the state of the market had a tendency to increase customer turnover and to shorten rental periods.

In 2005, the turnover from investment in housing was 167 (250) million euros and profit before extraordinary items and taxes was 34.0 (26.5) million euros. Of turnover, rental income was 146 (150) million euros and sales of shares were 19 (98) million euros. Of the sales of shares, 6 (81) million euros was generated by final purchases of shared ownership apartments financed on a ten-year interest-subsidised loan. The profit from rental business was 21.4 (23.3) million euros and the capital gains on divestments were 12.6 (11.0) million euros.

Holdings of housing

At the end of the year under review, the Group had holdings of housing in 81 (94) municipalities. The long-term aim is to consolidate investments in housing in roughly thirty municipalities. The main thrust of operations is in the Helsinki Metropolitan Area and the economic zones of Tampere, Turku, Oulu and Jyväskylä.

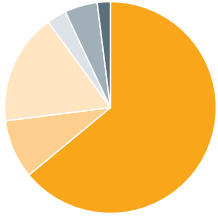
At year-end, the Group held a total of 22,693 (23,095) housing units with a balance sheet value of 942 (925) million euros. Of these units, rental homes accounted for 92 (91) per cent and shared ownership apartments for 8 (9) per cent. Approximately 73 (60) per cent of the housing portfolio in terms of value is in the Helsinki Metropolitan Area and its surrounding municipalities. The Group holds 50 per cent of Suomen Asumisoikeus Oy, which at year-end held 13,784 (13,736) right-of-occupancy housing units.

Housing investments and divestments

During 2005, the total value of the housing investments was 65 (139) million euros.

During the year under review, a total of 914 (1,629) housing units were purchased of the existing housing stock. Newly completed homes purchased totalled 29 (179). Of these, 21 were senior rented homes for aged residents. Of the shared ownership housing, 11 (87) housing units were bought back for use as rental homes.

The main investment during the year under review was the purchase of 895 housing units from Ilmarinen Mutual Pension Insurance Company. Most of these homes are in the Helsinki Metropolitan Area.

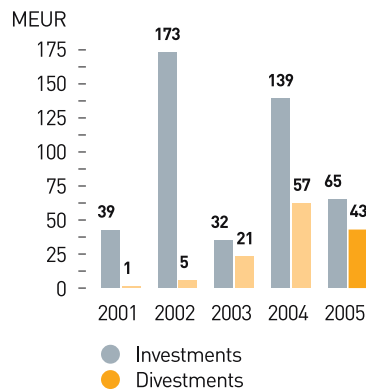


Regional distribution of housing portfolio 31 Dec. 2005

- 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

Investments and divestments in housing 2001–2005



During 2005, a total of 1,224 (1,423) rental homes were sold from the Group's housing portfolio. These divestments were based on strategic regional consolidation and on the aim to increase the proportion of small units. The value of the divestments was 43 (57) million euros.

Of the divestments, 1,062 (1,091) housing units constituted entire properties located outside the centres of urban growth. In addition to this, 162 (332) individual housing units with a large floor area were sold.

During the period 1993–1994, the shared ownership periods of shared ownership apartments completed on the basis of a 10-year interest-subsidised loan ended during 2004 and 2005. In addition to the above-mentioned divestments of rental homes, occupants of shared ownership properties purchased ownership of a total of 121 (1,165) housing units.

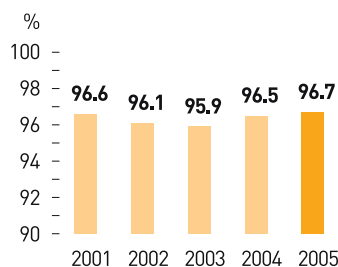
As a result of investments and divestments, the value of the housing portfolio rose during 2005 by 17 (70) million euros and the number of homes declined by 402 (780) units.

Rental business

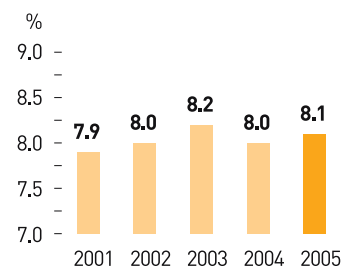
The Group's average monthly rent per square metre in 2005 was EUR 9.35 (EUR 8.99) for rental housing and EUR 8.14 (EUR 7.14) for shared ownership apartments. The average increase in rent for valid leases was 2.5 (3.5) per cent. The change in rents per square metre of rental homes averaged 4.0 (6.0) per cent on the previous year. This increase was a result of changes in the structure of the housing portfolio and its regional distribution due to investment and divestment and because of new leases.

The financial occupancy rate for rental homes was 96.7 (96.5) per cent and that of shared ownership apartments was 99.3 (97.5) per cent. A drag was exerted on the financial occupancy rate by units which were vacant for renovation and for sale. The turnover of rental housing units in 2005 was 35.8 (36.5) per cent and that of shared ownership apartments 13.8 (13.4). The net rental income of rental housing was 8.1 (8.0) per cent.

Financial occupancy rate of rental housing 2001–2005



Net rental income 2001–2005



Customer relationships

In 2005, the main thrust was on the challenging management of the occupancy rate and turnover as well as the customers' growing need for more individualised service. The customer feedback received guided the development of operating methods in rental business, repairs and building maintenance. The results of customer satisfaction surveys will continue to support development work in future years.

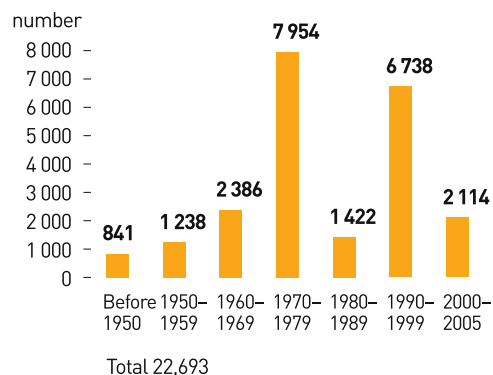
In 2005, the practice of a 250 euro deposit was introduced in place of a monthly rent-based deposit, deposits for fixed-term leases were abolished, it was made possible to choose the rent payment day, and more customer benefits were added – for example, by offering discounts from partners. In connection with the theme for tenants in 2005, “Neighbourliness”, numerous activities and events were carried out to enhance amenity value.

SATO works in collaboration with its customers on the individual project level as well as regionally and nationwide. The aim of partnering is to influence the amenity value and the management of housing costs interactively with the occupants and between them. Partnering work is done during each year of business in the spirit of a theme for the year as chosen by the occupants. The theme chosen by the occupants for 2006 is “Common Areas”.

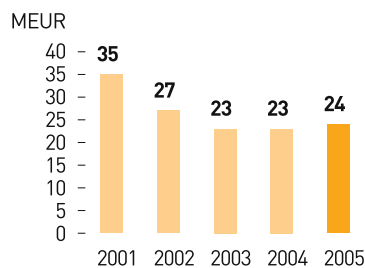
Demands for competitiveness and services are growing in the market for rented homes. In addition to location and the size of the home, factors of value for money are rising in importance. In 2005, a classification and operational model was developed to secure the condition and quality of rented homes, with the aim of a quality guarantee to be presented to the customer. The classification will be introduced in stages, starting in 2006.

During the year under review, the property-specific marketing and sales for SATO's homes were transferred to the business sectors. In accordance with the new business model, investment in housing is responsible for renting out housing and in Helsinki and Jyväskylä in new premises. A modernised SATO housing service was opened in the Helsinki General Post Office building at the end of the year under review.

Housing stock by year of completion
31 Dec. 2005



Repairs to properties 2001–2005



Maintenance of holdings of housing

The allocation of building repairs is based on life cycle plans as well as on needs analyses. During the year under review, a total of 24 (23) million euros was used for repairs to the housing portfolio.

In 2005, the improvement of buildings' energy efficiency was continued with consumption monitoring, water-conserving plumbing fittings, and inspections of HEPAC regulators.

The priority areas for investment in housing are in investment management and in the management of rental-related customer contacts. In other respects, operations are founded mainly on partnerships. The main partnerships concern building management, maintenance, cleaning and dwelling-specific repairs. During the year under review, building management partnership was expanded to apply to 75 per cent of the Group's housing portfolio. The biggest partnership solutions have been made with Suomen SKV Oy and YIT Kiinteistötekniikka Oy.

Holdings of business premises

At the end of the year under review, the Group held business premises with a total areas of 4,159 (4,634) square metres and a book value of 2.5 (2.8) million euros. During the financial year, commercial and office premises totalling 475 (6,372) square metres were sold for a total of 0.3 (2.1) million euros.

Outlook for the near future

The consolidation of the housing portfolio in the urban centres of growth and in small units will continue. Migration, the ageing population and the tendency towards smaller households support this trend. Adjustments to the structure of the housing portfolio will be continued actively through investment and divestment, with the aim of closer convergence between the Group's supply of housing and long-term demand. The ageing population will also direct the content of the Group's housing services. It will be necessary to be able to provide for care services in connection with housing. SATO has joined forces with Helsingin Diakonissalaitoksen Hoiva Oy, which is owned by Helsinki Deaconess Institute, to provide a service for senior citizens which combines housing and care. Increasing the supply of housing suitable for older people within the Group's palette of housing will be a major priority area in the future. The Group's investments will mostly be channelled into the existing housing portfolio. Investments into senior housing will also be made by way of construction. The financial foundation of business operations will remain steady in respect of the housing portfolio held by the Group.

A pioneer in the housing market.

There are more and more demands spotlighting customers' individuality. The demands apply both to housing and to services. SATO has been in the forefront in developing solutions for both of these, for various customer target groups.





Business area Housing development and construction

Operations

Housing development and construction operations focused on commissioning the construction of owner-occupied homes. Commissioning projects are also carried out in the form of commissions for corporate customers. The volume of production during the year under review was 866 (1,327) housing units, of which 655 (831) were owner-occupied and shared ownership housing units. At year-end, a total of 841 (974) new housing units were under construction, of which 777 (723) were owner-occupied homes. Regionally construction commissioning concentrates on the Helsinki Metropolitan Area and the economic zones of Tampere, Turku, Oulu and Jyväskylä. SATO's market share in the business area is roughly 8 per cent.

The turnover from housing development and construction in 2005 was 123 (112) million euros and profit before extraordinary items and taxes was 9.1 (7.7) million euros.

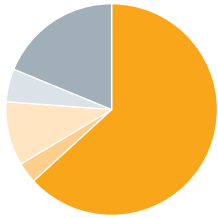
Output of owner-occupied homes

During the year under review, a total of 655 (701) owner-occupied homes were completed. Of these, 63 per cent are in the Helsinki Metropolitan Area and the rest are in Oulu, Tampere, Jyväskylä and Turku. The number of unsold units at year-end was 15 (13).

At the end of 2005, 777 (723) owner-occupied homes were under construction, of which 376 (358) were unsold. The financing tied up in the Group's output under construction at year-end was 15.8 (19.6) million euros.

