

SATO



Annual Report 2006

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A Home the
Way You
Want It





SATO helps people to get started on a home. The wide range of homes offers various alternatives.

Value proposition 'A Home the Way You Want It'

Individual choices

Customers' quality expectations are diverging and the need for individual housing solutions and service models is growing.

Out of these needs, we developed the SATO value proposition 'A Home the Way You Want It'. With the value proposition, we want to respect customers' wishes and increase the opportunities for choices. Whether it's a question of the type of housing, the area, the type of building, or the size, finishing materials or payment schedule of the home, we help the customer to find the most fitting alternative.

SATO QualityHome

Our rented home is the SATO QualityHome. In order for us to respond to customers' various quality expectations and to make choosing easy, we have classified SATO QualityHomes with star ratings like hotels. Most of the homes are in the three- and four-star categories and the proportion of five-star rented homes is being expanded. A five-star home can also include a comprehensive service: the furnishings for the home, home insurance and other contracts related to housing. By marketing the quality guarantee for rented homes, SATO is modernising practices in the sector. The company's goal, as well as improving customer satisfaction and the supply of housing, is to increase the attractiveness of rental housing.

SATO PlusHome

Our owner-occupied home is the SATO PlusHome. In addition to the home, we offer alternative spatial and material solutions proposed by architects and interior designers. The buyers can customize from a wide selection for an individualised result. The selection is supported by our professionally skilled personnel and a practical internet service. The intention is further to expand the content of the SATO PlusService.

SATO SeniorHome

Our senior apartment is the SATO SeniorHome. This housing solution includes the possibility to use a caring service planned for the specific customer.

Quality guarantee

SATO was the first to launch on the market a quality guarantee for homes. We guarantee that the condition and quality of a rented home are as described by its category and that a new owner-occupied home will meet the quality standard described when it is completed.

Competitive advantage with excellent service

SATO aims to differentiate itself in the sector not only with its products but also with excellent customer service. This target is challenging and SATO therefore constantly trains its personnel and partners to internalise the principles and goals applied in customer service. These have been recorded in a service manual drawn up for the personnel and partners.

Developing business models

SATO continues the development of its business models to ensure fulfilment of its promises. With a customer-driven attitude, efficient operations and transparent communications, the goal can be achieved.

SATO in brief

SATO is a company providing housing solutions, which has two business areas: Investment in housing, and Housing development and construction. Its major owners are Finnish pension insurers, insurance companies, and corporations operating in the wholesale and retail sector and industry. The SATO Group's turnover in 2006 was 301.1 million euros and the profit before extraordinary items and taxes was 43.6 million euros.

SATO's business is based on an understanding of the customers' housing needs and on providing the right kind of housing solutions. SATO's value proposition is 'A Home the Way You Want It'.

Investment in housing focuses on maintaining and improving the supply of competitive and diverse rented homes and on rental business. Housing development and construction has its main emphasis on producing and selling owner-occupied homes. The company's business area is comprised of the Helsinki Metropolitan Area and its commuter zone as well as the economic zones of Tampere, Turku, Oulu and Jyväskylä.

SATO owns approximately 23,000 rental homes with a balance sheet value of roughly one billion euros. The housing portfolio is improved actively to meet changing customer demands, through repairs and maintenance as well as investment and divestment. In the past five years, the total of investment has averaged roughly 90 million euros and divestments have averaged approximately 30 million euros. An average of 24 million euros a year has been devoted to repairs and raising the quality standards of the homes.

The number of new homes built per year is roughly 1,000, of which 600-800 are owner-occupied homes for sale and the rest are client projects. In the course of its history, SATO has produced more than 220,000 new homes, which is roughly ten per cent of Finland's housing stock.

SATO has roughly 175 employees.

SATO's values

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

SATO's service concepts

Rented homes

SATO QualityHome

- SATO five-star service
- other customer benefits

Rented and owner-occupied homes

SATO SeniorHome

- SATO Care service
- other customer benefits

Owner-occupied homes

SATO PlusHome

- SATO Plus service
- other customer benefits

SATO in 2006

- excellent net profit, MEUR 43.6
- adoption of the value proposition 'A Home the Way You Want It'
- quality guarantee for homes
- transition to IFRS accounting conventions on 1 January 2007

Investment in housing

- housing portfolio at year-end 22,548 homes, MEUR 969
- star rating for the quality of rented homes
- total of housing investments MEUR 54, 672 homes
 - acquisition of 309 homes from Varma
 - acquisition of 207 homes from municipality of Vihti
 - Eiranranta construction project 20 homes
- divestments MEUR 23, 702 homes
- repairs MEUR 25

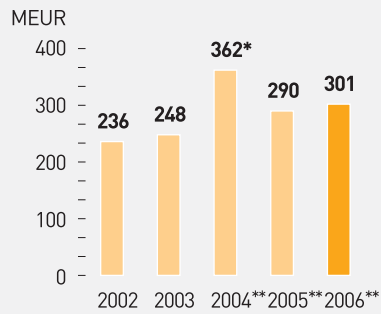
Housing development and construction

- completed owner-occupied homes 601, 669 owner-occupied homes under construction
- building land inventory at year-end for over 3,000 homes
- new acquisitions roughly 63,000 square metres of floor area, MEUR 19
 - winning the plot competition in the district of Latokartano in Helsinki's Viikki
 - permitted building volume for roughly 700 homes in Oulu together with Peab Seicon
 - a property development project (300–400 homes) in the Kupittaa district of Turku together with Auratum Kiinteistöt Oy
- attendance at the Housing Fair in Espoo

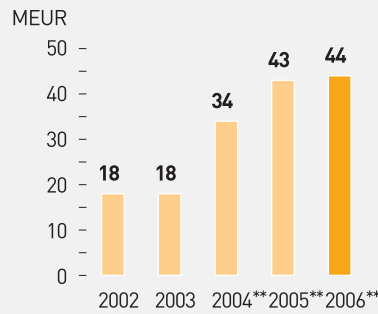
Financial key indicators	2006	2005
Turnover (MEUR)	301	290
Profit before extraordinary items and taxes (MEUR)	44	43
Balance sheet total (MEUR)	1,170	1,136
Return on equity, %	17.7	19.0
Return on investment, %	7.3	7.1
Equity ratio, %	16.7	15.7
Earnings per share (EUR)	14.65	14.11
Equity per share (EUR)	86.36	78.76
Dividend (MEUR)	15.9*	15.4
Operational key indicators		
Net rental income of units, %	8.2	8.1
Rental occupancy rate of units, %	97.2	96.7
Number of housing units	22,548	22,693
Total output of new units	672	866
Output of owner-occupied homes	601	655
Personnel		
Personnel, average	173	181
Personnel, 31 Dec.	170	178

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

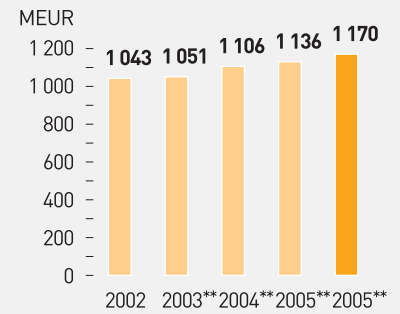
Group turnover 2002–2006



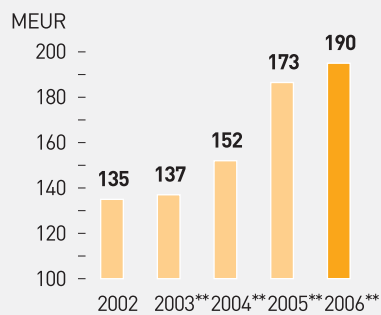
Group profit before extraordinary items and taxes 2002–2006



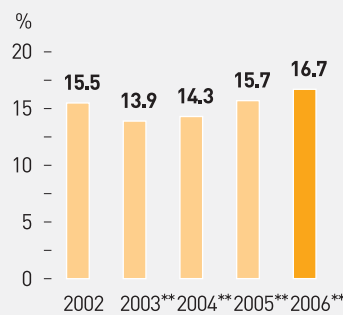
Consolidated balance sheet 2002–2006



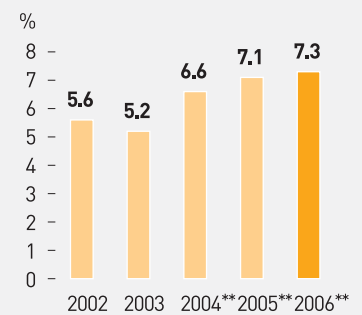
Shareholders' equity 2002–2006



Equity ratio 2002–2006

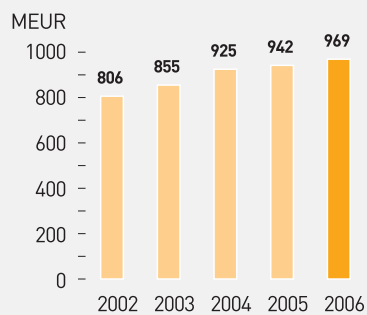


Return on investment 2002–2006



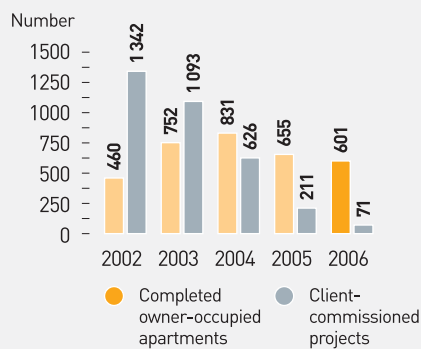
Investment in housing

Trend in balance sheet value of homes 2002–2006



Housing construction

Trend in housing construction 2002–2006



*) includes MEUR 81 in sales of 10-year shared ownership apartments

**) new consolidation method, the change in the consolidation method decreases equity ratio by 1.8% in 2003

Vision and strategy

Vision

SATO is the provider of the best housing solutions to its customers. SATO is a company that is attractive to investors, giving its owners a competitive return.

Strategy

SATO's business sectors are Investment in housing and Housing development and construction. Operations are targeted on areas with the greatest long-term demand for housing.

SATO's growth targets are mostly in the Investment in housing sector.

The annual target for fresh investments is roughly 100 million euros. The proportion of senior homes will be boosted in the long term to roughly a fifth of the value of the investment homes. In addition to investment in Finland, business will be started in St Petersburg.

The main emphasis in Housing development and construction is on the production of owner-occupied homes and the intention is to maintain a building land inventory equal to three years' output.

To improve customer service and to boost the level of customer satisfaction, we develop personnel skills, partnership and quality control.

We deploy in communications and marketing to promote transparency and recognition.

SATO'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 profit after taxes

The evolution of SATO's value proposition 1940–2010





Customer service is first priority for SATO. Our skilled personnel are always available for the customer.

Review by the President and CEO



The developing property market

The positive state of the economy and low interest rates have supported a favourable trend in the property market. Property investment has become more professional, the market has become more dynamic, and competition for investment prospects has intensified. During 2006, deals were made at a record rate and in roughly half of these the investor was a foreign party. International investments have focused on commercial and office properties, but foreign investors and property developers are also becoming increasingly interested in housing. A growing group among Finnish investors is property funds. As competition intensifies in the domestic market, Finnish property investors have turned their attention to the rapidly developing markets of Russia and the Baltic countries.

Growth with housing investments

Demand for rented homes has gathered strength in SATO's area of operations, due primarily to a decline in supply. As a result of higher selling prices, rented homes have been divested as owner-occupied properties, and the total number of rented homes has declined. At the same time, the need for rented homes in the centres of growth is rising in pace with migration, the ageing population and growth in service sector jobs. New demand will also be generated in the future by internationalisation.

Increasing the rented home portfolio has been challenging in recent years due to intensified competition and the high price of new construction. The profitability prospects for new construction are improving, and as a result of this SATO has decided to step up investments in new projects. We are also actively seeking investment prospects in the completed housing stock. New investment prospects are likely to come onto the market from the public sector, foundations, etc.

During the year under review, we also examined the prospects for growth in Finland's neighbouring areas and a target has been set for the start-up of investment in housing in St Petersburg during 2007.

Demand for new owner-occupied homes

On the market for owner-occupied homes, the favourable situation has continued in spite of an increase in interest rates. However, it can be expected that demand for owner-occupied homes will level out and that there will be a slowdown in the price rise. SATO has secured its competitiveness through successful plot procurement. In addition to individual construction projects, we are increasing the development of entire estates together with partners. Forthcoming repairs to old homes, combined with the resulting costs and inconvenience to the residents, will continue to boost the desirability of new homes. According to our estimate, the volume of housing construction in SATO's areas of operations will hold steady at current levels, although the overall quantity of housing construction is forecast to decline.

Customer feedback is a resource

The property business involves large asset values and business models have traditionally developed around production and the product. In SATO's business, customers are individual consumers and the only way to gain a competitive edge is through customer-driven operations. During the year under review, we reviewed customers' perceptions of the services with many studies. Using the results, we wrote the principles and goals for SATO's customer relationships in the form of the 'A Home the Way You Want It' service manual, which is used to train personnel and partners in new practices. In 2004, we set the goal of achieving the rating 4 (on a scale 1–5) in a customer satisfaction poll by the end of 2008. The satisfaction level has steadily improved and at the end of the past year it was 3.6. We will systematically continue the holistic improvement of services to achieve the aim.

Quality spotlighted

During the year under review, we were the first in Finland to launch quality ratings for rented homes which take into account different housing needs, and we adopted a quality guarantee for housing.

We increased the number of homes with the highest quality rating in response to the diversifying and internationalising demand for rented home. The location of the European Chemicals Agency in Helsinki is one factor increasing the need for high-end rented homes. At the same time, we took the first steps in linking new services with leases.

Rising demands for quality also require constant improvement in the quality of activities and we therefore initiated the building of an EFQM quality system.

Increasing transparency

At SATO, we have systematically increased the comparability and transparency of our operations. During the financial year 2007, we were the first Finnish housing investment company to adopt IFRS reporting. With the aid of this we will inform our stakeholders better and increase SATO's attractiveness.

A good trend in earnings

We achieved an excellent net profit in 2006. In both divisions, Investment in housing and Housing development and construction, efficiency and profit-making capacity improved. I extend warm thanks to SATO's personnel, whose strong professional expertise and commitment made this possible.

I would also like to thank the customers, the members of the Board of Directors, the owners and other stakeholders for the good partnership and for open dialogue during the year under review. Your confidence encourages us to succeed.



Erkkka Valkila
President and CEO

Description of the business climate

The overall economic trend

Finland's economic growth continued to be strong. Private consumption has increased due to high confidence levels on the part of consumers as well as increases in pay levels and wealth. The employment situation has improved, but at the same time the shortage of skilled labour is increasing. The economic forecasts for 2007 are positive.

Migration

Migration figures have reached record levels and the concentration of the population in the centres of growth continues. In 2005, roughly 21,000 people immigrated to Finland, while there were roughly 290,000 removals between municipalities and roughly 600,000 within municipalities.

Population and housing

The number of households in Finland is roughly 2.43 million. A household is comprised of all the people living permanently in the same accommodation. The majority of these are households of one or two people, the number of which is expected to continue to grow. Of the households, roughly 65 per cent lived in owner-occupied homes and roughly 35 per cent in rented homes. In Helsinki, about half of the households live in rented homes.

According to forecasts, the proportion of people over 65 years of age in the population will rise from the present figure of approximately 15 per cent to roughly 30 per cent by 2040.

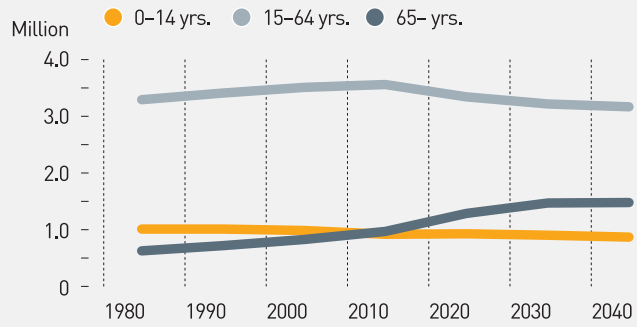
Housing expenses account for roughly 30 per cent of private individuals' consumption.

