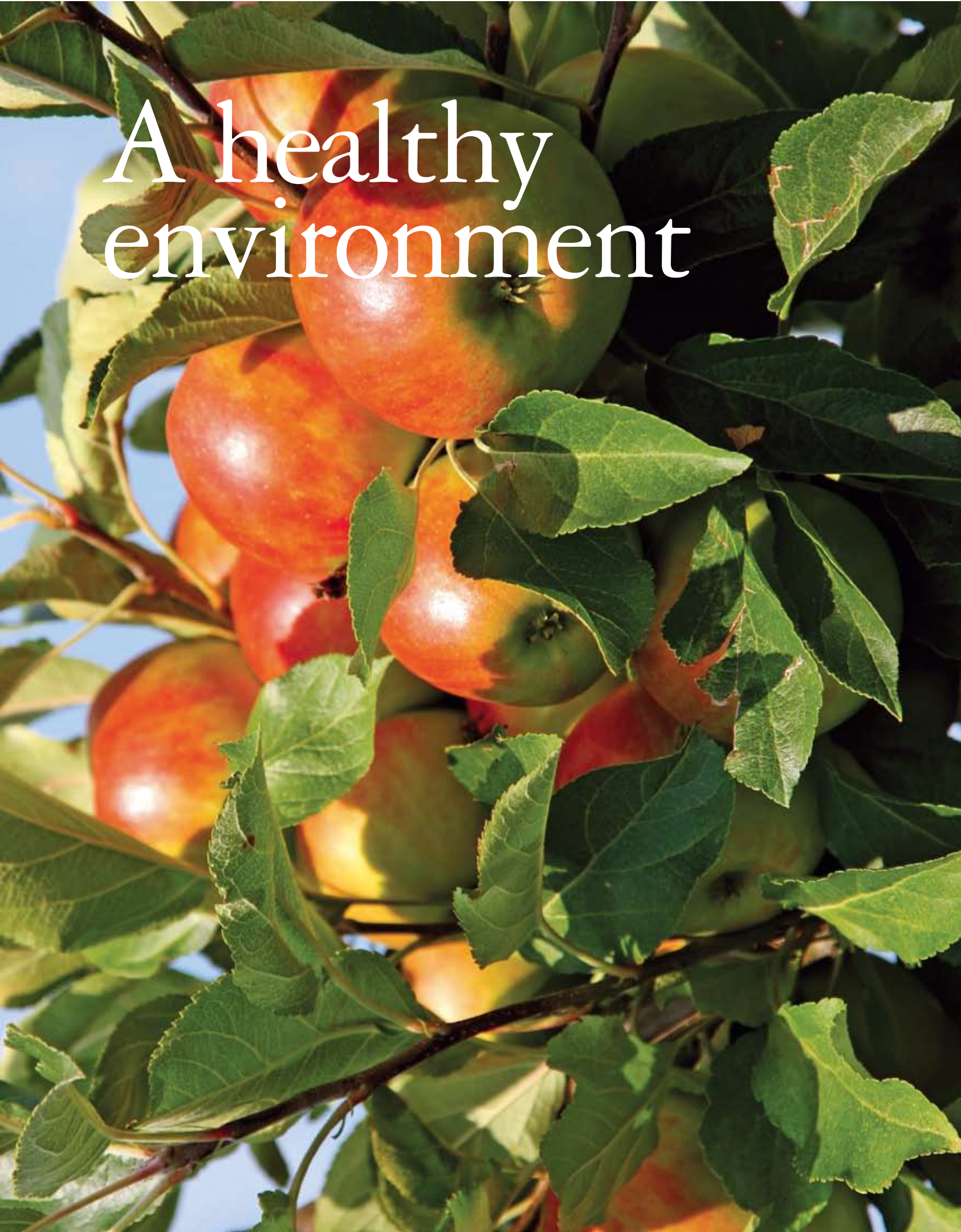





SATO
Annual Report
2008

Contents

SATO in brief	6
Financial footprint	8
Financial trend	9
SATO in 2008	10
Press releases in 2008	11
Review by the President and CEO	12
Business climate	14
Business area Investment in Housing	20
Business area Housing Development and Construction	26
Customer relationships	30
Personnel	32
Development work.....	34
Environmental responsibility	38
Annual report of the Board	40
Consolidated financial statements, IFRS	
Consolidated profit and loss account	44
Consolidated balance sheet	45
Consolidated cash flow statement	46
Calculation of changes in Group's shareholders' equity.....	47
Notes to the consolidated financial statements, IFRS	48
The parent company's financial statements (FAS)	
Profit and loss account	87
Balance sheet	88
Cash flow statement	89
Notes to the financial statements	90
Auditors' report	98
Key indicators	99
Corporate governance in the SATO Group.....	100
Board of Directors	102
Corporate Management Group	104
Information for shareholders	106
Contact information	107



A healthy
environment

A close-up photograph of a person's face, smiling, holding a red apple with a bite taken out of it. The person's nose and mouth are visible, and they are looking down at the apple. The apple is red with some yellow-green patches, and a bite has been taken out of the top, revealing the white flesh. The person's hand is visible, holding the apple. The background is dark and out of focus.

SATO acts energetically to limit the environmental impacts of climate change, for example, by reducing specific emissions of carbon dioxide resulting from its operations. The company's environmental programme is updated annually to attain the targeted reductions in emissions.

SATO in brief

SATO is one of Finland's leading corporate investors in housing. SATO owns all together some 23,000 rented homes in Finland's largest centres of urban growth and St. Petersburg. SATO's investment assets have a fair value of roughly 1.4 billion euros.

SATO's value proposition is 'A Home the Way You Want It', showing that operations are based on an understanding of the customers' housing needs and on providing the right kind of housing solutions. Boosting customer satisfaction is one of SATO's key objectives. The housing portfolio is improved dynamically to meet changing customer needs, through maintenance and repairs as well as by investment and divestment. In the past five years we have invested an average of 100 million euros and divested about 34 million euros per year. In the same period we have devoted an average of 26 million euros per year to repairs and upgrading the quality of homes.

SATO commissions new housing construction for the Group's investments and for sale. During the year under review, 567 homes were completed, 524 of them owner-occupied.

Most of the renting of homes is done at the offices of the SATO Housing Service. The number of leases signed per year is roughly 7,000.

SATO's personnel is comprised of about 160 housing professionals. The largest shareholders are Finnish pension companies and insurers.

The Group's turnover in 2008 was 232.4 million euros and the profit before taxes was 27.4 million euros. Operating profit was 70.3 million euros.

The mission

SATO is a provider of good housing.

The vision

Homes are our passion –
50,000 satisfied residents in 2020.

The business strategy

SATO

- owns, rents, develops and builds housing
- operates in Finland's largest centres of urban growth and St. Petersburg
- expands its housing portfolio profitably
- operates on a customer-driven basis and efficiently
- is a bold pioneer in its field and stands out through excellent service
- communicates its activities transparently

Strategic strengths

- a high profile
- centrally located housing
- excellent service
- quality guarantee
- network of skilled partners

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

The business model

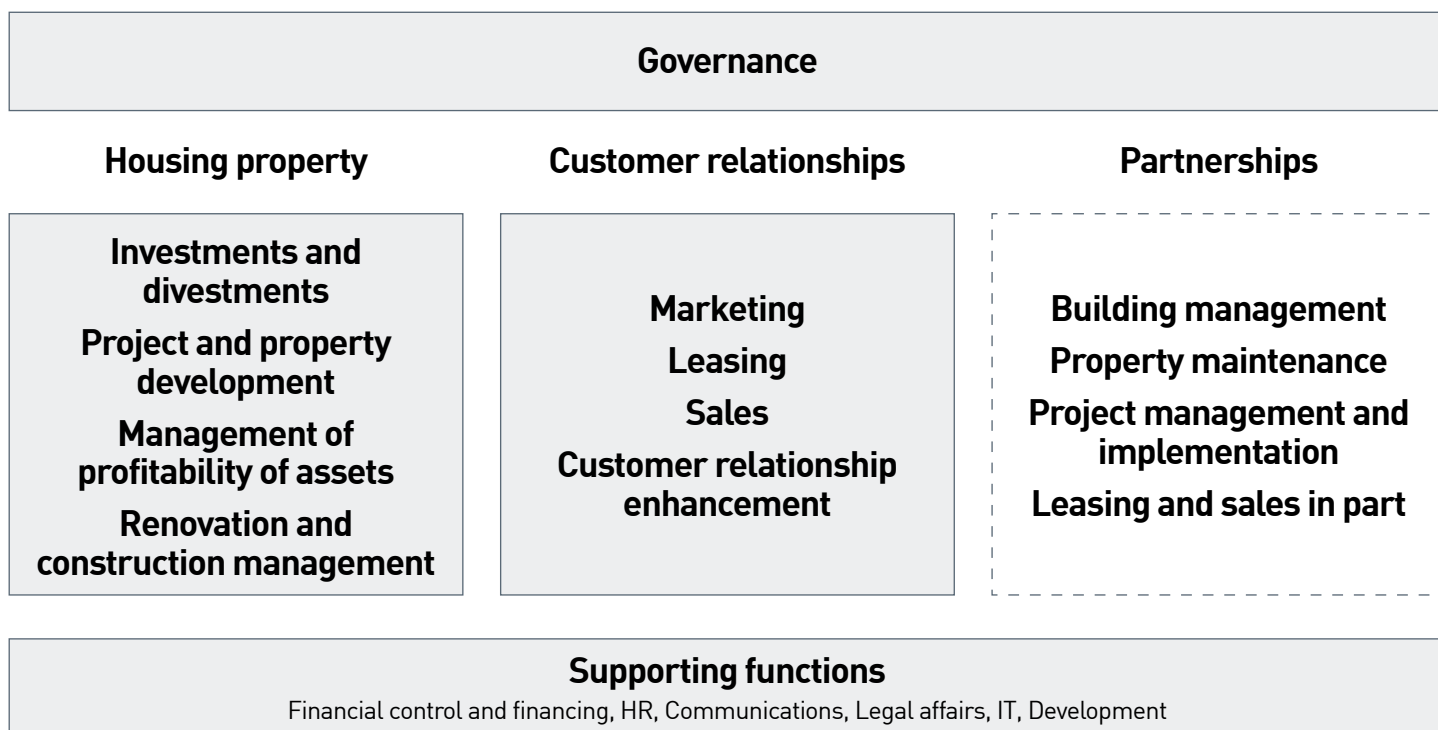
The main thrust in SATO's business is on expanding the competitiveness of the holdings of housing and the profitability of investment business as well as on managing and enhancing customer relationships. Work related to the management and maintenance of properties as well as the performance of renovations and construction projects is handled in cooperation with the network of partners.

Financial targets

SATO's policy on dividend is to pay at least 60 per cent of the freely distributable profit as dividend each year.* The amount of dividend may, however, be affected by the financing required for the company's investments.

SATO's equity ratio target, net of the non-profit VATRO Housing segment, is at least 25 per cent.

The business model



* Freely distributable profit is that part of the SATO Group's profits which can be remitted to the owners without hindrance under the so-called non-profit rules prescribed by legislation on state subsidies and interest subsidies.

Financial footprint

To the advantage of the stakeholders

SATO has been a pioneer of Finnish housing for almost 70 years. Healthy business is indelibly linked with good governance, an innovative attitude and these, combined with the channelling of business towards sectors of housing with good profitability, have permitted long-lasting business operations. The company has evolved from one of Finland's leading construction client for housing into one of the country's biggest housing investment corporations. Its steady cash flow enables the company to tend to its liquidity and to meet its obligations to its stakeholders reliably.

SATO has a direct influence on promoting wellbeing in society by maintaining, renting and developing its investment portfolio and by producing new homes. The assets invested in SATO's homes and properties are approximately 1.4 billion euros. The value of the investment properties is maintained through systematic lifecycle management.

Profitable operations have contributed to the welfare of the personnel and facilitated the development of innovations in housing. During the year under review, the combined total paid in salaries, wages and indirect employee costs was roughly 11 million euros.

SATO seeks to create long-term agreements with its partners to promote continuing business relationships. About 65 per cent of the earnings received from customers is paid to suppliers of raw materials, goods and services. During the year under review, the cash flow from the Group to subcontractors and partners totalled some 153 million euros.

With its dividend policy, SATO secures the commitment of the shareholders in the long-term development of the company. Dividends paid to the shareholders during the year under review were approximately 16 million euros.

In 2008, SATO paid 7 million euros to the state in direct taxes.

Sponsorship

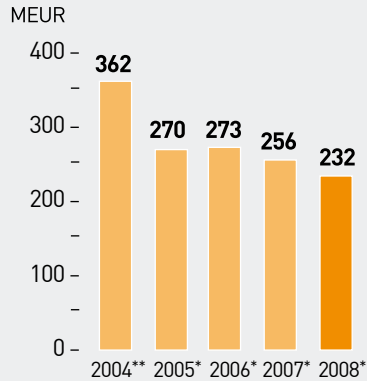
The money allocated to remembrance at Christmas was donated in December to the Finnish Nature League for its work in support of environmental education for young people. A number of social organisations for physical fitness and charitable causes were also supported.

Cash flows 2008

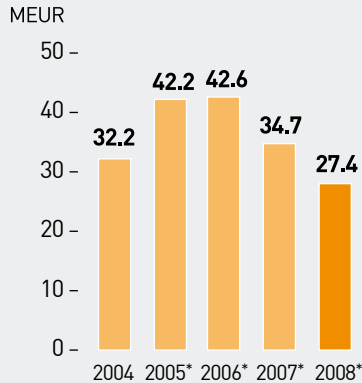


Financial trend

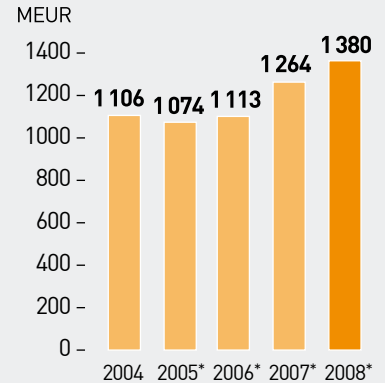
Group turnover 2004-2008



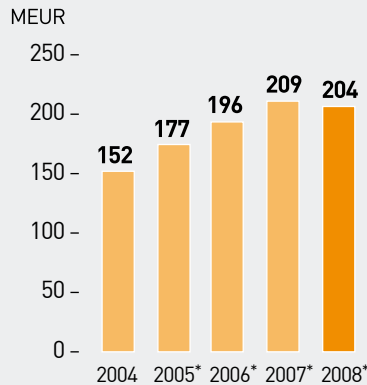
Group profit before taxes 2004-2008



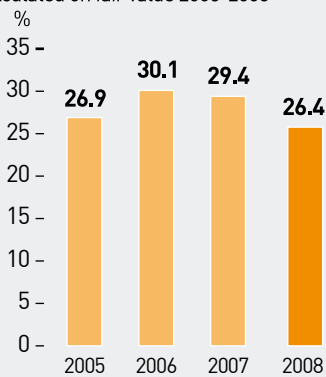
Consolidated balance sheet 2004-2008



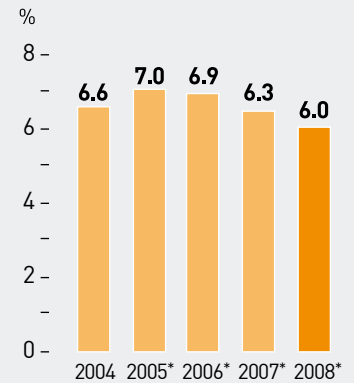
Shareholders' equity 2004-2008



Equity ratio net of the VATRO Housing segment, calculated on fair value 2005-2008

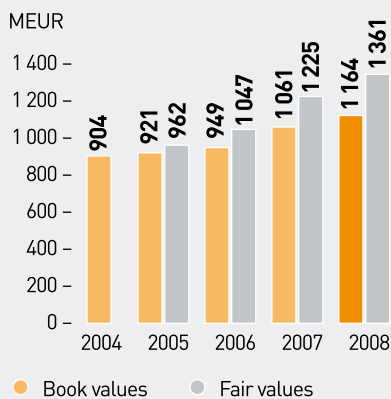


Return on investment 2004-2008

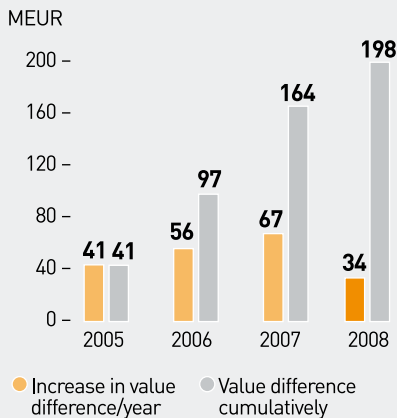


Investment in Housing

Trend in the housing portfolio, book values 2004-2008 and fair values 2005-2008

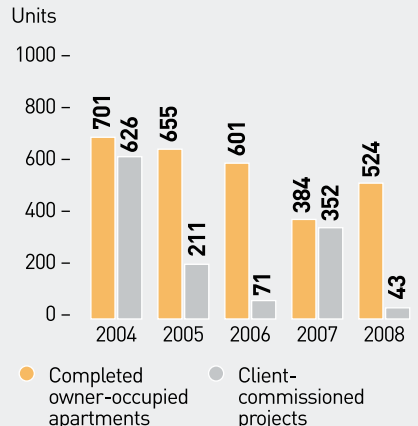


Change in value difference 2005-2008



Housing construction

Trend in housing construction 2004-2008



* IFRS

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

SATO in 2008

- Group's turnover MEUR 232.4
- rental income MEUR 159.0
- profit before taxes MEUR 27.4
- return on equity 9.9%
- return on investment 6.0%
- proposed dividend € 0.24/share, MEUR 10.7

Investment in Housing

- housing portfolio at year-end 22,400 homes, MEUR 1,163.5
- fair value of housing portfolio MEUR 1,361.3 (value difference MEUR 197.8)
- total of housing investments MEUR 134.0, of which in St. Petersburg MEUR 10.4
- divestments MEUR 25.0
- financial rental occupancy rate 97.8% and tenant turnover 30.2%
- the net profit posted by Business area Investment in Housing improved to 30.7 million euros

Housing Development and Construction

- completed homes 567, of which owner-occupied homes 524
- 232 owner-occupied homes under construction
- new plot acquisitions MEUR 6.0, roughly 11,000 square metres of floor area
- building land inventory at year-end for roughly 5,000 homes
- Business area Housing Development and Construction posted a net loss of 2.9 million euros

Financial key indicators	2008	2007
Turnover, MEUR	232.4	256.0
Profit before taxes, MEUR	27.4	34.7
Balance sheet total, MEUR	1,380.2	1,263.5
Return on equity, %	9.9	12.5
Return on investment, %	6.0	6.3
Equity ratio, %	15.0	16.8
Equity ratio, % net of VATRO Homes at fair values	26.4	29.4
Earnings per share, EUR	0.46	0.57
Equity per share, EUR		
– at book values, EUR	4.59	4.70
– at fair values, EUR	7.88*	7.44*
Dividend, MEUR	10.7**	16.0

Operational key indicators

Net rental income of rented homes, %		
– at book values	8.0	8.0
– at fair values	6.9	7.1
Occupancy rate of rented homes, %	97.8	97.1
Number of homes	22,400	22,387
Output of new homes, total	567	736
Output of owner-occupied homes	524	384

Personnel

Personnel, average	160	176
Personnel, 31 December	152	175

* deferred tax liability figured in

** Board's proposal to AGM

Press releases in 2008

30.1.2008

SATO buys 33 rented homes in the Haaga district of Helsinki.

30.1.2008

SATO buys an apartment building with 73 apartments and 38 individual homes in the Vuosaari district of Helsinki from Etera Mutual Pension Insurance Company.

31.1.2008

SATO buys a senior property completed in 1962 in the Maunula district of Helsinki from Vanhusten Turva ry.

12.2.2008

SATO signs a contract for the building management and property supervision for some 18,000 rented homes with YIT Kiinteistötekniikka Oy, Realia Management Oy and Juhola Management Oy.

13.2.2008

Financial statements bulletin 2007: SATO posted a good result in 2007 and invested strongly in both homes and plots of land.

4.3.2008

SATO increases the adaptability of homes. The pilot model Elements of Kitchen is completed.

5.3.2008

SATO buys all the apartments in a property scheduled for renovation on Lönnrotinkatu in Helsinki from Jealha Oy.

7.3.2008

Staffan Tast is appointed Director of the Foreign Investment unit of SATO Corporation's Business area Investment in Housing as of 6 March, based in St. Petersburg.

18.3.2008

SATO buys from NCC Construction Ltd a property called Asunto Oy Espoon Signaali 2 in the Leppävaara district of Espoo, which has a total of 45 rented homes.

27.3.2008

SATO's financial statements are adopted.

28.3.2008

In-house building management is wound up and the operations are transferred to SATO's service providers YIT Kiinteistötekniikka Oy and Realia Management Oy.

31.3.2008

SATO buys 111 rented homes in the Helsinki Metropolitan Area and Tampere.

2.4.2008

SATO buys 17 prestigious apartments in Helsinki city centre for renting out.

3.4.2008

VVO and SATO make a joint offer to buy AVARA shares.

7.4.2008

Sato-Rakennuttajat Oy and Palmberg-Uraoitsijat Oy win a plot allocation competition held by the city of Hämeenlinna for the Old Brewery area with their joint entry entitled "Tapio".

29.4.2008

Interim report for 1 January – 31 March 2008: SATO invested strongly in rented homes in the early months of the year.

14.5.2008

SATO encourages young designers to promote creative solutions for good housing.

21.5.2008

SATO, Senate Properties and Rakennus-Otava sign a letter of intent for the acquisition of a building site in the centre of Jyväskylä.

27.5.2008

SATO buys 48 rented homes on Snellmaninkatu in Helsinki from the Bank of Finland.

30.5.2008

SATO buys from Varma 53 rented homes in the Pansio district in Turku.

1.7.2008

The building management of SATO's properties formerly entrusted to YIT is transferred to Corbel as of 1 July 2008.

11.7.2008

Twenty new five-star SATO QualityHomes were completed in the Eiranranta district of Helsinki in June.

8.8.2008

Interim report for 1 January - 30 June 2008: SATO boosted its holdings of rented homes with 90 million euros in investments.

10.10.2008

The Long-lasting Masonry Building award goes to an owner-occupied project developed by SATO, Asunto Oy Tampereen Charlotta.

23.10.2008

Interim report for 1 January – 30 September 2008: Demand rising for SATO's rented homes.

5.11.2008

The city of Tampere grants a good construction mention of honour for SATO's owner-occupied property Asunto Oy Tampereen Charlotta.

14.11.2008

YIT and SATO embark on collaboration to develop senior housing.

18.11.2008

SATO's Partner of the Year for 2008 is declared: Agenteq Solutions Oy.

30.12.2008

Esa Neuvonen, M.Sc. (Econ.), is appointed SATO's Chief Financial Officer.

31.12.2008

SATO sells 174 rented homes to WH-Asunnot. The homes are in Lappeenranta and Lohja.

Review by the President and CEO



Strategic changes

For several years, SATO has carried out its growth strategy which is attuned to its Investment in Housing business. During the past five years, we have shifted our geographical emphasis through investments and divestments, with the result that almost 80 per cent of our housing property is now in the Helsinki Metropolitan Area. Our deployments in housing investments this decade have averaged roughly 100 million euros a year. Investment in Housing business is of key importance in SATO's values configuration, and the emphasis on this business is still gaining in strength. The expansion of our investment portfolio will be continued, through acquisitions and by leveraging our know-how in commissioning construction.

We will concentrate in our operations in the future on expanding the competitiveness of our housing property and the profitability of our investment business as well as on managing and enhancing our customer relationships. Duties related to the management and maintenance of properties as well as the management and implementation of renovation and construction projects will be handled in cooperation through the partnership network. In this way we will reduce the dependency of housing construction projects on cyclic variations in the output of owner-occupied housing.

Effects of the financial crisis

The financial crisis which has spread from the United States to Europe also affected the housing market in Finland during the year under review. The positive trend in the rented housing market grew in strength, but towards the end of the year demand for owner-occupied housing declined and the number of completed homes unsold increased. No sudden change in the market can be expected and SATO has adjusted its commissioning of housing construction in line with the state of the market.

Uncertainty in the financial market has made it difficult to obtain financing and interest margins have gone up, which makes it difficult to carry out new investments. The change in the economic situation is also making itself felt in St. Petersburg, where we will concentrate in the near future on rental business and on establishing our operations.

Good results with rental business

The renting of SATO's apartments has developed well, which is a consequence of systematically expanding the competitiveness of the housing portfolio as well as the market situation. The rental occupancy rate has risen to 98 per cent and the prospects for maintaining the current rental occupancy rate are good.