The main privately financed apartment building projects were started in Helsinki in the district of Lauttasaari (36 homes), in Espoo in the district of Tapiola (68 homes) and in Oulu in the district of Intiö (79 homes).

The first SATO PlusHome project was completed in the Arabianranta district of Helsinki in February 2005. Design and data management methods facilitating customer service and the design process have been developed for the PlusHome concept. Future residents can use new possibilities for alterations to achieve individual interior solutions. The first property built in Arabianranta has 78 owner-occupied homes which all differ from each other in terms of floor plan or materials. The building won the 2005 RIL prize, awarded by the Association of Finnish Civil Engineers. This was the first time the prize has been awarded to a housing project. The new PlusHome project was completed in the Saunalahti district of Espoo and work continues on designing further projects.

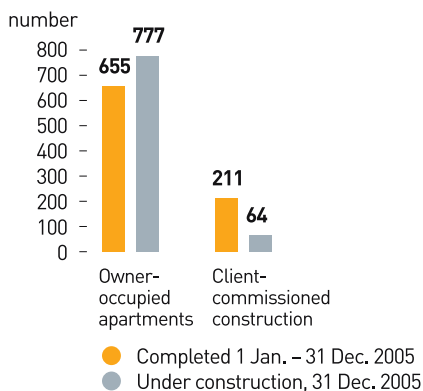


Completed housing units by region 2005

Total 655 units



Construction of new housing 2005



Two projects were completed at the Finnish Housing Fair 2005 in Oulu: an eight-storey building as a landmark in the area and a terraced housing and low-rise project on the sea shore. The construction industry journal *Rakennuslehti* selected SATO's high-rise as the best professional project at the fair. In recognition of the excellent partnership, SATO awarded the honourable mention of "Partner of the Year 2005" to *Rakennus-Forum Oy*, the contractor for the project.

For the Finnish Housing Fair to be held in Espoo in 2006, SATO will collaborate with *Finnforest Corporation* to build wooden low-rise buildings based on a box frame unit technology.

Client commissioning

On client commissioning, the construction of a total of 211 (626) new housing units was commissioned, of which 21 (50) were rental homes for the Group's ownership. 30 (109) right-of-occupancy housing units were completed for *Suomen Asumisoikeus Oy*.

At the turn of the year, 64 (251) new housing units were under construction for clients.

Output of senior homes and sheltered housing

During the year under review, 79 senior homes and sheltered housing units were completed in the Haaga district of Helsinki, including both owner-occupied homes for sale and rented homes for ownership by the Group and for an external client. At the turn of the year, a 58-unit project emphasising co-operation amongst residents was under construction in the Arabianranta district of Helsinki, as well as 65 homes in Tampere and a 29-unit project in Oulu.

The first partnership project for SATO and Helsinki Deaconess Institute, in the Pitäjänmäki district of Helsinki, will start up in spring 2006. The next project is scheduled for the Tapiola district of Espoo.

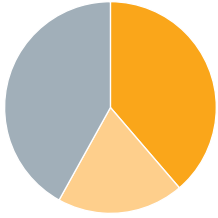
Customer relationships

Customer satisfaction surveys were used actively to guide the development of activities to enhance the customer experience. Closeness to the customer interface was increased by combining the sales and marketing of new projects into the housing development and construction organisation, and the Helsinki SATO Housing Service's sales operations were moved to SATO House in Käpylä.

In order to respond to individual needs in housing and services, we continued to develop the SATO PlusHome concept and the intention is gradually to extend the application of the concept to embrace all production of owner-occupied homes.

The winner of the Customer of the Year Award was presented to the 81-year-old buyer of a senior apartment owned by *Asunto Oy Tampereen Ameliina* for whom the purchase was the first home acquisition ever.





Reserve of plots for owner-occupied housing construction (sq.m. floor area)

Total 310,000, approx. 3,500 units

- Zoned 120,000
- Framework zoning 60,000*
- Letters of intent and allocations 130,000

* Permitted building volume in zoning proposals

Plots

At the end of 2005, SATO held land with zoning permission for construction of owner-occupied homes amounting to roughly 120,000 square metres of floor area. In addition to this, the permitted building volume based on plot reservations and letters of intent totalled roughly 130,000 square metres of floor area. Projects under zoning development totalled roughly 60,000 square metres of floor area. Together, these will permit the construction of roughly 3,500 homes.

The main purchases of land in 2005 were a plot in the Finlayson area in Tampere with roughly 7,000 square metres of floor area of permitted residential building volume, permitted residential building volume comprising a total of 12,000 square metres of floor area in Espoo and Vantaa purchased from Ilmarinen Mutual Pension Insurance Company, and permitted residential building volume comprising 7,700 square metres of residential floor area on the Harjunkulma block in the centre of Jyväskylä. In 2005, roughly 25 million euros was invested in plots with a permitted building volume totalling 62,000 square metres of floor area.

The most important land acquisition based on letters of intent was the one signed in May with Elisa Corporation for a plot in the Pitäjänmäki district of Helsinki. The plot will according to the proposed zoning plan have roughly 23,000 square metres of floor area in permitted building volume. In Turku, a letter of intent was signed with Palmberg Tku Oy for the development and construction of the VR engineering yard. The aim is to obtain permitted building volume for the area for roughly 70,000 square metres of floor area, of which SATO's share would be half. Other plot allocations based on plot reservations and letters of intent were made in the Tapiola district of Espoo, the Aurinkolahti district of Helsinki and the Pakkala district of Vantaa. A plot allocation of roughly 5,000 square metres of floor area was made in the Vuores district of Tampere on the basis of a design competition. In all, permitted building volume amounting to roughly 80,000 square metres of floor area was allocated through plot reservations and letters of intent.

During the year under review, zoning for Saunalahdenportti in Espoo and for Sarfvik in Kirkkonummi became legally valid. SATO's zoned permitted building volume in Saunalahti is roughly 20,000 and in Sarfvik roughly 13,500 square metres of floor area. It is intended to start construction in these areas in the period 2006–2008.

Roughly 63,000 square metres of floor area of the Group's land inventory to a total value of 18 million euros was transferred into production.

Outlook for the near future

Demand and the price level for owner-occupied homes are forecast to hold steady. SATO's output volume of owner-occupied homes will be on a par with the previous year's level, being approximately 700 housing units.

Responsibility

Economic responsibility

By attending to its profitability, SATO is able to attend to its social responsibilities. Financial responsibility entails the fulfilment of commitments concerning personnel, subcontractors and others, increasing the practical value of homes through systematic maintenance, servicing and repairs, and the responsibility to implement construction projects to the advantage of the customer. Responsibility also includes distributing financial prosperity to the owners. The number of SATO's personnel in 2005 averaged 181 and salaries and bonuses paid to them amounted to 9 million euros. Goods and services were purchased from subcontractors and partners for a total of 203 million euros.

For the year under review, the company will pay 15.4 million euros in dividends (the Board of Director's proposal) and 12 million euros in taxes.

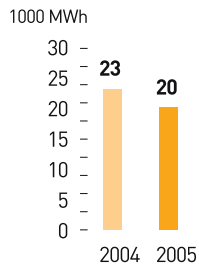
Environmental responsibility

Responsibility for environmental matters belongs to SATO's entire personnel and its partners. SATO's environmental committee supervises the implementation of the environmental programme, produces an annual environmental action plan, and charts the needs for improvement. It is also in charge of the implementation of scheduled changes. It awards an annual environmental prize for the best practices promoting sustainable development. Award-winning environmental actions for the year were "The Strengthening of Environmental Aspects in the Control of Planning for SATO's Housing Development and Construction" and "Practical Applications of the Energy-conservation Programme in SATO's Portfolio of Homes".

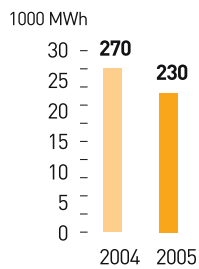
SATO's environmental programme from 1999 was updated during the year under review. The aim of the programme is to promote sustainable development in the residential properties owned and produced by the Group and for in-house procedures as well as to develop communications on environmental matters.

In 2005, the main thrust was on action to improve the management of the rented home portfolio's energy consumption. Audits and maintenance in accordance with the standard developed by SATO were carried out on the HEPAC regulators of roughly 160 locations. Energy inspections were carried out on roughly 60 properties, and water-saving plumbing fittings were installed in roughly 4,600 homes. At year-end, plumbing fittings had been replaced with water-saving ones in a third of SATO's 23,000 homes. Total water consumption declined by three per cent in 2005.

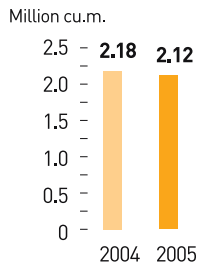
Total electricity consumption, 2004 and 2005*



Total heating energy consumption, 2004 and 2005*



Total water consumption, 2004 and 2005*



* Source data used AESS 2005 material. Sample includes 404 items, 4,858,182 cu.m. of building space

A report to promote the achievement of environmental targets was added to the buildings' cost monitoring data system, and partners' personnel were trained to enhance the application of the programme.

Energy-efficient construction products were given preference in construction and renovations.

Social responsibility

During its history SATO has built one Finnish home in ten. Our mission is to provide enjoyable and safe housing together with its environs. As a professionally operating lessor, we maintain our housing portfolio on a long-term basis. Our housing supply is considerable: roughly 23,000 rental homes and approximately 700 new owner-occupied homes each year. This also provides good possibilities for exchanging a SATO home.

In housing solutions for the senior population we are trailblazers and we have developed several implementation models for combining housing and services. In 2004, we made a partnership agreement with Helsingin Diakonissalaitoksen Hoiva Oy, which belongs to Helsinki Deaconess Institute, facilitating the provision of care services both for people already living in apartments owned by SATO, and for the implementation of new projects planned for the aged.

In new SATO PlusHome projects, individual housing wishes are fulfilled by providing a wide range of alternatives for the unit's floor plan and for choices of materials. During the year under review, the concept was awarded the RIL prize by the Association of Finnish Civil Engineers.

Partnership with the customer

SATO works in partnership with residents on many levels: for a specific property, regionally and nationwide. In nationwide partnering, an annual theme chosen by the residents is spotlighted in each year of business. The theme for 2005 was "Neighbourliness". During the year, examples of good neighbours were highlighted and support was given to events originated by the residents to promote neighbourliness, such as buildings' anniversary parties, exercise events, or joint residents' days for the area. A group of actors prepared an entertaining performance about the joys of neighbourliness for regional residents' nights. Themes from previous years were also continued, with meetings for residents interested in gardening in the grounds, for instance.

According to customer feedback, roughly 80 per cent of the residents view collective action by residents favourably and a quarter of all residents actively take part in it. To underline the importance of this collaboration, SATO named a tenant as Customer of the Year for 2005 who had played an exemplary role as liaison between SATO and other residents. The Customer of the Year chosen from among buyers of new homes was a buyer of a senior home who displayed excellent collaborative skills.