The housing market

In spite of a rise in the average interest rate for new housing loans, the home loan portfolio grew during the year under review, almost at the same rate as in the previous year. However, the growth rate has already slowed. Similarly, sales of owner-occupied homes were brisk throughout the year, but selling times have grown longer. The competitive position of new homes has strengthened as the old housing stock's need for repairs grows.

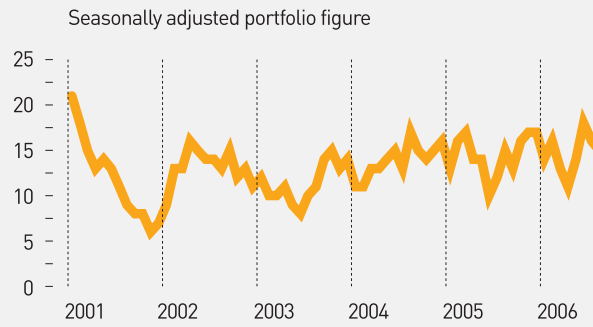
The transparency of the housing business will increase when the Ministry of the Environment begins in 2007 to publish the actual prices of homes sold through estate agencies.

Age structure of Finns 1980-2040



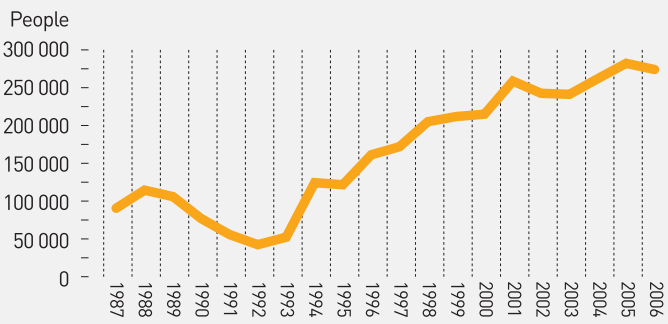
Source: Statistics Finland

Consumer confidence indicator



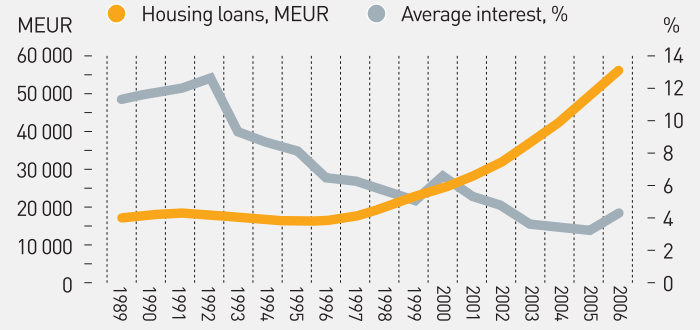
Source: Bank of Finland

Migration between municipalities



Source: Statistics Finland

Housing loans and average interest rate



Source: Bank of Finland

Migration, a change in the structure of occupations and changes in family relationships maintain an ongoing need for rented homes. The total number of rented homes has gone into decline, which in the growth centres improves their occupancy rate and reduces occupant turnover. Most of the demand is focused on small homes.

Quality expectations for homes and customer service have increased.

Housing construction

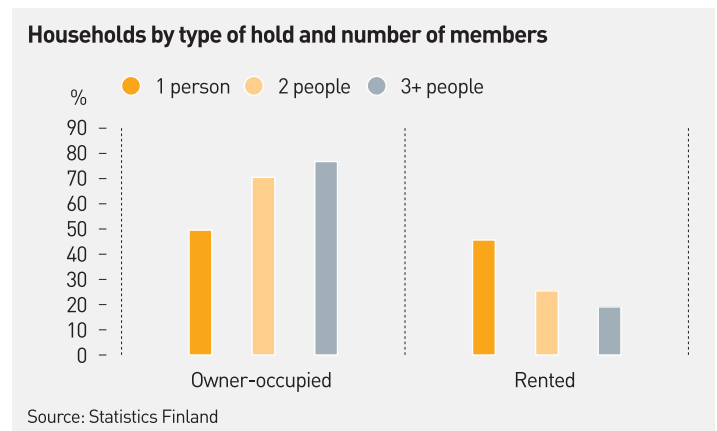
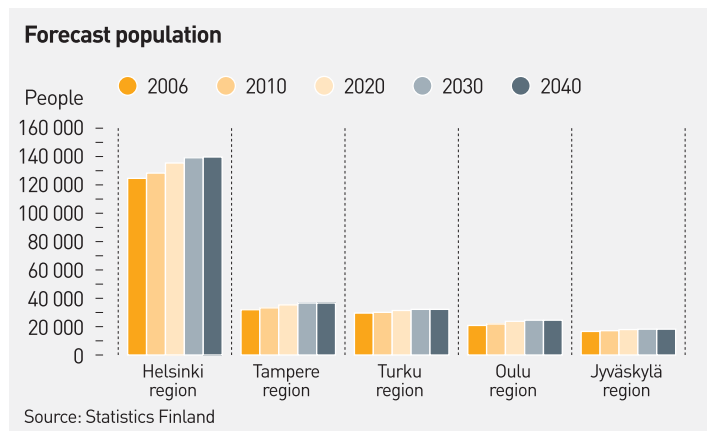
In the Helsinki Metropolitan Area and other centres of growth, the supply of zoned plots is not enough for a considerable increase in the supply of housing. The rise in the price of plots has been sharp, which has clearly impacted on the price of new homes.

Construction costs rose between December 2005 and December 2006 by 5.0 per cent. The increase was affected mostly by the increase in prices for construction materials.

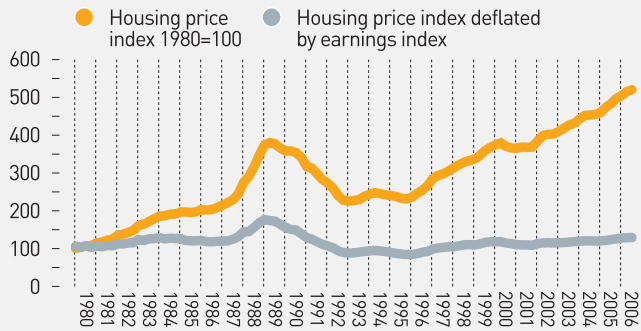
Housing allowance and support for production

Practices of social support are switching over from supporting production to allowances for the occupier. The use of state-subsidised loans and interest-subsidised loans is focusing increasingly on the construction of assisted housing for groups with special needs.

Roughly 640,000 people are within the sphere of direct housing support systems.

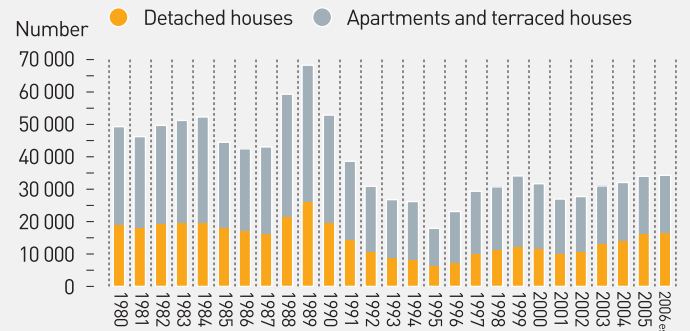


Housing prices



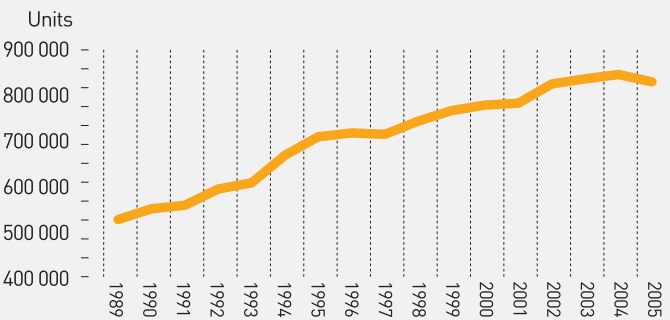
Source: Statistics Finland

Housing construction starts



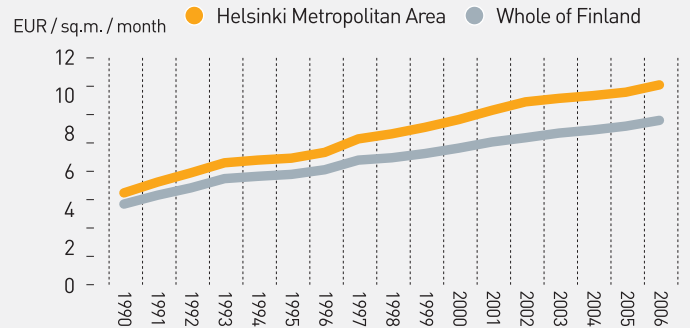
Source: Statistics Finland

Finland's rented housing stock



Source: Statistics Finland

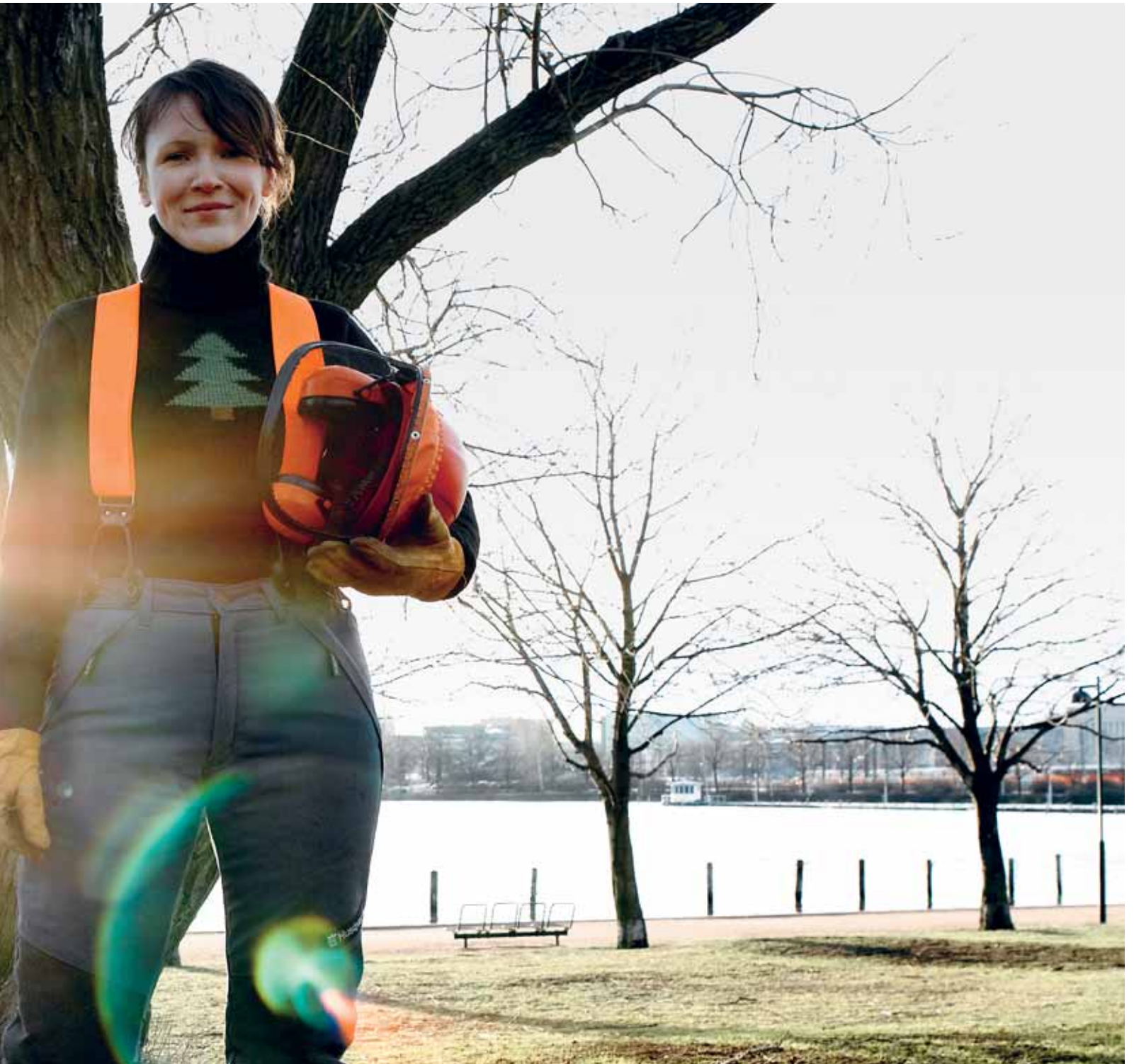
Average rents per square metre



Source: Statistics Finland

An enjoyable
home
environment





We create the framework for SATO's buildings to stay in good condition, to be neat and to have enjoyable gardens.

Business area Investment in housing

Operations

The mission of Investment in housing is to provide its customers with housing solutions supporting different stages of life as well as actively to develop 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, 672 housing units were acquired and 702 units were sold from the housing portfolio. The homes' occupancy rate improved and occupant turnover was down relative to the previous year.

Investment in housing's own business priorities are the development of SATO's housing portfolio to match demand and the management of customer relationships. Building management, maintenance, cleaning and apartment repairs are handled for the most part through a network of partners. The partner appointed for 2006 was Kiinteistöhuolto Jaakola Oy operating in the Helsinki Metropolitan Area, with long-term cooperation and high-quality customer service to its credit.

The holdings of Investment in housing are divided among seven different parent companies owning a total of 656 properties.

Turnover and profit

The turnover from Investment in housing in 2006 was 166.0 (166.8) million euros and profit before extraordinary items and taxes was 32.7 (34.0) million euros. Of turnover, rental income was 152.7 (146.2) million euros and sales of shares were 13.3 (19.1) million euros. Of the sales of shares, 5.6 (6.0) 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 21.8 (21.4) million euros and the capital gains on divestments were 10.9 (12.6) million euros.

Holdings of housing

On 31 December 2006, the Group had a total of 22,548 (22,693) homes with a balance sheet value of 969.2 (942.5) million euros. Of the homes, 93 (92) per cent were rented homes and 7 (8) per cent were shared ownership apartments. Roughly 76 (73) per cent of the value of the housing portfolio is in the Helsinki Metropolitan Area and its surrounding municipalities.

SATO's investment housing has been hived off into two separate corporate groups, the SATO Group and Vatro Group. Two thirds of the homes are in the SATO Group. These homes are mainly privately financed rented homes or state-subsidised homes on periods of extended restrictions. Vatro holds, on a centralised basis, rented homes subject to longer-standing restrictions due to state subsidies.

At the end of the year under review, the Group had holdings of housing in 56 (81) municipalities. The main thrust of operations is in the Helsinki Metropolitan Area and the economic zones of Tampere, Turku, Oulu and Jyväskylä. The long-term aim is to consolidate investments in housing in roughly thirty municipalities.

The Group holds 50 per cent of Suomen Asumisoikeus Oy, which at year-end held 13,856 (13,784) right-of-occupancy housing units.

Housing investments and divestments

During 2006, housing investments totalled 54.1 (65.0) million euros.

In addition, roughly 9 million euros' worth of investment decisions were made on new homes under construction. During the year under review, a total of 641 (914) housing units were purchased of the existing housing stock. Newly completed homes purchased totalled 69 (29), of which a total of 31 (29) were completed during the year under review. Of these, 17 were senior rented homes for aged residents. Also, a conversion of 34 apartments into senior homes was started in the Töölö district of Helsinki.

Of the shared ownership housing, 26 (11) housing units were bought back for use as rental homes.