Growth of SATO's housing portfolio continued strongly

During the year under review, we continued the dynamic expansion of our rented housing portfolio, with investments standing at a total of roughly 130 million euros. Homes were purchased both in newly constructed projects and among the existing housing stock, and mainly in central locations in the Helsinki Metropolitan Area. Since demand for rented homes tends towards small units, we also continued to buy individual studio apartments. The investments also included five-star apartments, which are part of a new product segment for us.

Legislative projects to boost construction of rented homes

The availability of rented housing is important for the smooth running of trade and industry, and SATO has sought to wield influence in removing obstacles to the start-up of rented housing construction, which is almost at a standstill. We have proposed, for example, the abolition of non-profit restrictions and the adoption of short-term interest-subsidised lending facilities. In November, the Minister for Housing set up a committee to investigate whether there is a need to abolish present non-profit regulations. We await the results of the committee's work with interest.

A long-awaited reform of the legislation on property funds looks likely to be realised on the basis of the REIT model, although not quite in the form that was hoped for. The reform may, however, bring funds into the market that focus on investment in housing, with new capital for expanding the supply of rented housing, which will promote the balanced development of the market. The tax consequences of transferring assets do not permit the transformation of existing housing investment companies into funds.

An eventful year

The end of a year marked by a financial crisis is behind us, and the events of the year ahead are difficult to predict. SATO's personnel have worked with commitment and efficiency in the past year, for which I owe them my special thanks. I would also like to thank our customers, the members of the Board of Directors, the owners and other stakeholders for their collaboration in improving our business. With the help of this partnership, we are convinced that SATO's business will continue with success. And homes will always be needed.



Erkkka Valkila
President and CEO

Business climate

The overall economic trend

The uncertainty in the banking sector which started in the USA spread during the year under review to Europe and led to rises in margins on corporate loans and a dearth of lending. The availability of loans became problematic also in Finland, which affects SATO through possibilities for making new investments. In the second half of the year, most reference interest rates began to decline, which improves the prospects for operational profitability.

The financial crisis resulted in the end of a five-year period of uninterrupted growth in the global economy. The Finnish economy is also forecast to top out in 2009, but the extent of the downturn is hard to predict. Confidence indicators in industry, construction and the service sector were very low in December 2008. Unemployment is forecast to rise and this will be reflected in domestic consumption. The purchasing power of people with jobs is rising due to tax cuts and pay rises to take place in 2009 combined with the effect of lower interest rates and lower inflation.

Consumer confidence

In January 2008, consumer confidence in the economy was below the long-term average and the indicator for confidence was in December at its lowest since the recession of the 1990s. In particular, expectations of unemployment and for the Finnish economy had deteriorated in December to the lowest level in the history of the consumer survey, i.e., since 1987. However, consumers still rated their prospects for savings as good. In the prevailing atmosphere of confidence, large and long-term investments are being avoided, which increases demand for rented housing.

Population and migration

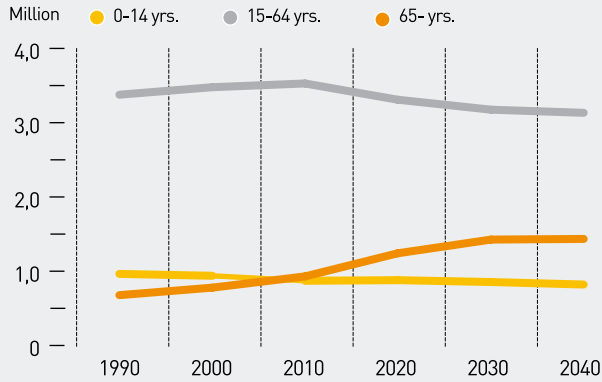
According to an estimate by Statistics Finland, the population of Finland grew during the year under review by 25,000. The increase was due to rising immigration. Birth rates were also at their highest for 12 years.

Migration between municipalities was still high, although less so than in the previous year. Urbanisation continues and the population of urban areas rose during the year under review by an estimated 33,000.

The number of households in Finland at the end of 2007 was approximately 2.5 million, of which 40 per cent consisted of one person. In Helsinki, 80 per cent of households are comprised of one or two people. Finland has one of Europe's fastest ageing populations.

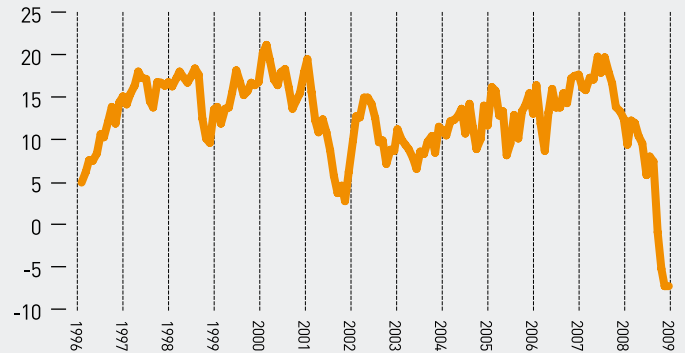
Due to urbanisation, SATO has concentrated its business and its holdings of rented housing in Finland's largest centres of growth, where we are still increasing the range of small rented homes and senior housing.

Age structure on Finns 1990-2040



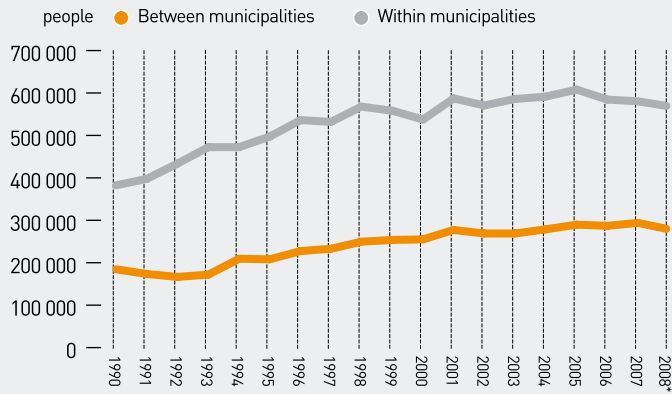
Source: Statistics Finland

Consumer confidence indicator



Source: Statistics Finland

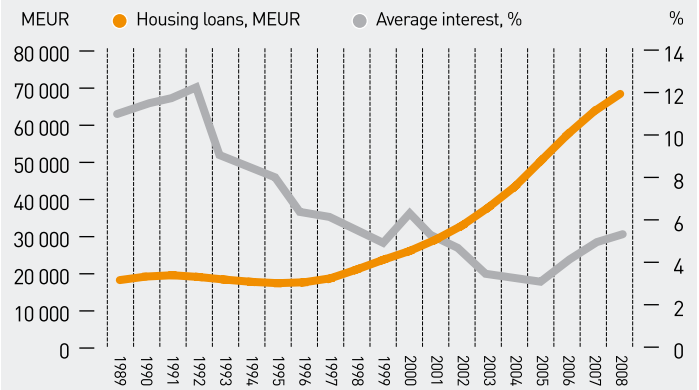
Movement between and within municipalities



Source: Statistics Finland

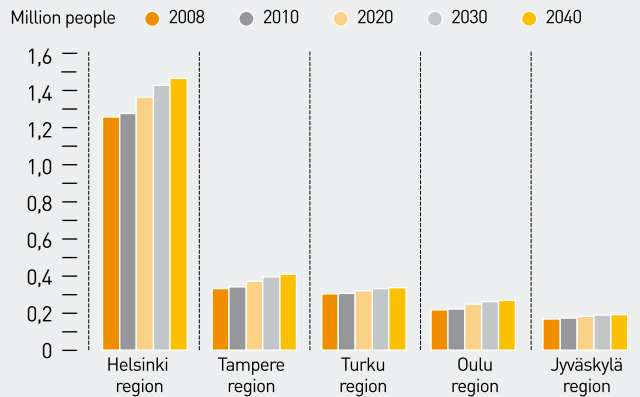
*advance information

Housing loans and average interest rate



Source: Bank of Finland

Forecast population



Source: Statistics Finland

Households by type of hold and number of members 2007



Source: Statistics Finland

Construction

In 2008, the volume of housing construction was down on the previous year by 16 per cent and during the year there were some 26,000 housing starts. According to forecasts, volumes of production will decline further in 2009, when building starts are likely to amount to fewer than 20,000 homes. As construction has a broad impact on employment, the government has planned to launch action to revive construction. One proposed such action is to boost rented housing construction.

The rented housing market

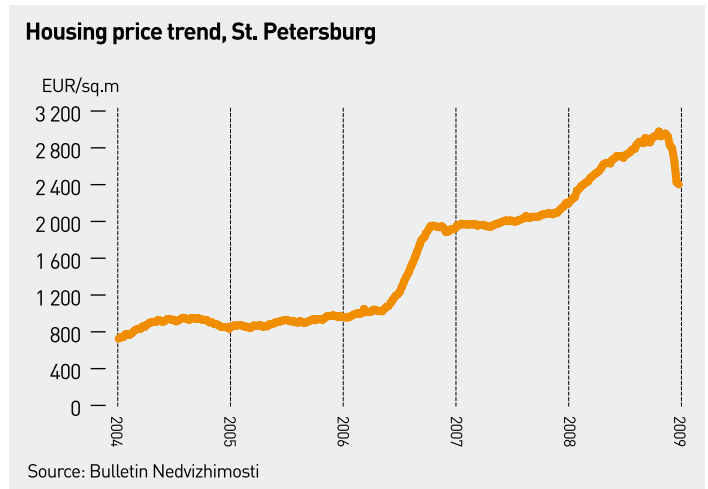
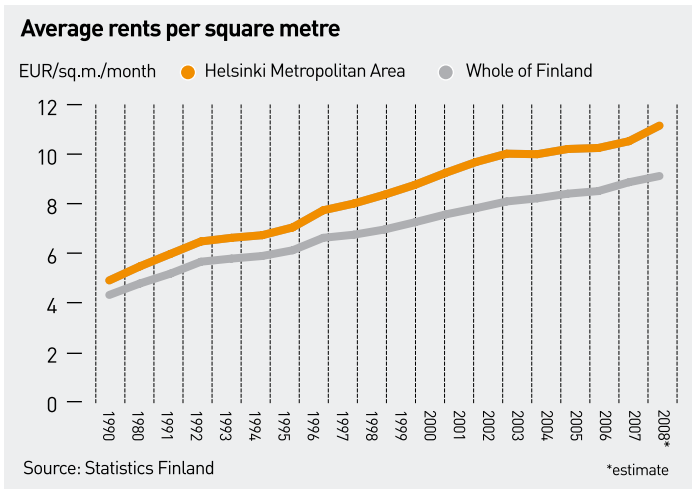
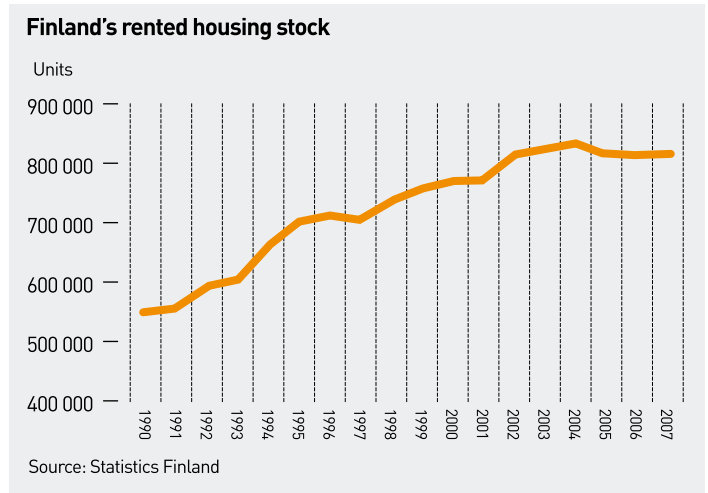
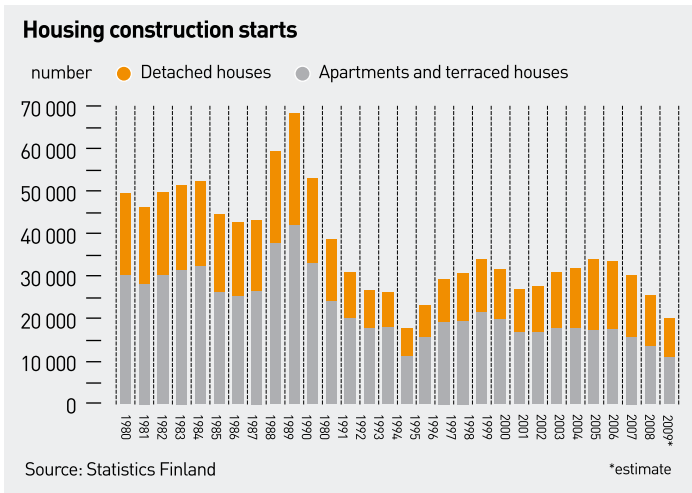
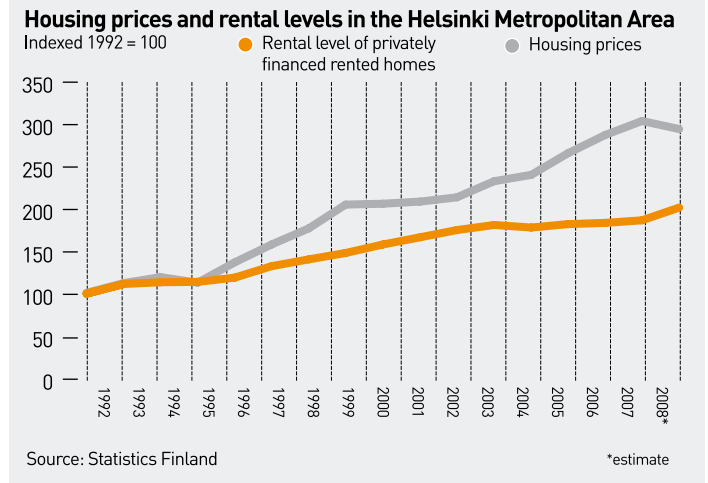
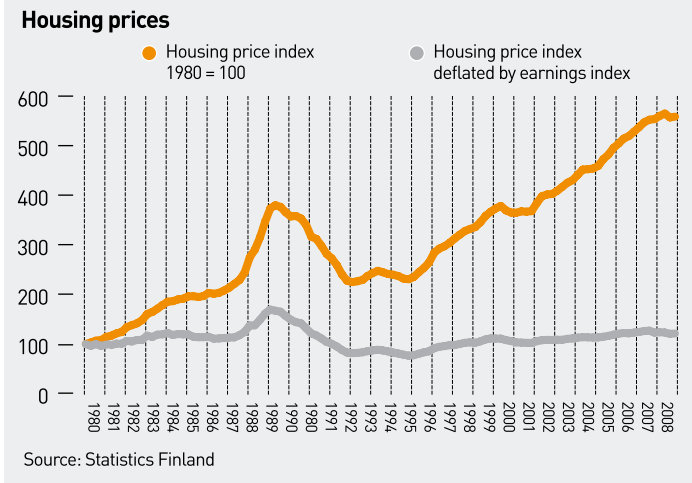
Demand on the rented housing market has grown further due to the general economic trend. The supply of rented housing has remained unchanged for some years, and there is a shortage in the centres of growth of small rented homes in particular. In the past ten years, the rate of rises in rent has been distinctly below the trend in housing prices. In the years ahead, rents will rise faster than before, also taking into account the rise that has taken place in building maintenance costs. Due to rising demand for rented housing and the trend towards higher rents, SATO's rental income will also be rising.

The owner-occupied housing market

In the first half of the year under review, new housing loans were taken at almost the same rate as in the previous year. After the summer, growth in the housing loan portfolio slowed markedly and in October new loans were being taken at a rate almost 40 per cent below that of the previous year's October. The same occurred in house purchases. During the first half of the year, there were more purchases than during the same period in 2007. Later in the year the number of house purchases crashed, selling periods grew longer and prices fell. Due to the state of the market, SATO's output of owner-occupied housing will remain low.

St. Petersburg

Due to the financial crisis, growth in foreign investment in Russia came to a halt in the autumn and a downturn in energy prices increased economic uncertainty. The volume of housing construction in Russia is estimated to have been on a par with the previous year's level in 2008 but it is expected to fall in 2009. A downturn in housing prices is also expected. In this economic situation, SATO will concentrate on renting out the homes acquired and on stabilising business operations.





Sustainable financial growth



As a result of its steady cash flow, SATO is able to attend to its liquidity and to meet its obligations to its stakeholders reliably.

Business area Investment in Housing

Turnover and profit

The turnover from Investment in Housing in 2008 was 159.0 (152.0) million euros, of which the SATO Housing segment's turnover was 121.3 (114.2) million euros and that of the VATRO Housing segment 37.7 (37.8) million euros. The business area's profit before taxes was 30.7 (29.3) million euros, of which the SATO Housing segment's profit before taxes was 28.5 (27.7) million euros and that of the VATRO Housing segment 2.2 (1.6) million euros. Of turnover, rental income was 159.0 (151.6) million euros. The profit from rental income was 21.0 (22.5) million euros and the capital gains on divestments were 9.7 (7.1) million euros.

Investment properties

On 31 December 2008, SATO had a total of 22,400 (22,387) homes, of which 21,008 (20,939) were rented homes, and 1,392 (1,448) were shared ownership apartments. The book value of investment properties was 1,163.5 (1,060.6) million euros and the fair value was 1,361.3 (1,224.9) million euros. Through investments and divestments during the year under review, the housing portfolio grew by 102.9 (110.9) million euros. The number of homes increased by 13 (decline of 161). The difference between fair and book value as at 31 December 2008 was 197.8 (164.3) million euros.

SATO's Investment in Housing business includes both privately financed and state subsidised housing property, of which the latter is affected by restrictions set by housing legislation at both the company level and for individual properties. There is a total of 752 properties. The Group also holds 50 per cent of Suomen Asumisoikeus Oy, which at year-end held 13,856 (13,856) right-of-occupancy housing units.

SATO's housing investments are divided into two segments for purposes of financial reporting, SATO Housing and VATRO Housing. SATO Housing includes all the privately financed homes and those housing units subject to state subsidies and interest

subsidised credits to which property-specific restrictions end during the period 2008–2025. Of SATO's investment properties, roughly 62 per cent by book value were free of the restrictions of state subsidies and interest subsidised credits as at 31 December 2008. St. Petersburg business is also part of the SATO Housing segment. VATRO Housing includes those housing units which are subject to longer-term property-specific restrictions under legislation on state subsidised loans. These restrictions will end by approximately 2047.

The principles of valuation for investment properties

SATO applies the historical cost method to investment properties and states the fair value of the investment properties in a note to the financial statements and interim statements. The fair values of the investment properties are determined as a result of an in-house assessment, and an external specialist makes a statement on the valuation for the financial statements. The model for determining the fair value of the investment properties was created in cooperation by SATO and an external specialist.

The fair values of SATO's investment properties are based on the following:

- the market value in properties where the homes are freely to be sold,
- the yield value for properties which can be sold only by complete buildings and to a restricted number of buyers,
- for state subsidised properties financed with ARAVA loans, at the remaining historical cost shown in the accounting.

In the market value method, the comparison information for traded prices is for the 24 months prior to the assessment date.

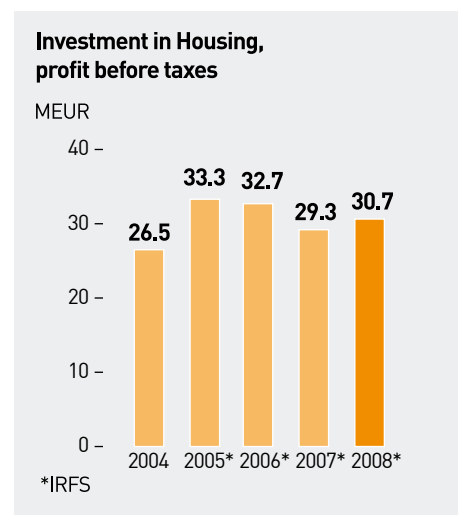
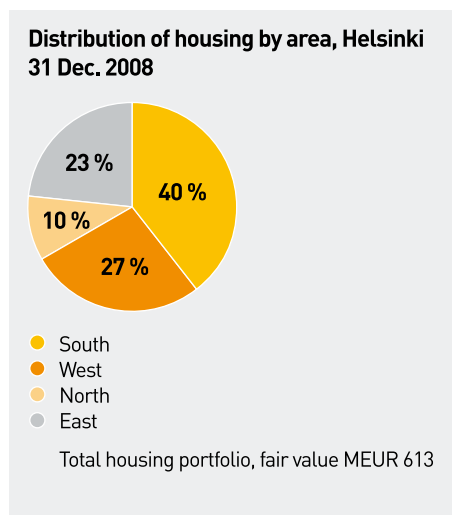
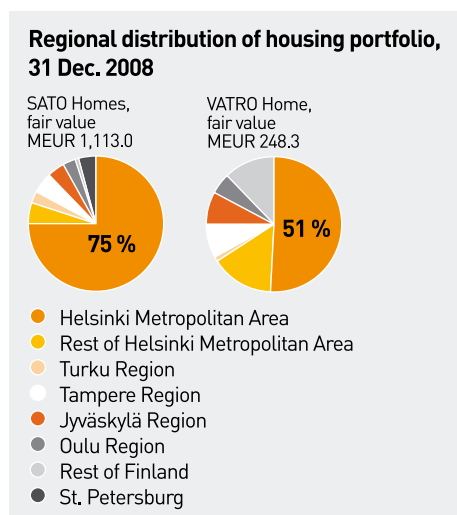
Rental business

The Group's average monthly rent per square metre in 2008 was EUR 10.87 (EUR 10.26) for rental housing and EUR 9.11 (EUR 8.98) for shared ownership apartments. The average increase in rent for valid leases was 4.5 (3.1) per cent. The change in rents per square metre of rental homes averaged 5.9 (4.9) per cent on the previous year. This increase was a result of changes in the structure of the housing portfolio, rent increases, and the effect of new leases. The financial occupancy rate of rental homes during the period under review averaged 97.8 (97.1) per cent and that of shared ownership apartments was 100.0 (99.8) per cent. A drag was exerted on the financial occupancy rate by units which were vacant for renovation and for sale. The tenant turnover of rental homes in 2008 was 30.2 (30.7) per cent and that of shared ownership apartments was 10.9 (10.4) per cent. The net rental income on the book value of rental housing was 8.0 (8.0) per cent and 6.9 (7.1) on the fair value.

Renting business in St. Petersburg got under way in autumn 2008 after the first investment properties were completed. The average monthly rent per square metre in St. Petersburg was EUR 33.23.

Investments and divestments

The strategic intent of investment business is to expand SATO's holdings of housing by purchasing rented homes for a value of roughly 100 million euros per year. The main thrust in investment is in the SATO Housing segment. Purchases focus primarily on rented homes in the Helsinki economic zone, on senior housing in the Helsinki Metropolitan Area, and on expanding investment in housing in St. Petersburg.