Personnel

The employees play a key role in SATO's success. We develop the personnel's expertise by arranging training and by encouraging study. In 2005, the Group had six days of training per member of personnel, of which four days were in-house training. By open information flow and dialogue between the management and the personnel, we aim to boost the personnel's job motivation. The channels for the personnel to wield influence are progress interviews, the values team and the work of the industrial safety committee as well as surveys of the personnel.

To encourage the personnel to take part in activities in compliance with the company values, a values incentive scheme was continued. The values theme for the year under review was "Good Professional Partnership" and in connection with the theme the personnel elected the SATO employee of the year.

Personnel sports and recreational activities were subsidised to the tune of 20,660 euros.

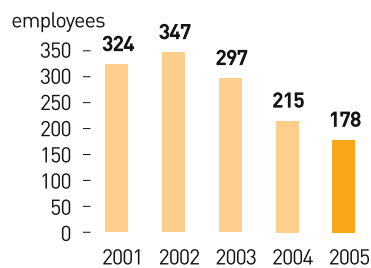
Incentives and sponsorships

During the year under review, SATO supported young designers by presenting awards for two graduation pieces from the University of Art and Design. The awards were presented for a chair representing a new lifestyle and for a concept that combined bathroom interior design and bath-time comfort.

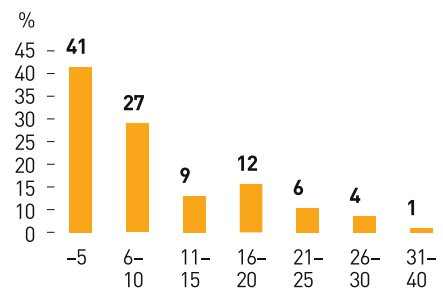
The money allocated to remembrance at Christmas was donated to Veikko and Lahja Hursti's charity Laupeudentyö ry and to the Finnish Red Cross's Friendship Service.

Support was also given to the Finnish Red Cross Disaster Fund and to youth work during the year under review.

Personnel at year-end 2001–2005



Number of years of service by personnel, 31 Dec. 2005





Annual report of the Board for the period 1 January– 31 December 2005

Turnover, net profit and financial status

The Group's turnover was 289.6 million euros (361.6 million euros in 2004), of which the turnover of investment in housing was 166.7 (249.7) million euros and that of housing development and construction was 122.9 (111.9) million euros. The downturn in turnover was affected greatly by the ending of sales of shared ownership apartments financed on a ten-year interest-subsidised loan.

The Group's profit before extraordinary items and taxes was 43.1 (34.2) million euros. The net profit of investment in housing was 34.0 (26.5). The net profit of housing development and construction was 9.1 (7.7) million euros.

The Group's return on equity was 19.1 (15.8) per cent and its return on investment was 7.1 (6.6) per cent.

The consolidated balance sheet total on 31 December 2005 was 1,130.3 (1,105.8) million euros and the Group's interest-bearing liabilities were 770.1 (789.8) million euros. The Group's equity ratio at year-end was 15.6 (14.3) per cent.

Financing

The cash position of the Group and parent company was favourable throughout the financial year. The Group's financial assets at year-end were 19.0 (20.4) million euros.

Interest-bearing liabilities at year-end were 770.1 (789.8) million euros, of which market rate loans totalled 323.1 (306.0) million euros, interest-subsidised loans totalled 102.2 (112.4) million euros and state-subsidised loans totalled 293.3 (316.3) million euros.

A share in debt amounting to 51.5 (55.1) million euros applied to shares held in housing companies and mutual property holding companies at the end of the year.

Of the capital of market rate loans at year-end, 197.0 (180.0) million euros was hedged with interest-rate swaps, the average maturity of which was 45 (31) months.

Change of the company name

The annual general meeting of 31 March 2005 passed a resolution to change the company name to SATO Corporation. The change was entered in the Trade Register on 31 May 2005.

Group structure

SATO Corporation is the parent company of the SATO Group.

To streamline operations and to clarify the Group structure, a total of 38 subsidiaries were merged and wound up through voluntary liquidation during the financial year.

Business area Investment in housing

On 31 December 2005, the Group held a total of 22,693 housing units (23,095). The financial occupancy rate for rental homes averaged 96.7 (96.5) per cent and occupant turnover averaged 35.8 (36.5) per cent. The net rental income of rental housing was 8.1 (8.0) per cent.

The turnover from investment in housing was 167 (250) million euros and profit before taxes was 34.0 (26.5) million euros. The turnover from investment in housing includes 6 (81) million euros in sales of shares in shared ownership apartments resulting from the expiry of the ten-year shared ownership period.

During 2005, a total of 914 (1,629) housing units were acquired from the completed housing stock. A total of 29 (179) new housing units were completed for the Group. The total value of investment in housing was 65 million euros. The sum of 24 (23) million euros was spent on renovating the housing portfolio and upgrading housing units.

During the financial year, 1,224 (1,423) rental homes with a combined value of 43 (57) million euros were sold.

Business area Housing development and construction

During the financial year, a total of 866 (1,327) housing units were completed. Of these, 655 (701) were owner-occupied homes and on client projects 211 (496) housing units were completed. The combined acquisition value of the completed owner-occupied homes was 123 (122) million euros.

At year-end, 777 (723) owner-occupied homes were under construction. On client projects, 64 (251) housing units were under construction. The acquisition value of the owner-occupied home under construction was 154 (135) million euros.

Turnover from the housing construction commissioning was 123 (112) million euros and profit before taxes was 9.1 (7.7) million euros.

The book value of the land inventory held by the Group was 35 million euros at the turn of the year. During the financial year, land inventory was acquired for a total of 25 million euros. The value of the land inventory sold and transferred to housing construction during the year was 18 million euros.

Investments and divestments

The Group's total investments amounted to 89.9 (153.2) million euros, of which 65.0 (133.9) million euros was allocated to fixed assets and 24.9 (19.3) million euros to inventories. The roughly 900 homes and permitted building volume comprising 12,000 square metres of floor area acquired from Ilmarinen Mutual Pension Insurance Company for 61.5 million euros comprised the biggest investment of the year in 2005.

During the financial year, assets were sold for a total of 45.0 (59.8) million euros.

Personnel

At the end of 2005, the Group had 178 (215) employees. The number of Group personnel averaged 181 (228) during the year. The downturn in the number of personnel during the year was due to decisions on outsourcing.

The timetable for IFRS

In accordance a decision of SATO Corporation's Board of Directors, the Group will go over to compliance with IFRS accounting standards as of the beginning of the financial year 2007.

Shareholders and shares

The annual general meeting held on 31 March 2005 authorised the company's Board of Directors to decide on the acquisition of treasury shares using the company's distributable assets. The authorisation can be used to acquire a number of shares with a combined par value or voting rights conferred by shares which is no more than five per cent of the company's share capital or voting rights of all shares after the acquisition.

The annual general meeting authorised the Board of Directors to decide on the disposal of the treasury shares obtained on the basis of the above authorisation.

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 a maximum total of 439,569 new company shares with a par value of EUR 2.00 may be subscribed in the new issue and/or issues of convertible bonds and/or issues of share options. On the basis of the authorisation, the company's share capital may be increased by a maximum total of 879,138.00 euros.

The authorisations are valid for one year from the date of the annual general meeting's decision.

The authorisations have not been exercised.

The members of SATO Corporation's Board of Directors and the President and CEO held a total of 2,220 shares at year-end, corresponding to 0.10 per cent of the company's shares and voting rights.

The turnover of SATO Corporation shares during the financial year was 4.7 per cent.

Board of Directors, President and CEO, and auditors

Jouko Tuunainen served as the chairman of the Board of Directors. The ordinary members of the Board of Directors were Heikki Hyppönen, Mauri Jaakonaho until 31 March 2005, Jarmo Ryttilahti until 31 March 2005, Jorma Kuokkanen as of 31 March 2005, Juhani Järvi, Raimo Lind, Martti Porkka, Pekka Pystynen, and Jukka Salminen.

Erkka Valkila served as President and CEO.

The company's auditors were KPMG Oy Ab, a firm of Authorised Public Accountants, with Markku Sohlman, APA, as the auditor in charge.

The members of the Corporate Management Group

The Corporate Management Group is comprised of President and CEO Erkka Valkila, Vice President, Investment in Housing Tuula Entelä, Vice President, Housing Development and Construction Pekka Komulainen, Chief Financial Officer Harri Huttunen, Head of Legal Affairs Katri Innanen and Director, Marketing and Communications Monica Aro.

Harri Huttunen, M.Sc. (Econ.), was appointed the Group's Chief Financial Officer as of 21 November 2005, with responsibility for finance, financing, ICT and human resources.

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-occupied 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 figures. Earnings in all are estimated to decline due to a downturn in earnings from divestments.

Profit and loss account

Profit and loss account		Consolidated		Parent company	
		2005	2004	2005	2004
MEUR	Note				
Turnover	1	290	362	5	5
Other income from business operations	2	14	14	5	6
Materials and services	3	-126	-195	-2	-3
Personnel expenses	4-6	-11	-12	-3	-3
Depreciation and write-downs	7	-20	-22	0	-1
Other expenses of business operations	8	-81	-86	-5	-6
Operating profit/loss		66	60	0	-2
Financial income and expenses	9	-23	-26	1	5
Profit/loss before extraordinary items		43	34	1	4
Extraordinary items	10	0	-2	26	7
Profit before taxes		43	32	28	11
Direct taxes	11	-12	-9	-7	-3
Minority interest		0	-1		
Net profit for the financial year		31	22	20	8

Balance sheet

Balance sheet		Consolidated		Parent company	
MEUR	Note	2005	2004	2005	2004
Assets					
Fixed assets and other long-term investments					
Intangible assets	12	2	1	1	0
Tangible assets	13	511	540	1	1
Holdings in Group companies	14			62	61
Holdings in associated companies	15	0	0		
Other holdings and shares	16-17	408	361	5	5
		920	903	69	68
Inventories and financial assets					
Inventories	18	87	83	5	6
Long-term receivables	19-20	10	12	32	54
Short-term receivables	21	81	71	22	31
Financial securities		19	10	4	4
Cash and bank deposits		12	26	0	1
		210	203	62	96
Assets, total		1,130	1,106	132	164
Liabilities and shareholders' equity					
Shareholders' equity		22-24			
Share capital		4	4	4	4
Revaluation fund		0	0		
Reserve fund		44	44	44	44
Other funds		0	0	1	1
Retained earnings		91	81	12	16
Net profit for the financial year		31	22	20	8
		171	152	82	73
Minority interest		1	1		
Consolidated reserve		0	0		
Obligatory reserves		25	6	1	1
Liabilities					
Long-term	26	799	817	23	62
Current	27	151	130	26	27
		950	946	48	89
Liabilities and shareholders' equity, total		1,130	1,106	132	164