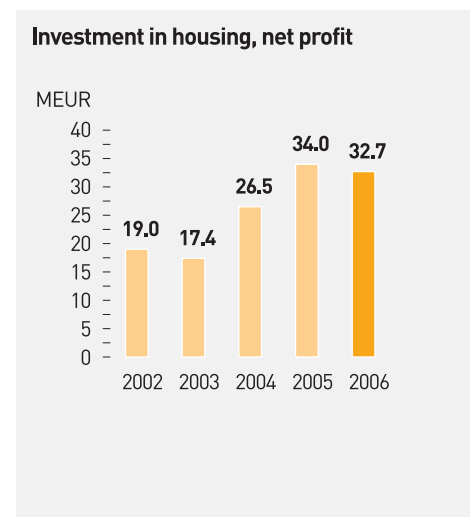
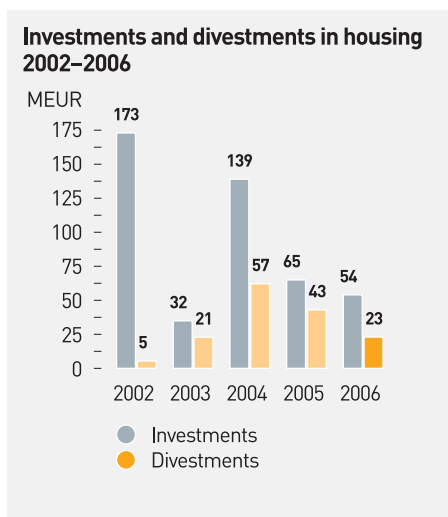
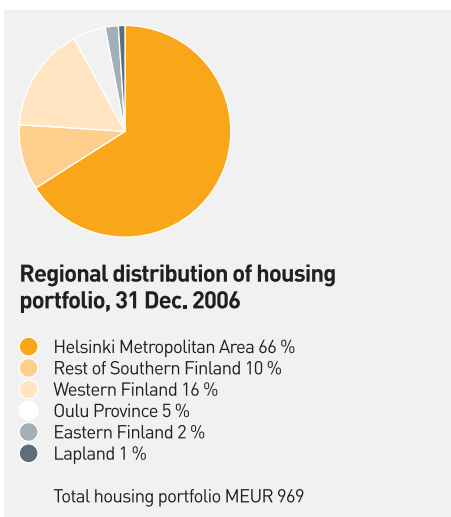
The main investments during the year under review were the purchase of 309 housing units from Varma Mutual Pension Insurance Company and the purchase of 207 rented homes from the municipality of Vihti. Most of these homes are privately financed apartments in the Helsinki Metropolitan Area. More than half of the terraced houses and apartment properties acquired from the municipality of Vihti are senior homes.

The investment strategy was updated in line with the changing demand situation. Internationalisation and the divergence in customers' quality expectations are stimulating demand for high-quality rented homes and for this reason investments were stepped up in rented homes categorised as five-star apartments. Among others, SATO purchased a 20-home property scheduled for completion in the Eiranranta district of Helsinki in spring 2008 from NCC Construction Ltd.

During 2006, a total of 702 (1,224) rental homes were sold from the Group's housing portfolio. These divestments were based on strategic regional consolidation. The value of the divestments was 22.9 (42.7) million euros.

As a result of investments and divestments, the value of the housing portfolio rose during 2006 by 26.7 (17.2) million euros and the number of homes declined by 145 (402) units.

During the year under review, a specific organisational unit was formed for investment and divestment business.



Rental business

The Group's average monthly rent per square metre in 2006 was EUR 9.78 (EUR 9.35) for rental housing and EUR 8.49 (EUR 8.14) for shared ownership apartments. The average increase in rent for valid leases was 2.7 (2.5) per cent. The change in rents per square metre of rental homes averaged 4.6 (4.0) per cent on the previous year. This increase was a result of changes in the structure of the housing portfolio and because of new leases.

The financial occupancy rate for rental homes was 97.2 (96.7) per cent and that of shared ownership apartments was 99.6 (99.3) per cent. A drag was exerted on the financial occupancy rate by units which were vacant for renovation and for sale.

The turnover of housing units in 2006 was 33.7 (35.8) per cent and that of shared ownership apartment was 14.6 (13.8) per cent. The net rental income on the book value of rental housing was 8.2 (8.1) per cent.

Customer relationships

During 2006, the content of SATO's customer value proposition – 'A Home the Way You Want It' – was defined and a quality rating system for rented homes was adopted. A public rating for rented homes is new in Finland. In assessing the quality level, SATO uses a standardised, predetermined set of criteria for the loca-

tion, materials, level of fittings and condition of the home. The rating makes it easier to choose a home. There are five quality ratings, with the highest symbolised by five stars. SATO has in its ranges homes from the two-star category up to five stars. Most of its roughly 23,000 rented homes are three- and four-star units.

Five-star rented homes are also rented furnished. The lease may, if the customer wishes, also include other services, such as attending to contracts related to housing.

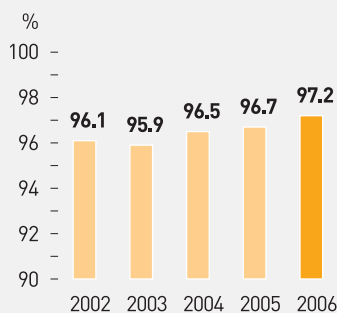
The quality rating includes a quality guarantee. The quality guarantee was applied during the year under review to homes being renovated and to new leases. By the end of the decade, the guarantee will be extended to cover SATO's entire portfolio of rented homes.

A Senior Homes unit was established within the business area Investment in housing, with the mission of developing SATO's senior housing concept in cooperation with partners producing care services as well as increasing the number of senior homes.

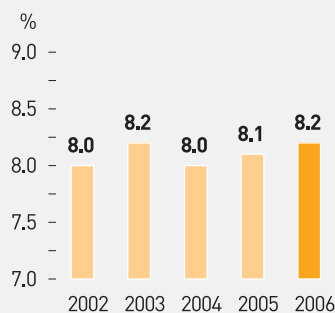
To raise the standard of SATO's rental service, an organisation-wide training programme was launched.

The theme for SATO's partnering work with residents was "Communal Areas" and during the year the residents were encouraged to come up with ideas for updating the communal areas of their residential buildings. The ideas collected are implemented either

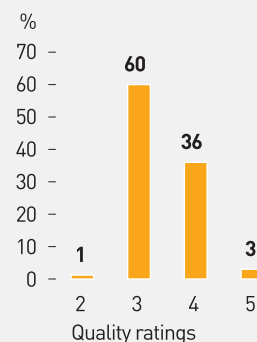
Financial occupancy rate of rental housing 2002–2006



Net rental income 2002–2006



Distribution of units by quality rating (% of balance sheet value)



individually or as part of larger property renovations. Due to the great interest shown by the residents in reconditioning communal areas, it was decided to continue with this theme in 2007.

Maintenance of holdings of housing

The allocation of building repairs is based on life cycle plans as well as on needs analyses. Repairs to rented homes are focused on maintaining and enhancing the standard of the quality rating. During the year under review, a total of 25.3 (24.1) million euros was used for repairs to the housing portfolio.

During 2006, the improvement of buildings' energy efficiency was continued with consumption monitoring, water-conserving plumbing fittings, and inspections of HEPAC regulators.

Building management, maintenance, cleaning and dwelling-specific repairs are mainly handled through partnership contracts. The biggest partnership solutions have been made with Suomen SKV Oy and YIT Kiinteistötekniikka Oy. During the year under review, SATO invited competitive tenders for the maintenance and cleaning of its properties in the Helsinki Metropolitan Area. The contracts cover a total of roughly 10,000 rented homes. Maintenance companies were selected on the basis of quality factors in addition to price. The new contracts came into effect on 1 December 2006.

Holdings of business premises

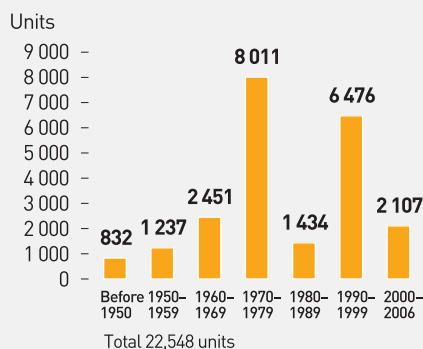
During the year, commercial and office properties were divested to a total of 3,312 (475) square metres with a value of 2.1 (0.3) million euros. After these divestments, the only holdings of business premises in the Group's possession are those used by the Group itself or which are located in residential properties wholly owned by the Group.

Outlook for the near future

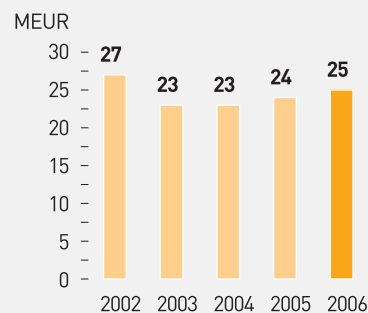
The diversification and consolidation of demand for rented homes in the urban centres of growth will continue. Migration, the ageing population, the tendency towards smaller households and internationalisation support this trend. Customers' expectations for quality and service have increased.

The Group's investments will mostly be channelled into the existing housing stock, but investments in new buildings will increase. The supply of housing suitable for seniors will be increased. An increasing part of repairs will be related to the quality rating and quality guarantee. The financial foundation of business operations will remain steady in respect of the housing portfolio held by the Group.

**Housing stock by year of completion
31 Dec. 2006**



Repairs to properties 2002-2006



Customer- driven design





The customers' needs and wishes drive the design of homes and services.
We expand the opportunities for carrying out individual solutions.

Business area Housing development and construction

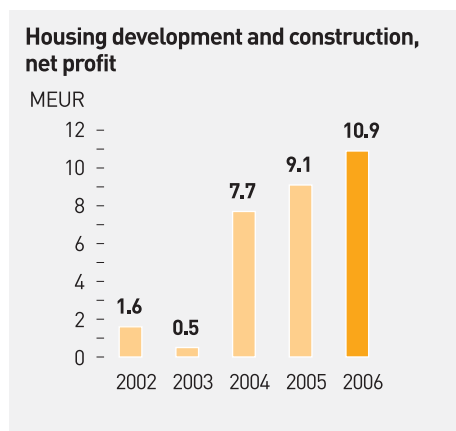
Operations

Housing development and construction operations focus on commissioning the construction of owner-occupied homes. Commissioning projects are also carried out in the form of consulting commissions for corporate customers.

Operations are handled by SATO Corporation's subsidiary SATO-Rakennuttajat Oy.

During the year under review, 672 (866) housing units were completed, of which 601 (655) were owner-occupied housing units. At year-end, a total of 1,066 (841) new housing units were under construction, of which 669 (777) were owner-occupied homes. SATO's construction commissioning concentrates on the Helsinki Metropolitan Area and the economic zones of Tampere, Turku, Oulu and Jyväskylä, where its market share is roughly 8 per cent.

The turnover from housing development and construction in 2006 was 135.1 (122.9) million euros and profit before extraordinary items and taxes was 10.9 (9.1) million euros. The profit figure includes 0.7 (0.6) million euros in capital gains from the divestment of plots.



Output of owner-occupied homes

During the year under review, a total of 601 (655) owner-occupied homes were completed. Of these, in terms of value 65 per cent are in the Helsinki Metropolitan Area and the rest are in Oulu, Tampere, Jyväskylä and Turku. The number of unsold completed units at year-end was 21 (15).

At the end of 2006, 669 (777) owner-occupied homes were under construction, of which 375 (376) were unsold. The acquisition value of the properties under construction totalled 163.6 million euros. In terms of value, roughly half are in the Helsinki Metropolitan Area. The financing tied up in output under construction at year-end was 16.9 (15.8) million euros.

Of the building starts, the most important are in the Malminkartano district of Helsinki, the Matinkylä and Saunalahti districts of Espoo, the Finlayson area in Tampere, and the Eteläranta and Ipnoksenrinne districts of Turku.

At the Housing Fair held in Espoo in the summer, SATO had a 23-home housing development implemented in cooperation with Finnforest.

Client commissioning

On client commissioning projects, a total of 71 (211) new homes were completed. At the turn of the year, 397 (64) new housing units were under construction for clients.

Customer relationships

In accordance with SATO's value proposition 'A Home the Way You Want It', the SATO Plus service continued to be developed in new projects. During the year under review, the service was provided for projects started in the Helsinki Metropolitan Area and the aim is to adopt the concept on all projects in the future. In addition to this, the business area Housing development and construction adopted a quality guarantee for homes reaching completion.

SATO constantly collects feedback from customers who have bought owner-occupied homes. This feedback is used, for example, in the development of the customer service process and customer communications.

Plots

At the end of 2006, SATO held land with zoning permission for construction of owner-occupied homes amounting to roughly 139,000 square metres of floor area. In addition to this, the permitted building volume based on plot reservations and letters of intent totalled roughly 161,000 square metres of floor area. Projects under zoning development totalled roughly 64,000 square metres of floor area. Together, these will permit the construction of 4,000 homes if letters of intent and zoning targets are implemented.

In 2006, a total of roughly 19 million euros was invested in land with a combined total of approximately 63,000 square metres of floor area in permitted building volume. The most important land acquisitions were an area purchased in the Limingantulli district of Oulu and one in the Kupittaa district of Turku intended for development as a housing project. The intention is to build a total of roughly 1,000 homes in these areas.

SATO's entry "Counters to the West" won the competition for the handover of two plots of land in Latokartano district of Viikki, Helsinki, which was held by the City of Helsinki in the form of a quality competition. Sixty-three "city villa" terraced houses are scheduled for the plots. Construction began on the project in the beginning of 2007.

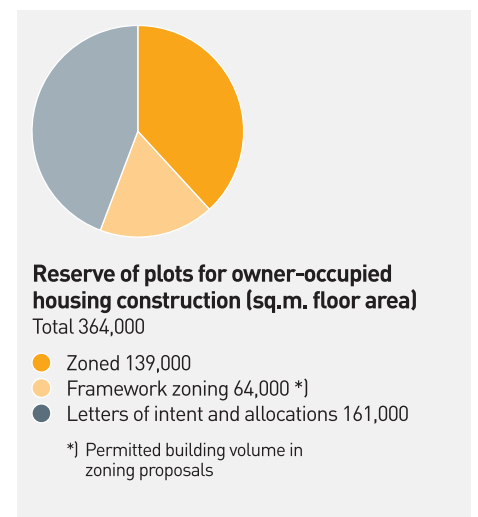
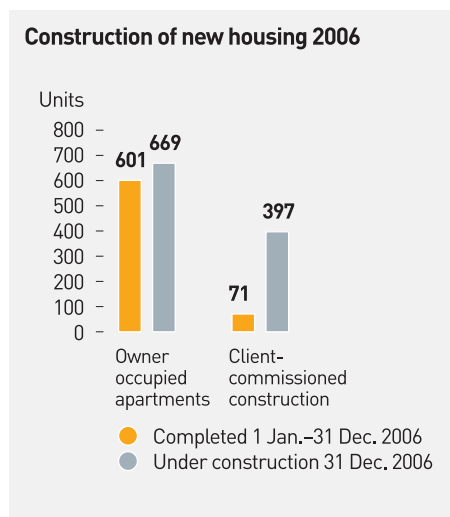
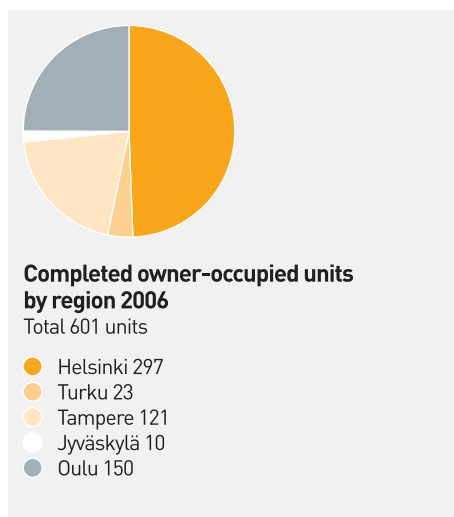
Plot allocations amounting to roughly 45,000 square metres of floor area in terms of permitted building volume were allocated through plot reservations and letters of intent. The most important was the Tarpila apartment building area in the centre of Kangasala, where the intention is to build approximately 120 new apartments in blocks.

During the year under review, zoning for Tillinmäki in Espoo became legally valid. SATO's permitted building volume in the area, according to the zoning, is 15,000 square metres of floor area. It is intended to start construction in 2007.