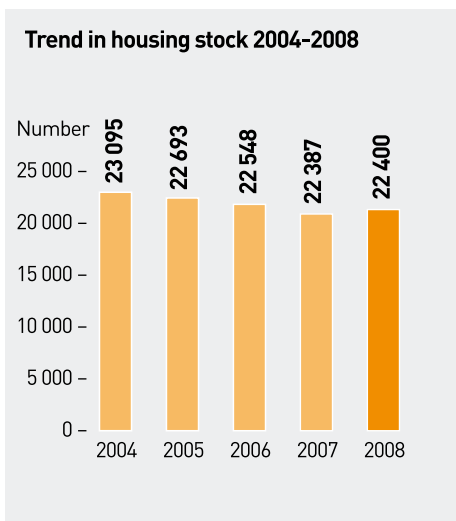
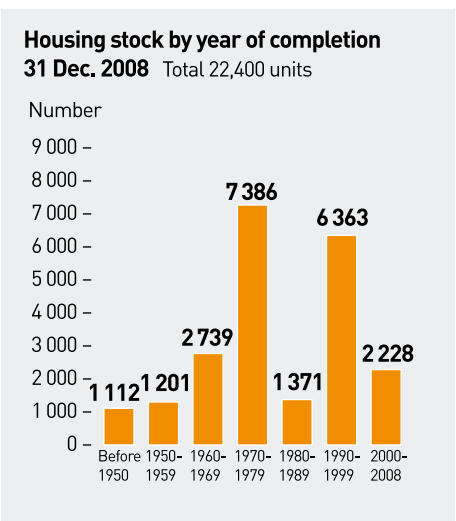
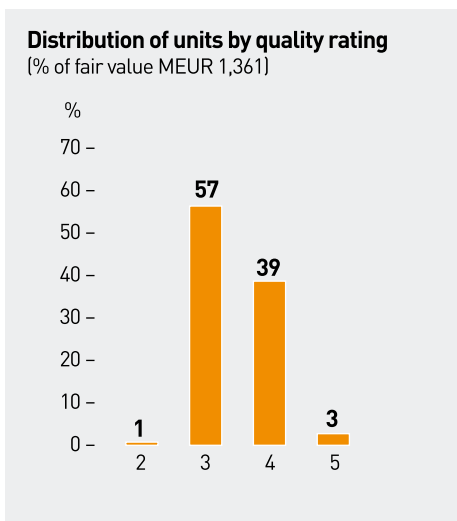
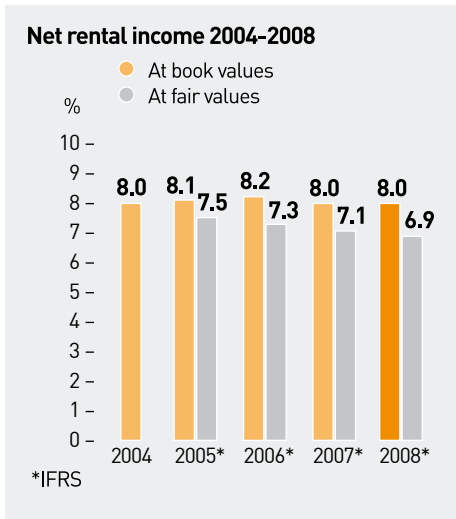
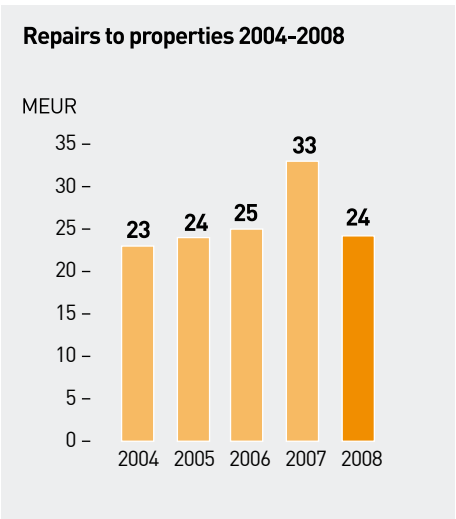
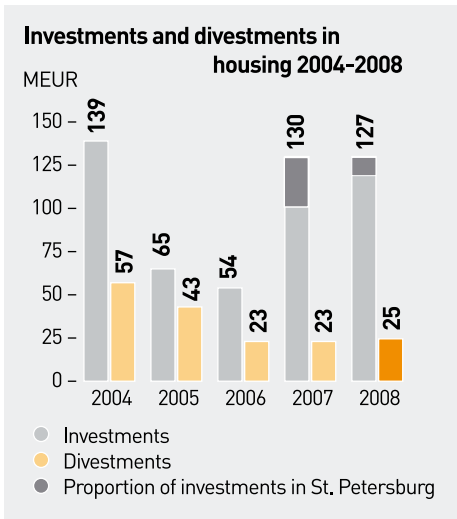


In 2008, the total invested in housing was 127.4 (130.0) million euros, and this was mostly allocated to the SATO Housing segment. Investments were used to acquire a total of 628 (607) rented homes, of which 84 (74) were newly built. Of the acquired homes 509 were located in the Helsinki Metropolitan area. The main investments were 111 homes in the Vuosaari district of Helsinki acquired from Etera Mutual Pension Insurance Company, 111 homes in the Olari district of Espoo, in the Havukoski district of Vantaa and the Hervanta district of Tampere acquired from Taitokaari Oy, and a total 103 homes in Helsinki city centre. Binding contracts for new investments in Finland also totalled 21.0 million euros.

A property purchased in the Eiranranta district of Helsinki in 2006 was completed in June. At the end of the year under review, a total of 170 rented homes were under construction in Finland to be owned by the Group.

Investments made in St. Petersburg by the end of 2008 amounted to 39.0 (28.6) million euros. Binding purchase contracts were also made for 8.4 (13.7) million euros. The properties acquired are in the centre of St. Petersburg, on the islands of Krystovsky and Petrogradskaya, and in Smolny. The properties will have a total of 72 apartments.

SATO continues the active development of its rented homes portfolio by divesting its properties located outside the growth centres. The aim is to consolidate the rental homes in roughly thirty municipalities. The division of the room layout in rented homes is developed to meet the demand for rented homes, bearing in mind particularly the rising demand for homes with a small net leasable area. The value of housing divestments in 2008 totalled 25.0 (23.2) million euros. A total of 584 (712) rental homes were sold from the Group's housing portfolio. Also, residents in shared ownership apartments purchased ownership of 17 (78) homes in all. The most significant transaction during the period under review was the sale of a total of 174 apartments to WH-Asunnot.



Lifecycle management and maintenance of properties

The allocation of building repairs is based on lifecycle plans and on repair needs analyses. Repairs to apartments are focused on maintaining and enhancing the standard in line with the quality rating. During the year under review, a total of 23.8 (32.6) million euros was used for repairs to the housing portfolio. Of the repair expenses, a total of 5.9 (13.5) million euros was capitalised at the acquisition cost.

During the year under review, fixed-interval refurbishment operations were begun for apartments. The condition of all SATO's rented homes will be inspected at fixed intervals and small defects requiring repair found during the inspections will be fixed. During 2008, fixed-interval refurbishments were carried out on a total of roughly 4,800 homes. During the year, the improvement of buildings' energy efficiency was also continued with consumption monitoring, installation of water-conserving plumbing fittings, and inspections of HEPAC regulators.

Partnering

The goal of partnering operations is to implement SATO's strategic goals using the best expertise and at maximum efficiency. Well-known and reliable service providers are selected with the expertise necessary to fulfil SATO's value proposition. Cost-efficiency is secured

with the aid of competitive tendering on price. In strategic procurements, we aim for partnering solutions with long-term contracts. Partnership management is executed in a targeted way and interactively in accordance with a management system created by SATO and developed together with the partners.

Building management, maintenance, cleaning and most dwelling-specific repairs are handled with the help of partnership contracts. Building management and supervisory contracts were renewed for a three-year period during the year under review, in connection with which SATO wound up its in-house building management operations.

Outlook for the near future of Investment in Housing

Due to the overall economic situation in growth centres, demand for rented housing has gained in strength and the positive trend will continue. Rents will rise under the influence of a long-lasting trend in rents being at below the price trend of homes and due to rising costs. In rental business, SATO will concentrate on maintaining favourable profitability and on enhancing customer service. Due to the state of the financial market, SATO's investments in 2009 will be smaller than in the previous year.

Information on Investment in Housing by segments

	SATO Housing 1-12/2008	VATRO Housing 1-12/2008	Total 1-12/2008	SATO Housing 1-12/2007	VATRO Housing 1-12/2007	Total 1-12/2007
Turnover, MEUR	121.3	37.7	159.0	114.2	37.8	152.0
Profit before taxes, MEUR	28.5	2.2	30.7	27.7	1.6	29.3
- incl. proceeds from divestments, MEUR	9.1	0.6	9.7	6.7	0.4	7.1
Net rental income of rental homes, %						
- of book value	8.0	7.9	8.0	8.1	7.7	8.0
- of fair value	6.6	7.9	6.9	6.9	7.7	7.1
Financial rental occupancy rate of rented homes, %	97.5	98.6	97.8	96.8	98.3	97.1
Tenant turnover, %	30.2	30.4	30.2	30.0	32.5	30.7
Average rent. €/sq.m./month	11.15	10.01	10.87	10.46	9.70	10.26
Gross investments, MEUR	133.3	0	133.3	148.1	0	148.1
Divestments, MEUR	16.8	8.2	25.0	17.5	10.0	27.5
Repairs, MEUR	19.2	4.6	23.8	27.5	5.1	32.6
	31.12.2008	31.12.2008	31.12.2008	31.12.2007	31.12.2007	31.12.2007
Number of rented homes	15,886	5,122	21,008	15,655	5,284	20,939
Number of shared ownership homes	1,392	0	1,392	1,448	0	1,448
Investment properties'						
- book value, MEUR	915.2	248.3	1,163.5	800.5	260.1	1,060.6
- fair value, MEUR	1,113.0	248.3	1,361.3	964.8	260.1	1,224.9
Difference in value, MEUR	197.8	0	197.8	164.3	0	164.3

Business area Housing Development and Construction

Turnover and profit

The turnover of Housing Development and Construction in 2008 was 80.4 (109.5) million euros. The turnover figure includes 7.0 (5.4) million euros in internal sales.

In accordance with IFRS accounting standards, developer/client projects have been booked as income in accordance with the overall percentage of completion. The profit before taxes of Housing Development and Construction was -2.9 (5.4) million euros. The profit includes proceeds from sales of plot divestments in the amount of 2.3 (0) million euros, a loss of 5.8 million euros related to a single project and impairments in the amount of 2.1 (0.0) million euros applied to unsold owner-occupied housing.

Housing output

During the year under review, 567 (736) housing units were completed, of which 524 (384) were owner-occupied housing units and 43 (352) homes were on client commissioning projects. The main owner-occupied projects completed were for Asunto Oy Tampereen Charlotta, Asunto Oy Turun Ipnoksenrinne and Asunto Oy Helsingin Tuohiaukio.

The property completed in the spring for Asunto Oy Tampereen Charlotta won the Lasting Masonry Building of the Year award in October and in November the City of Tampere granted the project a mention of honour in the Good Construction of 2008 competition. The property for Asunto Oy Tampereen Charlotta is a complex of six multi-storey apartment buildings built with quality and respect for history in the Finlayson area.

At the turn of the year, 345 (662) new housing units were under construction, of which 232 (619) were owner-occupied, 21 (0) were Group investment apartments, and 92 (43) were homes in client commissioning projects. The acquisition value of the owner-occupied properties totalled 58.2 million euros, of which properties in the Helsinki Metropolitan Area constitute roughly 69 per cent. The major building starts during the year under review were Asunto Oy Tampereen Linnanrouva and Asunto Oy Vantaan Vehka.

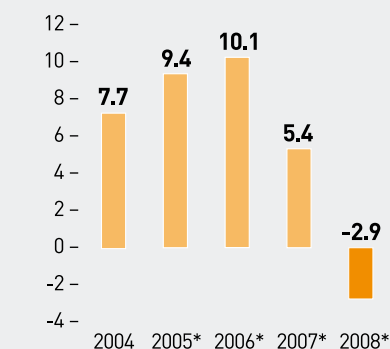
Unsold at the end of the period under review were 63 (40) completed owner-occupied homes and 147 (273) under construction.

Plots

At the end of 2008, SATO held land with zoning permission for construction of housing amounting to roughly 219,000 square metres of floor area. In addition to this, the permitted building volume based on plot reservations and letters of intent totalled roughly 127,000 square metres of floor area. Projects under zoning development are estimated at a total of roughly 75,000 square metres of floor area. Together, these will permit the construction of more than 5,000 homes if the letters of intent and zoning targets are implemented. The value of the building land inventory as at 31 December 2008 was 69.6 (67.6) million euros.

Housing Development and Construction, profit before taxes 2004-2008

MEUR



*IFRS

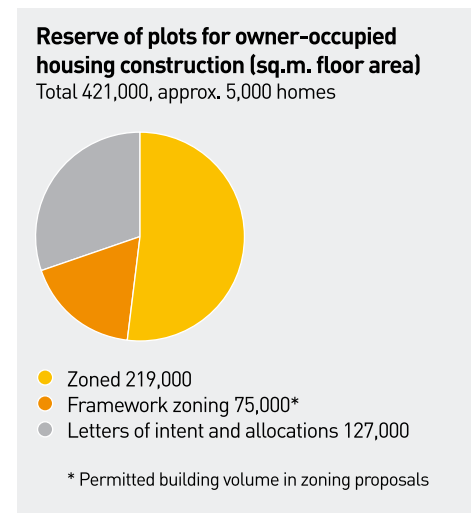
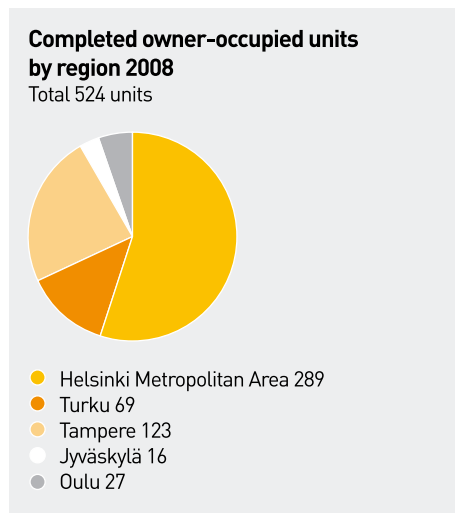
In 2008, a total of roughly 6.0 (37.6) million euros was invested in land with a combined total of approximately 11,000 square metres of floor area in permitted building volume, which enables the construction of a total of roughly 140 homes. Together with Palmberg-Urakoitsijat Oy, SATO won a plot reservation competition held by the City of Hämeenlinna for the Old Brewery area. After a change in planning permission, roughly 5,500 square metres of floor area in permitted residential building volume is scheduled for the plot. In Jyväskylä, a letter of intent was signed with Rakennus-Otava Oy for developing a building area in the centre of city aiming for a total of roughly 10,000 square metres of floor area in permitted residential building volume. The land-use plan for the Valimonmäki district of Jyväskylä came into effect in early 2008. The plan allows permitted building volume for the construction of a total of 100–120 apartment buildings. A plot reservation for roughly 6,000 square metres of floor area in Laajasalo was obtained from the City of Helsinki, and plot reservations were received from the City of Vantaa for roughly 4,000 square metres of floor area in Ylästö and roughly 5,300 square metres of floor area in Mar-

tinlaakso. Plots for apartment buildings were purchased in the centre of Tapiola with a total permitted building volume of approximately 6,400 square metres of floor area, and the intention is to build senior apartments for sale and rent on these plots.

Roughly 13,000 square metres of floor area of the Group's land inventory was transferred to production. The value of the owned plots sold or transferred to construction totalled roughly 2.2 (9.2) million euros.

Outlook for the near future

During the year under review there was a substantial change in the state of the housing market due to uncertainty in the financial market. Consumer confidence dipped sharply during the year under review and there was a marked downturn in the demand for owner-occupied housing. Due to the state of the market, the volume of owner-occupied housing construction will stay low in 2009.



A functional
environment for
living in





SATO's rented homes are in the largest growth centres, situated in areas with good transport connections and services. To promote amenity value, SATO encourages residents to engage in community action by arranging customer events and activating residents' activities in the properties.

Customer relationships

Because of its many years of experience in the market, SATO has the ability to understand emerging needs in housing and to provide solutions to match. The offering is developed on the basis of SATO's value proposition – 'A Home the Way You Want It'.

Aiming for satisfied customers

SATO's rented homes are used by roughly 35,000 residents, whose comfort level SATO is responsible for together with the partners who attend to the properties. Caring for customer relationships is our core function, and we devote efforts to constant improvement of the quality of our apartments, the service experienced by the customer, and the community of residents. Success in this mission is measured with customer feedback collected at various stages. The results of the customer satisfaction survey conducted among people living in rented homes and buyers of owner-occupied home since 2004 indicate an increase in customer satisfaction from the starting level of 3.4 to 3.8 in the year under review (scale 1-5). In the long term, we are aiming to reach level 4.

Stars predict the quality of rental homes

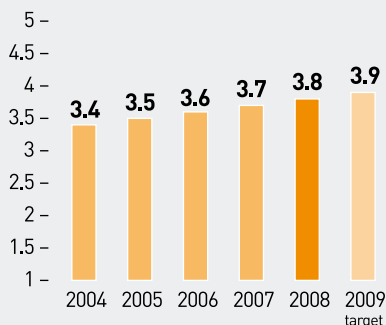
To give the customer an accurate picture of the quality of the home he or she is going to rent, SATO has developed a star system of quality ratings for its homes. The apartments are marketed under the name SATO QualityHome. The location, materials and condition of the rented homes determine the number of stars. Most of SATO's apartments are three- or four-star homes and are in good condition. When the lease is signed, we issue a written quality guarantee for the apartment, assuring that its condition and quality are up to the rating. The quality guarantee also entails fixed-interval refurbishments of the apartment. SATO spent a total of 24 million euros on maintaining or improving the quality of properties and homes in 2008.

Flexible service and advantages for the customer

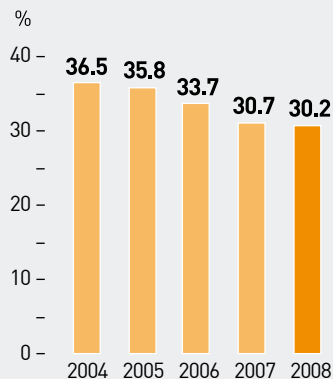
SATO signs some 7,000 leases a year. We provide our customers with flexible advantages – for example, we are the only landlord to offer two alternative rent payment days and two alternative notice dates for people

Customer satisfaction 2004-2008 and target 2009

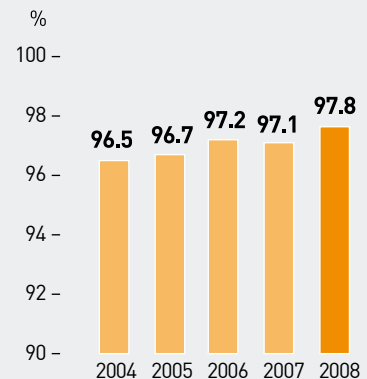
Investment in Housing and Housing construction, average



Tenant turnover 2004-2008



Financial occupancy rate of rental housing 2004-2008



moving out. On our internet service, residents can find willing parties to swap homes and long-term customers have a possibility to use a home-swap benefit. Long-term customers also have the opportunity for a refund of their deposit. For five-star homes, we also offer a furnishing service.

SATO has negotiated advantages with corporate partners for SATO customers purchasing their services. Examples include advantages from specific interior design firms, broadband connection providers, cleaning service providers, and removals operators.

Interaction between residents

As a major landlord, SATO has an opportunity to encourage its residents to take part in community action by supporting, for example, events for particular buildings and areas, and by arranging hobby activities and cultural events. The residents jointly choose a theme for the year, and in 2008 the theme was interaction. Regional events were organised, inspired by the theme for the year. The theme of interaction also continues in 2009.

Housing and care for the ageing

SATO SeniorHome offers housing plus home help and care services, provided by our partners. On the basis of

the need analysis carried out with the service director, a customer can order precisely the right services for him or her.

Customised owner-occupied homes

SATO PlusHome offers alternatives for the floor plan of the chosen home as well as varied ranges created by an interior designer to facilitate the choice of materials and fittings for each home. A sophisticated online service and skilled personnel assist the customer to individualise the home to match his or her tastes. SATO provides a quality guarantee that a new owner-occupied home will match the promised standard of quality when it is completed.

Customers of the Year

Since 2005, SATO has presented a yearly award to a resident living in a rented home and a customer who has bought a newly built owner-occupied home who have acted to stimulate cooperation and amenity value. In 2008, Customers of the Year were chosen in both business areas, Investment in Housing and Housing Development and Construction, who had acted in an exemplary way to promote the success of a project under way in their buildings and the success of partnership.

SATO's service concepts

<p>Rented homes SATO QualityHome - quality-rated homes</p>	<p>Rented and owner-occupied homes SATO SeniorHome - nursing service in addition to a home</p>	<p>Owner-occupied homes SATO PlusHome - possibilities for customisation</p>
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Personnel

At the end of the year under review, SATO had 152 employees, of whom 146 were in permanent employment. The average age of the personnel is 46 years.

Wellbeing at work

Successful work by supervisors is one of the most important factors affecting personnel wellbeing on the job at SATO. In 2008, SATO continued the improvement of managerial and supervisory work by arranging two joint training days in the spheres of the strategy process, hallmarks of leadership, and supervisor communications. The hallmarks of leadership chosen for SATO were 'target-orientation, entrepreneurial spirit, and respect and transparency'. Matters related to on-the-job wellbeing are also regularly discussed by a group consisting of management and personnel representatives.

Efforts were devoted to enhance the personnel's on-the-job fitness and working capacity, for example with an approximately 30,000 euro deployment in exercise and recreational work. Work was also done on on-the-job fitness activities by arranging exercise opportunities. In autumn 2008, inspections of workstation ergonomics by the occupational health committee were continued and recommendations were made. Work safety issues have been consolidated in the hands of the Workplace Safety Committee, which convened four times during

the year under review. During the year under review, absences due to sickness were 5.8 days per employee.

It was decided to revamp the personnel survey and carry it out every year in the future.

Expertise and incentives

In personnel training, work was done on enhancing customer service and the service culture, and training sessions in languages, computer skills and first aid were held. The entire personnel congregated in the summer at a two-day SATO symposium, where the theme was the rollout of the value proposition in practice.

During the year under review, a review of SATO's incentive system and bonus system was started, with the aim of introducing a new system in 2010.

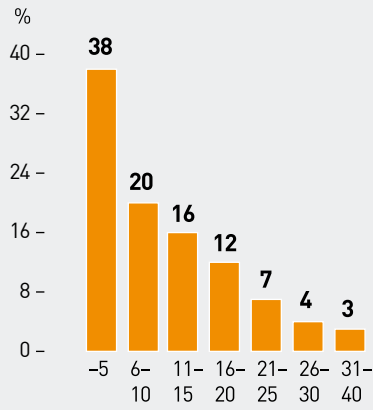
Value awards

On the basis of supervisors' recommendations about their personnel, employees who perform their job in an exemplary way in accordance with the values of SATO are rewarded with honorary mentions. Also, annually the personnel choose an employee as the 'SATO Employee of the Year'. The SATO Employee of the Year chosen for 2008 has shown exemplary collaborative skills and professional skill development through work.

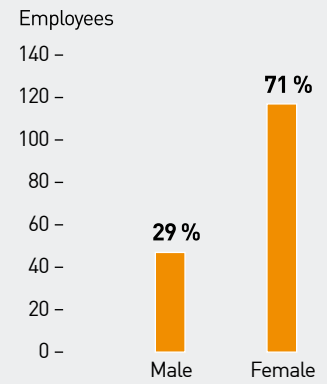
Personnel at year-end 2004-2008



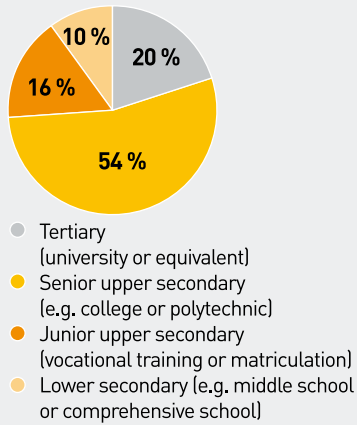
Number of years of service by personnel 31 Dec.



Personnel by gender 31 Dec. 2008



Personnel educational level 31 Dec. 2008



Development work

For nearly 70 years, SATO has been one of the pioneers in the Finnish housing market, involved in creating numerous innovations for housing. To ensure our ability to regenerate in the times ahead, we have reinforced the resources for the Group's development work and improved the prospects for the efficient management and deployment of development projects. In 2008, our investments in development work amounted to 0.6 million euros.

Operational development

One of the key aims of development work is to enhance the customer experience in connection both with the quality of homes and with the services offered in the various stages of a customer relationship. The success of a customer experience is affected by the operations of the entire service network and the flow of information between the various parties. During the year under review, SATO has boosted the fluency of processes by developing them internally and together with the main partners as well as by upgrading the data systems serving operations.

To secure the latest knowledge in the field to underpin its competitiveness, SATO became a member of Excellence Finland during the year under review. We devote effort to the continuous improvement of operations in accordance with the EFQM quality system.

Service innovations

SATO is taking part in developing a concept incorporating technical building services solutions suited to senior housing. These are designed in such a way that they

adapt to the changing needs of ageing residents, allowing them to live at home for a longer time. The main principles of the concept are suited both to construction and to renovations of existing buildings. The planning for a pilot project will get under way in 2009.

During the year under review, SATO also developed a regional service concept, the launch of which will be timed to coincide with the start of the next major construction area. The concept provides a new kind of housing and related services.

Research projects

SATO expands its expertise and acts as a force for renewal in its sector by participating actively in many projects led by research institutions and companies. During the year under review, SATO joined projects including the Wellness Innovation research programme and the Sustainable Construction Processes project financed by Tekes, the National Technology Agency. We also take part in general research projects in the sector led by Finnish Association of Building Owners and Construction Clients RAKLI and the Confederation of Finnish Construction Industries.

Action in organisations

SATO is a member of the Finnish Association of Building Owners and Construction Clients RAKLI, where its representatives sit on the Board, Housing Sector Management Group and four committees. SATO is also represented on the consultative committee of the Finnish Real Estate and Construction Forum.

SATO is a member of the Helsinki Region Chamber of Commerce, where it is represented on the delegates' committee and governing board as well as it is represented on the consultative committee for the City of Helsinki and the Chamber of Commerce. 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.