Cash flow statement

Cash flow statement, indirect model		Consolidated		Parent company	
MEUR	Note	2005	2004	2005	2004
Cash flow from operating activities					
Profit before extraordinary items		43	34	1	4
Adjustments:					
Depreciation		19	22	0	1
Financing income (-) and expenses (+)		23	26	-1	-5
Increase (+) / decrease (-) in obligatory reserves		2	4	0	0
Capital gains (-) and losses (+) on fixed assets		-13	-11	-0	0
Other adjustments		-0	-2		
Cash flow before change in working capital		74	73	1	-1
Change in working capital:					
Decrease(+) / increase(-) in short-term non-interest-bearing receivables		-7	1	1	3
Decrease (+) / increase (-) in inventories		-4	4	2	2
Decrease (-) / increase (+) in short-term liabilities		17	-7	0	-3
Adjustments to change in working capital					1
Cash flow before financial items and taxes		80	72	4	2
Interest paid and payments on other financing expenses		-24	-29	-2	-3
Dividends received		0	0	0	4
Interest received		1	1	3	5
Direct taxes paid		-3	-4	-2	-3
Cash flow before extraordinary items		55	40	3	5
Cash flow from extraordinary items in business operations				26	0
Cash flow from operating activities (A)		55	40	29	5
Cash flow from investments					
Investments in tangible and intangible assets		-23	-79	-1	-1
Undepreciated acquisition cost of surrendered tangible and intangible assets		26	44	0	0
Profits on surrender of tangible and intangible assets		13	11	0	-0
Investments in other placements		-42	-54	-1	0
Repayments on loans		-0	-2	31	10
Adjustments to cash flow from investments (non-cash items)		0			-0
Cash flow from investments (B)		-26	-79	29	9

Cash flow statement, indirect model		Consolidated		Parent company	
MEUR	Note	2005	2004	2005	2004
Cash flow from financial activities					
Paid share issue and changes in funds					
Short-term financing debts (net)		-1	5	-7	-17
Change in long-term financing debts		-20	50	-40	-6
Non-current non-interest bearing receivables		0	0	0	-0
Group contributions (on payment basis)				-0	11
Dividend paid and other distribution of profit		-12	-8	-12	-8
Adjustments to cash flow from financial activities (non-cash items)				0	7
Cash flow from financial activities (C)		-34	47	-59	-14
Effect of change in consolidation method			-0		
Change in cash and cash equivalents according to calculation (A+B+C)		-5	7	-0	0
Cash and cash equivalents at start of year		36	31	4	4
Effect of change in consolidation method			-3		
Cash and cash equivalents transferred in merger					0
Cash and cash equivalents at year-end		32	36	4	4

Accounting conventions of the financial statements as at 31 December 2005

Valuation principles

Valuation of fixed assets

Fixed assets have been valued at the historical cost or at a value adjusted for revaluations less accumulated depreciation and write-downs. Straight-line depreciation based on the economic life has been deducted from the original acquisition cost of buildings. Depreciation calculated on the economic life has been deducted from the historical cost of other fixed assets subject to wear and tear in the case of fixed assets acquired since 1 January 1995. The historical cost of fixed assets subject to wear and tear purchased before this date is depreciated at the maximum rate permitted by the Finnish Companies Taxation Act. No depreciation has been made on revaluations.

The planned depreciation periods based on the economic life are as follows:

Vehicles	4 years
Computer hardware and software	3–6 years
Office machinery	5 years
Office equipment	10 years
Buildings	67 years
Machinery and equipment of buildings	20 years
Civil defence shelters of buildings	40 years

Other buildings and renovation expenditure on a case-by-case basis according to a separate assessment.

Investments in housing companies and mutual building management companies are depreciated at one per cent of the remainder of the investment.

Valuation of inventories

Inventories have been valued at the direct historical cost. In the event that the probable surrender or repurchase value of the asset was lower than the historical cost on closing the books, the difference has been booked as an expense.

Valuation of financial assets

Financial assets have been valued at par value or at their probable value if lower.

Items denominated in foreign currency

Receivables and debts denominated in foreign currency have been valued at the exchange rates valid on closing the books.

Income-recognition of projects

The margin of construction commissioning has been income-recognised in accordance with the terms of invoicing in the agreement. After a separate inspection, the margin for projects handed over is income-recognised at the handover date. The margin of completed owner-occupied homes which are unsold on closing the books has been eliminated.

A profit arising to a property holding company from the surrender of a plot is income-recognised on the date of the project's completion and a loss on the handover date.

Obligatory reserves

A refund claim expense reserve is made on the basis both of an estimate from experience and on claims for damages submitted.

A reserve based on estimates has been constituted for expenses related to business reorganisations.

Matching of pension expenses

Pension cover for the employees has been arranged through a pension insurance company.

Accounting conventions of the consolidated financial statement

Scope of the consolidated financial statement

The consolidated financial statements cover the parent company and the following subsidiaries and associated companies together with their own subsidiaries and associated companies: Kanta-Suomen Sato Oy, Outakessa Oy, Sato-Asunnot Oy (formerly Sato Nyt Oy), Satoportaatt Oy, Sato Vuokrakodit Oy, Satopos 105 Oy, Satopos 107V Oy, SATO-Rakennuttajat Oy, Suomen Satokodit Oy, SATOkoti Oy (formerly Vatro Oy), SATOtalot Oy (formerly Vatro-asunnot Oy) and Vatroalot Oy.

The consolidation includes the subsidiaries included in inventories and fixed assets with the following exceptions:

The main unconsolidated companies are comprised of the housing company-type corporations in the inventories of Satoportaatt Oy, Sato-Asunnot Oy (formerly Sato Nyt Oy), and Vatroalot Oy. The reason these companies are not consolidated is because of the nature of the shared ownership system. It is intended that the shares in the subsidiaries, after the period of shared ownership, will become wholly own by the part-owners and are therefore in the nature of inventories intended for sale. The total of the housing companies' debts, promissory notes securing debts, and repurchase liability related to the shared ownership, is given in the notes to the balance sheet section 28.

Also left unconsolidated are some inactive and small subsidiaries and associated companies. These cases of non-consolidation have not significantly affected the sum of the Group's shareholders' equity or net profit.

The SATO Group holds 50 per cent of the issued stock of Suomen Asumisoikeus Oy. Suomen Asumisoikeus Oy may, under the ARAVA Act (1189/93) and the Subsidised Interest for Rental Home Loans and Right-of-occupancy Building Loans Act (604/2001), pay a shareholder an annual return, the taxable maximum amount of which is 8 per cent and the tax-free maximum amount of which is 5.68 per cent of the amount actually invested in the company by the shareholder. Suomen Asumisoikeus Oy may, on the basis of this, pay the SATO Group a dividend of no more than EUR 47 thousand per year.

The maximum selling price of shares in Suomen Asumisoikeus Oy is their par value revised in line with the change in construction expenses. The assets accruing from a right-of-occupancy community's activities are not figured into the amount of the surrender price of the shares as a factor.

On these grounds, the profit of Suomen Asumisoikeus Oy, being 2.8 (7.3) million euros, has not been consolidated in the financial statements of SATO Corporation.

The way in which the consolidated financial statements were produced has complied with a consolidation method for the housing companies' and mutual building management companies' income, expenses and depreciation in which only those of the items mentioned are included in the consolidated profit and loss account which accrue from Group-owned premises.

Similarly, the consolidated balance sheet includes the total acquisition costs of the Group-owned premises and loans which apply to the premises, including those loans taken by housing companies and mutual building management companies which apply to shares held by the Group.

Minority shareholders' holdings in these companies' shareholders' equity are not treated as minority shareholdings of the Group and the Group's debts are not consolidated with the debt portions for which these shareholders are liable.

Mutual shareholdings

The consolidated financial statements have been drawn up using the historical cost method (excluding housing companies and mutual building management companies).

The acquisition cost of the subsidiaries which exceeded their shareholders' equity on the acquisition date is for the main part allocated in the consolidated financial statements to the acquisition cost of buildings and plots and the difference has been treated as consolidation goodwill. The calculation of acquisition costs for years before 1999 was not adjusted by the amount of shareholders' equity separated from the reserves on the acquisition date. Goodwill allocated to asset items has been depreciated in accordance with the planned depreciation principles for the asset item in question. Consolidation goodwill has been subjected to straight-line depreciation over 10 years.

Intra-Group transactions and margins

Intra-Group receivables, debts, income and expenses have been eliminated, as have dividend payments and internal margins between Group companies.

Minority interests

The minority interests separated from the shareholders' equity and net profit of the companies consolidated by the historic cost method are shown as separate items in the consolidated balance sheet and the profit and loss account.

Taxes

Taxes for the financial year have been calculated on the basis of the taxable income. The accumulated depreciation differences and residential building reserves for the companies consolidated with the historic cost method have been divided into shareholders' equity, minority interest and tax liability in the consolidated financial statements. The deferred tax liability has been calculated in accordance with option 1 of the Accounting Board's general guidelines of 11 January 1999 from the matching differences affecting the profit and loss account, from voluntary reserves and depreciation differences, and from consolidation actions credited or charged to income.

Notes to the financial statements

Notes to the profit and loss account	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
1 Turnover				
Rental income and remuneration	146.7	150.0	3.0	3.1
Building management and maintenance fees	0.9	1.6	0.0	0.2
Sales of shares	102.8	174.2	0.2	1.4
Construction commissioning fee	31.7	22.5		
Other income from construction commissioning	6.7	12.2		
Other income	0.7	1.1	2.2	0.4
	289.6	361.6	5.5	5.1
2 Other income from business operations				
Other income from business operations	0.8	0.9	5.3	5.7
Capital gains from fixed assets	13.6	13.1	0.0	0.2
	14.4	14.1	5.3	5.9
3 Materials and services				
Purchases during the financial year (= procurements)	134.9	195.8	0.2	1.3
Change in inventories	-9.0	-0.4	1.6	2.1
	126.0	195.4	1.8	3.4
4 Personnel expenses				
Wages and salaries	9.0	9.6	2.2	2.4
Pension expenses	1.8	2.0	0.4	0.5
Other indirect employee costs	0.6	0.7	0.1	0.2
	11.4	12.3	2.7	3.1
5 Management salaries and emoluments				
Presidents and members of the Board of Directors The President and CEO is entitled to retire at the age of 60.	0.7	0.7	0.4	0.3
6 The Group and parent company had during the financial year an average number of				
Employees	181	228	25	51
7 Depreciation				
Depreciation on tangible and intangible assets	15.1	15.3	0.5	0.5
Write-downs on fixed assets and long-term investments	4.3	6.4		0.1
	19.5	21.7	0.5	0.6
8 Other expenses of business operations				
Rents	25.4	26.4	2.1	2.3
Properties' maintenance expenses	48.1	49.0	0.3	0.1
Other fixed expenses	6.4	6.9	3.0	2.6
Other expenses of business operations	0.9	3.7	0.0	0.6
	80.9	86.0	5.4	5.5