Roughly 50,000 square metres of floor area of the Group's land inventory was transferred to production. The value of the owned plots transferred to construction totalled roughly 15 million euros.

Outlook for the near future

Demand for owner-occupied homes is forecast to level out and the price level of homes is expected to rise modestly. SATO's completion of homes will be on a par with the previous year's level, being approximately 600 housing units.





The value proposition also shows in the implementation. SATO's homes are given a quality guarantee.

Social responsibility

Financial responsibility

SATO has proved its financial responsibility for more than 65 years. This has required the company to organise its functions efficiently, to have high-quality and responsible customer service, and to work in good partnership with its various stakeholders. As a result of the farsighted development of these subdivisions, SATO will continue in the future to have prospects for achieving a good financial result. Financial success creates added value for society in the forms of job opportunities, support for the personnel's wellbeing and the development of solutions for better standards of housing, etc.

During the year under review, SATO procured materials and services from subcontractors and partners to a combined total of roughly 205 million euros. The number of personnel averaged 173 and the personnel were paid salaries and bonuses amounting to roughly 11 million euros. During the year under review, some 15 million euros was paid in dividend and roughly 12 million euros was paid in taxes.

Environmental responsibility

Environmental programme

The mission of SATO's environmental programme is to promote care for the environment and sustainable development in the Group's operations. The programme can be seen in Finnish on the website www.sato.fi. The programme includes, in addition to environmental targets, procedural guidelines for the attainment of the targets. The guidelines are distributed to SATO's partners when agreements are made on design, contracting and building management.

The principles of environmental work are ecological acceptability, customer-centredness, lifelong learning, and profitability.

Environmental committee

Responsibility for the planning and control of environmental work is held by the top management of the Group. The environmental committee appointed for the company prepares an annual action plan and it oversees and reports on the environmental programme's implementation and development needs.

Cash flows 2006



SATO's entire personnel and partners are responsible for the implementation of the environmental programme. To encourage ecological activities, the environmental committee awards an annual prize for the best practice promoting sustainable development. In 2006, two prizes were awarded, one for energy-saving design solutions for a construction project and the other for a replicable plan for refurbishing a building's waste containers.

In order to stimulate SATO's sorting and recycling of office waste, an update of the waste disposal systems was started at the office building in the K äpyl a district of Helsinki.

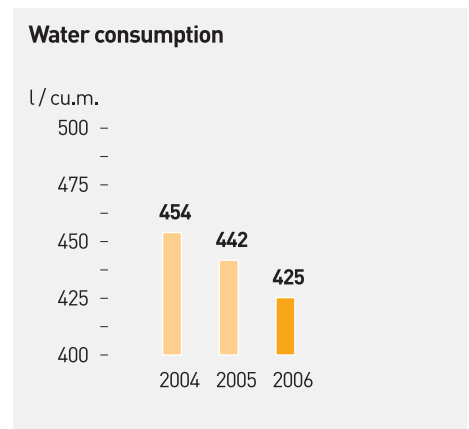
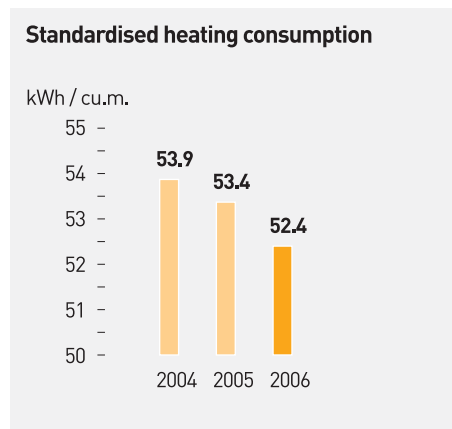
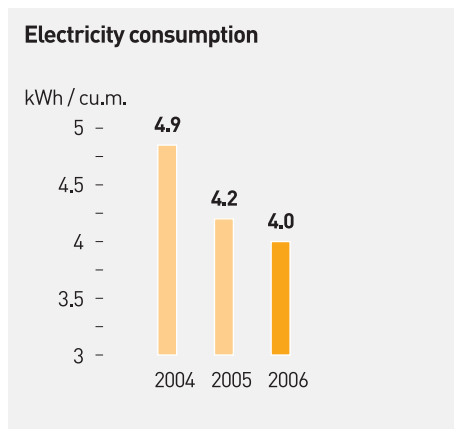
Reducing energy consumption

The main environmental impacts of SATO's operations arise from housing energy consumption and resultant emissions, and for this reason environmental work has emphasised action on energy conservation and emission reduction.

The Group has joined the nationwide agreement on energy conservation in residential buildings (AESS), the aim of which is to reduce the specific consumption of heating energy and water in residential buildings by 15 per cent by the year 2012. In SATO's rented home portfolio, energy consumption has been monitored as prescribed by the agreement since 2004. During the year under review, the specific consumption of heating per cubic metre in buildings was reduced by two per cent on the previous year and that of water by four per cent.

The aim of the AESS agreement is also to halt the increase in buildings' specific electricity consumption and to reduce it before the year 2008. In the properties owned by SATO, the specific consumption of electricity declined by five per cent in 2006.

The agreement also makes it obligatory to carry out energy audits on 80 per cent of the properties covered by the agreement and to bring them within the sphere of ongoing consumption monitoring by the end of the year 2010. During the year under review, an energy audit was carried out within the Group on 24 rented home properties and by the end of the year audits had been carried out in a total of 199 properties. This corresponds roughly to half of SATO's properties included under the energy conservation agreement. On the basis of the audits, water-conserving plumbing parts were installed in 1,500 homes. Also, the HEPAC control equipment was serviced in 258 properties.



Social responsibility

Customers

SATO's mission is to provide good housing, which we achieve by developing the company's housing solutions to correspond to prevailing needs and wishes and by maintaining a broad-spectrum supply of housing.

Activities related to an annual theme chosen by residents are spotlighted in cooperation with the people living in SATO's rented homes. On the 2006 theme "Communal Areas", a competition was held to encourage residents to develop ideas for renovating the facilities of their residential buildings. The first prize was the implementation of the idea on a 2,000 euro budget. The competition yielded four prizewinning and implemented entries. Other ideas received during the competition will be carried out as part of larger building renovations. On the basis of feedback from the residents, it was decided to continue the theme in 2007.

SATO also encourages residents to interact by arranging customer events and club activities, by ordering reduced-rate tickets to cultural events and by stimulating residents' action in the properties. The largest customer event was held in August at the Linnanmäki amusement park.

In business area Investment in housing, a customer with a long history of activity was named as Customer of the Year for 2006. The Customer of the Year for

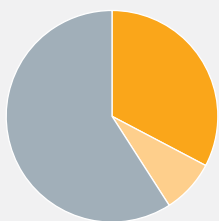
business area Housing development and construction was a homebuyer who acted as the representative for buyers of shares in Asunto Oy Tapiolan Tuuliniitty. He was given the award in recognition of his work in promoting cooperation between the customers, SATO and the contractor.

Personnel

The personnel's expertise plays a key role in SATO's success. We develop the personnel's skills by arranging training and by encouraging study. In 2006, the Group had five days of training per member of personnel.

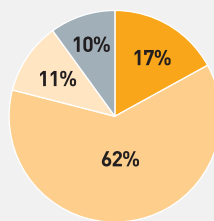
The average age of the personnel is 45 years. To maintain job fitness, the Group supported the personnel's exercise and recreational hobbies to the tune of roughly 21,000 euros. During the year under review, absences due to sickness were five days per employee.

Job satisfaction is assessed with regular job morale surveys. On the basis of the survey held last year, the areas for improvement which emerged were personnel development, figuring in the personnel's viewpoints, and collaboration. In order to promote these, training sessions were held and supervisors were coached. Matters relating to job wellbeing are discussed regularly by a group composed of management and personnel representatives.



Quantities and types of waste at AESS monitoring sites 2006

- Paper and board 4,063 tonnes
- Bio waste 1,021 tonnes
- Mixed waste 7,341 tonnes



Personnel educational level 31 Dec. 2006

- Tertiary (university or equivalent)
- Senior upper secondary (e.g. college or polytechnic)
- Junior upper secondary (vocational training or matriculation)
- Lower secondary (e.g. middle school or comprehensive school)

On the basis of nominations from the personnel, a person who has shown an exemplary service attitude in his or her work was chosen as the SATO Employee of the Year. The Group has an equality plan for the personnel in place.

Partners

The contribution from the partnership network in SATO's business has grown. Collaboration with the main partners is essential for the achievement of the targeted service culture. This requires jointly agreed goals, fluent interaction and joint training sessions. Collaboration models are being improved constantly.

Incentives and sponsorships

During the year under review, SATO supported young designers by rewarding the graduation piece of a Master of Arts who graduated from the University of Art and Design. The prize was awarded to the creator of the KIPPI screen designed for flexibly portioning spaces in the home.

Through an event arranged for customers at the Linnanmäki amusement park, funds were channelled to child welfare. The money allocated to remembrance at Christmas was donated to the Finnish Alzheimer Central Association for support for dementia sufferers and people close to them as well as for improving

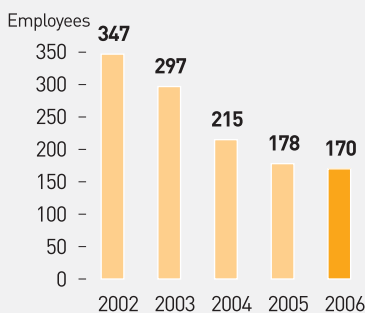
rehabilitation. The work of several social, fitness and charitable organisations was also sponsored.

Action in organisations

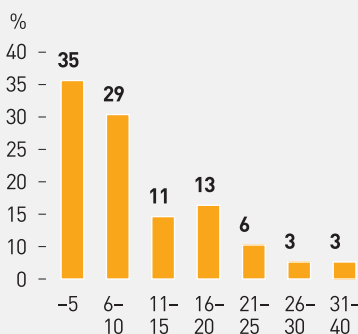
SATO's membership of the Finnish Residential Property and Construction Clients ended in November when this association was wound up and its operations were merged with those of the Finnish Association of Building Owners and Construction Clients (RAKLI). At the same time, the company became a member of RAKLI. Representatives of SATO were elected to RAKLI's advisory board and to its committees on investment and construction commissioning.

SATO is a member of the Helsinki Region Chamber of Commerce, and it is represented on the delegates' committee and governing board. SATO is also a member of the Association of Support Service Industries, the Finnish-Russian Board of Trade, and several housing and senior citizen support organisations. The most prominent of these are the Finnish Housing Association, the Finnish Housing Reform Association, SFHP Suomi-Finland Housing and Planning, and the Senior Citizens' Sheltered Housing Association.

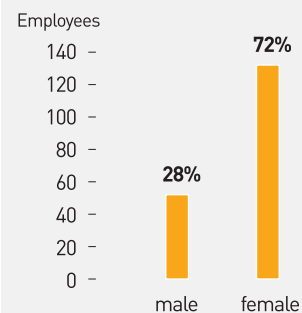
Personnel at year-end 2002–2006



Number of years of service by personnel 31 Dec. 2006



Personnel by gender 31 Dec. 2006





SATO deploys in the future of housing by encouraging students to develop innovative solutions for the promotion of amenity value. In 2006 Maarit Hiltunen, who graduated from the University of Art and Design, received a grant from SATO for designing the KIPPI screen which increases adaptability in the home.

Transition to IFRS

SATO changes over in its consolidated reporting from 1 January 2007 to IFRS (International Financial Reporting Standards). Before 2007, the SATO Group's financial statements were based on Finnish conventions (Finnish Accounting Standards, FAS). Preparations for the changeover began in 2002 with a preliminary study; work has been energetically done on the actual project since 2004. The transition date is 1 January 2006.

SATO's reporting in 2007 complies with IFRS. The IFRS quarterly comparative information will be shown in the interim reports for 2007. The effects on the consolidated shareholders' equity have been examined in the comparative information for 2006. The main effects concern the changeover to the percentage of completion method and the presentation of the effects of interest-rate hedging. On the whole, the impact of the changeover on the consolidated shareholders' equity will be positive.

SATO applies a cost model to investment properties and will present the fair value of the investment properties in a note to the financial statements.

The purpose of the comparative figures shown here is to demonstrate in the form of additional information for the financial statements as at 31 December 2006 the essential effects of the introduction of IFRS on the consolidated balance sheet and shareholders' equity. The comparison has been drawn up in accordance with the latest IFRS standards in force at the date of closing the books. The comparison includes a balance sheet comparison FAS/IFRS 31.12.2006 and an itemisation of the changes in shareholders' equity.

Consolidated balance sheet (MEUR)	Note	FAS 31.12.2006	IFRS changes	IFRS 31.12.2006
Fixed assets and other long-term investments		955	1	956
Inventories and financial assets	*) , **)	216	-45	171
Assets		1 170	-44	1 126
Shareholders' equity	*) , **)	190	5	195
Minority interest		1		1
Obligatory reserves		7	0	7
Long-term liabilities	*)	833	17	850
Current liabilities	*)	139	-66	73
Liabilities and shareholders' equity		1 170	-44	1 126

Group key indicators

Return on investment (% annualised)	7.3	7.4
Return on equity (% annualised)	17.7	16.5
Equity ratio (%)	16.7	17.8
Equity per share (euros)	86.4	88.7

Effects of changeover to IFRS on shareholders' equity (MEUR)	31.12.2006
Shareholders' equity as per FAS	190
*) Percentage of completion method	3
**) Fair value of hedging instruments	2
Shareholders' equity as per IFRS	195

Annual report of the Board for the period 1 January– 31 December 2006

Turnover, net profit and financial status

The Group's turnover was 301.1 million euros (289.6 million euros in 2005), of which the turnover of Investment in housing was 166.0 (166.7) million euros and that of Housing development and construction was 135.1 (122.9) million euros. The Group's operating profit was 69.1 million euros.

The Group's profit before extraordinary items and taxes was 43.6 (43.1) million euros. The profit of Investment in housing was 32.7 (34.0) million euros. The profit of Housing development and construction was 10.9 (9.1) million euros.

The Group's return on equity was 17.7 (19.0) per cent and its return on investment was 7.3 (7.1) per cent.

The consolidated balance sheet total on 31 December 2006 was 1,170.2 (1,136.3) million euros and the Group's interest-bearing liabilities were 795.5 (770.1) million euros.

The Group's equity ratio at year-end was 16.7 (15.7) 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 28.0 (19.0) million euros.

Interest-bearing liabilities at year-end were 795.5 (770.1) million euros, of which market rate loans totalled 367.8 (323.1) million euros, interest-subsidised loans totalled 100.8 (102.2) million euros and state-subsidised loans totalled 271.6 (293.3) million euros. A share in debt amounting to 55.3 (51.5) 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, 189.6 (197.0) million euros was hedged with interest-rate swaps, the average maturity of which was 33 (45) months.

Group structure

SATO Corporation is the parent company of the SATO Group. At year-end, the parent company had a total of 9 (9) subsidiaries, excluding housing and property holding companies.

To streamline operations and to clarify the Group structure, it is intended to spin off the Vatro Group from the SATO Group, as it holds only housing assets financed with state-subsidised and interest-subsidised loans. In order to implement this arrangement, SATO has applied for Vatro-Yhtymä Oy to be made a non-profit organisation. An appeal on the change is pending.

Business area Investment in housing

On 31 December 2006, the Group held a total of 22,548 housing units (22,693). The financial occupancy rate for rental homes averaged 97.2 (96.7) per cent and occupant turnover averaged 33.7 (35.8) per cent. The net rental income of rental housing was 8.2 (8.1) per cent.

The turnover from Investment in housing was 166.0 (166.8) million euros and profit before taxes was 32.7 (34.0) million euros. The turnover from Investment in housing includes 5.6 (6.0) million euros in sales of shares in shared ownership apartments resulting from the expiry of the ten-year shared ownership period.

During 2006, a total of 641 (914) housing units were acquired from the existing housing stock. The main investment was the acquisition from Varma Mutual Pension Insurance Company of 309 rented homes. A total of 31 (29) new housing units were completed for the Group. The total increase in the balance sheet due to investments in housing totalled 54.1 (65.0) million euros. The sum of 25.3 (24.1) million euros was spent on renovating the housing portfolio and upgrading housing units.