Incentives and sponsorships

For the fourth time, SATO presented an award for the graduation piece of a Master of Arts who graduated from the University of Art and Design. By this, SATO aims to encourage young designers to promote good housing. The prize for the year under review was presented for the graduation work '12 chairs'. The piece stands philosophically for the causes that SATO seeks to promote through its own activities: sustainable development, individuality, and creating the new while drawing on tradition.

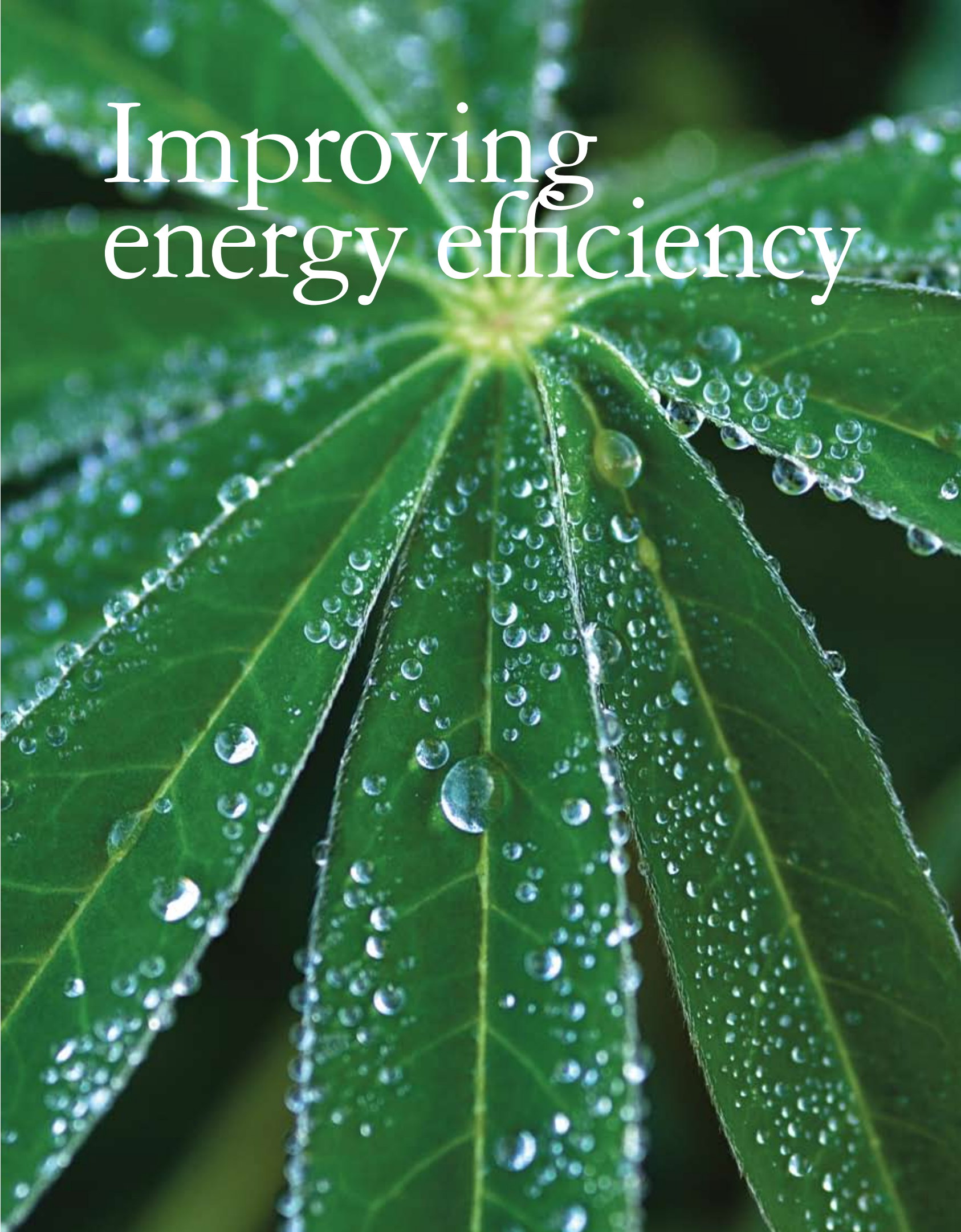
The chosen Partner of the Year 2008 was Agenteq Solutions Oy for the development of data systems of key importance to SATO's business.

SATO – a pioneer of housing

Set up after the war to speed up reconstruction

<p style="text-align: center;">A founder of estate development</p>	<p style="text-align: center;">A developer of new housing solutions</p> <ul style="list-style-type: none"> Right-of-occupancy apartments Shared ownership apartments Senior homes including home help and long-term care 	<p style="text-align: center;">An initiator of professional housing investment business in Finland and St. Petersburg</p>	<p style="text-align: center;">An expander of the customer's say in designing the home</p> <p style="text-align: center;">Developer of the SATO PlusHome service</p>
<p style="text-align: center;">A developer of quality rating for rented homes</p>	<p style="text-align: center;">Launching quality guarantees for homes</p>	<p style="text-align: center;">Developer of a broad-based internet service</p>	<p style="text-align: center;">An active builder of a partnership network</p>

Improving energy efficiency





Great effort is devoted to reducing specific consumption of heating and water as well as cutting buildings' electricity consumption, and the results are monitored systematically. Customers are encouraged to reduce energy consumption with guidance on new methods.

Environmental responsibility

Reduction in greenhouse gas emissions

We have set the target for ourselves of cutting the specific emissions of carbon dioxide resulting from SATO's actions by 10 per cent between 2007 and 2020. The principal method is to raise the energy efficiency of our rented homes, the new buildings constructed for us, and SATO's business locations. The overall emissions of greenhouse gases resulted from SATO's actions in 2008 were 76.2 thousand tonnes CO₂ equivalent. The specific emissions per residential square metre in homes owned by SATO were 52.7 kg CO₂/m² and the specific emissions from SATO's own activities were 3.2 tonnes CO₂/employee. The average Finnish electricity and district heating environmental profile was used for the assessment of emissions from energy production.

During the year under review, we updated the procedural guidelines for the environmental programme to steer activities gradually towards the goal, and we trained the building managers of our properties to enhance energy monitoring. The environmental programme can be read in Finnish on the company's website, www.sato.fi.

Targets for reducing energy consumption

As of 2009, all of SATO's new buildings will be designed to be low-energy buildings, making it possible to cut energy consumption by 20-40 per cent compared to earlier building methods. More challenging than new construction, but more important in terms of overall emissions, is reducing energy consumption in the existing housing stock. Since 2004, SATO has made progress systematically to reduce consumption of water, heating and electricity in the properties it owns.

In the Group's rented home portfolio, energy consumption has been monitored as prescribed by the AESS energy-saving agreement since 2004. The aim of the agreement is to reduce the specific consumption of heating energy and water in residential buildings by 15 per cent by the year 2012. The specific consumption of heating per cubic metre in SATO's buildings has been reduced by 8.9 per cent since 2004 and that of water by 6.2 per cent. During the year under review, water-conserving plumbing fittings were installed in 759 homes to promote the energy conservation objectives. Also, 390 building HEPAC control devices were serviced.

Other goals of the AESS agreement is to halt the increase in specific energy consumption in buildings and to send consumption rates into decline before 2008 as well as to carry out energy inspections in 80 per cent of the properties covered by the agreement by the year 2010. In terms of electricity for buildings, SATO reached the target as early as 2005, when consumption went into decline. In 2008 the specific consumption of electricity held steady at the previous year's level. An

energy inspection was carried out at 21 rental sites and by the end of the year inspections had been performed at a total of 272 properties. This is the equivalent of roughly 65 per cent of SATO's rental buildings.

During the year under review, SATO created energy certifications for its rental buildings.

Education

To increase environmental awareness, during the year under review SATO issued a booklet entitled 'Environment the way you like it', which is distributed to customers and the personnel, and the company held a personnel seminar on climate change. Training related to energy efficiency was also arranged for the partners.

During the National Energy Conservation Week in October, SATO carried out a campaign for customers and personnel, in the course of which tips were distributed on how to cut everyday energy consumption at home and at work. During the campaign, consumption of electricity at SATO's office building in Helsinki went down by 12 per cent on the weekly average. During the year as a whole, electricity consumption at SATO House went down by 12.3 per cent on the previous

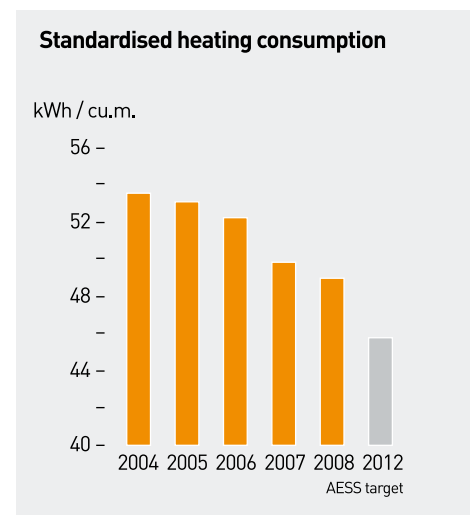
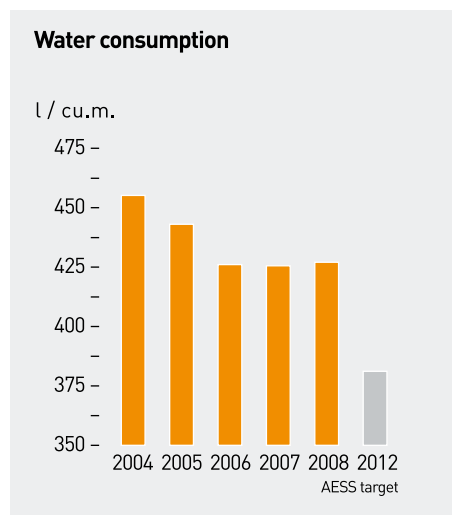
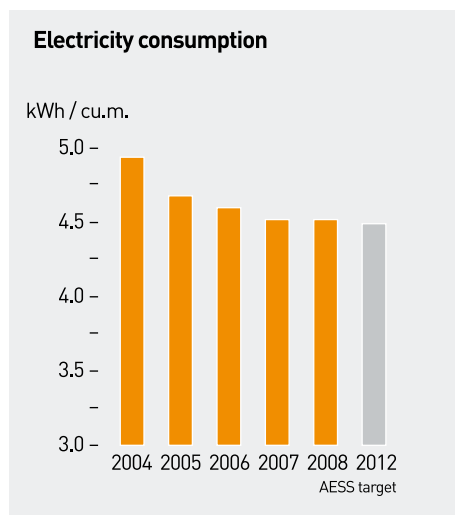
year and that of heat consumption by 19.1 per cent. We will continue communications in support of sustainable development in the various publications issued by SATO.

Sponsorship

The money allocated to remembrance at Christmas was donated in December to the Finnish Nature League for its work in support of environmental education for young people.

Environmental Committee

It is the duty of SATO's Environmental Committee to carry out an annual update of the environmental programme and to monitor the implementation of the annual plan. In addition to SATO's personnel, the partners are also responsible for the implementation of the programme, and they are committed to common goals in agreements for design, contracting and building management, etc.



Annual report of the Board for the period 1 January – 31 December 2008

Turnover, net profit and financial status

The Group's turnover was 232.4 million euros (256.0 million euros in 2007), of which the turnover of Investment in Housing was 159.0 (152.0) million euros and that of Housing Development and Construction was 80.4 (109.5) million euros. The Group's operating profit was 70.3 (66.3) million euros.

The Group's profit before taxes was 27.4 (34.7) million euros. The downturn in profits was largely the result of a downturn in the profit of Housing Development and Construction, a rise in interest expenses during the year and changes in the market values of interest rate hedging. The profit of Investment in Housing was 30.7 (29.3) million euros and that of Housing Development and Construction was -2.9 (5.4) million euros.

The Group's return on equity was 9.9 (12.5) per cent and return on investment was 6.0 (6.3) per cent. Return on equity, excluding the non-profit VATRO Housing segment, was 8.5 (11.7) per cent.

The consolidated balance sheet total on 31 December 2008 was 1,380.2 (1,263.5) million euros. The book value of investment properties was 1,163.5 (1,060.6) million euros and the fair value was 1,361.3 (1,224.9) million euros. The Group's interest-bearing liabilities were 1,050.2 (945.1) million euros. The Group's equity ratio at year-end was 15.0 (16.8) per cent, and, when investment properties are calculated at fair value, 22.4 (23.5) per cent. The equity ratio, excluding the non-profit VATRO Housing segment, was 18.1 (21.9) per cent calculated at book values, and that when investment properties are calculated at fair value, was 26.4 (29.4) 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 review were 46.8 (34.0) million euros.

Interest-bearing liabilities at year-end were 1,050.2 (945.1) million euros, of which market rate loans totalled 653.4 (544.5) million euros, interest-subsidised loans totalled 100.2 (100.4) million euros, and state-subsidised loans totalled 232.8 (249.0) million euros. There were debts in the amount of 63.8 (51.2) million euros on shares held in housing companies and mutual property holding companies included in investment properties.

Of the capital of market rate loans at year-end, 372.3 (294.5) million euros was hedged with interest-rate swaps and options, which is equal to 60 (56) per cent of the market rate interest position. The average maturity of the swaps was 37 (46) months. The computational effect of changes during the financial year in the market value of hedges on shareholders' equity was -9.3 (0.3) million euros and the effect on the profit was -4.5 (0.3) million euros.

Group and division structure

SATO Corporation is the parent company of the SATO Group. At year-end, the parent company had a total of 6 (6) subsidiaries engaged in business.

The reporting business segments are SATO Housing and VATRO Housing in the business area Investment in Housing, and Housing Development and Construction.

Business area Investment in Housing

On 31 December 2008, the Group held a total of 22,400 (22,387) housing units. The book value of the housing stock was 1,163.5 (1,060.6) million euros and the fair value was 1,361.3 (1,224.9) million euros. The financial occupancy rate for rental homes averaged 97.8 (97.1) per cent and occupant turnover averaged 30.2 (30.7) per cent. The net rental income of rented housing was 8.0 (8.0) per cent on book value and 6.9 (7.1) per cent on fair value.

During 2008, a total of 628 (607) housing units were acquired of which 84 (74) were newly built. The increase in the balance sheet due to investments in housing totalled 127.4 (130.0) million euros. The sum of 23.8 (32.6) million euros was spent on renovating housing properties and upgrading housing units.

During the financial year, 584 (712) rental homes with a combined value of 25.0 (23.2) million euros were sold.

By the end of the year under review, the investments in St. Petersburg totalled 39.0 (28.6) million euros. Also, binding contracts were made for a further 8.4 (13.7) million euros. The properties comprise a total of 72 apartments. Rental business got under way towards the end of the year after the completion of the first apartments.

The turnover from Investment in Housing was 159.0 (152.0) million euros, of which the SATO Housing segment's turnover was 121.3 (114.2) million euros and that of the VATRO Housing segment 37.7 (37.8) million euros. Of turnover, 159.0 (151.6) million euros was rental income.

Investment in Housing's profit before taxes was 30.7 (29.3) million euros. The profit figure includes 9.7 (7.1) million euros in proceeds from divestments. The SATO Housing segment's profit was 28.5 (27.7) million euros and that of the VATRO Housing segment was 2.2 (1.6) million euros.

Business area Housing Development and Construction

During the financial year, a total of 567 (736) new homes were completed, of which 524 (384) were owner-occupied and 43 (352) were homes in client projects. The combined acquisition value of the completed owner-occupied homes was 134.6 (84.5) million euros.

At year-end, 345 (662) new housing units were under construction, of which 232 (619) were owner-occupied, 21 (0) were Group investment apartments, and 92 (43) were homes in client commissioning projects. The acquisition value of the owner-occupied homes under construction was 58.2 (163.3) million euros.

The turnover from Housing Development and Construction was 80.4 (109.5) million euros. The turnover of Housing Development and Construction includes 7.0 (5.4) million euros of internal sales. The division's profit before taxes was -2.9 (5.4) million euros. The profit includes proceeds from sales of plot divestments in the amount of 2.3 (0) million euros, a loss of 5.8 million euros related to a single project and impairments in the amount of 2.1 (0) million euros applied to unsold owner-occupied housing.

The book value of the land inventory held by the Group was 69.6 (67.6) million euros at the turn of the year. During the financial year, land inventory was acquired for a total of 6.0 (37.6) million euros. The value of the land inventory sold or transferred to housing construction during the year was 2.2 (9.2) million euros.

Lawsuits and countersuits between the contracting parties are pending in connection with the implementation of and invoicing for the construction project known as Asunto Oy Helsingin Tila.

Investments and divestments

The Group's gross investments totalled 134.0 (149.4) million euros. During the period under review, Group housing properties were sold for a total of 25.0 (23.2) million euros and office properties were sold for 0.0 (4.3) million euros.

Environmental impacts

The main environmental impacts of SATO's operations arise from housing energy consumption and resultant emissions. SATO has set a target for its operations to reduce carbon dioxide emissions by 10 per cent of levels of the year 2007 by the year 2020. The environmental programme and its targets are reviewed annually. SATO has also committed itself to the aims of the nationwide agreement on energy conservation in residential buildings (AESS) to reduce the specific consumption of heating energy and water in residential buildings by 15 per cent by the year 2012 and to turn consumption of electricity into decline before 2008. In the Group's rented home portfolio, energy consumption has been monitored as prescribed by AESS since 2004. The specific consumption of heating per cubic metre in SATO's buildings covered by the agreement has been reduced since 2004 by 8.9 per cent and that of water by 6.2 per cent. The specific consumption of electricity turned into decline in 2005 and in the year under review it held steady at the previous year's level.

Risk management

SATO's risk management is based on guidelines for corporate governance as well as by the systematic risk assessment embodied in the strategic and annual planning process. An internal audit is carried out by an independent party and the auditing is targeted in accordance with the risk assessments of the strategic and annual planning process. During the year under review, the internal audit was performed by Deloitte & Touche Oy.

Interest rate fluctuations affect SATO's profit in the form of changes in financing costs and through changes in the market values of interest rate hedging. In accordance with the Group's financial policy, 50–80 per cent of the interest position on market loans is hedged. The adequacy of financing is monitored on an ongoing basis through a liquidity forecast. The Group has set a target for equity ratio, the trend in which is monitored regularly.

The main risks of selling and leasing homes concern economic cycles and changes in demand.

The vacancy rate and occupant turnover of rented homes as well as forecasts for these are monitored on a monthly basis. In order to boost the rental occupancy rate and to reduce occupant turnover, effort is deployed in action on the apartments' quality factors and on strengthening customer relationships. The change in the market prices of homes has an impact on the value of SATO's housing portfolio. A favourable trend in the value of holdings of housing and the rentability of homes is secured by concentrating on the urban centres of growth. The quality of the Group's housing portfolio in the long term is being developed by systematic repair operations.

Sales of owner-occupied housing are monitored on a weekly basis to detect changes in the market. 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 in Finland.

Business in St. Petersburg involves risks related to the business climate as well as a currency risk. As part of the risk management, investment prospects are selected among properties for which the demand for housing and the potential rise in value are greatest. Also, the proportion of investments in St. Petersburg has been restricted relative to the Group's total housing investments.

To secure the continuity of activities handled by partners, operations have been shared out among a number of service providers.

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

Authorisation for the Board of Directors to decide on a share issue

The annual general meeting of 26 March authorised the Board of Directors to decide on one or more targeted, for-payment share issues, in such a way that the combined total number of new shares issued will not exceed 4,442,192. The proposed maximum is equal to 10% of the company's shares. The Board of Directors was authorised to decide on the terms of the issue, the issue price of the shares and the criteria on which the price is based, and on the other terms of the issue.

The Board of Directors may decide on a share issue other than in proportion to the holdings of existing shareholders (targeted issue) if there is a pressing financial reason for this from the company's perspective. The following and perhaps others may be considered a pressing financial reason for disapplication of the shareholders' preemption rights in an issue of shares:

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

The authorisation is valid until 26 March 2009.

Shares

The number of shares in SATO Corporation as at 31 December 2008 was 44,421,920. The turnover of shares during the financial year was 3.4 (19) per cent.

The members of SATO Corporation's Board of Directors, the President and CEO and his deputy held a total of 244,000 shares on 31 December 2008. The President and CEO and his deputy also, through their holding in Habinvest Oy, have an indirect holding of a total of 270,000 SATO Corporation shares.

Personnel

At the end of 2008, the Group had 152 (175) employees. There were 146 employees on permanent contracts and 6 on fixed-term contracts. The number of Group personnel averaged 160 (176) during the year.

The decline in the number of personnel was due to operational changes and the deterioration in the market for owner-occupied housing.

Board of Directors, President and CEO, and auditors

Serving on SATO's Board of Directors until the annual general meeting of 26 March 2008 were Juha Laaksonen (chairman), Raimo Lind (deputy chairman), Eino Halonen, Jorma Kuokkanen, Asko Salminen, Esko Torsti and Jouko Tuunainen.

The annual general meeting of 26 March 2008 confirmed the number of members on the Board of Directors as six. Juha Laaksonen was re-elected as chairman of the Board. The other members elected to the Board of Directors were Jorma Kuokkanen, Raimo Lind, Asko Salminen and Esko Torsti, with Timo Hukka as a new member. The Board of Directors appointed Raimo Lind as their deputy chairman.

Erkka Valkila, B.Sc. (Eng.), served as President and CEO. Tuula Entelä, B.Sc. (Econ.), LL.M., is deputy to the 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

At its meeting held after SATO Corporation's AGM, on 26 March 2008, the Board of Directors elected from among its members Juha Laaksonen to chair the Appointment and Compensation Committee and Jorma Kuokkanen and Timo Hukka as its members. The committee convened twice during the financial year.

Raimo Lind was elected as chairman of the Audit Committee, with Asko Salminen and Esko Torsti as members. The committee convened three times during the financial year.

The members of the Corporate Management Group

The Corporate Management Group was comprised of President and CEO Erkka Valkila; Vice President, Investment in Housing Tuula Entelä; Vice President, Housing Development and Construction Pekka Komulainen; Chief Financial Officer Harri Huttunen until 15 December 2008 and as of 7 January 2009 Chief Financial Officer Esa Neuvonen; Director, Marketing and Communications Monica Aro; and Head of Legal Affairs Katri Innanen until 26 September.

Events after the period under review

In January 2009, SATO purchased from Pension Fennia Mutual Insurance Company 195 privately financed homes in Espoo and Vantaa. On the same date, Pension Fennia subscribed 950,769 shares in SATO Corporation in a targeted issue. The share issue was based on an authorising resolution passed by the annual general meeting of 26 March 2008. Following the share issue, the number of SATO Corporation shares is 45,372,689.

Outlook

Demand for rental homes is forecast to continue to be good in 2009. Due to uncertainty in the financial market, SATO's investments in rented housing will decline on the previous year. Due to a downturn in the housing trade, the number of owner-occupied housing starts will remain low.

If there is no deterioration in the business climate, the Group's net profit for 2009 is forecast to be on a par with the previous year's level.

Board's proposal for the disposal of profits

The parent company's distributable assets as at 31 December 2008 were EUR 31,924,256.50, of which the net profit for the financial year was EUR 10,758,445.30. The number of issued shares in the company conferring entitlement to dividend for 2008 was 44,421,920 as at 31 December 2008. The shares subscribed in the targeted issue on 30 January 2009 will not receive any dividend for 2008.

The Board of Directors proposes to the annual general meeting that dividend be paid on the profit for the financial year of EUR 0.24 per share, being a total of EUR 10,661,260.80 and that EUR 97,184.50 be posted to retained profits.

Since the end of the financial year, there have been no significant changes in the company's financial status.

Signatures to the report of the Board and the financial statements

Helsinki, 3 February 2009

Juha Laaksonen

Timo Hukka

Jorma Kuokkanen

Raimo Lind

Asko Salminen

Esko Torsti

Erkka Valkila
President and CEO

Note on the financial statements

An auditors' report has been submitted this day on the audit performed.