Notes to the profit and loss account	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
9 Financing income and expenses				
Dividend income				
From Group companies				3.6
From others	0.1	0.1	0.0	0.0
Dividend income, total	0.1	0.1	0.0	3.6
Interest income on long-term investments				
From Group companies			2.8	3.9
From others	1.1	1.0	0.2	0.3
	1.1	1.0	3.0	4.2
Interest expenses and other financing expenses				
To Group companies			0.6	0.6
Charges to Group companies for interest rate hedging expenses			-2.3	-2.6
To others	24.3	27.1	3.7	4.5
	24.3	27.1	2.0	2.5
Financing income and expenses, total	-23.1	-26.0	1.0	5.4
10 Extraordinary items				
Extraordinary income				
Group contributions			26.3	5.7
Profit on merger				1.6
Other extraordinary income	0.2			
	0.2		26.3	7.3
Extraordinary expenses				
Effect of change in consolidation method		2.0		
		2.0		
11 Direct taxes				
Income taxes on actual business	8.4	4.9	7.3	2.7
Change in deferred tax liability	4.8	4.5		0.0
Change in deferred tax credit	-1.3	-0.2		
	12.0	9.2	7.3	2.7

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
12 Intangible assets				
Intangible rights				
Acquisition cost 1 Jan.	0.8	0.8		
Increases	0.0			
Decreases	-0.0			
Acquisition cost 31 Dec.	0.7	0.8		
Accumulated depreciation and write-downs 1 Jan.	0.7	0.7		
Depreciation for year	0.0	0.0		
Accumulated depreciation 31 Dec.	0.7	0.7		
Effect of change in consolidation method		-0.0		
Book value 31 Dec.	0.0	0.0		
Consolidated goodwill				
Acquisition cost 1 Jan.	1.5	1.3		
Increases	0.0	0.2		
Acquisition cost 31 Dec.	1.5	1.5		
Accumulated depreciation 1 Jan.	1.3	1.2		
Depreciation for year	0.0	0.0		
Accumulated depreciation 31 Dec.	1.3	1.3		
Effect of change in consolidation method		0.0		
Book value 31 Dec.	0.2	0.2		
Other long-term expenditure				
Acquisition cost 1 Jan.	4.1	3.9	2.4	2.0
Increases	1.1	0.4	0.7	0.4
Decreases	-0.1	-0.0		-0.0
Acquisition cost 31 Dec.	5.1	4.2	3.1	2.4
Accumulated depreciation and write-downs 1 Jan.	3.4	3.1	2.0	1.8
Depreciation for year	0.3	0.4	0.2	0.2
Accumulated depreciation 31 Dec.	3.7	3.4	2.2	2.0
Effect of change in consolidation method		-0.1		
Book value 31 Dec.	1.4	0.7	0.9	0.4
Intangible assets, total	1.6	0.9	0.9	0.4

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
13 Tangible assets				
Land and water areas				
Acquisition cost 1 Jan.	60.0	112.2	0.0	0.0
Increases	2.3	14.2		
Decreases	-4.9	-0.4		-0.0
Acquisition cost 31 Dec.	57.4	126.0	0.0	0.0
Accumulated write-downs 1 Jan.	-0.8	-0.9		
Revaluations		0.0		
Effect of change in consolidation method		-66.1		
Book value 31 Dec.	56.6	59.2	0.0	0.0
Buildings and structures				
Acquisition cost 1 Jan.	544.7	755.8	0.0	0.0
Increases	16.1	22.7		
Decreases	-19.9	-6.3		
Transfers between items	-6.9	0.0		
Acquisition cost 31 Dec.	533.9	772.2	0.0	0.0
Accumulated depreciation and write-downs 1. Jan	83.5	70.9	0.0	0.0
Depreciation for year	12.8	10.0		0.0
Write-downs	1.2	2.5		0.0
Accumulated depreciation 31 Dec.	97.5	83.5	0.0	0.0
Revaluations	1.3	1.3		
Effect of change in consolidation method		-227.5		
Book value 31 Dec.	437.6	462.5	0.0	0.0
Connection fees				
Acquisition cost 1 Jan.	7.7	11.0	0.0	0.0
Increases	1.6	0.7		
Decreases	-0.2	-0.6		
Effect of change in consolidation method		-3.3		
Acquisition cost 31 Dec.	9.0	7.7	0.0	0.0
Machinery and equipment				
Acquisition cost 1 Jan.	23.5	25.3	3.3	3.1
Increases	0.2	0.3	0.2	0.2
Decreases	-0.2	-0.2	-0.0	-0.0
Acquisition cost 31 Dec.	23.5	25.4	3.5	3.3
Accumulated depreciation and write-downs 1 Jan.	14.5	13.2	2.1	1.8
Depreciation for year	1.9	1.3	0.3	0.3
Accumulated depreciation 31 Dec.	16.4	14.5	2.4	2.1
Effect of change in consolidation method		-1.9		
Book value 31 Dec.	7.1	9.0	1.0	1.2

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
Other tangible assets				
Acquisition cost 1 Jan.	0.9	0.6	0.4	0.4
Increases	0.3	0.2		
Decreases	-0.0	-0.0		
Acquisition cost 31 Dec.	1.2	0.8	0.4	0.4
Accumulated depreciation and write-downs 1 Jan.	0.7	0.6	0.4	0.3
Depreciation for year	0.0	0.1	0.0	0.0
Accumulated depreciation 31 Dec.	0.7	0.7	0.4	0.4
Effect of change in consolidation method		0.1		
Book value 31 Dec.	0.5	0.2	0.0	0.0
Advance payments				
Acquisition cost 1 Jan.	1.9	3.8		
Increases		0.5		
Decreases	-1.9	-1.5		
Effect of change in consolidation method		-0.9		
Book value 31 Dec.	-0.0	1.9		
Tangible assets total	510.9	540.4	1.0	1.2
Summary of revaluations				
Land and water areas				
Value 1 Jan.	0.0	0.0		
Value 31 Dec.	0.0	0.0		
Buildings and structures				
Value 1 Jan.	1.3	1.3		
Value 31 Dec.	1.3	1.3		

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
14 Holdings in Group companies				
Acquisition cost 1 Jan.			61.3	65.6
Increases			1.0	1.5
Decreases			-0.0	-0.9
Transfers between items				-4.9
Acquisition cost 31 Dec.			62.3	61.3
Book value 31 Dec.			62.3	61.3
15 Holdings in participating interests				
Acquisition cost 1 Jan.	0.5	0.4		
Increases		0.3		
Transfers between items	-0.1	-0.4		
Acquisition cost 31 Dec.	0.3	0.3		
Accumulated write-downs 1 Jan.	0.1	0.1		
Accumulated write-downs 31 Dec.	0.1			
Effect of change in consolidation method		0.2		
Book value 31 Dec.	0.2	0.4		
16 Other stocks and shares				
Acquisition cost 1 Jan.	7.5	53.2	0.7	0.7
Increases	9.4	7.1		0.0
Decreases	-2.2	-7.6	-0.0	-0.0
Transfers between items	2.1	-45.2		
Acquisition cost 31 Dec.	16.8	7.5	0.7	0.7
Accumulated write-downs 1 Jan.	1.4	0.9	0.0	
Write-downs		-0.5	0.0	
Accumulated write-downs 31 Dec.	1.4	1.4	0.0	0.0
Book value 31 Dec.	15.4	6.1	0.7	0.7
17 Investments/housing companies and mutual building management companies				
	392.2	355.4	4.1	4.1
Investments, total	407.9	361.9	67.2	66.1

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
18 Inventories				
Housing under construction	38.3	34.6		
Completed housing units and commercial space	18.4	27.1	1.1	1.2
Land areas and land area companies	11.0	11.6	1.4	2.8
Other inventories	19.2	10.0	2.1	2.2
Book value 31 Dec.	86.9	83.3	4.6	6.2
19 Non-current receivables				
Notes receivable	1.5	4.3	1.2	2.4
Notes receivable. Group			30.2	51.8
Deferred tax credits	8.9	7.7	0.1	0.1
Other receivables		0.0		0.0
Book value 31 Dec.	10.4	12.1	31.6	54.4
20 Deferred tax credits				
Resulting from companies' matching differences	5.4	4.2		
Resulting from intra-Group margins	3.5	3.5		
	8.9	7.7		
21 Current receivables				
Receivables from Group companies				
Accounts receivable			1.6	1.9
Notes receivable			17.6	25.7
Accrued assets			0.3	0.4
Other receivables			0.3	
			19.8	28.0
Receivables from others				
Accounts receivable	72.1	61.5	1.4	1.1
Notes receivable	4.0	0.8	0.4	0.3
Other receivables	0.8	2.2	0.0	1.1
Accrued assets	4.3	6.6	0.3	0.6
	81.1	71.1	2.1	3.1
Current receivables total	81.1	71.1	21.9	31.1
Receivables, total	91.5	83.2	53.5	85.5

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
22 Shareholders' equity				
Share capital 1 Jan.	4.4	4.4	4.4	4.4
Share capital 31 Dec.	4.4	4.4	4.4	4.4
Revaluation fund 1 Jan.	0.2	0.2		
Revaluation fund 31 Dec.	0.2	0.2		
Reserve fund 1 Jan.	43.7	43.7	43.7	43.7
Reserve fund 31 Dec.	43.7	43.7	43.7	43.7
Other funds 1 Jan.	0.4	0.4	1.1	1.1
Other funds 31 Dec.	0.4	0.4	1.1	1.1
Retained earnings 1 Jan.	103.2	89.0	24.2	24.1
Dividend payment	-12.1	-8.2	-12.1	-8.2
Retained earnings 31 Dec.	91.2	80.8	12.1	15.8
Net profit for the financial year	31.2	22.4	20.5	8.4
Shareholders' equity total 31 Dec.	171.0	151.9	81.8	73.4
23 Calculation of distributable assets				
Other funds	0.4	0.4	1.1	1.1
Retained earnings	91.2	80.8	12.1	15.8
Net profit for the financial year	31.2	22.4	20.5	8.4
The portion of accumulated depreciation difference and voluntary reserves entered in shareholders' equity plus the non-distributable shareholders' equity of non-profit companies in the sphere of housing legislation's provisions on distribution of profit	-94.4	-90.3		
Distributable assets 31 Dec.	28.3	13.4	33.7	25.3
24 The parent company's share capital is divided into shares as follows				
	2005	2004		
Number of shares	2,197,846	2,197,846		
Combined par value of shares	4.4	4.4		
25 Obligatory reserves				
Refund claim expense reserve	4.7	3.2	1.0	0.9
Other obligatory reserves	3.1	2.8	0.4	0.4
	7.8	6.0	1.3	1.3