During the financial year, 702 (1,224) rental homes with a combined value of 22.9 (42.7) million euros were sold.

In March, SATO launched a guarantee based on the quality ranking of rented homes on the market. In the first stage, the quality guarantee applies to renovated housing units and new leases; in the long term it will apply to SATO's entire rented home portfolio.

During the year under review, growth prospects in Finland's neighbouring regions were examined and a target has been set to start up investment in housing in St Petersburg during 2007.

Business area Housing development and construction

During the financial year, a total of 672 (866) housing units were completed. Of these, 601 (655) were owner-occupied homes and on client projects 71 (211) housing units were completed. The combined acquisition value of the completed owner-occupied homes was 124.7 (123.4) million euros.

At year-end, 669 (777) owner-occupied homes were under construction. On client projects 397 (64) housing units were under construction. The acquisition value of the owner-occupied home under construction was 163.6 (154.3) million euros.

The turnover from Housing construction commissioning was 135.1 (122.9) million euros and profit before taxes was 10.9 (9.1) million euros.

The book value of the land inventory held by the Group was 37.4 (35.3) million euros at the turn of the year. During the financial year, land inventory was acquired for a total of 18.8 (24.9) million euros. The main investment in building land was the purchase of 26,500 square metres of floor area of permitted building volume in the Limingantulli district of Oulu. The value of the land inventory transferred to housing construction during the year was 14.6 (17.8) million euros.

Investments and divestments

The Group's total investments amounted to 72.9 (89.9) million euros, of which 54.1 (65.0) million euros was allocated to fixed assets and 18.8 (24.9) million euros to inventories. During the year, Group assets were sold in accordance with the location strategy for a total of 26.3 (45.0) million euros.

Environmental impacts

The main environmental impacts of SATO's operations arise from housing energy consumption and resultant emissions. District heating is the main form of heating used. The specific consumption of heating per cubic metre in buildings was reduced in 2006 by two per cent and that of water by four per cent.

Risk management

SATO's risk management is based on risk assessment embodied in the strategic and annual planning process. The main risks related to the sale and renting of homes concern changes in interest rates and demand for housing.

SATO's financing is denominated in euros, so there is no currency risk, and action is focused on interest risk management. At least half of the principal of market-based loans is hedged with interest-rate swaps. At year-end, hedging covered 52 per cent of the market-based loan principal.

Business area Investment in housing's occupancy rate and turnover in rented homes as well as forecasts for these are monitored monthly. In order to increase the rental occupancy rate and to reduce occupant turnover, effort is deployed in action on the apartments' quality factors and on strengthening customer relationships. Repair operations based on the buildings' lifecycle plans and assessment of the need for repairs improve the quality of the housing portfolio in the long term. A favourable trend in the value of holdings of housing and in the rentability of homes is secured by concentrating on the urban centres of growth.

The business area Housing development and construction's sales of housing are monitored on a weekly basis. SATO's Board of Directors has set euro limits to the total amount of unsold homes and land inventory. To limit the risks, business is concentrated on the five largest economic zones.

The function of the internal audit is to assess the business risks and the management of them.

The Group's risks in respect of property, loss of profits and liability for damages are secured with appropriate insurance cover.

Personnel

At the end of 2006, the Group had 170 (178) employees. There were 161 employees on permanent contracts and 9 on fixed-term contracts. The number of Group personnel averaged 173 (181) during the year.

The timetable for IFRS

The Group will go over to compliance with IFRS accounting standards as of the beginning of the financial year 2007.

Shares

The annual general meeting of 30 March 2006 authorised the company's Board of Directors to decide on the acquisition of treasury shares using the company's distributable assets. On the basis of the authorisation, shares may be purchased to a maximum combined par value or number of voting rights amounting to ten per cent of the company's share capital or total number of voting rights after the purchase of the shares.

The annual general meeting authorised the Board of Directors to decide on the disposal of the treasury shares acquired under this 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 these instruments may be used to subscribe a maximum total of 439,569 shares in the company with a par value of EUR 2.00 each. Under the authorisation, the company's share capital may

be raised by a maximum total of 879,138 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 number of shares in the parent company as at 31 December 2006 was 2,197,846.

The members of SATO Corporation's Board of Directors and the President and CEO and his deputy held a total of 8,124 shares at year-end, corresponding to 0.37 per cent of the company's shares and voting rights.

The turnover of SATO Corporation shares during the financial year was 27.2 (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 Juhani Järvi, Jorma Kuokkanen, Raimo Lind, Martti Porkka, Jukka Salminen and as of 30 March 2006 Eino Halonen and Esko Torsti. Also serving on the Board of Directors until 30 March 2006 were Heikki Hyppönen and Pekka Pystynen.

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.

Committees

SATO's Board of Directors appointed some of its members to the Nomination and Compensation Committee and the Audit Committee.

The Nomination and Compensation Committee was composed of Jouko Tuunainen as chairman and Jorma Kuokkanen and Raimo Lind. Juhani Järvi was appointed chairman of the Audit Committee and Martti Porkka and Esko Torsti as its ordinary members.

The members of the Corporate Management Group

The Corporate Management Group is comprised of President and CEO Erkkä Valkila, Vice President, Investment in Housing and President's Deputy 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.

Events after the period under review

In January 2007, a fine property in the Eira district of Helsinki, completed in 1911, was acquired from Svenska Folkskolans Vänner r.f. for 6.0 million euros. The building has 22 rented apartments. Also in January, an area of land in Kirkkonummi with 16,022 square metres of floor area in permitted building volume was purchased from Gølfarsarvik Oy. The purchase money was 6.8 million euros.

Outlook

The rental income for Investment in housing is forecast to improve in 2007 in comparison 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 level out. The number of owner-occupied homes built by the Group will be similar to the figure for the previous year.

Because of a downturn in divestments and an increase in interest rates, the Group's net profit is forecast to decline in 2007 relative to the previous year's figure.

Proposal for the disposal of profits

The Group's distributable assets as at 31 December 2006 were EUR 34,142,504.96. The number of issued shares in the company conferring entitlement to dividend for 2006 was 2,197,846 as at 31 December 2006.

The Board of Directors proposes to the annual general meeting that dividend be paid of EUR 7.25 per share, being a total of EUR 15,934,383.50.

Since the end of the financial year, there have been no significant changes in the company's financial status. The company's liquidity is good, and in the view of the Board of Directors, the proposed disposal of profits will not jeopardise the company's solvency.

Helsinki, 14 February 2007

Jouko Tuunainen	Eino Halonen	Juhani Järvi
Jorma Kuokkanen	Raimo Lind	Martti Porkka
Jukka Salminen	Esko Torsti	
Erkkä Valkila 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, 14 February 2007

KPMG OY AB

Markku Sohlman
APA

Profit and loss account

Profit and loss account		Consolidated		Parent company	
MEUR	Note	2006	2005	2006	2005
Turnover	1	301	290	9	5
Other income from business operations	2	14	14	6	5
Materials and services	3	-130	-126	-2	-2
Personnel expenses	4-6	-11	-11	-2	-3
Depreciation and write-downs	7	-19	-20	0	0
Other expenses of business operations	8	-86	-81	-6	-5
Operating profit		69	66	5	0
Financial income and expenses	9	-26	-23	1	1
Profit before extraordinary items		44	43	6	1
Extraordinary items	10		0	16	26
Profit before taxes		44	43	22	28
Direct taxes	11	-11	-12	-6	-7
Minority interest		0	0		
Net profit for the financial year		32	31	16	20

Balance sheet

Balance sheet		Consolidated		Parent company	
MEUR	Note	2006	2005	2006	2005
Assets					
Fixed assets and other long-term investments					
Intangible assets	12	4	2	1	1
Tangible assets	13	510	515	1	1
Holdings in Group companies	14			62	62
Holdings in associated companies	15	0	0		
Other holdings and shares	16-17	441	408	5	5
		955	924	69	69
Inventories and financial assets					
Inventories	18	78	87	2	5
Long-term receivables	19	14	12	30	32
Current receivables	20	84	81	52	22
Financial securities		26	19	4	4
Cash and bank deposits		13	12	1	0
		216	212	88	62
Assets, total		1 170	1 136	157	132
Liabilities and shareholders' equity					
Shareholders' equity 21-23					
Share capital		4	4	4	4
Revaluation fund			0		
Reserve fund		44	44	44	44
Other funds		0	0	1	1
Retained earnings		109	93	17	12
Net profit for the financial year		32	31	16	20
		190	173	82	82
Minority interest		1	1		
Consolidated reserve		0	0		
Obligatory reserves		7	8	1	1
Liabilities					
Long-term	25-26	833	803	58	23
Current	27	139	151	15	26
		972	954	74	48
Liabilities and shareholders' equity, total		1 170	1 136	157	132

Cash flow statement

Cash flow statement, indirect model	Consolidated		Parent company	
	2006	2005	2006	2005
MEUR				
Cash flow from operating activities				
Profit before extraordinary items	44	43	6	1
Adjustments:				
Depreciation	19	19	0	0
Financing income (-) and expenses (+)	26	23	-1	-1
Share in associated companies' profit	-0			
Increase (+) / decrease (-) in obligatory reserves	-1	2	-0	0
Capital gains (-) and losses (+) on fixed assets	-12	-13	-0	-0
Other adjustments	-0	-0		
Cash flow before change in working capital	76	74	5	1
Change in working capital:				
Decrease(+) / increase(-) in short-term non-interest-bearing receivables	-6	-7	-22	1
Decrease (+) / increase (-) in inventories	9	-4	3	2
Decrease (-) / increase (+) in short-term liabilities	-9	17	-6	0
Cash flow before financial items and taxes	69	80	-20	4
Interest paid and payments on other financing expenses	-26	-24	-2	-2
Dividends received	0	0	0	0
Interest received	1	1	2	3
Direct taxes paid	-9	-3	-7	-2
Cash flow before extraordinary items	36	55	-27	3
Cash flow from extraordinary items in business operations				26
Cash flow from operating activities (A)	36	55	-27	29
Cash flow from investments				
Investments in tangible and intangible assets	-31	-23	-1	-1
Profits on surrender of tangible assets	22	40	0	0
Investments in other placements	-30	-42	0	-1
Repayments on loans	3	-0	-6	31
Adjustments to cash flow from investments (non-cash items)		0		
Cash flow from investments (B)	-36	-26	-6	29

Cash flow statement, indirect model	Consolidated		Parent company	
	2006	2005	2006	2005
MEUR				
Cash flow from financial activities				
Paid share issue and changes in funds				
Short-term financing debts (net)	-2	-1	-3	-7
Change in long-term financing debts	25	-20	36	-40
Non-current non-interest bearing receivables	-0	0		0
Group contributions (on payment basis)				-0
Dividend paid and other distribution of profit	-15	-12	-15	-12
Adjustments to cash flow from financial activities (non-cash items)			16	0
Cash flow from financial activities (C)	7	-34	34	-59
Change in cash and cash equivalents according to calculation (A+B+C)	7	-5	0	-0
Cash and cash equivalents at start of year	32	36	4	4
Cash and cash equivalents at year-end	39	32	4	4

Accounting conventions of the financial statements as at 31 December 2006

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. The margin for projects handed over after a separate inspection 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.

The sales of shares booked in turnover do not include shares of debt for particular apartments. During the 2007 financial year, the SATO Group will adopt IFRS accounting conventions, at which time the method of presenting turnover in spec commissioning will also be changed and the shares of debt for unsold apartments will be allocated to liabilities.

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, Vatro-Osaomistus Oy, Sato Vuokrakodit Oy, Satopos 105 Oy, Satopos 107V Oy, SATO-Rakennuttajat Oy, Suomen Satokodit Oy, SATOkoti Oy, SATOtalot 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 VATROosaomistus Oy, Sato-Asunnot 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 Right-of-Occupancy Housing Act (650/1990), 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 purchase price 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 1.6 (2.8) 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 interests 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 interest

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

Tax expenses in the profit and loss account are comprised of the tax based on taxable income and deferred taxation. The main deferred taxes have been calculated on all current differences between the book value and the tax value. The main interim differences have arisen from optional reserves and from depreciation differences and from allocated goodwill items. Deferred tax credit is posted to the amount at which it is probable that taxable income will arise in the future against which the interim difference can be exploited.

Notes to the financial statements

Notes to the profit and loss account	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
1 Turnover				
Rental income and remuneration	152.5	146.7	2.3	3.0
Building management and maintenance fees	0.6	0.9		
Sales of shares	84.2	102.8	1.0	0.2
Construction commissioning fee	57.0	31.7		
Other income	6.9	7.5	5.8	2.2
	301.1	289.6	9.1	5.5
2 Other income from business operations				
Other income from business operations	0.8	0.8	0.5	0.1
Capital gains from fixed assets	12.9	13.6	0.1	0
Charges of administrative expenses			5.5	5.2
	13.7	14.4	6.1	5.3
3 Materials and services				
Materials and supplies				
Purchases during the financial year (= procurements)	100.6	128.1	-0.9	0.2
Change in inventories	2.1	-9.0	2.8	1.6
	102.7	119.1	1.9	1.8
External services	27.1	6.8		
	129.7	126.0	1.9	1.8
4 Personnel expenses				
Wages and salaries	8.5	9.0	1.7	2.2
Pension expenses	1.3	1.8	0.3	0.4
Other indirect employee costs	0.8	0.6	0.1	0.1
	10.6	11.4	2.1	2.7
5 Management salaries and emoluments				
Presidents and members of the Board of Directors	0.8	0.7	0.5	0.4
The President and CEO is entitled to retire at the age of 60.				
6 The Group and parent company had during the financial year an average number of				
Employees	173	181	23	25
7 Depreciation				
Depreciation on tangible and intangible assets	15.6	15.1	0.5	0.5
Write-downs on fixed assets and long-term investments	3.9	4.3		
	19.4	19.5	0.5	0.5

Notes to the profit and loss account	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
8 Other expenses of business operations				
Rents	27.2	25.4	1.7	2.1
Properties' maintenance expenses	48.7	48.1	0.3	0.3
Other fixed expenses	6.5	6.4	3.9	3.0
Other expenses of business operations	3.5	0.9	0	0
	85.8	80.9	5.9	5.4
9 Financial income and expenses				
Dividend income				
From others	0	0.1	0	0
Dividend income. total	0	0.1	0	0
Interest income on long-term investments				
From Group companies			2.2	2.8
From others	1.2	1.1	0.2	0.2
	1.2	1.1	2.4	3.0
Interest expenses and other financing expenses				
To Group companies			0.4	0.6
To others	26.8	24.3	1.4	1.4
	26.8	24.3	1.8	2.0
Financial income and expenses. total	-25.5	-23.1	0.6	1.0
10 Extraordinary items				
Extraordinary income				
Group contributions			16.0	26.3
Other extraordinary income		0.2		
		0.2	16.0	26.3
11 Income taxes				
Income taxes on actual business	7.0	8.4	5.6	7.3
Change in deferred tax liability	5.6	4.8		
Change in deferred tax credit	-1.3	-1.3	0.1	
	11.3	12.0	5.7	7.3

Notes to the balance sheet	Consolidated		Parent company	
	2006	2005	2006	2005
MEUR				
12 Intangible assets				
Intangible rights				
Acquisition cost 1 Jan.	0.7	0.8		
Increases		0		
Decreases		-0		
Transfers between items	-0			
Acquisition cost 31 Dec.	0.7	0.7		
Accumulated depreciation and write-downs 1 Jan.	0.7	0.7		
Depreciation for year	0	0		
Accumulated depreciation 31 Dec.	0.7	0.7		
Book value 31 Dec.	0	0		
Consolidated goodwill				
Acquisition cost 1 Jan.	1.5	1.5		
Increases		0		
Acquisition cost 31 Dec.	1.5	1.5		
Accumulated depreciation 1 Jan.	1.3	1.3		
Depreciation for year	0	0		
Accumulated depreciation 31 Dec.	1.3	1.3		
Book value 31 Dec.	0.1	0.2		
Other long-term expenditure				
Acquisition cost 1 Jan.	5.1	4.1	3.1	2.4
Increases	2.2	1.1	0.3	0.7
Decreases	-0	-0.1		
Transfers between items	0.2			
Acquisition cost 31 Dec.	7.5	5.1	3.4	3.1
Accumulated depreciation and write-downs 1 Jan.	3.7	3.4	2.2	2.0
Accumulated depreciation of transfers	0.1			
Depreciation for year	0.3	0.3	0.2	0.2
Accumulated depreciation 31 Dec.	4.2	3.7	2.4	2.2
Book value 31 Dec.	3.4	1.4	1.0	0.9
Intangible assets. total	3.5	1.6	1.0	0.9