Helsinki, 3 February 2009
KPMG OY AB

Markku Sohlman, APA

Consolidated profit and loss account

Consolidated profit and loss account, IFRS

MEUR	Note	1.1- 31.12.2008	1.1.- 31.12.2007
Turnover	2.3	232.4	256.0
Profits/losses from sales of Investment Properties	4	10.1	7.8
Share of profit in associated companies	13	0.1	0.0
Other operating income	4	0.3	0.6
Materials and services		-67.0	-93.2
Personnel expenses	5	-10.7	-10.6
Depreciation and write-downs	6	-17.6	-16.9
Losses from sales of Investment Properties	4	-0.4	-0.7
Other operating expenses	4	-76.8	-76.7
Operating profit		70.3	66.3
Financial income	7	2.4	2.1
Financial expenses	7	-45.3	-33.7
		-42.9	-31.6
Profit before taxes		27.4	34.7
Income taxes	8	-6.9	-9.1
Net profit for the financial year		20.5	25.5
Distribution			
Parent company shareholders		20.3	25.4
Minority interest		0.2	0.1
		20.5	25.5
Earnings per share attributable to the parent company owners:	9	0.46	0.57
Number of shares, million		44.4	44.4

Consolidated balance sheet

Consolidated balance sheet. IFRS

MEUR	Liitetieto	31.12.2008	31.12.2007
Assets			
Non-current assets			
Investment Property	10	1,163.5	1,060.6
Tangible assets	11	1.8	2.1
Intangible assets	12	1.2	1.2
Holdings in associated companies	13	0.6	0.8
Financial assets	15	2.2	2.1
Receivables	16	9.1	7.4
Deferred tax credits	17	17.6	11.1
		1,196.0	1,085.3
Current assets			
Inventories	18	118.9	113.2
Accounts receivable and other receivables	19	16.8	27.6
Tax credits based on the taxable income for the period		1.6	3.5
Cash and cash equivalents	20	46.8	34.0
		184.2	178.2
Assets, total		1,380.2	1,263.5
Shareholders' equity and debts			
Shareholders' equity due to the parent company's owners			
Share capital	21	4.4	4.4
Value adjustment fund		-6.6	2.8
Reserve fund		43.7	43.7
Other funds		3.2	3.2
Retained earnings		159.1	154.7
		203.8	208.8
Minority interest		1.5	1.4
Shareholders' equity, total		205.2	210.1
Liabilities			
Non-current liabilities			
Deferred tax liabilities	17	63.3	57.0
Untaxed reserves	25	5.5	5.5
Interest-bearing liabilities	23	839.9	768.1
		908.8	830.7
Current liabilities			
Accounts payable and other liabilities	26	56.0	44.9
Tax liabilities based on the taxable income for the period		0.0	0.9
Interest-bearing liabilities	23	210.3	177.0
		266.3	222.7
Liabilities, total		1,175.0	1,053.4
Shareholders' equity and liabilities, total		1,380.2	1,263.5

Consolidated cash flow statement

Consolidated cash flow statement, IFRS

MEUR	Note	1.1- 31.12.2008	1.1.- 31.12.2007
Cash flow from operating activities			
Net profit for financial year		20.5	25.2
Adjustments:			
Business actions not involving payment	29	21.8	16.5
Proceeds from sales of fixed assets		-9.7	-7.0
Interest expenses and other financing expenses		40.7	34.4
Interest income		-2.3	-2.0
Dividend income		-0.1	-0.1
Taxes		6.9	9.0
Change in working capital:			
Changes in accounts receivable and other receivables		10.6	-5.3
Change in inventories		-8.9	-35.3
Change in accounts payable and other liabilities		-10.2	1.3
Change in reserves		0.0	-1.4
Interest paid		-38.3	-31.7
Interest received		1.9	1.9
Taxes paid		-7.1	-8.0
Net cash flow from operating activities		25.8	-2.5
Cash flow from investments			
Investments in tangible assets		-117.9	-148.6
Investments in intangible assets		-0.3	-0.5
Repayments of notes receivable		1.9	0.7
Loans granted		-2.3	-5.6
Sale of tangible assets		23.8	27.5
Dividends received		0.0	0.0
Net cash flow from investments		-94.8	-126.5
Cash flow from financial activities			
Proceeds from share issues			2.8
Repayments (-) / withdrawals (+) of short-term loans		53.1	58.8
Withdrawals of long-term loans		105.6	115.9
Repayments of long-term loans		-61.0	-39.8
Dividends paid		-16.0	-15.9
Net cash flow from financial activities		81.8	121.8
Change in cash and cash equivalents		12.8	-7.2
Cash and cash equivalents at start of year	20	34.0	41.3
Cash and cash equivalents at year-end	20	46.8	34.0

Calculation of changes in Group's shareholders' equity

Calculation of changes in Group's shareholders' equity, IFRS

MEUR

	Shareholders' equity due to the parent company's owners						Minority interest	Shareholders' equity, total
	Share capital	Revaluation fund	Reserve fund	Other funds	Retained profits	Total		
Shareholders' equity 1.1.2007	4.4	2.6	43.7	0.4	145.2	196.3	1.3	197.6
Hedging of cash flow		0.2				0.2		0.2
Financial assets available for selling		0.0				0.0		0.0
Net profit for financial year					25.4	25.4	0.1	25.5
Total income and expenses booked during the period	0.0	0.2	0.0	0.0	25.4	25.6	0.1	25.7
Dividends paid					-15.9	-15.9		-15.9
Targeted share issue	0.0			2.7		2.8		2.8
Other adjustments					0.0	0.0	-0.1	-0.1
	0.0	0.0	0.0	2.7	-16.0	-13.2	-0.1	-13.2
Shareholders' equity 31.12.2007	4.4	2.8	43.7	3.2	154.7	208.8	1.4	210.1
Shareholders' equity 1.1.2008	4.4	2.8	43.7	3.2	154.7	208.8	1.4	210.1
Hedging of cash flow		-9.3				-9.3		-9.3
Financial assets available for selling		-0.1				-0.1		-0.1
Net profit for financial year					20.4	20.4	0.2	20.5
Total income and expenses booked during period	0.0	-9.4	0.0	0.0	20.4	11.0	0.2	11.1
Dividends paid					-16.0	-16.0		-16.0
Targeted share issue						0.0		0.0
Other adjustments						0.0	0.0	0.0
	0.0	0.0	0.0	0.0	-16.0	-16.0	0.0	-16.0
Shareholders' equity 31.12.2008	4.4	-6.6	43.7	3.2	159.1	203.8	1.5	205.2

Notes to the consolidated financial statements, IFRS

Notes to the consolidated financial statements, IFRS

1 The accounting conventions of the financial statements

Basic information

The Group's parent company is a Finnish public limited liability company established in compliance with Finnish law, with its domicile in Helsinki and the registered address Panuntie 4, 00600 Helsinki. The Board of Directors approved the financial statements on 3 February 2009. A copy of the company's consolidated financial statements may be obtained from the above-mentioned address.

SATO is a corporation providing housing solutions, and its business is comprised of Investment in Housing and Housing Development and Construction. The Group's operations are focused on the Helsinki Metropolitan Area and its commuter regions as well as the economic zones of Tampere, Turku, Oulu and Jyväskylä.

SATO's Investment in Housing includes both privately financed and state-supported housing assets. In respect of the latter, SATO's business is affected by special features of non-profit activities, which are the result of restrictions set for on the company's business state-subsidised housing construction. The non-profit restrictions affect owner organisations through, for example, restrictions on distribution of profit, divestment and risk-taking as well as through a prohibition on lending and providing collateral. Also, housing is affected by property-specific, fixed-term restrictions, which apply to matters such as the use and handover of apartments, the selection of the residents, and the setting of rent. In respect of non-profit activities, SATO's supervisory authorities are the Housing Fund of Finland (ARA), the State Treasury and the Ministry of the Environment, as well as local authorities in matters concerning the selection of residents

The main risks of selling and leasing homes concern interest rates and changes in housing demand.

General conventions

The consolidated financial statements have been drawn up in compliance with International Financial Reporting Standards (IFRS), and their compilation complies with the IFRS norms in force on 31 December 2008, meaning the procedures ordered in the EU's IAS Regulation No. 1606/2002 for the standards approved for application in the EU and the interpretations supplied for these. The consolidated financial statements apply the standard IFRS 7 *Financial Instruments: Disclosures* standard as well as the standard format of IAS 1: *Presentation of Financial Statements – Presentation of Information on Equity in Financial Statements*. The notes to the financial statements are also in compliance with Finnish legislation on accounting and company law.

SATO's consolidated financial statements were drawn up in accordance with Finnish Accounting Standards until 31 December 2006. In connection with the public listing project carried out in autumn 2007, IFRS financial statements were also produced for 2006. The date for the transition for the first IFRS-standard consolidated financial statements for 2006 was 1 January 2005 and IFRS 1 First-time Adoption of International Financial Reporting Standards were used for this.

The consolidated financial statements have been drawn up on the basis of acquisition cost, with the exception of investments available for selling, derivatives, and financial assets and debts booked at fair value charged or credited to the profit and loss account. The information in the financial statements is given in millions of euros.

The production of IFRS financial statements requires the company management to make certain estimates and assumptions and to apply discretion in applying the accounting conventions. The estimates and assumptions made affect the amount of assets, debts and conditional debts on the balance sheet in the financial statements as well as the amount of

income and expenses in the profit and loss account. The estimates and assumptions are based on previous experience and other factors which are considered to offer the best current view in the assessment of assets or debts for which figures cannot be obtained from other sources. The actuality may differ from the estimates made.

The estimates and the related assumptions are constantly examined. Revisions of accounting estimates are booked for the period in which the estimate is revised if the change in the estimate affects only that period. If the change in the estimate affects both the period in which it is made and subsequent periods, the change in the estimate is correspondingly booked both for that and for future periods.

In the section of the accounting conventions entitled "Accounting conventions requiring management discretion and the main factors of uncertainty affecting the estimates", information is given on those subdivisions in which management discretion or uncertainty factors in estimates may cause the most effects on the figures shown.

Principles of consolidation

The consolidated financial statements are a consolidation of the financial statements of the parent company and the subsidiaries. Subsidiaries are companies over which the parent company has control. Control constitutes a condition in which the parent company has, directly or indirectly, the right to control the subsidiary's principles of finance or business with the aim of benefiting from its operations. Acquired subsidiaries are included in the consolidated financial statements from the date of acquisitions until such time as the control ends. Acquired companies are included in the financial statements by the acquisition cost method. That portion of an acquired company's net assets which exceeds book values at the acquisition date is applied to land areas and buildings up to their fair values. Acquisitions of real property are

Notes to the consolidated financial statements, IFRS

mostly dealt with as acquisitions of asset items.

All intra-Group transactions, internal receivables and debts, in addition to unrealised margins on internal transactions and the distribution of profit between Group companies, are eliminated in the production of the financial statements.

The main property companies and housing companies are treated as asset items under joint control, which are consolidated by the proportionate consolidation method prescribed by the IAS 31 Financial Reporting of Interests in Joint Ventures standard. This means that the consolidated financial statements include the Group's share of assets, debts, incomes and expenses. The relative proportionate method is applied to all such asset items irrespective of the Group's holdings.

Suomen Asumisoikeus Oy is a joint venture in which SATO has a 50% interest. The joint venture, in which the partners exercise business under joint control, is consolidated in SATO's consolidated financial statements in accordance with the optional consolidation method permitted by the IAS 31 Interests in Joint Ventures standard, i.e., the equity method.

The housing companies in SATO, which own so-called shared ownership apartments, are treated as SPEs (Special Purpose Entities) and these are not included in the consolidation. These companies are considered to be arrangements external to SATO's operations, the purpose of which is to act on behalf of the people who have invested in shared ownership apartments. Those involved in the ownership arrangements are entitled to purchase the apartment for themselves after an agreed period and thus to benefit from any rise in the apartment's value. SATO handles the governance and building management of the shared ownership properties.

Transactions denominated in foreign currency

Monetary assets and debts denominated in foreign currency are translated into euros at the year-end rate. Non-monetary assets and debts denominated in foreign currency, which are valued at the original acquisition costs, are translated into euros at the rate in effect on the transaction date. Gains and losses on translation are booked in the profit and loss account.

Investment Properties

Investment properties are those which the Group retains possession of in order to obtain rental income or appreciation in value of the property and which are not used by the Group itself. SATO has chosen as the method for accounting for Investment Properties the acquisition cost method permitted by the IAS 40 *Investment Property* standard, as legal restrictions on divestment and use apply to the greater part of the properties. Restrictions apply on the one hand to a company owning housing (the so-called non-profit restrictions) and on the other to the investment which is the subject of the ownership (the so-called property-specific restrictions). The non-profit restrictions include, among other things, permanent limitations on the company's operations, distribution of profit, lending and providing collateral, and the divestment of investments. The property-specific restrictions include the use of apartments, the selection of the residents, the setting of rent and divestment of apartments, and they are fixed-term.

Investment Properties are booked at the original acquisition price, including the transaction costs. Later they are valued at

the original acquisition price less accumulated depreciation and impairments.

Expenditure on repairs to Investment Properties is only capitalised if it increases the property's future revenue-generating capability. The depreciation periods of these capitalisations are set on a case-by-case basis according to the estimated economic life.

Investment Properties are depreciated on a straight-line basis. The economic lives on which this is based are as follows:

Buildings	67 years
Buildings' machinery and equipment	20 years
Buildings' civil defence shelters	40 years.

The economic life and residual value of Investment Properties are reassessed at each year-end. Changes found in the economic advantages obtainable revealed by the assessment are figured in by adjusting the economic life and residual value of goods.

An investment property is written off the balance sheet when it is handed over or when the investment property is permanently removed from use and no future economic use can be expected from the handover. The profits and losses from divestments or removals from use of Investment Properties are shown on separate lines in the profit and loss account.

The fair values of the Investment Properties presented in the notes to the financial statements are determined as the result of the company's in-house assessment made quarterly at the time the financial statements are drawn up. An external specialist also makes a report on the assessment of value.

The fair values of the Investment Properties are based on the following:

- the market value in properties where the homes are freely on sale,
- the yield value for properties which are for sale only by complete buildings and to a restricted number of buyers, and
- for state subsidised properties, at the remaining historical cost shown in the accounting.

The model for determining the value of Investment Properties was changed in respect of the commercial value method on 31 December 2007, in such a way that the comparison information for traded prices is for the 24 months prior to the assessment date instead of the previous 36.

Tangible assets

Tangible assets are valued at the original acquisition price less accumulated depreciation and impairments. Tangible assets are depreciated in straight-line instalments during their estimated economic lives, which are as follows:

Machinery and equipment	5–10 years
Other tangible assets	3–6 years

The economic life and residual value of assets are reassessed at each year-end. Changes in the economic benefits available in the future found in the assessment are taken into account by adjusting the economic life and residual value of the assets. Profits and losses arising from sales and divestments of tangible assets included in fixed assets are booked in the profit and loss account and presented as other income and expenses of business operations.

Intangible assets

An intangible asset is entered in the balance sheet only if its acquisition cost can be determined reliably and it is likely that an expected economic benefit will accrue to the company from it.

An intangible asset is valued at the original acquisition cost less depreciation and any impairments.

Intangible assets consist largely of computer software, which is subjected to straight-line depreciation over 3–6 years.

Impairment

At each year-end, it is assessed for Investment Properties' tangible and intangible assets whether there are indications of impairment. If there are indications of impairment, the sum of money accruing from the asset item is estimated. If the book value exceeds the sum of money accruing, an impairment loss is booked in the profit and loss account.

When an impairment loss is booked, the economic life of the asset item subject to depreciation is reassessed. An impairment loss booked against an asset item is cancelled if there has been a change increasing the value in the assessment used to determine the amount of money accruing from the asset item. However, no more of an impairment loss will be cancelled than what the asset's book value would have been without the booking of the impairment loss.

Inventories

Inventories are valued at the acquisition cost or probable net divestment value if lower. The net divestment value corresponds to the selling price in normal business less the estimated cost of completing the product and the expenses of selling.

Inventories are comprised of the following items:

- homes under construction, comprised of the portion of projects in progress not booked as an expense,
- completed homes and commercial premises intended for sale but unsold at the date of closing the books,
- land areas and land area companies, which includes the acquisition costs of unstarted properties, and
- other inventories, which is mostly comprises of projects being planned.

Financial instruments

SATO's financial assets and financial debts are classified in accordance with the IAS 39 standard in the following classes: financial assets and financial debts to be charged or credited to the profit and loss account at fair value, financial assets available for sale, loans and other receivables, and financial debts valued at the matched acquisition cost. The classification is performed at the time of the original acquisition and on the basis of the purpose of the acquisition. Purchases and sales of financial instruments other than those associated with derivatives are booked on the clearance date. All derivatives are booked on the balance sheet on the trade date.

Financial assets

Financial assets and debts to be credited or charged to the profit and loss account at fair value

This group includes derivative instruments which do not fulfil the terms of IAS 39 for hedging calculations and they are classified in the group of instruments kept for trading purposes. The group's financial assets and debts are valued at fair value and profits and losses arising from changes in the fair value, both realised and unrealised, are booked in the profit and loss account for the period in which they arose.

Loans and other receivables

Loans and other receivables are assets not included in derivative assets, the payments for which are fixed or can be determined. They are included in the group for accounts receivable and other receivables in the balance sheet, in either current or non-current assets, according to their nature.

Loans and other receivables are valued at the matched acquisition cost less any impairments. The Group books an impairment loss against accounts receivable when there are reasonable indications on the date of closing the books that the receivable will not be collected in full.

Financial assets available for selling

Financial assets available for selling are mostly stocks and shares. Investments made in listed securities are valued in the financial statements at the buying price based on quoted prices announced in an active market on the date of closing the books. Unlisted shares, the fair value of which cannot be determined reliably, are valued at the original acquisition price or probable value if lower.

Unrealised changes in value of financial assets available for selling are booked direct in the value adjustment fund for shareholders' equity with allowance for the effect of tax. Accumulated changes in fair value are not booked from the value adjustment fund to the profit and loss account until the investment is sold or its value has declined to such an extent that an impairment loss has to be booked against the investment.

A significant and prolonged impairment of share investments in which the fair value is lower than the acquisition price is an indication of an impairment in a share available for selling. An impairment loss on financial assets available for sale which are classified as quasi-equity investments is not cancelled through the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, bank accounts and liquid investments with a currency at the date of acquisition of three months or less. The balances of bank accounts with an overdraft facility are included in current liabilities. The cash and cash equivalents of non-profit companies are kept separate from those of companies free of non-profit restrictions.

Financial debts

Financial debts are booked at the fair value at the time the debt is raised, in the form of the amount of the remuneration received less transaction expenses. Later interest-bearing debts are shown valued at the matched acquisition cost using the effective interest method. Financial debts are included in non-current and current debts and they may be interest-bearing or non-interest-bearing. Interest is matched in the profit and loss account for the currency period of the debt by the effective interest method.

Derivatives and hedge accounting

All derivatives are originally booked at fair value as at the date on which the Group becomes a contracting party. In the future they will continue to be valued at fair value. The accounting treatment of profits and losses depends on the intended use of the derivatives. The Group documents the ratio of hedging instruments to hedged items and makes its assessment as to whether the derivatives used for hedging are highly effective in negating changes in the cash flows of the hedged items. The effectiveness is reviewed both when starting the hedging and after the event.

The fair value of derivatives is calculated by discounting the cash flows related

to them. The fair value of interest-rate options is calculated by using the market prices at the date of closing the books and option valuation models.

The Group treats derivatives either as hedging of floating rate loans or as derivatives which do not meet the criteria of hedging calculation under IAS 39. Changes in value of derivative instruments in the sphere of hedging calculation are booked direct in shareholders' equity in the value adjustment fund. Profits and losses entered in shareholders' equity are transferred to the interest expenses in the profit and loss account corresponding to the interest expenses on the hedged loan. Any ineffective part of a hedging relationship is booked immediately in financial expenses.

Changes in value in derivatives which are not in the sphere of hedging calculation are credited or charged in the financial items.

Untaxed reserves

A reserve is booked when the Group has a legal or actual obligation on the basis of prior events, when the realisation of a payment obligation is likely and the amount of the obligation can be reliably estimated.

The extent of the construction sector's 10-year liability reserve is based on experience of the realisation of these liabilities. A guarantee period reserve is also booked when a project is credited or charged in the profit and loss account. The extent of the guarantee period reserve is based on experience of the realisation of guarantee expenditures.

Other reserves may be reorganisation reserves or loss-making agreements. A reserve is booked for loss-making agreements when the essential expenditure required to meet obligations exceeds the benefits obtained from the agreement.

Principles of income recognition

Construction contracts

The income and expenditure of a construction contract is booked as income and expense on the basis of the percentage of completion when the end result of the project can be estimated reliably. The percentage of completion is determined for each project by the time of inspection in terms of the actual technical percentage of completion. When it is probable that the overall expenditure required for the completion of the project exceed the overall income from it, the expected loss is booked as an expense immediately.

Estimates are used in the income-recognition of construction contracts. If the end result of a construction contract looks likely to change, the income-recognition of sales is changed for the financial year in which the estimate or information on which the estimate is based has changed.

The income and expenditure of developer/client construction is income-recognised according to the percentage of completion and the percentage of the sales rate calculation obtained. Expenditures whose amount exceeds the amount according to the percentage of completion are capitalised in construction contracts in progress.

Income from services

Income from services, such as client commissioning, are income-recognised when the service has been performed.

Lease agreements (SATO as lessor)

Rental income from Investment Properties is entered in the profit and loss account as equal items over the lease period. When acting as a lessor, SATO has no agreements classified as financial leasing agreements.

Lease agreements (SATO as lessee)

Lease agreements in which SATO is the lessee are classified as financial lease agreements and they are booked as assets and debts if the risks and benefits have been transferred. Lease agreements are classified at their commencement and they are booked at fair value, or at the present value of minimum rents if lower, in the balance sheet as a tangible asset and financial debt. A tangible asset is depreciated during the economic retention of the asset in question or during the duration of the lease agreement. The rent to be paid is divided into the interest posted to the profit and loss account and the instalment on the financial debt.

Lease agreements are classified as other lease agreements if the characteristic risks and benefits of ownership are not transferred to an essential extent. Rents to be paid on the basis of other lease agreements are booked as an expense in the profit and loss account as equal items over the lease period.

Expenses of liabilities

Expenditures on liabilities are booked as expenses for the financial year during which they arose, with the exception of capitalisations as per IAS 23. Transaction costs directly due to the taking of loans, which can be attributed to a particular loan, are included in the original matched acquisition cost of the loan and matched as an interest expense using the effective interest rate method.

Public grants

Public grants, for example for lifts, are booked as decreases in the book value of tangible assets. Received grants therefore reduce the depreciation applied to the asset during its economic life.

For SATO, the main form of public support is state-supported interest subsidised loans and Housing Fund of Finland loans, in which state-backed projects receive a low-interest loan with the support of the state. The real interest on these loans is lower than the interest expenses would be on market-based loans. The interest advantage obtained through public support is therefore netted in accordance with IAS 20 into interest expenses and is not shown as a separate item in the interest income.

Pension arrangements

SATO's pension arrangements are classified as contribution- and benefit-based. Contributions to contribution-based pension arrangements are booked as an expense in the profit and loss account for the period in which the payment was made. The Group has no legal or actual obligation to make further payments if the recipient of the payments is unable to perform the payment of these pension benefits. Arrangements other than payment-based ones are treated as benefit-based pension arrangements. In 2008, the calculation of benefit-based pension arrangements has been specified, and as a result of this the supplementary pension arrangements for the management have been treated as a benefit-based pension arrangement.

Obligations arising from benefit-based pension arrangements are calculated with a method based on the predicted unit of privilege. The current value of pension obligations, based on insurance calculations, is posted to the balance sheet after

deduction of the assets pertaining to the pension arrangements at their current value, unposted profits and losses based on insurance calculations, and expenditures based on backdated work done. Pension expenditure is posted to the profit and loss account as an expense over the period of employment of the individuals. Profits and losses based on insurance calculations are entered in the profit and loss account over the period of employment of the individuals to the extent that they exceed the greatest of the following: 10% of the pension obligation or 10% of the fair value of the assets.

Income taxes

Income taxes include the taxes based on the taxable profit for the financial year, adjustments to previous years' taxes, and changes in deferred taxes.

Deferred tax credits and liabilities are calculated from the differences between the taxation values of assets and debts and their book values according to IFRS. The tax rate set by the date of closing the books is used to determine the deferred taxes.

Operating profit is a net sum formed when profits from sales of Investment Properties, shares in the profits of joint ventures and associated companies, and other operating income are added to the turnover, and consumption of materials and services, personnel expenses, depreciation and write-downs, losses on sales of Investment Properties, and other operating expenses are deducted. Translation adjustments are included in operating profit if they are generated by items included in ordinary business. Translation adjustment related to financing are booked in financial income and expenses.

The largest temporary differences arise from the financial instruments valued through the profit and loss account from Investment Properties and for fair value.

A deferred tax credit is booked up to the amount at which it is likely that there will be taxable income in the future against which the temporary difference can be used.

Operating profit

Operating profit is the net sum formed when the profits from divestments of Investment Properties, the share of the profit of joint ventures and associated companies, and other income from business operations are added to turnover, and the use of materials and services, personnel expenses, depreciation and impairments, losses from divestments of Investment Properties and other expenses of business operations are deducted. Exchange gains and losses are included in operating profit when they arise from items related to ordinary business operations. Exchange gains and losses associated with financing are booked in financial income and expenses.