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
26 Long-term Liabilities				
Loans from financial institutions	689.4	706.2	21.0	60.6
Loans from financial institutions (housing companies and mutual building management companies)	51.5	53.7		
Pension loans	0.7	0.9	0.7	0.9
Loans, Group			1.1	0.8
Advances received	14.0	16.6		
Deferred tax liability	43.2	39.2		
Other debts	0.0	0.0		
	798.9	816.6	22.7	62.3
Long-term liabilities 31 Dec.	798.9	816.6	22.7	62.3
Debts maturing in more than five years				
Loans from financial institutions	568.6	552.6		
Pension loans	0.4	0.5	0.4	0.4
	569.1	553.1	0.4	0.4
27 Current Liabilities				
Debts to Group companies				
Loans			13.6	19.3
Accounts payable			0.4	0.4
Deferred liabilities			0.0	0.0
			14.0	19.7
Debts to others				
Loans from financial institutions	28.3	29.6	1.7	2.7
Pension loans	0.2	0.2	0.2	0.2
Advances received	13.5	14.8	0.1	0.1
Accounts payable	87.9	66.4	2.6	2.7
Other debts	0.7	1.8	0.1	0.1
Deferred liabilities	20.6	16.8	7.1	1.3
	151.2	129.6	11.7	7.0
Current Liabilities 31 Dec.	151.2	129.6	25.7	26.7
Liabilities, total	950.0	946.1	48.4	89.0

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2005	2004	2005	2004
28 Collateral, contingent liabilities and other commitments				
For own debt				
Pledges shares	276.4	263.1	0.9	1.0
Corporate mortgages	2.5	6.2		
Mortgages on land areas and buildings	734.2	655.9	3.4	1.5
	1,013.1	925.2	4.4	2.6
For Group company debts				
Pledges			2.3	2.3
Guarantees			162.0	116.4
			164.2	118.6
For others				
Guarantees	40.8	41.9	39.4	39.8
Other own commitments				
Repurchase commitments	21.6	20.2		
Leasing commitments				
To be paid in the next financial year	0.2	0.2	0.1	0.1
To be paid in subsequent financial years	0.7	0.5	0.2	0.2
Other own commitments				
	22.6	20.9	0.3	0.3
Total				
Pledges	276.4	263.1	3.2	3.3
Corporate mortgages	2.5	6.2		
Mortgages on land areas and buildings	734.2	655.9	3.4	1.5
Guarantees	40.8	41.9	201.4	156.2
Other commitments	22.6	20.9	0.3	0.3
Pledges and contingent liabilities, total	1,076.5	987.9	208.2	161.3
Derivatives				
Par value of interest-rate derivatives	197.0	180.4		
Market value of interest-rate derivatives	-3.1	-4.0		
RS guarantee limit used	21.7	20.7		

Commitments for shared ownership apartments

The combined total of the loans of housing company-type subsidiaries of Satoportaata Oy, Vatroalot Oy, and Sato-Asunnot Oy, which are included in the shared ownership system was MEUR 148.6 (MEUR 151.1 on 31 December 2004).

The collateral for the loans is property mortgages totalling MEUR 222.0 (MEUR 216.0 on 31 December 2004), which are not included in the combined total for mortgages in the commitment list. The repurchase liability for part-owners' holdings was MEUR 21.6 (MEUR 20.2 on 31 December 2004), of which MEUR 16.9 (MEUR 19.5 on 31 December 2004) has been treated as an advance payment debt in the balance sheet.

Investments

31 December

2005

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
Subsidiaries owned by SATO Corporation		
As Oy Espoon Heinjoenpolku	100.0	100.0
As Oy Lappeenrannan Metsäsaimaankatu 9	100.0	100.0
K Oy Espoon Solberga	100.0	49.9
K Oy Kastevuoren Palvelutalo	100.0	8.0
Kanta-Suomen Sato Oy	78.4	78.4
Outakessa Oy	100.0	100.0
Oy Uudenmaanlinna	100.0	10.0
Sato-Asunnot Oy	100.0	100.0
Sato Vuokrakodit Oy	100.0	100.0
SATO-Rakennuttajat Oy	100.0	100.0
Suomen Satokodit Oy	100.0	100.0
SATOkoti Oy	100.0	100.0
Vatro-Yhtymä Oy	100.0	100.0
Vatrolat Oy	100.0	100.0
Companies owned by subsidiaries		
Sato-Asunnot Oy		
As Oy Agricolankuja 8	80.6	80.6
As Oy Espoon Honkavaarantie 5	100.0	100.0
As Oy Espoon Lounaismeri	100.0	100.0
As Oy Espoon Puikkarinmäki	100.0	100.0
As Oy Espoon Punatulkuntie 3	23.9	23.9
As Oy Espoon Punatulkuntie 5	40.3	40.3
As Oy Espoon Pyhäjärventie 1	100.0	100.0
As Oy Espoon Ruusulinna	100.0	100.0
As Oy Espoon Vanharaide	90.1	90.1
As Oy Espoon Viherlaaksonranta 3-5	100.0	100.0
As Oy Espoon Viherlaaksonranta 7	100.0	100.0
As Oy Espoon Viherlaaksonranta 4	100.0	100.0
As Oy Espoon Zanseninkuja 6	100.0	100.0
As Oy Eura III	100.0	100.0
As Oy Helsingin Ansaritie 1	100.0	100.0
As Oy Helsingin Ansaritie 2-4	100.0	100.0
As Oy Helsingin Ansaritie 3	100.0	100.0
As Oy Helsingin Apollonkatu 19	46.8	46.8
As Oy Helsingin Castreninkatu 3	100.0	100.0
As Oy Helsingin Eliel Saarientie 10	96.1	96.1
As Oy Helsingin Hildankulma	80.1	80.1
As Oy Helsingin Kangaspellontie 1-5	100.0	100.0
As Oy Helsingin Kangaspellontie 4	60.3	60.3
As Oy Helsingin Kangaspellontie 8	29.6	29.6
As Oy Helsingin Klaavuntie	80.0	80.0
As Oy Helsingin Korppaanmäki	65.8	65.8
As Oy Helsingin Korppaanmäki 8	75.5	75.5
As Oy Helsingin Kristianinkatu 11-13	100.0	100.0
As Oy Helsingin Kultareuna 1	39.0	39.0
As Oy Helsingin Lauttasaarentie 19	58.3	58.3
As Oy Helsingin Mechelininkatu 12-14	100.0	100.0
As Oy Helsingin Pakilantie 17	100.0	100.0
As Oy Helsingin Perustie 16	65.6	65.6
As Oy Helsingin Puuskarinne 1	98.2	98.2
As Oy Helsingin Ruusutarhantie 7	39.3	39.3
As Oy Helsingin Siltavoudintie 20	100.0	100.0
As Oy Helsingin Solnantie 22	98.0	98.0
As Oy Helsingin Stenbäckinkatu 5	60.0	60.0
As Oy Helsingin Ståhlbergintie 4	93.5	93.5
As Oy Helsingin Tunturilinna	88.2	88.2
As Oy Helsingin Vanha viertotie 16	76.7	76.7
As Oy Helsingin Vanha viertotie 18	74.8	74.8

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
As Oy Helsingin Vanha Viertotie 6	100.0	100.0
As Oy Helsingin Vanha Viertotie 8	100.0	100.0
As Oy Helsingin Vuosaaren Helmi	100.0	100.0
As Oy Hämeenlinnan Aroniitynkuja 7	100.0	100.0
As Oy Jyväskylän Ailakinraitti	100.0	100.0
As Oy Jyväskylän Yliopistonkatu 18 ja Keskustie 17	100.0	100.0
As Oy Jämsänkosken Konilannotkontie 8	100.0	100.0
AsOy Kaarentuomi	100.0	100.0
As Oy Kajaanin Rekitie 1-2	100.0	100.0
As Oy Kasarmikatu 14 – Bostads Ab Kasärngatan 14	22.5	22.5
As Oy Kasarminkatu 10	41.5	41.5
As Oy Keravan Papintie 1	100.0	100.0
As Oy Kuopion Pyöröntähti	80.5	80.5
As Oy Kuopion Venemiehenkatu	99.8	99.8
As Oy Lahden Nuolikatu 9	100.0	100.0
As Oy Lappeenrannan Maininkikatu 9	100.0	100.0
As Oy Messeniuksenkatu 5	88.3	88.3
As Oy Myllysalama	87.4	87.4
As Oy Myyrinhaukka	82.9	82.9
As Oy Oulun Aleksinranta	100.0	100.0
As Oy Oulun Kalevalantie	100.0	100.0
As Oy Oulun Laanila I	100.0	100.0
As Oy Oulun Laanila IV	100.0	100.0
As Oy Salpakolmio	31.3	31.3
As Oy Tampereen Jankanpuisto	100.0	100.0
As Oy Tampereen Kanjoninkatu 15	95.0	95.0
As Oy Tampereen Rotkonraitti 6	77.1	77.1
As Oy Tampereen Tarmonkatu 6	100.0	100.0
As Oy Tarkk'ampujankatu 14	53.0	53.0
As Oy Terhokuja 3	100.0	100.0
As Oy Valkeakosken Katajatie 62	100.0	100.0
As Oy Valkeakosken Katajatie 64	100.0	100.0
As Oy Valkeakosken Katajatie 66	100.0	100.0
As Oy Vantaan Aapramintie 4	100.0	100.0
As Oy Vantaan Kaarenlehmus	100.0	100.0
As Oy Vantaan Myyrinmutka	100.0	100.0
As Oy Vantaan Pronssikuja 1	100.0	100.0
As Oy Vuorastila	99.0	99.0
K Oy Espoon Joupinpolku	100.0	100.0
K Oy Kangaspellontie 6	100.0	100.0
Koy Mannerheimintie 170	32.1	16.3
Länsi-Hämeen Sato Oy	100.0	100.0
Sato Vuokrakodit Oy		
As Oy Helsingin Finniläntalo	80.2	80.2
As Oy Kuopion Lakeissuontie 5	96.7	96.7
Suomen Satokodit Oy		
As Oy Espoon Puropuisto	52.5	52.5
As Oy Vantaan Kortteeri	20.9	20.9
K Oy Karpalopolku	100.0	100.0
SATOkoti Oy		
As Oy Espoon Jousenkaari 5	100.0	100.0
As Oy Espoon Sepettlahdentie 6	100.0	100.0
As Oy Helsingin Hämeenpengger	100.0	100.0
As Oy Helsingin Lapponia	100.0	100.0
As Oy Helsingin Pajamäentie 7	100.0	100.0
As Oy Helsingin Pasilantornit	25.0	25.0
As Oy Helsingin Vetelintie 5	100.0	100.0
As Oy Hollolan Harjukoivu	100.0	100.0
As Oy Hollolan Hiihto-Salpa	100.0	100.0
As Oy Jyväskylän Karsikkotie 3	100.0	100.0