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
13 Tangible assets				
Land and water areas				
Acquisition cost 1 Jan.	59.0	60.0	0	0
Increases	3.2	3.9		
Decreases	-2.3	-4.9		
Transfers between items	-2.7			
Acquisition cost 31 Dec.	57.1	59.0	0	0
Accumulated write-downs 1 Jan.	-0.8	-0.8		
Revaluations	0			
Book value 31 Dec.	56.3	58.1	0	0
Buildings and structures				
Acquisition cost 1 Jan.	536.3	544.7	0	0
Increases	12.2	18.5		
Decreases	-7.9	-19.9		
Transfers between items	-5.6	-6.9		
Acquisition cost 31 Dec.	535.1	536.3	0	0
Accumulated depreciation and write-downs 1 Jan.	97.5	83.5	0	0
Depreciation for year	11.7	12.8		
Write-downs	1.0	1.2		
Accumulated depreciation 31 Dec.	110.2	97.5	0	0
Revaluations	1.2	1.3		
Book value 31 Dec.	426.1	440.0	0	0
Connection fees				
Acquisition cost 1 Jan.	9.0	7.7	0	0
Increases	0.1	1.6		
Decreases	-0.1	-0.2		
Transfers between items	0.3			
Effect of change in consolidation method		-0.1		
Acquisition cost 31 Dec.	9.2	9.0	0	0
Machinery and equipment				
Acquisition cost 1 Jan.	23.5	23.5	3.5	3.3
Increases	0.2	0.2	0.2	0.2
Decreases	-0.1	-0.2	-0	-0
Transfers between items	3.7			
Acquisition cost 31 Dec.	27.4	23.5	3.6	3.5
Accumulated depreciation and write-downs 1 Jan.	16.4	14.5	2.4	2.1
Accumulated depreciation of transfers	0.1			
Depreciation for year	1.1	1.9	0.3	0.3
Accumulated depreciation 31 Dec.	17.6	16.4	2.7	2.4
Book value 31 Dec.	9.9	7.1	0.9	1.0

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
Other tangible assets				
Acquisition cost 1 Jan.	1.2	0.9	0.4	0.4
Increases		0.3		
Decreases		-0		
Transfers between items	-0			
Acquisition cost 31 Dec.	1.2	1.2	0.4	0.4
Accumulated depreciation and write-downs 1 Jan.	0.7	0.7	0.4	0.4
Accumulated depreciation of transfers	0.4			
Depreciation for year	0	0	0	0
Accumulated depreciation 31 Dec.	1.1	0.7	0.4	0.4
Book value 31 Dec.	0.1	0.5	0	0
Advance payments				
Acquisition cost 1 Jan.		1.9		
Increases	8.2			
Decreases		-1.9		
Book value 31 Dec.	8.2	0		
Tangible assets, total	509.7	514.8	0.9	1.0
Summary of revaluations				
Land and water areas				
Value 1 Jan.	0	0		
Value 31 Dec.	0	0		
Buildings and structures				
Value 1 Jan.	1.3	1.3		
Value 31 Dec.	1.3	1.3		
14 Holdings in Group companies				
Acquisition cost 1 Jan.			62.3	61.3
Increases				1.0
Decreases				-0
Acquisition cost 31 Dec.			62.3	62.3
Book value 31 Dec.			62.3	62.3
15 Holdings in associated companies				
Acquisition cost 1 Jan.	0.3	0.5		
Increases	-0			
Transfers between items		-0.1		
Acquisition cost 31 Dec.	0.3	0.3		
Accumulated write-downs 1 Jan.	0.1	0.1		
Accumulated write-downs 31 Dec.	0.1	0.1		
Book value 31 Dec.	0.2	0.2		

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
16 Other holdings and shares				
Acquisition cost 1 Jan.	16.8	7.5	0.7	0.7
Increases	5.9	9.4		
Decreases	-2.1	-2.2	-0	-0
Transfers between items	-0.6	2.1		
Acquisition cost 31 Dec.	20.0	16.8	0.7	0.7
Accumulated write-downs 1 Jan.	1.4	1.4	0	0
Accumulated write-downs 31 Dec.	0.1	1.4	0	0
Book value 31 Dec.	19.9	15.4	0.7	0.7
17 Investments/housing companies and mutual building management companies				
	421.3	392.2	4.1	4.1
Investments, total				
	441.4	407.9	67.1	67.2
18 Inventories				
Housing under construction	40.4	38.3		
Completed housing units and commercial space	12.6	18.4	0.1	1.1
Land areas and land area companies	9.7	11.0	1.4	1.4
Other inventories	15.5	19.2	0.3	2.1
Book value 31 Dec.	78.1	86.9	1.8	4.6
19 Long-term receivables				
Receivables from Group companies				
Notes receivable, Group			29.2	30.2
			29.2	30.2
Receivables from others				
Notes receivable	2.1	1.5	0.8	1.2
Deferred tax credits	12.3	11.0		0.1
Other receivables	0			0
	14.5	12.5	0.8	1.4
Long-term receivables, total				
	14.5	12.5	29.9	31.6

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
20 Current receivables				
Receivables from Group companies				
Accounts receivable			1.5	1.6
Notes receivable			25.3	17.6
Accrued assets			0.1	0.3
Other receivables			16.0	0.3
			42.9	19.8
Receivables from others				
Accounts receivable	75.7	72.1	6.5	1.4
Notes receivable	0.8	4.0	0.2	0.4
Other receivables	2.3	0.8	0	0
Accrued assets	5.2	4.3	2.0	0.3
	83.9	81.1	8.7	2.1
Current receivables, total	83.9	81.1	51.6	21.9
Receivables, total	98.3	93.6	81.5	53.5
Critical items of accrued assets				
Capitalised planning expenses	2.8	2.9		
Taxes	1.7		1.7	
Interest	0.1	0.1	0	0.1
Others	0.6	1.2	0.3	0.5
	5.2	4.3	2.0	0.6
21 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		
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.	124.4	103.2	32.6	24.2
Disbursement of revaluation fund	0.1			
Dividend payment	-15.4	-12.1	-15.4	-12.1
Adjustment to previous year's deferred tax credit		2.1		
Retained earnings 31 Dec.	109.1	93.3	17.2	12.1
Net profit for the financial year	32.2	31.2	15.8	20.5
Shareholders' equity, total 31 Dec.	189.8	173.1	82.2	81.8

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
22 Calculation of distributable assets				
Other funds			1.1	1.1
Retained earnings			17.2	12.1
Net profit for the financial year			15.8	20.5
Distributable assets 31 Dec.			34.1	33.7
23 The parent company's share capital is divided into shares as follows				
	2006	2005		
Number of shares	2 197 846	2 197 846		
Combined par value of shares	4.4	4.4		
24 Obligatory reserves				
Refund claim expense reserve	5.5	4.7	1.0	1.0
Other obligatory reserves	1.5	3.1		0.4
	7.0	7.8	1.0	1.3
25 Deferred tax				
Deferred tax credits				
On matching differences and interim differences	7.6	7.5		
On internal Group margins	4.7	3.5		
	12.3	11.0		
Deferred tax liabilities				
On appropriations	47.4	41.6		
On allocated Group goodwill	3.7	4.0		
On matching differences and interim differences	1.4	1.6		
	52.4	47.2		

Tax liability has been calculated for the allocated Group goodwill in 2006.
The comparison figures have been amended in line with the change.

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
26 Long-term liabilities				
Debts to Group companies				
Loans, Group			0.8	1.1
			0.8	1.1
Debts to others				
Loans from financial institutions	713.5	689.4	57.5	21.0
Loans from financial institutions (housing companies and mutual building management companies)	55.4	51.5		
Pension loans		0.7		0.7
Advances received	11.7	14.0		
Deferred tax liability	52.4	47.2		
Other debts		0		
	833.0	802.8	57.5	21.6
Long-term liabilities, total	833.0	802.8	58.3	22.7
Debts maturing in more than five years				
Loans from financial institutions	565.6	568.6		
Pension loans		0.4		0.4
	565.6	569.1		0.4
27 Current liabilities				
Debts to Group companies				
Loans			11.7	13.6
Accounts payable			0.4	0.4
Deferred liabilities			0.1	0
			12.3	14.0
Debts to others				
Loans from financial institutions	26.2	28.3	0.8	1.7
Pension loans		0.2		0.2
Advances received	15.1	13.5	0.1	0.1
Accounts payable	81.4	87.9	0.6	2.6
Other debts	2.5	0.7	0.1	0.1
Deferred liabilities	13.7	20.6	1.4	7.1
	138.9	151.2	3.0	11.7
Current liabilities, total	138.9	151.2	15.3	25.7
Liabilities, total	971.9	954.0	73.6	48.4
Critical items of deferred liabilities				
Wages and salaries with employee benefits	3.5	3.3	1.1	1.3
Taxes	0.3	6.4	0	5.5
Interest	5.4	4.4	0	0.1
Other	4.5	6.5	0.4	0.2
	13.7	20.6	1.6	7.1

Notes to the balance sheet	Consolidated		Parent company	
MEUR	2006	2005	2006	2005
28 Collateral, contingent liabilities and other commitments				
For own debt				
Pledged shares	345.7	328.5	0.3	0.9
Corporate mortgages	0.7	2.5		
Mortgages on land areas and building	709.5	712.4	0.5	3.4
	1 055.9	1 043.5	0.7	4.4
For Group company debts				
Pledges			1.6	2.3
Guarantees			199.3	159.2
			200.9	161.5
For others				
Guarantees	33.1	40.8	31.5	39.4
Other own commitments				
Repurchase commitments	17.9	21.6		
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	0.7	0.2	0.2
Other own commitments				
	18.9	22.6	0.2	0.3
Total				
Pledges	345.7	328.5	1.9	3.2
Corporate mortgages	0.7	2.5		
Mortgages on land areas and building	709.5	712.4	0.5	3.4
Guarantees	33.1	40.8	230.8	198.6
Other commitments	18.9	22.6	0.2	0.3
Pledges and contingent liabilities, total	1 107.9	1 106.9	233.4	205.5
Derivatives				
Par value of interest-rate derivative	189.6	197.0		
Current value of interest-rate derivatives	3.2	-3.1		
RS guarantee limit used	24.2	21.7		
Commitments in respect of unsold apartments				
Share of loans	24.4	28.6		

Commitments for shared ownership apartments

The combined total of the loans of housing company-type subsidiaries of Vatro-Osaomistus Oy, Vatroalot Oy and Sato-Asunnot Oy, which are included in the shared ownership system, was MEUR 127.0 (MEUR 148.6).

The collateral for the loans is property mortgages totalling MEUR 170.8 (MEUR 222.0), which are not included in the combined total for mortgages in the commitment list.

The repurchase liability for part-owners' holdings was MEUR 17.9 (MEUR 21.6), of which MEUR 14.6 (MEUR 16.9) has been treated as an advance payment debt in the balance sheet.

Investments

31 December

2006

Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%
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Subsidiaries owned by SATO Corporation

As Oy Espoon Heinjoenpolku	100.0	100.0
As Oy Lappeenrannan Metsäsaimaankatu 9	100.0	100.0
As Oy Turun Uudenmaanlinna	100.0	10.0
K Oy Espoon Solberga	100.0	49.9
Kanta-Suomen Sato Oy	78.4	78.4
Outakessa Oy	100.0	100.0
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
Vatrotalot Oy	100.0	100.0

Companies owned by subsidiaries

Sato-Asunnot Oy

As Oy Agricolankuja 3	3.0	3.0
As Oy Agricolankuja 8	80.7	80.7
As Oy Agricolankulma	0.8	0.8
As Oy Albert Petreliuksenkatu 8	7.7	7.7
As Oy Arabian Kotiranta	4.2	4.2
As Oy Espoon Honkavaarantie 5	100.0	100.0
As Oy Espoon Kiiltokalliontie 26	14.5	14.5
As Oy Espoon Kivenhakkaajankuja 3	2.3	2.3
As Oy Espoon Lounaismeri	100.0	100.0
As Oy Espoon Myötätuulenmäki	7.1	7.1
As Oy Espoon Numersinkatu	14.1	14.1
As Oy Espoon Puikkarinmäki	100.0	100.0
As Oy Espoon Punatulkuntie 3	7.4	7.4
As Oy Espoon Punatulkuntie 5	17.6	17.6
As Oy Espoon Pyhäjärventie 1	100.0	100.0
As Oy Espoon Rastaspuistontie 8	7.3	7.3
As Oy Espoon Ruorikuja 4	3.8	3.8
As Oy Espoon Ruusulinna	100.0	100.0
As Oy Espoon Satokallio	11.6	11.6
As Oy Espoon Suvikumpu	7.7	7.7
As Oy Espoon Taivalpolku	3.6	3.6
As Oy Espoon Vanharaide	90.1	90.1
As Oy Espoon Vasaratörmä	5.2	5.2
As Oy Espoon Vihertaloksonranta 3-5	100.0	100.0
As Oy Espoon Vihertaloksonranta 7	100.0	100.0
As Oy Espoon Vihertaloksonranta 4	100.0	100.0

Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%
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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	38.2	38.2
As Oy Helsingin Arabiankatu 3	6.0	6.0
As Oy Helsingin Castreninkatu 3	100.0	100.0
As Oy Helsingin Eliel Saarisentie 10	96.1	96.1
As Oy Helsingin Hildankulma	80.1	80.1
As Oy Helsingin Isopurje	3.2	3.2
As Oy Helsingin Kaarenjalka 5	100.0	100.0
As Oy Helsingin Kangaspellontie 1-5	100.0	100.0
As Oy Helsingin Kangaspellontie 4	60.3	60.3
As Oy Helsingin Kangaspellontie 8	25.0	25.0
As Oy Helsingin Kerttulinkuja 1	7.5	7.5
As Oy Helsingin Klaavuntie	100.0	100.0
As Oy Helsingin Kokkosaarenkatu 4	7.0	7.0
As Oy Helsingin Korppaanmäki	65.8	65.8
As Oy Helsingin Korppaanmäki 8	49.8	49.8
As Oy Helsingin Kristianinkatu 11-13	100.0	100.0
As Oy Helsingin Kultareuna 1	39.0	39.0
As Oy Helsingin Köysikuja 2	1.4	1.4
As Oy Helsingin Lauttasaarentie 19	58.3	58.3
As Oy Helsingin Leikopiha	9.6	9.6
As Oy Helsingin Leikosaarentie 31	10.1	10.1
As Oy Helsingin Leikovuori	9.1	9.1
As Oy Helsingin Mechelininkatu 12-14	100.0	100.0
As Oy Helsingin Merenkävijä	5.1	5.1
As Oy Helsingin Nukkeruusankuja 3	6.7	6.7
As Oy Helsingin Pakilantie 17	100.0	100.0
As Oy Helsingin Perustie 16	65.2	65.2
As Oy Helsingin Puuskarinne 1	98.2	98.2
As Oy Helsingin Reginankuja 4	3.5	3.5
As Oy Helsingin Ruusutarhantie 7	39.3	39.3
As Oy Helsingin Satoaalto	8.6	8.6
As Oy Helsingin Satorinne	8.5	8.5
As Oy Helsingin Siltavoudintie 20	100.0	100.0
As Oy Helsingin Solnantie 22	100.0	100.0
As Oy Helsingin Stenbäckinkatu 5	60.0	60.0
As Oy Helsingin Ståhlbergintie 4	93.5	93.5
As Oy Helsingin Sähköttäjänkatu 6	100.0	100.0
As Oy Helsingin Tapaninkulo	4.7	4.7
As Oy Helsingin Tuuturilinna	9.5	9.5
As Oy Helsingin Tuurakuja 4	19.1	19.1

Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%	Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%
As Oy Helsingin Vanha Viertotie 16	76.7	76.7	As Oy Tarkk'ampujankatu 14	44.1	44.1
As Oy Helsingin Vanha Viertotie 18	47.5	47.5	As Oy Terhokuja 3	100.0	100.0
As Oy Helsingin Vanha Viertotie 6	100.0	100.0	As Oy Terhokuja 6	11.3	11.3
As Oy Helsingin Vanha Viertotie 8	100.0	100.0	As Oy Valkeakosken Katajatie 62	100.0	100.0
As Oy Helsingin Vuosaaren Helmi	100.0	100.0	As Oy Valkeakosken Katajatie 64	42.7	42.7
As Oy Hyvinkään Joutsenlaulu	28.2	28.2	As Oy Valkeakosken Katajatie 66	100.0	100.0
As Oy Hämeenlinnan Aroniitynkuja 7	100.0	100.0	As Oy Vantaan Aapramintie 4	100.0	100.0
As Oy Jyväskylän Ailakinraitti	100.0	100.0	As Oy Vantaan Kaarenlehmus	100.0	100.0
As Oy Jyväskylän Taitoniekansato	17.4	17.4	As Oy Vantaan Liesitorin Palvelutalo	5.9	5.9
As Oy Jyväskylän Yliopistonkatu 18 ja Keskustie 17	100.0	100.0	As Oy Vantaan Maarinrinne	12.0	12.0
As Oy Kajaanin Rekitie 1-2	100.0	100.0	As Oy Vantaan Myyrinmutka	100.0	100.0
As Oy Kasarmikatu 14 – Bostads Ab Kasärngatan 14	20.4	20.4	As Oy Vantaan Pronssikuja 1	100.0	100.0
As Oy Kasarminkatu 10	26.7	26.7	As Oy Vantaan Tammistonkatu 29	10.9	10.9
As Oy Kauniaisten Ersintie 9 –11	5.5	5.5	As Oy Vihdin Lippotie 10 ja Vesitie 5	100.0	100.0
As Oy Keravan Papintie 1	100.0	100.0	As Oy Vuomerén Salpa	2.7	2.7
As Oy Korppaanmäki	65.8	65.8	As Oy Vuorastila	99.0	99.0
As Oy Kuikankatu 2	9.7	9.7	K Oy Helsingin Kangaspellontie 6	100.0	100.0
As Oy Kuopion Pyöröntähti	40.4	40.4	K Oy Kaarentuomi	100.0	100.0
As Oy Kuopion Venemiehenkatu	100.0	100.0	K Oy Karjalaisten Heimotalo	0.1	0.1
As Oy Lahden Nuolikatu 9	100.0	100.0	K Oy Nekalanpuisto	2.9	2.9
As Oy Lapinniemen Pallopurje	1.9	1.9	K Oy Uusikatu 58		
As Oy Lappeenrannan Maininkikatu 9	100.0	100.0	Satopos 111 Oy	0.3	0.3
As Oy Messeniuksenkatu 5	70.0	70.0	Sato Vuokrakodit Oy		
As Oy Myllysalama	82.9	82.9	As Oy Helsingin Finniläntalo	80.2	80.2
As Oy Myyrinhaukka	100.0	100.0	As Oy Kuopion Lakeissuontie 5	96.7	96.7
As Oy Oulun Aleksinranta	100.0	100.0	Suomen Satokodit Oy		
As Oy Oulun Kalevalantie	100.0	100.0	As Oy Espoon Puropuisto	97.0	52.5
As Oy Oulun Laanila I	100.0	100.0	As Oy Meiraminkuja	19.9	19.9
As Oy Oulun Laanila IV	100.0	100.0	As Oy Satosorsa	19.9	19.9
As Oy Oulun Laaniranta	6.0	6.0	As Oy Vantaan Kortteeri	20.9	20.9
As Oy Oulun Marsalkka	5.7	5.7	K Oy Karpalopolku	100.0	100.0
As Oy Oulun Mastolinna	2.2	2.2	K Oy Vihdin Nurmijärventie 4	100.0	100.0
As Oy Oulun Notaarintie 3	5.0	5.0	K Oy Vihdin Kirkkoniementie 2	100.0	100.0
As Oy Raikukuja 4	100.0	100.0	K Oy Vihdin Nummenselkä 10	100.0	100.0
As Oy Riihimäen Kolehmaisentori	29.6	29.6	SATOkoti Oy		
As Oy Rovaniemen MLK:n Niittykuja	100.0	100.0	As Oy Espoon Jousenkaari 5	100.0	100.0
As Oy Salpakolmio	31.3	31.3	As Oy Espoon Sepetlahdentie 6	100.0	100.0
As Oy Tapiolan Tuuliniitty	6.8	6.8	As Oy Espoon Solberga	100.0	50.1
As Oy Tampereen Jankanpuisto	100.0	100.0	As Oy Helsingin Hämeenpenger	100.0	100.0
As Oy Tampereen Kanjoninkatu 15	74.7	74.7	As Oy Helsingin Ida Aalbergin tie 3 A	100.0	100.0
As Oy Tampereen Kuuselanpuisto	23.0	23.0	As Oy Helsingin Kauppakartanonkuja 3	40.2	40.2
As Oy Tampereen Rotkonraitti 6	77.1	77.1	As Oy Helsingin Lapponia	100.0	100.0
As Oy Tampereen Siirtolapuutarhankatu	3.9	3.9	As Oy Helsingin Näyttelijäntie 24	100.0	100.0
As Oy Tampereen Tarmonkatu 6	100.0	100.0			
As Oy Tampereen Waltteri	23.9	23.9			

Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%
As Oy Helsingin Pajamäentie 7	100.0	100.0
As Oy Helsingin Pasilantornit	25.0	25.0
As Oy Helsingin Rusthollarinkuja 2	100.0	100.0
As Oy Helsingin Vetelintie 5	100.0	100.0
As Oy Helsingin Viulutie 1-3	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
As Oy Jyväskylän Karsikkotie 5	100.0	100.0
As Oy Kotkan Alahovinniitty	100.0	100.0
As Oy Kotkan Alahovintie 11	100.0	100.0
As Oy Kuopion Rypysuontie 63	100.0	100.0
As Oy Lohjan Koulukuja 14	100.0	100.0
As Oy Lohjan Riiehenkias	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 Uudenmaanlinna	100.0	90.0
As Oy Turun Veistämöntori	100.0	100.0
As Oy Vihdin Kuortilankuja 4	100.0	100.0
As Oy Vihdin Lippotie 3	100.0	100.0
As Oy Vihdin Nummenselkä 8	100.0	100.0
F Ab Bodbacken K Oy	60.0	60.0
K Oy Helsingin Graniittitie 8 ja 13	100.0	100.0
K Oy Helsingin Kiillekuja 4	100.0	100.0
K Oy Helsingin Keinulaudantie 7	100.0	100.0
K Oy Jyskävaara	63.5	63.5
K Oy Kivisato	100.0	100.0
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	100.0	100.0
K Oy Tapionjousi	100.0	100.0
K Oy Tikkurilan Satotalo	100.0	100.0
Loilanpuisto Oy	100.0	100.0
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

Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%
SATotalo Oy		
As Oy Hannanpiha	19.1	19.1
As Oy Hauenhaavi	2.6	2.6
As Oy Hervannan Juhani	14.9	14.9
As Oy Kevätesikko	3.4	3.4
As Oy Killerinpuisto	1.3	1.3
As Oy Kotipiennar	2.8	2.8
As Oy Kuhakartano	0.7	0.7
As Oy Kukkolan Koivu	4.3	4.3
As Oy Kuusihalme	2.3	2.3
As Oy Maijalanraitti	6.3	6.3
As Oy Malmeken	2.2	2.2
As Oy Marinraitti	4.4	4.4
As Oy Matinraitti 14	1.0	1.0
As Oy Mattitapio	7.6	7.6
As Oy Muotialantie 31	17.0	17.0
As Oy Näsinlaine	1.0	1.0
As Oy Näsinsele	1.1	1.1
As Oy Peltohuhta	1.2	1.2
As Oy Pohjankartano	22.8	22.8
As Oy Puistoraitti	2.3	2.3
As Oy Puolukkasato	5.9	5.9
As Oy Rantasentteri	1.5	1.5
As Oy Reuharinrinne	4.6	4.6
As Oy Sarasipi	1.7	1.7
As Oy Satokaunokki	7.4	7.4
As Oy Satosaila	21.3	21.3
As Oy Satotatti	3.0	3.0
As Oy Satulapuisto	22.3	22.3
As Oy Säästöjurvala	1.1	1.1
As Oy Tasatuomo	1.3	1.3
As Oy Ulpukkaniemi	25.4	25.4
As Oy Vahterantorni	3.2	3.2
As Oy Valtapolku	1.2	1.2
As Oy Varalanrinne	9.8	9.8
As Oy Väkynkallio	0.8	0.8
As Oy Yläaitankatu 4	1.7	1.7
K Oy Kastevuoren Palvelutalo	100.0	100.0
K Oy Mannerheimintie 170	15.8	15.8
Helkalax Oy	1.3	1.3
Vatrotalot Oy		
As Oy Ahmonpesä	73.6	73.6
As Oy Forssan Ystävydenaukio	73.8	73.8
As Oy Hallunkallio	100.0	100.0

Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%	Subsidiaries consolidated with the Group	Group's holding,%	Parent company's holding,%
As Oy Harjulansato	36.6	36.6	As Oy Saarenkylän Saarenkartanot	33.3	33.3
As Oy Harjulehmus	41.0	41.0	As Oy Salon Valhojanrivi	21.2	21.2
As Oy Helsingin Laivalahdenportti 5	75.5	75.5	As Oy Satosyppi	50.0	50.0
As Oy Helsingin Toini Muonan katu 8	99.0	99.0	As Oy Satotaival	50.2	50.2
As Oy Hämeenlinnan Aaponkuja 3	47.7	47.7	As Oy Sodankylän Hannuskoto	29.4	29.0
As Oy Jukolanniitty	52.6	52.6	As Oy Tasakuusi	11.7	11.7
As Oy Jukolantanner	52.3	52.3	As Oy Turun Kivimaanrivi	13.1	13.1
As Oy Jyväskylän Kakkospesä	18.2	18.2	As Oy Turun Maarianportti	89.7	89.7
As Oy Kaarinan Kultarinta	5.9	5.9	As Oy Turun Merenneito	2.0	2.0
As Oy Kajaanin Kannonkatu	18.7	18.7	As Oy Turun Metallikatu	47.0	47.0
As Oy Kajaanin Välimaanrinne	47.4	47.4	As Oy Turun Mietoistenkuja	22.5	22.5
As Oy Kangasalan Kukkapuisto	18.8	18.8	As Oy Turun Pernon Kartanonlaakso	68.8	68.8
As Oy Kankaanpään Peuranpolku	55.2	55.2	As Oy Turun Sipimetsä	19.8	19.8
As Oy Karhukorkalo	43.9	43.9	As Oy Tölonkoivu	37.9	37.9
As Oy Kaukotie 10-12	3.1	3.1	As Oy Tölonpaju	45.9	45.9
As Oy Kavilanniitty	21.3	21.3	As Oy Vantaan Minkkiukuja 1	74.9	74.9
As Oy Kirkkonummen Riihipolku	100.0	100.0	As Oy Vantaan Omaksi	2.8	2.8
As Oy Koosakallio	100.0	100.0	As Oy Vantaan Ravurinmäki	47.8	47.8
As Oy Kuopion Julkulansato	10.5	10.5	As Oy Vantaan Ravurinpuisto	63.7	63.7
As Oy Kuopion Tikassato	79.1	79.1	K Oy H:gin Muurahaisenpolku 6	64.4	64.4
As Oy Kuopion Vuorikatu 23	59.8	59.8	K Oy Kukkaropohja	51.3	51.3
As Oy Kylänpäänkaari	32.5	32.5	K Oy Salpalohi	33.3	33.3
As Oy Kylänpäänpelto	48.3	48.3	Vatro-Osaomistus Oy	100.0	100.0
As Oy Laakavuorentie 4	39.1	39.1			
As Oy Lahden Roopenkuja	57.7	57.7	Vatro-Osaomistus Oy		
As Oy Linkinkoppi	44.2	44.2	As Oy Espoon Numersinkatu 6	87.1	87.1
As Oy Marilinnankoti	15.4	15.4	As Oy Espoon Puropuisto	97.0	44.5
As Oy Meriramsi	24.5	24.5	As Oy Espoon Säterinkatu 10	88.6	88.6
As Oy Merirastilantie 5	23.5	23.5	As Oy Jyväskylän mlk:n Kirkkotie 3	89.0	89.0
As Oy Merirastilantie 9	9.1	9.1	As Oy Jyväskylän Vaneritori	89.6	89.6
As Oy Messukallio	29.2	29.2	As Oy Lappeenrannan Kanavansato	90.0	90.0
As Oy Naantalin Kastovuorenrinne	34.6	34.6	As Oy Oulun Laamannintie 14 ja 17	92.5	92.5
As Oy Nastolan Moreeniraitti	27.2	27.2	As Oy Tampereen Haapalinnan Antintalo	89.8	89.8
As Oy Nurmijärven Kylänpäänniitty	47.2	47.2	As Oy Tampereen Kyläleni	89.6	89.6
As Oy Paleninsato	100.0	100.0	As Oy Tampereen Rantatie	85.8	85.8
As Oy Pirilänportti	14.5	14.5	As Oy Tuusulan Naavankierto	90.0	90.0
As Oy Pohjanpoika	24.5	24.5	As Oy Vantaan Herttuantie 3	89.3	89.3
As Oy Porin Kärrypiha	6.3	6.3	As Oy Vantaan Orvokkitie 17	85.2	85.2
As Oy Porin Rekipelto	29.4	29.4			
As Oy Poskilammenpuisto	78.9	78.9	Satopos 107V Oy		
As Oy Puolukkavarikko	33.9	33.9	As Oy Vantaan Martinpääsky	100.0	100.0
As Oy Pupumäki	3.2	3.2			
As Oy Rakentajanukuja 4	100.0	100.0			
As Oy Riviuhkola	49.9	49.9			

Auditors' report

To the shareholders of SATO Corporation

We have examined the accounts, financial statements, report on operations, and administration of SATO Corporation for the financial year 1 January – 31 Dec. 2006. The report on operations and financial statements produced by the Board of Directors and by the President and CEO include the consolidated and parent company balance sheet, profit and loss account, cash flow statement, and notes to the financial statements. On the basis of the audit we have performed, we make our declaration on the financial statements, the report on operations, 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 report on operations and the financial statements have thus been audited in sufficient scope to determine that the financial statements and the report on operations 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 and the report on operations have been drawn up in accordance with the Accounting Act as well as with other rules and regulations concerning the production of financial statements and reports on operations. The financial statements and the report on operations 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 report on operations is consistent with the financial statements. 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, 14 February 2007

KPMG OY AB
Markku Sohlman
APA

Key indicators

Five-year review	2002	2003	2004	2005	2006
Key indicators for financial trend					
Turnover MEUR	254	248	362	290	301
Operating profit MEUR	55	46	60	66	69
as percentage of turnover	21.5	18.7	16.6	22.9	23.0
Net financing expenses MEUR	-36	-28	-26	-23	-26
as percentage of turnover	-14.2	-11.4	-7.2	-8.0	-8.5
Profit before extraordinary items MEUR	19	18	34	43	44
as percentage of turnover	7.4	7.2	9.4	14.9	14.5
Profit before taxes MEUR	14	18	32	43	44
as percentage of turnover	5.7	7.2	8.9	15.0	14.5
Balance sheet total MEUR	1 043	1 074	1 106	1 136	1 170
Shareholders' equity and minority interest MEUR	156	163	153	173	190
Liabilities MEUR	887	910	952	954	972
Return on equity, % (ROE)	6.6	6.6	15.8	19.0	17.7
Return on investment, % (ROI)	5.4	5.2	6.6	7.1	7.3
Equity ratio, %	15.5	15.8	14.3	15.7	16.7
Gross investments in fixed assets MEUR	195	38	134	65	54
as percentage of turnover	76.8	15.3	37.1	22.4	18.0
Personnel, average	352	339	228	181	173
Key indicators for shares					
Earnings per share EUR	5.47	5.20	11.12	14.11	14.65
Equity per share EUR	61.24	62.69	69.12	78.76	86.36
Dividend per share EUR **)	3.75	3.75	5.50	7.00	7.25
Dividend MEUR **)	8.2	8.2	12.1	15.4	15.9
Adjusted number of shares, average	2 196 746	2 196 646	2 197 846	2 197 846	2 197 846

**) Based on the Board of Directors' proposed dividend for 2006

Formulas for key indicators

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

Corporate governance in the SATO Group

The administration of SATO Corporation is based on the Finnish Companies Act and SATO Corporation's articles of association. The company also complies with the recommendation for the corporate governance and control systems for listed companies of the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Industry and Employers which came into effect on 1 July 2004, with the exception of sections 17 and 18 thereof.