Accounting conventions requiring management discretion and the main factors of uncertainty affecting the estimates

When the financial statements are drawn up, the making of estimates is required in certain quarters. At SATO, the main estimates are associated with the following subdivisions.

Incomes and expenses booked on the basis of the percentage of completion require estimates of the expected incomes and expenses of projects as well as the project's completion timetable.

The amount of reserves booked on projects requires estimates of the obligations arising from the projects.

In respect of Investment Properties, tangible and intangible assets must be assessed annually for indications that the value of these assets may have declined. If there are such indications, the amount of money accruing from these asset items must be estimated.

The application of new and updated IFRS norms

In 2009 the Group will adopt IFRS 8 *Operating Segments* (in force as of 1 January 2009). The new standard will replace the current IAS 14 *Segment Reporting* standard. It is the opinion of the corporation that the amendment to the norms will not have a significant impact on segment reporting at SATO.

The revised IAS 23 *Borrowing Costs* coming into effect in 2009 will no longer permit booking of liabilities invariably as an expense, as it will require capitalisation of these in a case of a condition-fulfilling asset as referred to in the standard. On the basis of the transitional provision, SATO has chosen 1 January 2007 as the start date for the capitalisation of borrowing costs, as SATO initiated the most significant projects on the lines of IAS 23 in the course of 2007.

It is believed that the interpretation of IFRIC 13 *Customer Loyalty Programmes* coming into effect in 2009 will not affect SATO's consolidated financial statements.

In 2009 the Group will adopt the modified IAS 1 *Presentation of Financial Statements* standard (in force as of 1 January 2009, not yet approved by the EU). By SATO's assessment, the modification of the IAS 1 standard will mostly affect the presentation of the consolidated financial statements' final accounts and notes to the financial statements.

IFRIC 15 Agreements for the Construction of Real Estate, to be introduced in 2009

The interpretation has not yet been passed for implementation within the EU. If the draft interpretation is approved as it stands, the interpretation may also alter the income-recognition principle applied by SATO for the sale of apartments. At present, the IAS 11 Construction Contracts standard is applied to the income-recognition for apartments, in accordance with which income is recognised according to the percentage of completion in compliance with the drafting principles described above. The standard to be applied in the future would be IAS 18 *Revenue*, under the application of which the income-recognition of sales would take place on the basis of the handover of the apartment. The amendment in the accounting conventions based on the interpretation will have to be applied retrospectively. The impacts of retrospective adoption on SATO's 2008 profit and loss account, balance sheet and cash flow statement are assessed in Note 33.

Other standards to be adopted in 2009

Amendments to the standard IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (in effect on 1 January 2009 or for financial years commencing thereafter). The amendment to the standard requires that all conditions which do not confer ultimate entitlement are taken into consideration in the valuation of the fair value of quasi-equity instruments granted. The amendment to the standard also further specifies the guidelines for the treatment of cancellations. The interpretation will have no impact on the corporation's forthcoming financial statements. The amendments to the standard have not yet been passed for implementation within the EU.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 32 *Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation* (in effect on 1 January 2009 or for financial years commencing thereafter). The amendments to the standards will require the classification of puttable financial instruments with certain attributes as shareholders' equity, whereas they have hitherto been treated as liabilities. The adoption of the amended standards will have no impact on the corporation's forthcoming financial statements. The amendments to the standard have not yet been passed for implementation within the EU.

Amendments to *Improvements to IFRSs* (Annual Improvements 2007) (coming into force mostly on 1 January 2009 or for financial years commencing thereafter). Small and low-urgency amendments are collected into a single batch and implemented once a year through the Annual Improvements procedure. The amendments included in the scheme affect a total of 34 standards. The corporation's forthcoming financial statements may be affected principally by an amendment to IAS 20 *Accounting Conventions for Public Subsidies and the Information to be Given for Public Subsidy in Financial Statements*, according to which low-interest loans received must be booked in accordance with standard IAS 39 *Financial Instruments: Recognition and Measurement*. The corporation is currently studying the impacts of the amendment to the standard. The amended standard has not yet been passed for implementation within the EU.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (coming into force 1.10.2008 or for financial years commencing thereafter). The interpretation clarifies the accounting conventions in the consolidation accounting for hedging a net investment made in a foreign unit. The interpretation will have no impact on the corporation's forthcoming financial statements. The interpretation has not yet been passed for implementation within the EU.

Standards to be applied in 2010

IFRS 3 *Business Combinations* (amended 2008) and IAS 27 *Consolidated and Separate Financial Statements* (amended 2008), (in effect on 1 July 2009 or for financial years commencing thereafter). The amendment to the standards will affect the amount of goodwill to be booked on acquisitions as well as the items to be posted to the profit and loss account in addition to the treatment of any additional selling prices. The amendment to the standards will provide guidelines for the accounting treatment of changes of ownership. The change in the convention is not expected to have a significant effect on the corporation's forthcoming financial statements. The updated and amended standard has not yet been passed for implementation within the EU.

An amendment to standard IAS 39 *Financial Instruments: Recognition and Measurement (Eligible Hedged Items)* (coming into force 1.7.2009 or for financial years commencing thereafter). The changes concern the calculation of hedging. They clarify the guidelines of IAS 39 on the hedging of a unilateral risk as well as on hedging against an inflation risk in the case of an item included in financial assets or liabilities. It is the opinion of the corporation that the amendment to the standard will have no impact on the corporation's future financial statements. The amended standard has not yet been passed for implementation within the EU.

IFRIC 17 *Distributions of Non-cash Assets to Owners* (coming into force 1.7.2009 or for financial years commencing thereafter). The interpretation provides guidelines for booking distributions of non-cash assets to owners from the perspective of

a dividend-paying entity. It is the opinion of the corporation that the interpretation will have no impact on the corporation's forthcoming financial statements. The interpretation has not yet been passed for implementation within the EU.

Notes to the Consolidated Financial Statements, IFRS

Information for segments 2008	Investment in Housing Sato Housing	Vatro Housing	Housing Development and Construction	Eliminations	SATO Group, total
MEUR					
External turnover	121.3	37.7	73.4		232.4
Internal turnover			7.0	-7.0	0.0
Turnover, total	121.3	37.7	80.4	-7.0	232.4
Profits/losses from divestments of Investment Properties	9.1	0.6		0.0	9.7
Depreciation and write-downs	-12.4	-4.9	-0.3	0.0	-17.6
Operating profit	58.4	12.5	-0.2	-0.4	70.3
Financial expenses (net)	-29.9	-10.3	-2.7		-42.9
Profit before taxes	28.5	2.2	-2.9	-0.4	27.4
Net rental income	68.7	20.1			88.8
Net rental income, % of book value	8.0 %	7.9 %			8.0 %
Investments	133.3				133.3
Acquisition of land for inventory			6.0		6.0
Depreciation	-12.4	-4.9	-0.3	0.0	-17.6
Impairments					0.0
Investment Properties	915.2	248.3			
Cash and cash equivalents	32.5	4.7	1.5		
Other assets of the segment	13.7	3.0	133.3	0.0	
Holding in joint venture and associated companies	0.3	0.3	0.0		
Assets and eliminations allocated to segments, total	961.7	256.3	134.8	0.0	1,352.8
Unallocated assets					27.4
Assets, total					1,380.2
Interest-bearing liabilities	734.7	246.2	69.4		
Other liabilities of segment	35.1	7.7	18.7	0.0	
Liabilities and eliminations allocated to segments, total	769.8	253.9	88.1	0.0	1111.8
Unallocated liabilities					63.3
Liabilities, total					1,175.1

Notes to the Consolidated Financial Statements, IFRS

Information for segments 2007	Investment in Housing Sato Housing	Housing Vatro Housing	Housing Development and Construction	Eliminations	SATO Group, total
MEUR					
External turnover	114.2	37.8	104.1		256.0
Internal turnover			5.4	-5.4	0.0
Turnover, total	114.2	37.8	109.5	-5.4	256.0
Profits/losses from divestments of Investment Properties	6.7	0.4		0.0	7.1
Depreciation and write-downs	-10.7	-5.9	-0.3	0.0	-16.9
Operating profit	47.4	12.1	7.0	-0.2	66.3
Financial expenses (net)	-19.7	-10.5	-1.6	0.2	-31.6
Profit before taxes	27.7	1.6	5.4	-0.0	34.7
Net rental income	60.0	20.4			80.5
Net rental income, % of book value	8.1 %	7.7 %			8.0 %
Investments	143.4				143.4
Acquisition of land for inventory			37.6		37.6
Depreciation	-10.7	-4.9	-0.3	0.0	-15.9
Impairments		-1.0			-1.0
Investment Properties	800.4	260.1			
Cash and cash equivalents	26.8	0.8	1.2		
Other assets of the segment	27.0	2.9	141.2	-13.8	
Holding in joint venture and associated companies	0.5	0.3			
Assets and eliminations allocated to segments, total	854.8	264.1	142.4	-13.8	1,247.5
Unallocated assets					16.0
Assets, total					1,263.5
Interest-bearing liabilities	636.5	254.1	54.4		
Other liabilities of segment	17.8	9.0	37.7	-13.7	
Liabilities and eliminations allocated to segments, total	654.3	263.1	92.1	-13.7	995.9
Unallocated liabilities					57.4
Liabilities, total					1,053.2

The turnover and expenses for the comparative year of 2007 have been amended to correspond with the treatment of owner-occupied housing in the consolidated financial statements.

The effect is 9.9 million euros on turnover and expenses, and there is no effect on net profit.

Notes to the Consolidated Financial Statements, IFRS **2008** 2007

MEUR

3 Long-term projects and distribution of turnover

Income booked on long-term projects during the financial year	75.8	107.5
Accumulated actual expenditure and booked profits of projects in progress less booked losses by year-end	9.7	62.1
Gross receivables from customers shown in accrued assets	3.9	12.8
Gross debts to customers shown in advances received	3.2	9.8

The expenditures arising from and profits booked for long-term projects which are larger than the amount invoiced for the project are included in the balance sheet in the item "Accounts receivable and other receivables". If the expenditures arising and profits booked are smaller than the invoicing for the project, the difference is included in the balance sheet item "Accounts payable and other debts".

The turnover for commissioning construction includes, in addition to the income from long-term projects, earnings from client commissioning and sales of shares as well as rental income. The total rental income from Investment in Housing during the 2008 financial year has been MEUR 159.0 (during the 2007 financial year MEUR 151.6).

4 Profits and losses from sales of Investment Properties and other income from business operations

Profits and losses from sales of Investment Properties		
Profit from divestments of Investment Properties	10.1	7.8
Losses from divestments of Investment Properties	-0.4	-0.7
Total	9.7	7.1
Other income from business operations		
	0.3	0.6
Total	0.3	0.6
Other expenses of business operations		
Direct maintenance expenses of Investment Properties accruing rental income	47.3	47.4
Rental expenses	22.4	20.0
Other fixed expenses	6.5	7.6
Other expenses of business operations	0.6	1.8
Total	76.8	76.7
Auditors fee		
Audit	0.1	0.1
Tax advice	0.0	0.0
Other services	0.1	0.6
Total	0.2	0.7

Notes to the Consolidated Financial Statements, IFRS

2008

2007

MEUR

5 Personnel expenses

Other personnel expenses	8.5	8.5
Pension expenses – contribution-based arrangements	1.6	1.7
Interest expenses – benefit-based arrangements	0.0	0.0
Other personnel expenses	0.6	0.4
Total	10.7	10.6

Management perquisites are set out in note 31, Related Party Events.

Average number of Group personnel during the financial year

Total	160	176
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6 Depreciation and write-downs**Depreciation by type of asset:**

Investment Properties	16.6	14.9
Tangible assets	0.7	0.6
Intangible assets	0.3	0.4
Total	17.6	15.9

Impairments:

Investment Properties	0.0	1.0
Total	0.0	1.0

The impairments concern amendments of certain investment properties' book values to correspond with their future income expectations.

7 Financial income and expenses**Financial income**

On loans and other receivables	2.3	2.0
On derivatives not included in hedge accounting		
On derivatives included in hedge accounting	0.1	0.1
Interest income, total	2.4	2.1

Interest expenses

Interest expenses on financing debts booked at matched acquisition cost	-40.7	-34.1
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Value adjustment of financial assets charged or credited at fair value

Of derivatives not included in hedge accounting, increase in market value	-4.5	0.3
Financial income, total	-45.3	-33.7

Financial income and expenses, total

	-42.9	-31.6
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The presentation of hedging has been amended in such a way that the effects on net profit of the hedging are booked in their entirety under interest expenses in line with the interest expenses of the hedged loans. Under the previous practice, income from interest hedging was included in interest income and costs were included in interest expenses. The comparative data for 2007 have been amended to correspond with the new form of presentation.

Notes to the Consolidated Financial Statements. IFRS**2008**

2007

MEUR

8 Income taxes

The profit and loss account tax expense is distributed as follows:

Tax based on the taxable income for the period	3.8	5.8
Taxes of previous years	0.0	-0.5
Deferred taxes, net	3.1	3.8

Total	6.9	9.1
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Precision calculation based on the domestic tax rate (26%) for the tax expense of the consolidated profit and loss account for the SATO Group's parent company:

Profit before taxes	27.4	34.7
Taxes calculated on the parent company's tax rate	7.1	9.0
Non-tax-deductible expenses	0.2	0.0
Non-taxable income	-0.2	0.0
Application of previously unbooked taxation losses	-0.1	0.0
Tax from previous financial years	0.0	0.0
Losses/profits on merger	0.1	0.0
Other differences	-0.2	0.1

Adjustments, total	-0.2	0.1
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Taxes in profit and loss account	6.9	9.1
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9 Earnings per share

The undiluted earnings per share are calculated by dividing the profit for the year due to the parent company's shareholders by the weighted average number of issued shares for the year. The number of shares has been adjusted in line with the decision by the extraordinary meeting of the company held on 23 October 2007 to increase the number of shares in the ration of 1:19 without increasing the share capital (free issue). In 2007 and 2008 SATO had no transactions diluting the number of shares.

Profit for financial year for distribution to the owners of the parent company (MEUR)	20.3	25.4
Weighted average number of shares during the financial year (millions)	44.4	44.4
Earnings per share (€)	0.46	0.57

Notes to the Consolidated Financial Statements. IFRS **2008** 2007

MEUR

10 Investment Properties

Acquisition cost. 1 Jan.	1.124.7	997.6
Increases; new properties	127.3	134.6
Increases; additional investments	5.9	13.5
Decreases	-15.2	-21.7
Transfers between items	1.5	0.7
Acquisition cost. 31 Dec.	1.244.2	1.124.7
Accumulated depreciation and write-downs. 1 Jan.	-64.1	-48.2
Depreciation	-16.6	-14.9
Impairment losses	0.0	-1.0
Accumulated depreciation and write-downs. 31 Dec.	-80.7	-64.1
Book value. 31 Dec.	1.163.5	1.060.6
Fair value. 31 Dec.	1.361.3	1.224.9

Investment Properties are subject to legislated non-profit restrictions on disposal and utilisation. These restrictions and the definition of fair value are described above in greater detail in the accounting conventions of the financial statements. in the sections Basic Company Information and Investment Properties.

Rental income on Investment Properties **159.0** **151.6**

The Group's lease agreements are leases on housing and they are mostly valid indefinitely. Roughly 7.000 new leases are drawn up per year. The turnover in the Group's rental housing portfolio in 2008 was 30.2% and in 2007 it was 30.7%. with the average validity for leases being 3.3 years in 2008 and 3.3 years in 2007.

11 Tangible assets	Machinery and equipment	Other tangible assets	Total
2008			
Acquisition cost, 1 Jan.	3.5	0.1	3.6
Increases	0.4	0.0	0.4
Decreases	-0.3	0.0	-0.3
Transfers between items	0.0		0.0
Acquisition cost, 31 Dec.	3.6	0.1	3.8
Accumulated depreciation and write-downs, 1 Jan.	1.5	0.1	1.5
Accumulated depreciation on transfers	-0.3	0.0	-0.3
Depreciation for the period	0.7	0.0	0.7
Accumulated depreciation and write-downs, 31 Dec.	1.9	0.1	1.9
Book value, 1 Jan, 2008	2.1	0.0	2.1
Book value, 31 Dec, 2008	1.7	0.0	1.8

Notes to the Consolidated Financial Statements. IFRS	Machinery and equipment	Other tangible assets	Total
MEUR			
2007			
Acquisition cost, 1 Jan.	3.1	0.1	3.1
Increases	0.6	0.0	0.7
Decreases	0.0	0.0	0.0
Transfers between items	-0.2		-0.2
Acquisition cost, 31 Dec.	3.5	0.1	3.6
Accumulated depreciation and write-downs, 1 Jan.	1.1	0.1	1.1
Accumulated depreciation on transfers	-0.2	0.0	-0.2
Depreciation for the period	0.6	0.0	0.6
Accumulated depreciation and write-downs, 31 Dec.	1.5	0.1	1.5
Book value, 1 Jan. 2007	2.0	0.0	2.0
Book value, 31 Dec. 2007	2.1	0.0	2.1

Tangible assets include assets acquired with financial leasing agreements as follows:

	Machinery and equipment
2008	
Acquisition cost, 1 Jan.	1.7
Increases	0.3
Decreases	-0.3
Acquisition cost, 31 Dec.	1.7
Accumulated depreciation and write-downs, 1 Jan.	0.5
Depreciation for the period	0.5
Accumulated depreciation on decreases	-0.3
Accumulated depreciation, 31 Dec.	0.7
Book value, 31 Dec.	1.0
2007	
Acquisition cost, 1 Jan.	1.4
Increases	0.4
Decreases	-0.1
Acquisition cost, 31 Dec.	1.7
Accumulated depreciation and write-downs, 1 Jan.	0.4
Depreciation for the period	0.3
Accumulated depreciation on decreases	-0.1
Accumulated depreciation, 31 Dec.	0.5
Book value, 31 Dec.	1.2

Notes to the Consolidated Financial Statements, IFRS

MEUR

12 Intangible assets	Intangible rights	Other intangible rights	Total
2008			
Acquisition cost, 1 Jan.	0.7	1.8	2.5
Increases	0.0	0.3	0.3
Transfers between items	0.0	0.0	0.0
Acquisition cost, 31 Dec.	0.7	2.1	2.8
Accumulated depreciation and write-downs, 1 Jan.	0.7	0.6	1.3
Accumulated depreciation on transfers	0.0	0.0	0.0
Depreciation for the period	0.0	0.3	0.3
Accumulated depreciation and write-downs, 31 Dec.	0.7	0.9	1.6
Book value, 1 Jan. 2008	0.0	1.2	1.2
Book value, 31 Dec. 2008	0.0	1.2	1.2

2007			
Acquisition cost, 1 Jan.	0.7	7.5	8.2
Increases	0.0	0.5	0.5
Transfers between items	0.0	-6.2	-6.2
Acquisition cost, 31 Dec.	0.7	1.8	2.5
Accumulated depreciation and write-downs, 1 Jan.	0.7	4.1	4.8
Accumulated depreciation on transfers	0.0	-3.8	-3.8
Depreciation for the period	0.0	0.3	0.3
Accumulated depreciation and write-downs, 31 Dec.	0.7	0,6	1.3
Book value, 1 Jan. 2007	0.0	3.4	3.4
Book value, 31 Dec. 2007	0.0	1.2	1.2

13 Holding in joint ventures and associated companies

	2008	2007
Acquisition cost, 1 Jan.	0.7	0.2
Increases	0.0	0.3
Decreases	-0.2	
Transfers between items	0.0	0.3
Acquisition cost, 31 Dec.	0.5	0.7
Adjustments to shares in equity, 1 Jan.	0.0	
Share of net profit for the financial year	0.1	0.0
Transfers between items	0.0	
Dividends received	0.0	0.0
At year-end	0.6	0.8

Notes to the Consolidated Financial Statements, IFRS

MEUR

Information on the joint venture and associated companies and their combined assets, debts, turnover and profit/loss (MEUR):

2008	Domicile	Assets	Debts	Turnover	Profit/loss	Holding (%)
Suomen Asumisoikeus Oy (*)	Helsinki	1,215.4	1 037.8	82.8	0.3	50.0
K Oy Färminahde	Nokia	0.6	0.5	0.2	0.0	40.7
K Oy Ummelo (*)	Oulu	0.5	0.4	0.2	0.1	49.0
K Oy Nurmijärven Jukolanmäki	Nurmijärvi	0.4	0.1	0.1	0.1	40.0
K Oy Salpalohi	Kerava	0.8	0.8	0.2	0.0	33.3
K Oy Kupittaaan Lähde	Turku	7.5	7.5	0.0	0.0	50.0
Piipunjuuri Oy	Oulu	0.1	0.1	0.4	0.0	50.0
SV-Asunnot Oy	Helsinki	0.3	0.3	0.0	0.0	50.00
2007						
Suomen Asumisoikeus Oy	Helsinki	1 236.3	1 057.6	104.0	0.1	50.0
K Oy Färminahde	Nokia	0.5	0.5	0.2	0.0	40.7
K Oy Nummelan Hiekkarinne	Nummela	0.9	0.7	0.2	0.1	21.0
K Oy Ristiinan Suopursu	Ristiina	0.4	0.3	0.2	0.0	30.0
K Oy Nuottapuisto	Mikkeli	0.3	0.0	0.0	0.0	30.0
K Oy Ummelo	Oulu	0.5	0.4	0.3	0.0	49.0
K Oy Nurmijärven Jukolanmäki	Nurmijärvi	0.4	0.0	0.1	0.0	40.0
K Oy Salpalohi	Kerava	0.8	0.8	0.2	0.0	33.3
K Oy Kupittaaan Lähde	Turku	7.6	7.6	0.3	0.0	50.0
Piipunjuuri Oy	Oulu	0.1	0.1	0.6	0.0	50.0

(* September 2008)

14 Book values of financial assets and debts by valuation group

2008	Note	Derivatives subject to hedge accounting	Derivatives not subject to hedge accounting	Loans and other receivables	Financial assets available for selling	Debts to book at matched acquisition cost	Book values of balance sheet items
Non-current financial assets							
Stocks and shares	15				2.2		2.2
Notes receivable	16			9.1			9.1
Current financial assets							
Accounts receivable	19			11.5			11.5
Notes receivable	19			0.2			0.2
Derivative receivables	24		0.6				0.10
Cash and cash equivalents	20			46.8			46.8
Non-current financial debts							
Loans from financial institutions	23					839.9	839.9
Current financial debts							
Loans from financial institutions	23					210.3	210.3
Derivative debts	24	9.5	3.7				13.2
Accounts payable	26					10.7	10.7

Notes to the Consolidated Financial Statements, IFRS

MEUR

2007	Note	Derivatives subject to hedge accounting	Derivatives not subject to hedge accounting	Loans and other receivables	Financial assets available for selling	Debts to book at matched acquisition cost	Book values of balance sheet items
Non-current financial assets							
Stocks and shares	15				2.1		2.1
Notes receivable	16			7.2			7.2
Current financial assets							
Accounts receivable	19			20.2			20.2
Notes receivable	19			0.6			0.6
Derivative receivables	24	3.2	0.6				3.8
Cash and cash equivalents	20			34.0			34.0
Non-current financial debts							
Loans from financial institutions	23					768.1	768.1
Current financial debts							
Loans from financial institutions	23					177.0	177.0
Derivative debts	24						
Accounts payable	26					6.9	6.9

Loans from financial institutions had a total book value of MEUR 1,050.2 (MEUR 945.1 in 2007). The balance sheet value of market-based loans was MEUR 653.4 (in 2007 MEUR 544.5) and the fair value was MEUR 655.5 (in 2007 MEUR 548.1). The weighted average effective interest rate for long-term market-based loans as at 31 December 2008 was 4.6 %. The book value of other loans was MEUR 396.8 (MEUR 400.6 in 2007). No fair value has been stated for state-subsidised ARAVA loans and interest-subsidised loans due to the special features of these types of loans, such as the quasi-subsidy components. The maturities of state-subsidised ARAVA loans and interest-subsidised loans are very long, so it is difficult to set a reliable benchmark interest rate. Most of the state subsidised loans are maturing in the period 2022–2047. The fair value of all the other financial assets and debts is estimated to be equal to their book value.

More detailed information on derivatives is given in note 23. There were no postings of financial assets available for selling in the profit and loss account during the year. The amount posted in the shareholders' equity is given in the accounting for changes in shareholders' equity.

15 Financial assets available for selling	2008	2007
Shares	0.4	0.6
Other holdings	1.8	1.5
Financial assets available for selling, total	2.2	2.1

Shares include quoted shares, which are valued at the closing price on the date of closing the books. Other holdings include unlisted shares, which are valued at the acquisition cost as it was not possible reliably to determine their fair value

16 Non-current receivables

Milj.