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
As Oy Kuopion Rypysuontie 63	100.0	100.0
As Oy Lohjan Koulukuja 14	100.0	100.0
As Oy Lohjan Riihenkiuas	100.0	100.0
As Oy Oulun Utelias-Salpa	100.0	100.0
As Oy Pietarsaaren Sätkä	100.0	100.0
As Oy T:reen Hervannan Puistokallio	100.0	100.0
As Oy Turun Veistämöntori	100.0	100.0
F Ab Bodbacken K Oy	60.0	60.0
K Oy Espoon Solberga	100.0	50.1
K Oy Helsingin Graniittitie 8 ja 13	100.0	100.0
K Oy Helsingin Kiillekuja 4	100.0	100.0
K Oy Helsingin Näyttelijäntie 24	100.0	100.0
K Oy Helsingin Rusthollarinkuja 2	100.0	100.0
K Oy Helsingin Keinulaudantie 7	100.0	100.0
K Oy Jyskävaara	63.5	63.5
K Oy Kaksi Tornia	100.0	100.0
K Oy Kivisato	93.3	93.3
K Oy Koulukuja 4-10	53.9	53.9
K Oy Nummenpuisto	100.0	100.0
K Oy Ojamonkuusi	54.6	54.6
K Oy Osuniemi	100.0	100.0
K Oy Pajamäentie 6	100.0	100.0
K Oy Riikuntie 5	80.0	80.0
K Oy Sahaajankulma	94.2	94.2
K Oy Tapionjousi	100.0	100.0
K Oy Tikkurilan Satotalo	100.0	100.0
K Oy Vemmelkarsikko	100.0	100.0
Loilanpuisto Oy	59.9	59.9
Oy Uudenmaanlinna	100.0	90.0
Pateniemenhaka Oy	69.7	69.7
Satopos 105 Oy	100.0	100.0
Satopos 107V Oy	100.0	100.0
SATotalo Oy	100.0	100.0
SATotalo Oy		
As Oy Kuopion Pyörönkeskus	34.7	34.7
As Oy Kuusikkoahde	49.1	49.1
As Oy Mertakuja	26.3	7.4
As Oy Metsolanharju	22.3	22.3
As Oy Pohjankartano	22.8	22.8
As Oy Satosaila	21.3	21.3
As Oy Satulapuisto	22.3	22.3
As Oy Tikkamatti	67.4	67.4
As Oy Ulpukkaniemi	25.4	25.4
K Oy Kastevuoren Palvelutalo	100.0	92.0
K Oy Mannerheimintie 170	32.1	15.8
Vatrotalot Oy		
As Oy Ahmonpesä	73.6	73.6
As Oy Elimäen Joutsenpiha	51.7	51.7
As Oy Forssan Ystävyysdenaukio	73.8	73.8
As Oy Hallunkallio	100.0	100.0
As Oy Harjulansato	36.6	36.6
As Oy Harjulehmus	41.0	41.0
As Oy Helsingin Laivalahdenportti 5	75.5	75.5
As Oy Helsingin Toini Muonan katu 8	99.0	99.0
As Oy Hämeenlinnan Aaponkuja 3	47.7	47.7
As Oy Ivalon Kotipiha	32.1	32.1
As Oy Jukolanniitty	52.6	52.6
As Oy Jukolantanner	52.3	52.3
As Oy Kajaanin Välimaanrinne	47.4	47.4
As Oy Kankaanpään Peuranpolku	55.2	55.2

Subsidiaries consolidated with the Group	Group's holding, %	Parent company's holding, %
As Oy Karhukorkalo	43.9	43.9
As Oy Kavilanniitty	21.3	21.3
As Oy Kemin Välipuisto	54.2	54.2
As Oy Kirkkonummen Riihipolku	100.0	100.0
As Oy Kivilahdensato	43.4	43.4
As Oy Koosakallio	100.0	100.0
As Oy Kuhmon Oravapolku 5	29.2	29.2
As Oy Kuopion Tikassato	79.1	79.1
As Oy Kuopion Vuorikatu 23	59.8	59.8
As Oy Kuusaanpuisto	100.0	100.0
As Oy Kuusaaikonrivi 7	70.5	70.5
As Oy Kylänpäänkaari	32.5	32.5
As Oy Kylänpäänpelto	48.3	48.3
As Oy Laakavuorentie 4	39.1	39.1
As Oy Lahden Roopenkuja	57.7	57.7
As Oy Lappalaisentie	47.1	47.1
As Oy Laukaan Raunilansato	45.6	45.6
As Oy Linkinkoppi	44.2	44.2
As Oy Meriramsi	24.5	24.5
As Oy Meri-rastilan tie 5	23.5	23.5
As Oy Mertakuja	26.3	18.9
As Oy Messukallio	29.2	29.2
As Oy Mikkelin Tuttusato	55.4	55.4
As Oy Männikkösato	51.8	51.8
As Oy Naantalin Kastovuorenrinne	34.6	34.6
As Oy Nastolan Moreeniraitti	27.2	27.2
As Oy Nuolikadunpuisto	100.0	100.0
As Oy Nurmijärven Kylänpäänniitty	47.2	47.2
As Oy Nurmon Karhunpolku	64.2	64.2
As Oy Otavansato	33.3	33.3
As Oy Paleninsato	100.0	100.0
As Oy Papirinteensato	36.7	36.7
As Oy Pohjanpoika	24.5	24.5
As Oy Porin Rekielto	29.4	29.4
As Oy Poskilammenpuisto	78.9	78.9
As Oy Puolukkavariikko	33.9	33.9
As Oy Rakentajankuja 4	100.0	100.0
As Oy Riviuhkola	49.9	49.9
As Oy Saarenkylän Saarenkartanot	33.3	33.3
As Oy Salon Valhojanrivi	21.2	21.2
As Oy Satosyppi	50.0	50.0
As Oy Satotaival	50.2	50.2
As Oy Sodankylän Hannuskoto	29.4	29.4
As Oy Torvelankatu	100.0	100.0
As Oy Turun Maarianportti	89.7	89.7
As Oy Turun Metallikatu	47.0	47.0
As Oy Turun Mietoistenkuja	22.5	22.5
As Oy Turun Pernon Kartanonlaakso	68.8	68.8
As Oy Tölönkoivu	37.9	37.9
As Oy Tölöpaju	54.6	54.6
As Oy Ulvilan Rummeli	27.2	27.2
As Oy Vantaan Minkkikuja 1	74.9	74.9
As Oy Vantaan Ravurinmäki	47.8	47.8
As Oy Vantaan Ravurinpuisto	63.7	63.7
As Oy Virinsato	78.4	78.4
K Oy H:gin Muurahaisenpolku 6	64.4	64.4
K Oy Kukkaropohja	51.3	51.3
K Oy Salpalohi	33.3	33.3
Satoportaat Oy	100.0	100.0
Satoportaat Oy		
As Oy Tampereen Rantatie 13	86.9	86.9

Key indicators

Five-year review

Key indicators for financial trend

	2001	2002	2003	2004*)	2005*)
Turnover, MEUR	215	254	248	362	290
Operating profit, MEUR	56	55	46	60	66
as percentage of turnover	26.0	21.5	18.7	16.6	22.9
Net financing expenses, MEUR	-39	-36	-28	-26	-23
as percentage of turnover	-18.2	-14.2	-11.4	-7.2	-8.0
Profit before extraordinary items, MEUR	17	19	18	34	43
as percentage of turnover	7.8	7.4	7.2	9.4	14.9
Profit before taxes, MEUR	17	14	18	32	43
as percentage of turnover	7.8	5.7	7.2	8.9	15.0
Balance sheet total, MEUR	1,285	1,043	1,074	1,106	1,130
Shareholders' equity and minority interest, MEUR	215	156	163	153	172
Liabilities, MEUR	1,069	887	910	952	950
Return on equity, % (ROE)	5.3	6.6	6.6	15.8	19.1
Return on investment, % (ROI)	5.1	5.4	5.2	6.6	7.1
Equity ratio, %	17.1	15.5	15.8	14.3	15.6
Gross investments in fixed assets, MEUR	107	195	38	134	65
as percentage of turnover	49.5	76.8	15.3	37.1	22.4
Personnel, average	360	352	339	228	181

Key indicators for shares

Earnings per share, EUR	4.80	5.47	5.20	11.12	14.11
Shareholders' equity per share, EUR	89.45	61.24	62.69	69.12	77.79
Dividend per share, EUR **)	3.50	3.75	3.75	5.50	7.00
Dividend, MEUR **)	7.7	8.2	8.2	12.1	15.4
Adjusted number of shares, average	2,196,746	2,196,746	2,196,646	2,197,846	2,197,846

*) The financial key indicators for 2004–2005 are not comparable to those of 2001–2003 due to a change in the consolidation method

***) Based on the Board of Directors' proposed dividend for 2005

Formulas for key indicators

<p>Return on equity, %</p>	<p>= $\frac{(\text{Profit or loss before extraordinary items} - \text{taxes}) \times 100}{\text{Shareholders' equity} + \text{minority interest (average during the financial year)}}$</p>	<p>Earnings per share, EUR</p>	<p>= $\frac{\text{Profit before extraordinary items} - \text{taxes} +/- \text{minority interest}}{\text{Adjusted number of shares (average during the financial year)}}$</p>
<p>Return on investment, %</p>	<p>= $\frac{(\text{Profit or loss before extraordinary items} + \text{interest expenses and other financing expenses}) \times 100}{\text{Balance sheet total} - \text{non-interest-bearing debts (average during the financial year)}}$</p>	<p>Equity per share, EUR</p>	<p>= $\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares on closing the books}}$</p>
<p>Equity ratio, %</p>	<p>= $\frac{(\text{Shareholders' equity} + \text{minority interest}) \times 100}{\text{Balance sheet total} - \text{Advances received}}$</p>	<p>Dividend per share, EUR</p>	<p>= $\frac{\text{Dividend paid for year}}{\text{Adjusted number of shares on closing the books}}$</p>

Proposal for the disposal of profits

The Group's distributable shareholders' equity as at 31 December 2005 was EUR 28,342,078.33, when the portion of voluntary reserves and depreciation differences included in the shareholders' equity plus the non-distributable shareholders' equity of non-profit companies in the sphere of housing legislation's provisions on distribution of profit have been deducted from the shareholders' equity.

The parent company's distributable shareholders' equity as at 31 December 2005 was EUR 33,741,587.43. The company's issued shares conferring title to dividend for 2005 totalled 2,197,846 on 31 December 2005.

The Board of Directors proposes to the annual general meeting that dividend be paid of EUR 7.00 per share, being a total of EUR 15,384,922 and that EUR 18,356,665.43 be retained as shareholders' equity.

Signatures to the annual report and financial statements

Helsinki, 15 February 2006

Jouko Tuunainen

Heikki Hyppönen

Jorma Kuokkanen

Juhani Järvi

Raimo Lind

Martti Porkka

Pekka Pystynen

Jukka Salminen

Erkka Valkila
President and CEO

The above financial statements have been produced in accordance with generally accepted accounting principles. An auditors' report has been submitted this day on the audit performed.

Helsinki, 15 February 2006

KPMG OY AB

Markku Sohlman, APA

Auditors' report

To the shareholders of SATO Corporation

We have examined the accounts, financial statements and administration of SATO Corporation for the financial year 1 January – 31 Dec. 2005. The financial statements produced by the Board of Directors and President include a report on operations as well as the consolidated and parent company profit and loss account, balance sheet and notes to the financial statements. On the basis of the audit we have performed, we make our declaration on the financial statements and the parent company's administration.