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 notice of meeting will be made public no less than 17 days prior to the meeting in a daily newspaper published in the capital city or by sending an invitation to the address notified by the shareholder to the company. The notice of meeting is also posted on the company's website.

Entitlement to attend the annual general meeting is held by a shareholder who has been entered as a shareholder in the company's register of shareholders ten days before the annual general meeting.

SATO Corporation has one class of shares. Each share confers entitlement to one vote at the annual general meeting.

Board of Directors

The annual general meeting elects no fewer than five and no more than nine members to the company's Board of Directors. The annual general meeting elects one member of the Board of Directors to serve as chairman of the Board. 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.

SATO Corporation does not comply with section 17 of the recommendation for the corporate governance and control systems

for listed companies, according to which the majority of the members of the Board of Directors have to be independent of the company, in addition to which at least two of the members in said majority must be independent of significant shareholders in the company.

The company also does not comply with section 18 of the recommendation, which obligates the Board of Directors to declare which of the members of the Board of Directors are considered independent of the company or a significant shareholder therein.

The grounds for this non-compliance is the company's ownership structure. In recent years, the company has had 35–50 shareholders. Of these, the seven largest hold a total of more than 90 per cent of the company's issued stock. Compliance with section 17 would make it difficult to form a company Board of Directors. Taking into account the company's field of business and its operating methods, this does not, however, weaken minority shareholders' position in the company.

The annual general meeting which convened on 30 March 2006 elected eight members to the Board of Directors. The Board of Directors convenes 10–12 times a year in general. In 2006, the Board of Directors convened 12 times. An average of 85 per cent of the members of the Board of Directors attended the Board meetings.

Information on the identities and holdings of the chairman and members of the company's Board of Directors is given on page 60.

The company's Board of Directors is responsible for the proper organisation of the company's management and its operations. It is also the duty of the Board of Directors to promote the interests of the company and all its shareholders.

SATO Corporation's Board of Directors has confirmed rules of procedure which apply to the duties, meeting procedures and decision-making procedures of the Board of Directors,

In addition to the duties specified by the Companies Act, the Board of Directors decides on matters which, taking into account the extent and size of the Group's operations, have considerable importance to the Group's business. The duties of the Board of Directors include the following:

1. confirmation of the Group's strategy and monitoring implementation
2. confirming and following up the annual budget, the action plan and related investment and divestment plans
3. dealing with the financial statements and report on operations as well as the interim reports
4. confirming the company's dividend policy.

The Board of Directors also appoints the company's President and CEO and his deputy, and the members of the Corporate Management Group, and it determines the terms of their employment and their posts.

The committees of the Board of Directors

On 24 May 2006, the Board of Directors decided to appoint two committees to streamline its work, the Audit Committee and the Nomination and Compensation Committee. From three to five members of the Board of Directors are appointed to each committee for the Board's period in office. The committees have no independent decision-making authority. Their mission is to prepare matters for decision by the Board of Directors and the annual general meeting and they report constantly on their actions to the Board of Directors.

Both committees convened once during the year.

The Board of Directors has confirmed rules of procedure for the committees.

The rules of procedure can be seen on the Group's website www.sato.fi.

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 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 responsible for the Group's business, the planning thereof and the attainment of its goals. The President and CEO serves as chairman of the Corporate Management Group.

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

the President and CEO and his deputy and on their holdings is given on page 62.

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 Corporate Management Group has no authority under law or the articles of association; it serves as a body to assist the President and CEO.

The members of the Corporate Management Group are the President and CEO of SATO Corporation, the Vice Presidents for Investment in Housing and for Housing Development and Construction, the Head of Legal Affairs, the Director, Marketing and Communications, and the CFO. The duties and areas of responsibility of the members of the Corporate Management Group, as well as information on them and their holdings, are given on page 62.

The Corporate Management Group convenes once a week.

Salaries and remuneration

1. The Board of Directors and auditors

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 30 March 2006 decided that the chairman of the Board of Directors was to be paid EUR 33,000 and the members of the Board of Directors were to be paid EUR 16,500 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. It was decided to pay the chairmen of the committees EUR 500 and the members EUR 400 per meeting.

The fees for the Board of Directors in 2006 totalled EUR 181,325. No shares or share-related entitlements were surrendered to members of the Board of Directors during the financial year.

It was decided to pay the auditors' fee on invoice. Auditing fees paid by the SATO Group to the auditors during the financial

year 2006 amounted to EUR 238,000. Consultancy fees unrelated to auditing duties paid to the auditing firm totalled EUR 106,000.

2. The President and CEO and the Corporate Management Group

The criteria and payment of 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. Employees of 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 salary and other perquisites of the President and CEO in 2006 amounted to EUR 285,140. The salary and other perquisites paid to the Deputy President and CEO in 2006 amounted to EUR 170,974.

The President and CEO's retirement age is 60 years. At that time, he is entitled to a pension amounting to 60 per cent 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 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 Board of Directors approves the payment of bonuses.

The Corporate Management Group was also covered by a long-term incentive scheme based on the cumulative profit for the financial years 2004–2006. The bonus based on this will be paid during 2007.

The auditors

The annual general meeting elects a single auditor for the company, 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 2006 was KPMG Oy Ab. The auditor in charge at the auditing firm was Markku Sohlman, M.Sc. (Econ. & BA), APA.

The audit checks the accounts, finan-

cial statements and administration of the company and Group.

Risk management and internal audit

Responsibility for risk management and for the arrangement of the internal audit is held by the company's Board of Directors. The internal audit enhances the Board of Directors' duty of supervision. The aim is to verify the efficiency and appropriateness 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.

The internal audit is handled by Deloitte & Touche Oy. The audit reports are sent on an ongoing basis to the chairman of the Board of Directors and to the chairman of the Audit Committee. In addition, a review of the internal audit is sent twice a year to the Audit Committee. The Board of Directors deals with the annual plan for internal auditing and the audit report for the previous year.

In order to control business risks, the Board of Directors has confirmed decision-making authorisations for the Group management in euro amounts. Furthermore, the Group has determined decision-making limits for each business area and it has confirmed instructions concerning implementation of competition law.

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 provisions 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. The company has a single series of shares. The shares are in a book-entry securities system maintained by Finnish Central Securities Depository Ltd.

Shareholder agreements

The company is not aware of any current shareholder agreements.

Board of Directors

Jouko Tuunainen

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

Primary working experience:
35 years in management at Kesko Corporation, incl. 18 years as a member of the Board of Directors. Has also served on numerous companies' Boards of Directors, incl. those in the fields of construction, property investment, credit, logistics, transport services, food and telecommunications.

Main positions of trust: Construction Establishment of Defence Administration:
chairman of delegation
The Finnish Association of Professional Board Members: member of the Board of Directors
Helsinki Region Chamber of Commerce:
member of delegation
Central Chamber of Commerce: member of delegation

Esko Torsti

born 1964, Licentiate in Social Sciences, Economics
Director, Ilmarinen Mutual Pension Insurance Company
Board member since 2006

Primary working experience:
Ilmarinen Mutual Pension Insurance Company:
Director since 2006
Pohjola Group plc: Director, Investments 2005–2006
Pohjola Asset Management Ltd: President and CEO 2003–2005
Pohjola Group plc: Director, Investments 2001–2003
Ilmarinen Mutual Pension Insurance Company:
Director, Interest Investments 1998–2001
Skandinaviska Enskilda Banken, Helsinki:
Chief Economist 1996–1998
Stockbroker company Protos: economist 1994–1996
Research Institute of the Finnish Economy: 1985–1994

Main positions of trust:
Tornator Oy: member of the Board of Directors
World Trade Center Helsinki Oy: member of the Board of Directors
Central Chamber of Commerce: member of the Property Appraisal Board

Juhani Järvi

born 1952, M.Sc. (Econ.)
Deputy Managing Director, Kesko Corporation
Board member since 2004

Primary working experience:
Kesko Corporation: Deputy Managing Director and Deputy to CEO since 2005, CFO 1998–2005,
member of the Board of Directors 1998–1999
Patria Industries Oyj: CFO 1997–1998
Wärtsilä Corporation/Metra Corporation:
Wartsila Diesel North America, Inc., USA: Director of Finance and Administration 1994–1997
Sanitec Ltd.: Director of Finance and Administration 1991–1993
Metra: Vice President, Corporate Planning 1990–1991
Wärtsilä: CFO 1989–1990

Main positions of trust:
Luottokunta: member of the Board of Directors
Excellence Finland: Advisory Board member
UGAL: member of the Board of Directors
Member of the Board of Directors for several Kesko Group companies

Jorma Kuokkanen

born 1953, LL.M., M.Sc. (Econ.)
Director, Investments, Varma Mutual Pension Insurance Company
Board member since 2005

Primary working experience:
Since 1981 in various investment-related posts for Sampo, Pension Sampo and Varma.

Main positions of trust:
Ovenia Oy: member of the Board of Directors
NV Kiinteistösihtaus Oy: member of the Board of Directors

Raimo Lind

born 1953, M.Sc. (Econ.)
Executive Vice President, CFO and Deputy to the President
Wärtsilä Group
Board member since 2001

Primary working experience:
Wärtsilä Corporation: Vice President, CFO since 1998,
Executive Vice President, CFO and Deputy to the President since 2005
Tamrock Oy: CFO, Tamrock Service Business,
Vice President, Tamrock Coal Business, Vice President, 1992–1998
Scantrailer Ajoneuvoteollisuus Oy: President and CEO 1990–1991
Wärtsilä Group: positions within control and finance and on internationalisation 1976–1989

Main positions of trust:
Member of the Board of Directors of several Wärtsilä Group companies

Martti Porkka

born 1951, M.Sc. (Social Sciences), B.Sc.
CFO, Sampo Group
Board member since 1997

Primary working experience:
Has served the Sampo Group since 1982 in various posts related to investment and finance

Main positions of trust:
Oy Realinvest Ab: member of the Board of Directors
WD Power Management Oy: chairman of Board of Directors

Jukka Salminen

born 1947, M.Sc. (Econ), Commercial Counsellor
Director of Administration, SOK
Board member since 1993

Primary working experience:
SOK: Director of Administration since 1993
SOK: 1988–1993 Field Manager
SOK: 1974–1988 various duties

Main positions of trust:
Luottokunta: member of the Board of Directors
Member of the Board of Directors for several SOK Group companies

Eino Halonen

born 1949, M.Sc. (Econ.)
President and CEO, Suomi Mutual Life Assurance Company
Board member since 2006

Primary working experience:
Pohjola Life Insurance Company Ltd:
President 1998–1999
Merita Nordbanken: Deputy President,
Regional Bank Director 1998
Merita Bank Ltd: Director, Board member 1995–1997
Kansallis-Osake-Pankki: 1971–1995

Main positions of trust:
Ilmarinen Mutual Pension Insurance Company:
member of the Board of Directors
YIT Oyj: deputy chairman of the Board of Directors
Cramo Oyj: member of the Board of Directors
Finsilva Oyj: member of the Board of Directors
OKO Osuuspankkien Keskuspankki: member of the Board of Directors
Metsäliitto Cooperative: member of the Board of Directors



Corporate Management Group

Erkka Valkila

born 1953, B.Sc. (Eng.)
President and CEO
has worked for SATO since 2003

Main positions of trust:
KTI Kiinteistötieto Oy: member of the Board of Directors
Suomen Talokeskus Oy: member of the Board of Directors
The Finnish Housing Fair: member of the Supervisory Board
Helsinki Region Chamber of Commerce: member of the Board of Directors,
chairman of the Housing and Regional Board
Finnish Association of Building Owners and Construction Clients: deputy chairman of delegation
Finnish Housing Reform Association ry:
deputy chairman of the Board of Directors
SFHP ry: member of the Board of Directors

Shareholding in SATO: 5,349 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

Main positions of trust:
Sponda Plc: member of the Board of Directors
Helsingin Osuuskauppa Elanto: member of the Board of Directors
Helsinki Deaconess Institute: member of the Social Work Board
Finnish Association of Building Owners and Construction Clients: member of the Investment Committee

Shareholding in SATO: 2,775 shares

Monica Aro

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

Shareholding in SATO: 350 shares

Katri Innanen

born 1960, LL.M.
Head of Legal Affairs
has worked for SATO since 1998

Shareholding in SATO: 850 shares

Pekka Komulainen

born 1958, M.Sc. (Eng.)
Vice President, Housing Development and Construction
has worked for SATO since 2004

Main positions of trust:
Finnish Association of Building Owners and Construction Clients: member of the Construction Client Committee

Shareholding in SATO: 2,775 shares

Harri Huttunen

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

Shareholding in SATO: 200 shares



Information for shareholders

Summons to the annual general meeting

The annual general meeting of SATO Corporation will be held at 9.00 a.m. on Thursday 29 March 2007 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 19 March 2007 has been entered as a shareholder in the company's register of shareholders maintained by Finnish Central Securities Depository Ltd.

Shareholders who wish to attend the annual general meeting must inform the company thereof no later than on Thursday 22 March 2007. The notification must be made in writing to the address SATO Corporation, Tessa Kaario, PO Box 401, FI-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 stated above. Possible proxies should be submitted to the company by the expiry for the registration period.

Payment of dividend

The Board of Directors has decided to propose to the annual general meeting that the company will pay EUR 7.25 per share in dividend for the year ending on 31 December 2006. Dividend would be payable to a shareholder who, on the date of record for the dividend payment, 3 April 2007, 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 12 April 2007.

Financial disclosures

The issue dates for interim reports in Finnish are as follows:
January – March 3 May 2007
January – June 10 August 2007
January – September 24 October 2007

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.

Shareholders, 31 December 2006

Varma Mutual Pension Insurance Company	23.4%
Kesko Corporation	16.5%*
Ilmarinen Mutual Pension Insurance Company	16.5%
Suomi Mutual Life Assurance Company	15.3%
SOK Corporation	8.7%
Pohjola Non-Life Insurance Company Ltd	6.2%
Wärtsilä Corporation	4.5%
Tapiola Insurance Group	2.3%
Turun Osuuskauppa	1.1%
Aktia Savings Bank Plc	0.8%
Other	4.7%

Turnover in SATO Corporation shares during the financial year was 27.2%.

The main changes in holdings of SATO Corporation shares during the year under review were as follows:

Nordea Bank Finland Plc and Nordea/KOP/Pension Fund sold a total of 336,492 shares in SATO Corporation to Suomi Mutual Life Assurance Company.

Kaleva Mutual Insurance Company and Sampo Life Insurance Company Limited sold a total of 254,156 shares to Varma Mutual Pension Insurance Company.

*] After the end of the year, on 7 February 2007, Kesko Corporation and Varma Mutual Pension Insurance Company have agreed to sell the shares in SATO Corporation held by Kesko to Varma. Varma's holding after the transaction will be 39.9 per cent.

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