Notes receivable	9.0	7.2
Other receivable	0.1	0.2
Total	9.1	7.4

MEUR 3.8 are is a receivable from an associated company and the others are receivables from housing associations. They have been valued at the acquisition cost in the financial statements and their fair value is estimated to be equal to their book value.

MEUR

17 Deferred tax credits and liabilities

Changes in deferred taxes during 2008:	1.1.2008	Entered in profit and loss account	Entered in shareholders' equity	Subsidiaries acquired/sold	31.12.2008
Deferred tax credits:					
Valuation of financial instruments at fair value	0.0	1.0	2.4	0.0	3.4
From matching difference and interim differences	6.5	5.4	0.0	0.0	11.9
From intra-Group margins	4.6	-2.3	0.0	0.0	2.3
Total	11.1	4.1	2.4	0.0	17.6
Deferred tax liability:					
Valuation of financial instruments at fair value	1.0	-0.2	-0.8	0.0	0.0
From appropriations and depreciation differences	50.9	6.1	0.0	0.0	56.9
From matching differences and interim differences	1.5	1.8	0.0	0.0	3.3
From applied acquisition costs	3.6	-0.5	0.0	0.0	3.1
Total	57.0	7.2	-0.8	0.0	63.3
Changes in deferred taxes during 2007:	1.1.2007	Entered in profit and loss account	Entered in shareholders' equity	Subsidiaries acquired/sold	31.12.2007
Deferred tax credits:					
Valuation of financial instruments at fair value	0.0	0.0	0.0	0.0	0.0
From matching differences and interim differences	7.8	-1.3	0.0	0.0	6.5
From intra-Group margins	4.5	0.1	0.0	0.0	4.6
Total	12.3	-1.2	0.0	0.0	11.1
Deferred tax liability:					
Valuation of financial instruments at fair value	0.9	0.0	0.1	0.0	1.0
Valuation of financial instruments at fair value	47.4	3.6	0.0	-0.1	50.9
From matching differences and interim differences	2.5	-1.0	0.0	0.0	1.5
From applied acquisition costs	3.7	-0.1	0.0	0.0	3.6
Total	54.4	2.5	0.1	-0.1	57.0

18 Inventories

Housing under construction	21.2	30.7
Completed housing units and commercial space	20.8	11.0
Land areas and land area companies	67.6	67.2
Other inventories	9.3	4.4
Total	118.9	113.2

EUR 2.1 million was posted as an expense in 2008, by which the book value of inventories was reduced to correspond to its net divestment value. There was no similar need to post an expense in 2007.

Notes to the Consolidated Financial Statements, IFRS

2008

2007

MEUR

19 Accounts receivable and other receivables

Accounts receivable	11.5	20.2
Accrued assets	3.7	5.1
Notes receivable	0.2	0.6
Other receivables	1.4	1.8
Total	16.8	27.6
Itemisation of accrued assets		
Rental business	0.2	0.2
Construction commissioning	2.3	0.2
Hedge accounting	0.7	4.1
Interest	0.2	0.1
Other accrued assets	0.3	0.5
Total	3.7	5.1

The balance sheet values correspond best to the amount of money which is the maximum amount of the credit risk notwithstanding the fair value of the securities in a case in which the other contractual parties are unable to meet their obligations in respect of financial instruments. The receivables do not entail significant clusters of credit risks. The book values of the trade receivables and other non-current receivables are considered to be equal to their fair values.

20 Cash and cash equivalents

Cash and at bank	9.6	10.3
Certificates of deposit, deposits	37.2	23.7
Cash and cash equivalents on balance sheet	46.8	34.0

The non-profit companies' cash assets are kept separately from those of companies not subject to non-profit. The non-profit companies' cash assets in 2008 were MEUR 34.1 and in 2007 MEUR 18.9.

21 Notes on shareholders' equity

Precision calculation of the number of shares:	Number of shares (1,000)	Share capital, MEUR	Reserve fund, MEUR	Invested distributable equity fund	Total, MEUR
1.1.2007	2,198	4.4	43.7	0.0	48.1
Rights issue	23	0.0	0.0	2.7	2.7
Non-payment issue	42,201	0.0	0.0	0.0	0.0
31.12.2007	44,422	4.4	43.7	2.7	50.8
1.1.2008	44,422	4.4	43.7	2.7	50.8
	0	0.0	0.0	0.0	0.0
31.12.2008	44,422	4.4	43.7	2.7	50.8

Description of shareholders' equity funds:

Shares

The annual general meeting of 26 March authorised the Board of Directors to decide on one or more targeted, for-payment share issues, in such a way that the combined total number of new shares issued will not exceed 4,442,192. The proposed maximum is equal to 10% of the company's shares. The Board of Directors was authorised to decide on the terms of the issue, the issue price of the shares and the criteria on which the price is based, and on the other terms of the issue. The Board of Directors may decide on a share issue other than in proportion to the holdings of existing shareholders (targeted issue) if there is a pressing financial reason for this from the company's perspective. The following and perhaps others may be considered a pressing financial reason for disapplication of the shareholders' preemption rights in an issue of shares:

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

4) on 17 December 2008, the Board of Directors made a decision on a targeted share issue.

The authorisation is valid until 26 March 2009.

Reserve fund

The reserve fund includes a share premium account.

Value adjustment fund

The value adjustment fund includes the change in fair values of the derivative instruments used to hedge the cash flow as well as the valuation of the investments available for selling at their fair value.

Dividends

After the date of closing the books, 31 December 2008, the Board of Directors has proposed paying dividend in the amount of 0.24 euros per share.

Restrictions concerning the Group's shareholders' equity

The Group's retained profits in 2008, MEUR 159.1 (in 2007 MEUR 154.7) include a total of MEUR 26.8 (in 2007 MEUR 18.6) of shareholders' equity subject to restrictions on the distribution of profit from non-profit operations. Part of the Group companies are subject to so-called non-profit income-recognition limitations under housing legislation, according to which the organisation may not pay out to its owners more

than the profit permitted under housing legislation.

Management of the capital structure

The aim of the company's capital structure management is to support the growth targets and to secure the ability to pay dividend. Another aim of the structure management is to ensure the Group's prospects for operating in the equity market in all situations, regardless of volatility in the sector. SATO's targeted equity ratio net of VATRO Housing is at least 25 per cent. Equity ratio may temporarily dip below this target due to significant investments. The actual equity ratio net of VATRO Housing as at 31 December 2008 is 26.4 per cent.

The company's Board of Directors reviews and assesses the Group's capital structure regularly.

Some of the company's financial debts applies to the capital structure and special terms related to profitability. During the 2008 financial year, the company's capital structure and profitability met the terms set.

22 Pension commitments	2008	2007
Benefit-based pension liability on the balance sheet		
Current value of unfunded liabilities	0.0	0.0
Current value of funded liabilities	0.9	0.7
Fair value of assets	-1.0	-0.8
Below/above margin	-0.1	-0.2
Unbooked profits (+) / losses (-) based on insurance calculation	0.0	0.0
Unbooked expenditure based on backdated work done	0.0	0.0
Net debt	-0.1	-0.2
Amounts on balance sheet:		
Debts	0.0	0.0
Receivable	0.1	0.2
Net debt	0.1	0.2

Notes to the Consolidated Financial Statements, IFRS **2008** 2007

MEUR

Benefit-based pension expenditure of profit and loss account

Expenditure based on work done during period	0.1	0.1
Interest expenditure	0.0	0.0
Expected income of assets in arrangements	0.0	0.0
Profits (+) / losses (-) based on insurance calculation	0.0	0.0
Expenditure based on backdated work done	0.0	0.0
Profits/losses of reduction in arrangements	0.0	0.0

Total	0.1	0.1
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Income of assets in arrangements	0.0	0.0
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Changes in current value of liability shown on balance sheet

Liability 1 Jan.	0.7	0.6
Expenditure due to work done	0.1	0.1
Interest expenditure	0.0	0.0
Profits (+) / losses (-) based on insurance calculation	0.0	0.0
Profits (-) / losses (+) of reduction in arrangements	0.0	0.0
Benefits paid	0.0	0.0

Liability 31 Dec.	0.9	0.7
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Changes in fair values of assets included in arrangements

Fair values 1 Jan.	0.8	0.7
Expected income of assets	0.0	0.0
Profits (+) / losses (-) based on insurance calculation	0.1	0.0
Employer's remittances in arrangements	0.0	0.1
Reduction	0.0	0.0

Fair values 31 Dec.	1.0	0.8
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Amount the Group expects to remit to benefit-based arrangements in period 2009/2008	0.0	0.1
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No division of the assets in the arrangement by property groupings is available.

Assumptions used in insurance calculation

Discount interest	5.00%	5.00%
Expected income of assets in arrangements	4.84%	4.84%
Assumed future salary increase	4.00%	4.00%

The expected overall income of assets has been calculated by the insurer.

Three-year time series (beginning 1.1.2006)	2008	2007	2006
Current value of liabilities	0.9	0.7	0.6
Fair value of assets in arrangements	-1.0	-0.8	-0.7

Below (-) / above margin (+)	-0.1	-0.2	-0.1
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Experience-based revisions of assets included in arrangements	0.0	0.0	0.0
Experience-based revisions of debts included in arrangements	0.0	0.0	0.0

Notes to the Consolidated Financial Statements, IFRS **2008** 2007

MEUR

23 Interest-bearing liabilities

Non-current

Market-based loans	456.2	376.6
Interest-subsidised loans	97.6	100.2
State-subsidised loans	223.5	240.3
Contingent liabilities due to shares in housing companies and mutual building management companies	62.0	50.3
Financial leasing liabilities	0.6	0.7

Total **839.9** **768.1**

Current

Market-based loans	196.2	166.8
Interest-subsidised loans	2.6	0.2
State-subsidised loans	9.3	8.7
Contingent liabilities due to shares in housing companies and mutual building management companies	1.8	0.9
Financial leasing liabilities	0.4	0.4

Total **210.3** **177.0**

The amount of cash flow hedging entered in shareholders' equity during the period is shown in the calculation of changes in shareholders' equity.

Cash flows of instalments and interest based on loan agreements are shown in note 27 to the financial statements, Management of Financial Risks.

Financial leasing liabilities

Total of minimum rents		
During one year	0.4	0.4
Longer than one year and within a maximum of five years	0.6	0.7
In more than five years	0.0	0.0

Total **1.0** **1.2**

Total of minimum rents		
During one year	0.4	0.4
Longer than one year and within a maximum of five years	0.6	0.7
In more than five years	0.0	0.0

Total **1.0** **1.1**

Financial expenses accruing in the future 0.1 0.1

Total amount of financial leasing liabilities **1.0** **1.2**

Notes to the Consolidated Financial Statements, IFRS

MEUR

24 Derivatives

The following table gives information on the derivatives presented in note 14 to the financial statements:

Derivative instruments specified for hedging cash flow in 2008

		< 1 year	1-3 years	> 3 years	Total
	Nominal value	133.1	181.8	115.0	429.9
Positive	Fair value	0.0	0.1	0.1	0.1
Negative	Fair value	-0.6	-4.3	-4.7	-9.6
Total		-0.6	-4.3	-4.6	-9.5

Derivative instruments without hedge accounting in 2008

	Nominal value	0.0	0.0	110.0	110.0
Positive	Fair value	0.0	0.0	0.0	0.0
Negative	Fair value	0.0	0.0	-3.7	-3.7
Total		0.0	0.0	-3.7	-3.7

Derivative instruments specified for hedging cash flow in 2007

		< 1 year	1-3 years	> 3 years	Total
	Nominal value	22.3	77.3	105.0	204.6
Positive	Fair value	0.2	1.3	2.0	3.5
Negative	Fair value	0.0	-0.1	-0.2	-0.3
Total		0.2	1.2	1.8	3.2

Derivative instruments without hedge accounting in 2007

	Nominal value	73.6	0.0	90.0	163.6
Positive	Fair value	0.2	0.0	0.4	0.6
Negative	Fair value	0.0	0.0	0.0	0.0
Total		0.2	0.0	0.4	0.6

Of the derivatives specified for hedging cash flow in 2008, MEUR 9.3 was booked in the value adjustment fund (MEUR 0.3 in 2007).

Notes to the Consolidated Financial Statements, IFRS

MEUR

25 Untaxed reserves

	Refund claim expense reserve	Other reserves	Reserves, total
1.1.2008	5.0	0.5	5.5
Increases in reserves	1.3	0.0	1.3
Reserves disbursed	-0.7	-0.1	-0.8
Cancellations of unused reserves	-0.3	-0.1	-0.4
31.12.2008	5.2	0.3	5.5

The refund claim expense reserve includes a guarantee reserve related to construction business as well as the 10-year liability period thereafter. The refund claim expense reserve is determined on the basis of the claims submitted and on figures from previous experience.

Other reserves include, inter alia, reserves for loss-making agreements.

The potential realisation of the refund claim expense reserve will take place within 10 years and other reserves within 6 years.

26 Accounts payable and other debts	2008	2007
Advances received	9.8	14.0
Accounts payable	10.7	6.9
Other debts	0.6	0.8
Deferred liabilities	34.9	23.1
Accounts payable and other debts. total	56.0	44.9

Critical items of deferred liabilities

Wages and salaries with employee benefits	1.7	1.8
Interest	8.3	8.1
Hedge accounting	15.4	
Construction commissioning	6.6	11.5
Rental business	1.2	1.7
Others	1.7	0.1
	34.9	23.1

Notes to the Consolidated Financial Statements, IFRS

27 Management of financial risks

The goal of SATO's finance policy is to shield the company from unfavorable changes occurring in the financial market. In 2008 the Board of Directors approved SATO's finance policy, which sets out the main principles of managing finance and financial risks. SATO's Group finance attends to the management of financial risks in accordance with the Group's finance policy. Group finance reports to the CFO, who is responsible for arranging and managing the duties associated with the management finance and financial risks as well as ensuring that the principles set in the finance policy are complied with.

Interest risk

The aim of interest risk management is to reduce the impact of changes in market rates on interest expenses in such a way that the risk of a rise in interest expenses is on an acceptable level and liquidity is secured. The most crucial risk to the loan portfolio is interest risk, which is due to the effect of fluctuations in market interest rates on interest flows into floating rate loans. In interest risk management, the aim is to achieve a balance between floating and fixed rates. Interest risk mostly results from financial debts, which include market rate loans, interest subsidised loans and state subsidised loans. The main interest risk involves market-based loans, but the interest risk on other types of financial debts is also monitored.

Market-based loans are basically taken at floating rates. In accordance with the financial policy, 50-80% of the nominal value of loans is hedged, i.e., their interest-rate fixing period is extended. On 31 December 2008, 60% of the nominal value of these loans was hedged with derivatives, their average maturing being 3.1 years. Part of the interest rate derivatives are treated as cash flow hedging in the accounting. The longest of the hedges on floating-rate loans extend until 2013. The hedges on cash flow include no ineffective part, because the subjects of the hedging and the hedging instruments have the same interest periods. The effect of changes in market interest rates on net financial expenses is examined with sensitivity analyses on the next page.

Changes in market interest rates also affect interest expenditure on interest-subsidised loans. In interest-subsidised loans, a subsidy is obtained for the part exceeding the deductible rate, so the costs of increases in interest rates for interest-subsidised loans are considerably lower than for market rate loans. The deductible rate at the end of 2008 was 2.75 or 3.5%. A large part of the interest-subsidised loans is tied to longer reference rates. The interest risk on interest-subsidised loans is very small due to the interest subsidy and long reference rates. In accordance with the finance policy, SATO does not apply hedging to interest-subsidised loans.

In operations financed with state subsidies, absorption cost-based determination is used for rent, by which any interest risk is transferred to the rents. The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. Some state-subsidised loans have interest rate cap, the level of which is based on the interest rate of state 10-year bonds. A risk in state-subsidised ARAVA loans is a sudden increase in interest, which would be difficult to transfer in its entirety to rents without delay. Another risk is an increase in state subsidised interest rates based on inflation to a level higher than Euribor rates. In accordance with the finance policy, SATO does not apply hedging to state-subsidised ARAVA loans.

Currency risk

In 2007, SATO started Investment in Housing business in St. Petersburg. The first homes were completed for rental purposes in October 2008. SATO's main currency risks have been rouble-denominated commitments related to the investments. On 31 December 2008, SATO had MEUR 1.2 in rouble-denominated commitments related to the investments. As rental business is still in the early stages, no very probable foreign currency-denominated cash flows related to operational business constitute a significant currency risk. Neither will the consolidation of the foreign subsidiary's currency-denominated shareholders' equity have significant effects on the Group's consolidated equity and the key indicators of the balance sheet.

The currency risk has not been hedged with derivatives.

Price risk

At present, SATO has no items which might be subject to a significant price risk.

Credit risk

Credit risk is caused by the inability of a contractual party to fulfil his obligations.

SATO's accounts receivable consist mainly of accounts receivable from construction commissioning. For the most part there is no credit risk from accounts receivable from construction commissioning, as title to the properties to be sold is not usually transferred to the buyer until the price has been paid.

A small proportion of accounts receivable involve rent receivables. SATO has more than 23,000 tenants, so the risk entailed in a single rent receivable is insignificant. Most lease agreements have security for the rent receivable. SATO's actual credit losses have averaged the equivalent of 0.2% of rental income.

In addition, derivative instruments involve a counterparty risk, which is reduced by spreading derivative instruments among a number of counterparties.

Liquidity risk

The Group constantly monitors the amount of financing demanded for business operations so that the adequacy of financing will be assured in all circumstances. The cash flow of actual basic business is a steady foundation on which the cash flows of investments and financing are built. Liquidity is managed with the commercial paper programme used by the Group, MEUR 100, and with credit limits on committed short-term loans, MEUR 200. On 31 December 2008, the commercial paper issued amounted to EUR 20 million (31.12.2007: EUR 87 million) and the credits raised on short-term credit limits were EUR 150 million (31.12.2007: EUR 30 million). In liquidity management, it is taken into account that the assets of the Group's non-profit companies are kept separately and allocated to not-profit operations.

Notes to the Consolidated Financial Statements, IFRS

MEUR

Sensitivity analyses (interest rate risk)

The following assumptions have been made in calculating the sensitivity arising from a change in the interest rate:

- the interest rate change is assumed to be +/- 100 bp
- loans are denominated in EUR

Sensitivity analysis of market-rate floating interest loans

(per cent)	Profit and loss account		Shareholders' equity	
	100 bp increase	decrease	100 bp increase	decrease
Floating rate loans	-4.2	4.2	-	-
Interest rate swaps	2.0	-2.0	7.3	-7.7
Interest-rate options	2.9	-3.0	-	-
Effect, total	0.7	-0.8	7.3	-7.7

Market-rate loans are basically taken at floating rates. The company hedges against market-based loan interest risk by selecting interest periods and with derivative instruments such as interest rate swaps.

The sensitivity of interest-subsidised loans to changes in market interest rates is small. The average interest subsidy on SATO's interest-subsidised loans at year-end was roughly 40% of the total interest calculated on market-based terms. There is a deductible rate on the loans, and the part which exceeds this is effectively affected by the interest subsidy. Roughly 2/3 of the interest subsidised-loans are pegged to long-term, 3–10 year reference interest rates.

The interest on state-subsidised ARAVA loans is pegged to changes in Finnish consumer prices. The interest on state-subsidised ARAVA loans is updated annually on the basis of the change in the consumer price index for July. The new interest rate on state-subsidised ARAVA loans affects the interest rates for SATO's state subsidised loans only more than six months later. Therefore, as at the date of closing the books, the sensitivity of SATO's state-subsidised ARAVA loans to changes in the consumer price index for the next 12 months is nonexistent. Some of the state-subsidised ARAVA loans also have an interest rate cap based on the three-year average for interest on Finnish state bonds, so the sensitivity of the loans to a change in the consumer price index for the next 12 months is small also in other periods under examination.

Notes to the Consolidated Financial Statements. IFRS

MEUR

Liquidity risk

The instalments on debts and the cash flows of interest based on loan agreements were as follows on 31.12.2008:

	in 1 year	in 1-5 years	in 6-10 years	in 10-15 years	after 15 years	Total
Market-based loans	-244.1	-159.7	-182.8	-169.0	-103.5	-859.2
Interest-subsidised loans	-5.7	-24.3	-59.8	-32.5	0.0	-122.3
State-subsidised ARAVA loans	-18.3	-77.1	-94.7	-77.5	-50.5	-318.0
Accounts payable	-10.7	0.0	0.0	0.0	0.0	-10.7
	-278.9	-261.1	-337.2	-279.0	-154.0	-1310.1
Interest-rate swaps	-3.8	-8.5	0.0	0.0	0.0	-12.4
Interest-rate options	-0.7	-4.1	-0.5	0.0	0.0	-5.3
	-4.5	-12.6	-0.5	0.0	0.0	-17.6
Total	-283.4	-273.7	-337.7	-279.0	-154.0	-1,327.8

The instalments on debts and the cash flows of interest based on loan agreements were as follows on 31.12.2007:

	in 1 year	in 1-5 years	in 6-10 years	in 10-15 years	after 15 years	Total
Market-based loans	-206.1	-140.1	-164.9	-129.5	-108.3	-748.9
Interest-subsidised loans	-3.4	-24.0	-59.2	-45.2	0.0	-131.8
State-subsidised ARAVA loans	-18.0	-75.6	-91.7	-77.3	-91.7	-354.3
Accounts payable	-6.9	0.0	0.0	0.0	0.0	-6.9
	-234.4	-239.7	-315.7	-252.0	-200.1	-1,241.9
Interest-rate swaps	1.9	3.2	0.0	0.0	0.0	5.2
Interest-rate options	0.0	0.3	0.0	0.0	0.0	0.3
	1.9	3.5	0.0	0.0	0.0	5.4
Total	-232.5	-236.2	-315.7	-252.0	-200.1	-1,236.5

The tables do not include the liability for debts of shares of housing and mutual property holding companies belonging to the group of investments.

Notes to the Consolidated Financial Statements. IFRS **2008** **2007**

MEUR

28 Other lease agreements

Group as lessee

Minimum rents to be paid on the basis of other lease agreements:

During one year	1.9	1.9
Longer than one year and a maximum of five years later	7.8	7.5
In more than five years	0.0	1.9
Total	9.7	11.2

The Group has sublet SATO's office premises on Panuntie in Helsinki. The amount of the minimum rents to be obtained from these premises is MEUR 1.0 (MEUR 1.2 in 2007). The received rents entered in the profit and loss account during the year were MEUR 0.6 in 2008 (MEUR 0.6 in 2007).

29 Notes to the cash flow statement

Business actions not involving a payment		
Depreciation	17.6	15.9
Impairments	0.0	1.0
Other changes	4.1	-0.4
Total	21.8	16.5

Notes to the Consolidated Financial Statements. IFRS	2008	2007
MEUR		
30 Collateral and contingency commitments		
Debts for which mortgages and pledges have been given as collateral		
Market loans	479.2	424.3
Mortgages provided	55.0	54.3
Book value of pledged shares	485.8	432.0
Value of corporate mortgages pledged	0.0	2.5
Value of deposits pledged	1.4	2.2
State-subsidised ARAVA loans	230.3	246.4
Mortgages provided	404.8	419.4
Book value of pledged shares	28.3	29.2
Interest-subsidised loans	100.2	100.4
Mortgages provided	121.9	121.9
Book value of pledged shares	0.8	0.8
Debts of housing and mutual property holding companies, secured by mortgages on properties		
Loans from financial institutions	63.8	51.2
Mortgages provided	89.7	76.0
Other commitments		
Guarantees	1.5	2.7
Guarantee pledges for others		
Owner-occupier home purchase commitments	18.1	18.4
Rs-guarantees	19.4	25.2
Mortgages provided to secure payment of rent and street maintenance		
Property mortgages provided	5.1	5.1
Binding purchase agreements		
For acquisitions of investment properties	29.4	57.5
Pledges for land use payments on zoned plots:	18.4	20.9
Letters of intent on land for which there is a zoning condition	12.9	12.7

Within SATO, housing companies which hold so-called owner-occupied apartment are treated for the special purpose as units established for a fixed period, which are not included in the consolidation. The combined total for loans of such housing companies, which are included in shared ownership systems, was MEUR 108.1 in 2008 (MEUR 114.7 in 2007).

SATO has the obligation to purchase the shares of Habinvest Oy offered for sale during the period 1.1.-31.12.2011. The purchase price is the market value of the shares.

MEUR

31 Related party events

The Group's related parties are comprised of the parent company, SATO Corporation, and the subsidiaries and associated companies. The owners are also counted as related parties when they have direct or indirect influence, meaning those owners whose holding in SATO is 20% or more are always related parties. When ownership falls below 20%, an owner is considered a related party when he has considerable influence in other ways, for example, through a seat on the Board of Directors. In 2007 and 2008 the shareholders included in related parties were Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company and Suomi Mutual Life Assurance Company.