The audit has been performed in accordance with generally accepted auditing principles. The accounting, and the principles, content and presentation of the financial statements have thus been audited in sufficient scope to determine that the financial statements contain no essential errors or omissions. In the audit of the administration, the compliance of the parent company's Board members and the President and CEO with the regulations of the Companies Act was examined.

As our declaration, we submit that the financial statements have been drawn up in accordance with the Accounting Act as well as with other rules and regulations concerning the production of financial statements. The financial statements give, as required by the Accounting Act, a true and fair view of both the parent company's financial result and its financial status. The financial statements and consolidated financial statements may be adopted and release from personal liability may be granted to the members of the parent company's Board of Directors and to the President and CEO for the financial year audited by us. The proposal of the Board of Directors for the treatment of profit is in compliance with the Companies Act.

Helsinki, 15 February 2006

KPMG OY AB
Markku Sohlman
APA

Corporate governance in the SATO Group

SATO Corporation complies with the Finnish Companies Act, SATO Corporation's articles of association and on the Corporate Governance Recommendation for Listed Companies. Authority and the governance of the company are divided among the annual general meeting, the Board of Directors and the President and CEO.

The annual general meeting

The annual general meeting is to be held once a year by the end of May. The annual general meeting decides on the matters due to it under the Companies Act. Also, the annual general meeting elects the chairman of the Board of Directors and decides on the remuneration of the Board members and auditors.

The Board of Directors

The company's Board of Directors is responsible for the proper organisation of the company's management and its operations. In addition to the duties specified by the Companies Act, the Board of Directors decides on matters which have considerable importance to the Group's business. The duties of the Board of Directors include, among other things, the approval of the Group's business strategy and monitoring its implementation, the confirmation and monitoring of the annual budget, the business plan and related investment and divestment plans. Also, the Board of Directors appoints the President and CEO, his deputy, and the members of the Corporate Management Group. The board of Directors also decides on the terms of their employment and service contracts.

The Board of Directors has from five to nine members, elected by the annual general meeting. Until the annual general meeting of 31 March 2005, the Board of Directors had nine members. Eight members were elected to the Board for the period ending at the close of the next annual general meeting. The term in office of the members of the Board of Directors lasts until the closing of the annual general meeting following the one at which they were elected. The Board of Directors convenes 8–12 times a year in general. In 2005, the Board of Directors convened 13 times. An average of 95% of the members of the Board of Directors attended the Board meetings.

Information on the members of the company's Board of Directors is given on page 60.

President and CEO

The Board of Directors appoints the company's President and CEO and his deputy. The duties of the President and CEO are defined by the law, the articles of association, and guidelines supplied by the Board of Directors. The President and CEO is responsible for the Group's business, the planning thereof and the attainment of its goals. The President and CEO attends to the everyday management of the company in accordance with the rules and regulations supplied by the Board of Directors.

The President and CEO is Erkka Valkila, B.Sc. (Eng.), and the deputy to the President is Vice President, Investment in Housing Tuula Entelä, LL.M, B.Sc. (Econ.). Information on the President and CEO is given on page 61.

The Corporate Management Group

The Corporate Management Group deals with key issues for the management of the Group such as matters related to the strategy, budgeting, investments, business planning, and financial reporting. The Corporate Management Group's duties include the implementation of the decisions of the Board of Directors under the leadership of the President and CEO.

The members of the Corporate Management Group are the President and CEO of SATO Corporation, the Directors in charge of the business areas and the directors responsible for the supporting functions. The information of the members of the Corporate Management Group, their areas of responsibility and holdings is given on page 61.

The Corporate Management Group convenes once a week.

Salaries and remuneration

The remuneration to be paid to the members of the Board of Directors and auditors is decided by the annual general meeting. The annual general meeting which convened on 31 March 2005 decided that the chairman of the Board of Directors was to be paid EUR 30,000 and the members of the Board of Directors were to be paid EUR 15,000 for their term in office. It was also decided to pay the chairman of the Board of Directors EUR 500 per meeting and the members EUR 400. The fees for the Board of Directors in 2005 totalled EUR 196,000. No shares or share-related entitlements were surrendered to members of the Board of Directors during the financial year.

The annual general meeting decided to pay the auditors' fee on invoice. Auditing fees paid to the auditors during the financial year amounted to EUR 245,653.18. Consultancy fees unrelated to auditing duties paid to the auditors totalled EUR 44,888.15.

The salaries and bonuses paid to the President and CEO and members of the Group's Corporate Management Group are decided by the Board of Directors. People employed by the Group are not paid any remuneration for serving as a member of the Board of Directors or as President of a Group company.

The terms of the President and CEO's service contract and the principles for his incentive scheme are decided by the Board of Directors. The salary and other perquisites of the President and CEO in 2005 were EUR 267,000.

The President and CEO's retirement age is 60 years. At that time, he is entitled to a pension amounting to 60% of the annual wages serving as the basis for the calculation of pension. The period of notice of the President and CEO's service contract is six months. In case that the company terminates the service contract of the President and CEO before his retirement age, the President and CEO will be entitled to a redundancy bonus of 12 months full salary in addition to the salary for the period of notice.

The corporate management is covered by an annual incentive scheme based on the Group's profit and the attainment of the main targets in the specific sphere of responsibility. The corporate management is also covered by a long-term incentive scheme based on the cumulative profit for the financial years 2004–2006. The Board of Directors approves the payment of bonuses.

Supervision and risk management

The audit inspects the company and consolidated accounting, the financial statements and administration.

The function of the internal audit is to verify the efficiency and appropriacy of various functions, the accuracy of financial and operational reporting, and the compliance of operations with the law, as well as to ensure that the company's assets are safeguarded.

SATO Corporation has a single auditor, which must be an auditing firm approved by the Central Chamber of Commerce. The auditor's term in office is the financial year and his term ends at the closing of the annual general meeting following the one at which he was elected. The auditor for the financial year 1 January–31 December 2005 was KPMG Oy Ab. The auditor in charge at the auditing firm was Markku Sohlman, M.Sc. (Econ. & BA), APA. Deloitte & Touche Oy was responsible for the internal audit.

Articles of association and shares

SATO Corporation's current articles of association were registered on 31 May 2005. The articles of association do not include orders on share buybacks.

The company's share capital is EUR 4,395,692.00, divided into 2,197,846 shares. The par value of a share is two euros.

Shareholder agreements

The company is not aware of any current shareholder agreements.

The Board of Directors



Jouko Tuunainen

born 1945, Commercial Counsellor
Board member since 1998
chairman of the Board of Directors
since 2000

Heikki Hyppönen

born 1945, M.Sc. (Econ.)
Board member 1989–1999 and
since 2001

Raimo Lind

born 1953, Group Vice President,
CFO, Executive Vice President and
Deputy to the President and CEO
Board member since 2001

Juhani Järvi

born 1952, Corporate Executive
Vice President, Deputy to the
President and CEO
Board member since 2004

Jorma Kuokkanen

born 1953, Director of Investment
Board member since 2005

Jukka Salminen

born 1947, Director of Administration,
Commercial Counsellor
Board member since 1993

Martti Porkka

born 1951, Senior Vice-
President, Finance
Board member since 1997

Pekka Pystynen

born 1947, President and CEO
Board member since 2004

Corporate Management Group



Erkkka Valkila

born 1953, B.Sc. (Eng.)
President and CEO
has worked for SATO since 2003
Shareholding in SATO: 2,220 shares

Tuula Entelä

born 1955, B.Sc. (Econ.), LL.M.
Vice President, Investment in Housing,
Deputy to President and CEO
has worked for SATO since 1981
Shareholding in SATO: 1,025 shares

Pekka Komulainen

born 1958, M.Sc. (Eng.)
Vice President, Housing
Development and Construction
has worked for SATO since 2004
Shareholding in SATO: 1,025 shares

Monica Aro

born 1954, B.Sc. (Econ.), LL.M., MBA
Director, Marketing and
Communications
has worked for SATO since 1990
Shareholding in SATO: 150 shares

Harri Huttunen

born 1957, M.Sc. (Econ.)
Chief Financial Officer
has worked for SATO since 2005

Katri Innanen

born 1960, LL.M.
Head of Legal Affairs
has worked for SATO since 1998
Shareholding in SATO: 250 shares

Information for share- holders

Summons to the annual general meeting

The annual general meeting of SATO Corporation will be held at 9.00 a.m. on Thursday 30 March 2006 at SATO Corporation's premises, address Panuntie 4, FI-00610 Helsinki, Finland.

Right to attend and enrolment

Entitlement to attend the annual general meeting is held by a shareholder who on 20 March 2006 has been entered as a shareholder in the company's register of members maintained by Finnish Central Securities Depository Ltd.

A shareholder whose shares have not been transferred to a book-entry securities system will also be entitled to attend the annual general meeting, providing that the shareholder was entered in SATO Corporation's share register before 2 February 2003 or has notified the company and verified his title. In these cases, the shareholder must present at the annual general meeting his share certificates or account of their whereabouts or other account of how it is that title to the shares has not been transferred to a book-entry securities account.

Shareholders who wish to attend the annual general meeting must inform the company no later than midday on Friday 24 March 2006. The notification must be made in writing to the address SATO Corporation, Tessa Kaario, PO Box 401, 00601 Helsinki, by phone (+358 201 34 4002 / Tessa Kaario), by fax (+ 358 201 34 4452) or by e-mail (tessa.kaario@sato.fi). Notifications must arrive before the deadline for them. Any proxy documents should be sent to the company by the deadline for enrolment.

Payment of dividend

The Board of Directors has decided to propose to the annual general meeting that the company will pay EUR 7.00 per share in dividend for the year ending on 31 December 2005. Dividend would be payable to a shareholder who, on the date of record for the dividend payment, 4 April 2006, has been entered in the register of company's shareholders maintained by Finnish Central Securities Depository Ltd. The Board of Directors proposes to the annual general meeting that the dividend be paid on Thursday 11 April 2006.

Financial disclosures

The issue dates for interim reports in Finnish are as follows:

January – March	4 May 2006
January – June	11 August 2006
January – September	25 October 2006

The annual report and interim reports for the financial year will be issued in Finnish and English. They will be available on the website www.sato.fi. Further information may be obtained from viestinta@sato.fi.

Distribution of shares, 31 December 2005

Kesko Corporation	16.5%
Ilmarinen Mutual Pension Insurance Company	16.5%
Varma Mutual Pension Insurance Company	11.9%
Nordea Bank Finland Plc	9.6%
SOK Corporation	8.7%
Pohjola Non-Life Insurance Company Ltd	6.2%
Kaleva Mutual Insurance Company	5.9%
Nordea/KOP/ Pension Fund	5.7%
Sampo Life Insurance Company Limited	5.7%
Wärtsilä Corporation	4.5%
Other	8.8%

Turnover in SATO Corporation shares during the financial year was 4.7%.

The main change in holdings of SATO Corporation shares during the year under review:

Tapiola Insurance Group acquired from M-Real Oyj and Finnforest Corporation a total of 50,016 shares in SATO Corporation, the equivalent of 2.3 per cent of SATO Corporation's issued stock.

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