Related parties are also taken to include the members of the Board of Directors and Corporate Management Groups, including the President and CEO as well as the families of the members of the Board of Directors and Corporate Management Group and the President and CEO, and companies managed by these. The Group's Corporate Management Group is comprised of SATO Corporation's President and CEO; the Vice President for Investment in Housing; the Vice President for Housing Development and Construction; the Head of Legal Affairs; the Director, Marketing and Communications; and the Chief Financial Officer. Habinvest Oy, which was founded by the members of the Corporate Management Group in 2007, held 465,000 SATO Corporation shares at the end of 2008, which amounts to 1% of the company's issued stock. SATO Corporation bought back the holdings of people who resigned from the company's employ during the financial year.

The following transactions were effected with related parties:

MEUR

Open balances with shareholders	2008	2007
Receivables	0.0	0.0
Debts	1.3	1.6

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

Management perquisites

Salaries and other short-term perquisites	1.6	3.1
Other long-term perquisites	0.0	0.0
Total	1.6	3.1

Management salaries and emoluments

Presidents	0.8	2.1
Members of the Board of Directors	0.2	0.3

Persons employed by the Group are not paid separate remuneration when serving as a member of the Board of Directors or as a President of a Group company.

Pensionable age for the President, the President's deputy and the Vice President, Housing Development and Construction is 60 years. At that time they are entitled to a pension of 60 per cent of their pensionable salary.

The period of notice for the President is six months. If the company decides to terminate the President's employment before pension age, the President is entitled to severance pay equal to 12 months' total salary in addition to the salary for the period of notice.

The members of the Group's Corporate Management Group are covered by an annual incentive scheme based on the Group's profit and fulfilment of the key targets for their respective sphere of responsibility. The Board of Directors approves the payment of bonuses.

Notes to the Consolidated Financial Statements, IFRS

32 Subsidiaries owned by the Group and parent company

	Group's holding, %	Parent company's holding, %
Holding percentages are the same as voting rights.		
Subsidiaries held by SATO Corporation		
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

Unconsolidated subsidiaries and associated companies

SV-Asunnot Oy	50.0	50.0
Keskus-Sato Oy	dormant 100.0	100.0
Sato-Asumispalvelut Oy	dormant 100.0	100.0

Other shares

Outakessa Koy	100.0	100.0
Jyväskylän Lyseonlinna As Oy	6.8	2.2
Jyväskylän Torihovi As Oy	4.1	1.4

Companies held by subsidiaries

Sato-Asunnot Oy		
Agricolankuja 3 As Oy	3.0	3.0
Agricolankuja 8 As Oy	80.7	80.7
Agricolankulma As Oy	0.8	0.8
Albert Petreliuksen katu 8 As Oy	7.7	7.7
Albertus As Oy	1.1	1.1
Amos As Oy	0.5	0.5
Björneborgsvägen 5 Bost. Ab	0.5	0.5
Erkintalo As Oy	1.1	1.1
Espoon Elosalama As Oy	100.0	100.0
Espoon Hassel As Oy	4.4	4.4
Espoon Heinjoenpolku As Oy	100.0	100.0
Espoon Honkavaarantie 5 As Oy	100.0	100.0
Espoon Kiiltokalliontie As Oy	14.5	14.5
Espoon Kivenhakkaajankuja 3 As Oy	2.3	2.3
Espoon Lounaismeri As Oy	100.0	100.0
Espoon Malmiportti 4 A - B As Oy	100.0	100.0
Espoon Myötätuulenmäki As Oy	8.5	8.5
Espoon Numersinkatu 11 As Oy	18.8	18.8
Espoon Omenapuu As Oy	14.5	14.5
Espoon Paratiisiomena As Oy	20.3	20.3
Espoon Puikkarinmäki As Oy	100.0	100.0
Espoon Punatulkuntie 5 As Oy	12.0	12.0
Espoon Pyhäjärventie 1 As Oy	100.0	100.0
Espoon Rastaspuistontie 8 As Oy	7.3	7.3
Espoon Ruorikuja 4 As Oy	3.8	3.8
Espoon Ruusulinnat As Oy	100.0	100.0

Espoon Satokallio As Oy	11.6	11.6
Espoon Signaali 2 As Oy	100.0	100.0
Espoon Suvikumpu As Oy	7.7	7.7
Espoon Taivalpolku As Oy	3.6	3.6
Espoon Vanharaide As Oy	90.1	90.1
Espoon Vasaratörmä As Oy	5.2	5.2
Espoon Viherlaaksonranta 3-5 As Oy	100.0	100.0
Espoon Viherlaaksonranta 7 As Oy	100.0	100.0
Espoon Yläkartanonpiha As Oy	10.9	10.9
Espoon Zanseninkuja 6 As Oy	100.0	100.0
Eura III As Oy	100.0	100.0
Fredrikinkatu 38 As Oy	2.7	2.7
Haagan Pappilantie 13 As Oy	2.6	2.6
Haagan Talontie 4 As Oy	3.1	3.1
Hakaniemenranta As Oy	2.5	2.5
Helsingin Akaasia As Oy	13.9	13.9
Helsingin Aleksis Kiven katu 52-54 As Oy	0.5	0.5
Helsingin Ansaritie 1 As Oy	100.0	100.0
Helsingin Ansaritie 2-4 As Oy	100.0	100.0
Helsingin Ansaritie 3 As Oy	100.0	100.0
Helsingin Apollonkatu 19 As Oy	38.2	38.2
Helsingin Arabian Kotiranta As Oy	4.2	4.2
Helsingin Arabiankatu 3 As Oy	13.4	13.4
Helsingin Casa Canal As Oy	13.3	13.3
Helsingin Castreninkatu 3 As Oy	100.0	100.0
Helsingin Cirrus As Oy	1.7	1.7
Helsingin Corona As Oy	17.0	17.0
Helsingin Eiranrannan Estella As Oy	30.8	30.8
Helsingin Eliel Saarisen tie 10 As Oy	96.1	96.1
Helsingin Gerbera As Oy	12.7	12.7
Helsingin Happiness As Oy	22.2	22.2
Helsingin Hildankulma As Oy	80.1	80.1
Helsingin Isopurje As Oy	3.2	3.2
Helsingin Juhani Ahon tie 12-14 As Oy	100.0	100.0
Helsingin Kaarenjalka 5 As Oy	100.0	100.0
Helsingin Kaivonkatsojantie 2 As Oy	16.4	16.4
Helsingin Kalevankatu 53 As Oy	30.5	30.5
Helsingin Kalliolinna As Oy	0.8	0.8
Helsingin Kanavaranta As Oy	8.8	8.8
Helsingin Kangaspellontie 1-5 As Oy	100.0	100.0
Helsingin Kangaspellontie 4 As Oy	60.3	60.3
Helsingin Kangaspellontie 8 As Oy	25.0	25.0
Helsingin Kerttulinkuja 1 As Oy	7.5	7.5
Helsingin Kirjala As Oy	100.0	100.0
Helsingin Klaavuntie 8-10 As Oy	100.0	100.0
Helsingin Kokkosaarenkatu 4 As Oy	20.8	20.8
Helsingin Koroistentie As Oy	15.9	15.9
Helsingin Korppaanmäentie 17 As Oy	100.0	100.0
Helsingin Korppaanmäentie 21 As Oy	100.0	100.0
Helsingin Korppaanmäentie 8 As Oy	49.8	49.8
Helsingin Kristianinkatu 11-13 As Oy	100.0	100.0
Helsingin Kultareuna 1 As Oy	39.0	39.0
Helsingin Köysikuja 2 As Oy	9.5	9.5
Helsingin Leikopiha As Oy	9.6	9.6
Helsingin Leikosaarentie 31 As Oy	12.6	12.6
Helsingin Leikovuori As Oy	9.1	9.1

Notes to the Consolidated Financial Statements, IFRS

Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %	Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %
Helsingin Lönnrotinkatu 32 As Oy	57.5	57.5	Jyväskylän Taitoniekansato As Oy	17.4	17.4
Helsingin Mariankatu 19 As Oy	1.0	1.0	Jyväskylän Torihovi As Oy	4.1	2.7
Helsingin Mechelininkatu 12-14 As Oy	100.0	100.0	Jyväskylän Yliopistonkatu 18 ja Keskustie 17 As Oy	100.0	100.0
Helsingin Merenkävijä As Oy	5.1	5.1	Kajaanin Rekitie 1-2 As Oy	100.0	100.0
Helsingin Minna Canthinkatu 24 As Oy	1.1	1.1	Kajaneborg Bost. Ab	7.3	7.3
Helsingin Mylläri As Oy	2.3	2.3	Kasarmikatu 14 As Oy	20.4	20.4
Helsingin Nautilus As Oy	26.0	26.0	Kasarminkatu 10 As Oy	26.7	26.7
Helsingin Nukkeruusunkuja 3 As Oy	9.3	9.3	Kauniaisten Ersintie 9-11 As Oy	5.5	5.5
Helsingin Pakilantie 17 As Oy	100.0	100.0	Keravan Papintie 1 As Oy	100.0	100.0
Helsingin Perustie 16 As Oy	65.1	65.1	Ketturinne As Oy	1.3	1.3
Helsingin Piispantie 3 As Oy	100.0	100.0	Kirkkosalmentie 3 As Oy	0.9	0.9
Helsingin Piispantie 5 As Oy	100.0	100.0	Kristianinkatu 2 As Oy	1.7	1.7
Helsingin Piispantie 7 As Oy	100.0	100.0	Kulmakatu 12 As Oy	2.1	2.1
Helsingin Piispantie 8 As Oy	100.0	100.0	Kulmavuorenpiha As Oy	100.0	100.0
Helsingin Pirta As Oy	17.1	17.1	Kulmavuorenrinne As Oy	1.0	1.0
Helsingin Porthaninkatu 4 As Oy	0.7	0.7	Kuopion Venemiehenkatu As Oy	100.0	100.0
Helsingin Puuskarinne 1 As Oy	98.2	98.2	Kuuselanpuisto As Oy	23.0	23.0
Helsingin Reginankuja 4 As Oy	11.8	11.8	Kuusitie 15 As Oy	1.5	1.5
Helsingin Rikhard Nymanin tie 3 As Oy	100.0	100.0	Kuusitie 3 As Oy	1.8	1.8
Helsingin Rumpupolun palvelutalo As Oy	4.6	4.6	Kuusitie 9 As Oy	2.3	2.3
Helsingin Ruusutarhantie 2-4 As Oy	43.1	43.1	Kvarnhyddan Bost. Ab	1.8	1.8
Helsingin Ruusutarhantie 7 As Oy	39.3	39.3	Laajalahdentie 26 As Oy	6.5	6.5
Helsingin Satoaalto As Oy	8.6	8.6	Lahden Nuolikatu 9 As Oy	100.0	100.0
Helsingin Satorinne As Oy	8.5	8.5	Lapinniemen Pallopurje As Oy	1.9	1.9
Helsingin Serica As Oy	3.8	3.8	Lapintalo As Oy	1.0	1.0
Helsingin Siltavoudintie 20 As Oy	100.0	100.0	Lappeenrannan Maininkikatu 9 As Oy	100.0	100.0
Helsingin Snellmaninkatu 23 As Oy	100.0	100.0	Lauttasaarentie 11 As Oy	1.6	1.6
Helsingin Solarus As Oy	5.9	5.9	Lielahdentie 10 As Oy	9.1	9.1
Helsingin Solnantie 22 As Oy	98.0	98.0	Linjala 14 As Oy	4.2	4.2
Helsingin Ståhlbergintie 4 As Oy	93.5	93.5	Läntinen Brahenkatu 8 As Oy	0.8	0.8
Helsingin Sähköttäjänkatu 6 As Oy	100.0	100.0	Lönegropen Bost. Ab, Skidbacksvägen 18	1.6	1.6
Helsingin Tapaninkulo As Oy	4.7	4.7	Mannerheimintie 100 As Oy	0.9	0.9
Helsingin Tilkankatu 15 As Oy	100.0	100.0	Mannerheimintie 108 As Oy	3.0	3.0
Helsingin Tilkankatu 2 As Oy	100.0	100.0	Mannerheimintie 148 As Oy	2.5	2.5
Helsingin Tilkankatu 6 As Oy	100.0	100.0	Mannerheimintie 77 As Oy	1.2	1.2
Helsingin Topeliuksenkatu 29 As Oy	4.6	4.6	Mannerheimintie 83-85 As Oy	0.7	0.7
Helsingin Tunturinlinna As Oy	9.5	9.5	Mannerheimintie 93 As Oy	0.3	0.3
Helsingin Tuohiaukio As Oy	8.3	8.3	Mariankatu 21 As Oy	1.3	1.3
Helsingin Vanha viertotie 16 As Oy	76.7	76.7	Mellunsusi As Oy	1.5	1.5
Helsingin Vanha viertotie 18 As Oy	47.5	47.5	Merimiehenkatu 41 As Oy Bost. Ab	1.6	1.6
Helsingin Vanha viertotie 6 As Oy	100.0	100.0	Messeniuksenkatu 8 As Oy	2.0	2.0
Helsingin Vanha Viertotie 8 As Oy	100.0	100.0	Messilä As Oy	70.0	70.0
Helsingin Villa Kuohu As Oy	25.6	25.6	Minna Canthin katu 22 As Oy	2.4	2.4
Helsingin Vuosaaren Helmi As Oy	100.0	100.0	Mursu As Oy	0.5	0.5
Hiihtomäentie 34 As Oy	3.7	3.7	Myllysalama As Oy	82.9	82.9
Humalniementie 3-5 As Oy	1.1	1.1	Myrrinhaukka As Oy	100.0	100.0
Hyvinkään Joutsenlaulu As Oy	28.2	28.2	Nervanderinkatu 9 As Oy	2.6	2.6
Hämeenlinnan Aronitunkuja 7 As Oy	100.0	100.0	Neulapadontie 4 As Oy	1.2	1.2
Jussinhovi As Oy	3.5	3.5	Nordenskiöldinkatu 8 As Oy	2.5	2.5
Jyväskylän Ailakinraitti As Oy	100.0	100.0	Näyttelijätien Pistetalot As Oy	1.4	1.4
Jyväskylän Lyseonlinna As Oy	6.8	4.6			

Notes to the Consolidated Financial Statements, IFRS

Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %	Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %
Oskelantie 8 As Oy	2.1	2.1	Turuntie 112 As Oy	1.4	1.4
Otavantie 3 As Oy	0.6	0.6	Turuntie 63 As Oy	1.6	1.6
Otavantie 4 As Oy	1.8	1.8	Työväen Asunto-osakeyhtiö Rauha	10.2	10.2
Oulun Aleksinranta As Oy	100.0	100.0	Ulvilantie 11 b As Oy	0.6	0.6
Oulun Arvolanpuisto As Oy	9.0	9.0	Urheilukatu 38 As Oy	56.0	56.0
Oulun Kalevalantie As Oy	100.0	100.0	Vaasankatu 15 As Oy	0.8	0.8
Oulun Laanila I As Oy	100.0	100.0	Vallinkyyhky As Oy	6.0	6.0
Oulun Laanila IV As Oy	100.0	100.0	Vantaan Aapramintie 4 As Oy	100.0	100.0
Oulun Laaniranta As Oy	6.0	6.0	Vantaan Kaarenlehmus As Oy	100.0	100.0
Oulun Marsalkka As Oy	5.7	5.7	Vantaan Liesitorin palvelutalo As Oy	5.9	5.9
Oulun Mastolinna As Oy	2.2	2.2	Vantaan Maarinrinne As Oy	12.0	12.0
Oulun Notaarintie 1 As Oy	24.4	24.4	Vantaan Maarukanrinne 6 As Oy	14.6	14.6
Oulun Notaarintie 3 As Oy	5.0	5.0	Vantaan Myyrinmutka As Oy	100.0	100.0
Pengerkatu 27 As Oy	2.6	2.6	Vantaan Pronssikuja 1 As Oy	100.0	100.0
Pihlajatie N:o 23 As Oy	3.0	3.0	Vantaan Tammiston Tringa As Oy	8.3	8.3
Poutuntie 2 As Oy	3.7	3.7	Vantaan Tammistonkatu 29 As Oy (VA)	23.5	23.5
Puistokaari 13 As Oy	1.9	1.9	Vantaan Tuurakuja 4 As Oy	34.1	34.1
Raikukuja II As Oy	100.0	100.0	Vihdin Lippotie 10 ja Vesitie 5 As Oy	100.0	100.0
Raikurinne 1 As Oy	1.3	1.3	Viides linja 16 As Oy	1.1	1.1
Riihimäen Kolehmaisentori As Oy	29.6	29.6	Vilhonvuorenkatu 8 As Oy		
Risto Rytin tie 28 As Oy Bost. Ab	1.5	1.5	- Bost. Ab Vilhelmsbergsgatan 8	1.1	1.1
Ristolantie 7 As Oy	2.5	2.5	Vuomeren-Salpa As Oy	2.7	2.7
Ryytikuja 5 As Oy	0.8	0.8	Vuorastila As Oy	99.0	99.0
Saarenkeskus As Oy	0.4	0.4	Vuosaaren Meripihka As Oy, Helsinki	42.7	42.7
Salpakolmio As Oy	31.3	31.3	Espoon Viherlaaksonranta 4 KOy	100.0	100.0
Satakallio As Oy	0.2	0.2	Etelä-Hämeen Talo Oy	81.3	56.3
Solnantie 32 As Oy	0.9	0.9	Helsingin Lauttasaarentie 19 KOy	58.3	58.3
Spargäddan Bost. Ab As Oy	1.3	1.3	Helsingin Stenbäckinkatu 5 KOy	60.0	60.0
Sulkaopku 6 As Oy	0.4	0.4	Nekalanpuisto KOy	2.9	2.9
Säästökartano As Oy	0.3	0.3	Näsinkeskus KOy	11.3	11.3
Taapuri As Oy	2.5	2.5	Helsingin Kangaspellontie 6 KOy	100.0	100.0
Tallbergin puistotie 1 As Oy	2.0	2.0	Paanukoti Oy	100.0	100.0
Tammitie 21 As Oy	0.9	0.9	Pellervon Pysäköinti KOy	68.9	43.1
Tampereen Charlotta As Oy (ASSI)	2.0	2.0	Satopos 111 Oy	0.3	0.3
Tampereen Jankanpuisto As Oy	100.0	100.0	OOO SATO-Rus	100.0	100.0
Tampereen Kanjoninkatu 15 As Oy	65.1	65.1	Sato-Pietari Oy	100.0	100.0
Tampereen Kristiina As Oy	13.8	13.8	Sato-Russia Oy	100.0	100.0
Tampereen Kuikankatu 2 As Oy	9.7	9.7			
Tampereen Rotkonraitti 6 As Oy	77.1	77.1	Sato Vuokrakodit Oy		
Tampereen Siirtolapuutarhankatu 12 As Oy	5.6	5.6	Espoon Numersinkatu 6 As Oy	2.3	2.3
Tampereen Tarmonkatu 6 As Oy	100.0	100.0	Espoon Puropuisto As Oy	49.8	49.8
Tampereen Waltteri As Oy (ASSI)	23.9	23.9	Espoon Sokerilinnantie 1 As Oy	1.9	1.9
Tapiolan Tuuliniitty. Espoo As Oy	6.8	6.8	Espoon Säterinkatu 10 As Oy	1.6	1.6
Tarkkampujankatu 14 As Oy	44.1	44.1	Espoon Zanseninkuja 4 As Oy	9.4	9.4
Terhokuja 3 As Oy	100.0	100.0	Helsingin Finniläntalo As Oy	80.2	80.2
Terhokuja 6 As Oy	11.3	11.3	Helsingin Mustankivenraitti As Oy	94.6	94.6
Turun Eteläranta III As Oy	2.9	2.9	Helsingin Myllypellonpolku 4 As Oy	4.7	4.7
Turun Eteläranta IV As Oy	3.0	3.0	Helsingin Otto Brandtin polku 4 As Oy	3.0	3.0
Turun Förinranta II As Oy	1.0	1.0	Helsingin Paciuksenkaari 13 As Oy	2.8	2.8
Turun Ipnoksenrinne As Oy	6.6	6.6	Helsingin Paciuksenkaari 19 As Oy	1.6	1.6
Turun Uudenmaanlinna As Oy	10.0	10.0	Helsingin Taimistontie 9 As Oy	5.0	5.0

Notes to the Consolidated Financial Statements, IFRS

Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %	Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %
Jyväskylän mlk:n Kirkkotie 3 As Oy	7.5	7.5	Lohjan Riihenkias As Oy	100.0	100.0
Jyväskylän Vaneritori 4 As Oy	9.6	9.6	Tampereen Hervannan Puistokallio As Oy	100.0	100.0
Kaarinan Kiurunpuisto As Oy	5.7	5.7	Tampereen Ruovedenkatu 11 As Oy	100.0	100.0
Kaarinan Kultarinta As Oy	17.5	17.5	Turun Uudenmaanlinna As Oy	10.0	0.0
Kuopion Lakeissuontie 5 As Oy	96.7	96.7	Turun Veistämöntori As Oy	100.0	100.0
Lappeenrannan Kanavansato 2 As Oy	6.8	6.8	Vantaan Havukoskenkatu 20 As Oy	100.0	100.0
Oulun Laamannintie 14 ja 17 As Oy	40.8	40.8	Vihdin Kuortilankuja 4 As Oy	100.0	100.0
Oulun Laamannintie As Oy	17.7	17.7	Vihdin Lippotie 3 As Oy	100.0	100.0
Raisio Toripuisto As Oy	4.5	4.5	Vihdin Nummenselkä 8 As Oy	100.0	100.0
Tampereen Haapalinnan Antintalo As Oy	14.2	14.2	Färminahde KOy	40.7	40.7
Tampereen Kyläleni As Oy	53.7	53.7	Helsingin Keinulaudantie 7 KOy	100.0	100.0
Tampereen Kyyhky As Oy	5.6	5.6	Jyskävaara KOy	63.5	63.5
Tampereen Rantatie 13 E-G As Oy	12.5	12.5	Koulukuja 4-10 KOy	54.0	54.0
Turun Maarianportti As Oy	100.0	100.0	Nummenpuisto KOy	100.0	100.0
Turun Merenneito As Oy	9.3	9.3	Nurmijärven Jukolanmäki KOy	40.0	40.0
Turun Meripoika As Oy	6.3	6.3	Ojamonkuusi KOy	54.6	54.6
Turun Metallikatu As Oy	100.0	100.0	Pateniemenhaka Oy	69.7	69.7
Vantaan Herttuantie 3 As Oy	17.5	17.5	Riikuntie KOy	80.0	80.0
Etelä-Hämeen Talo Oy	81.3	25.0	Tikkurilan Satotalo KOy	100.0	100.0
Suomen Satokodit Oy			Ummelo KOy	49.0	49.0
Meiramikuja As Oy	4.7	4.7	Vihdin Niittytie 1 KOy	100.0	100.0
Satosorsa As Oy	19.9	19.9	Vihdin Peltotie 2 KOy	100.0	100.0
Vantaan Kortteeri As Oy	6.4	6.4	SATOTALO Oy	100.0	100.0
Karpalopolku KOy	100.0	100.0	SATO-Väinölänranta Oy	100.0	100.0
Pellervon Pysäköinti KOy	68.9	25.8	SATO-Martinpääsky Oy	100.0	100.0
Vihdin Kirkkoniementie 2 KOy	100.0	100.0	Satohousing Oy	100.0	100.0
Vihdin Nummenselkä 10 KOy	100.0	100.0	SATOTALO Oy		
SATOKoti Oy			Hannanpiha As Oy	19.1	19.1
Espoon Jousenkaari 5 As Oy	100.0	100.0	Hauenhaavi As Oy	2.6	2.6
Espoon Jousenkaari 7 As Oy	100.0	100.0	Helkalax As Oy	1.3	1.3
Espoon Kuunsirppi As Oy	100.0	100.0	Hervannan Juhani As Oy	14.9	14.9
Espoon Sepetlahdentie 6 As Oy	100.0	100.0	Kastevuoren Palvelutalo As Oy	100.0	100.0
Helsingin Graniittitie 8 ja 13 As Oy	100.0	100.0	Kevätesikko As Oy	3.4	3.4
Helsingin Ida Aalbergin tie 3 A As Oy	100.0	100.0	Killeripuisto As Oy	1.3	1.3
Helsingin Kiillekuja 4 As Oy	100.0	100.0	Kotipiennar As Oy	2.8	2.8
Helsingin Lapponia As Oy	100.0	100.0	Kuhakartano As Oy	0.7	0.7
Helsingin Näyttelijäntie 24 As Oy	100.0	100.0	Kukkolan Koivu As Oy	4.3	4.3
Helsingin Pajamäentie 6 As Oy	100.0	100.0	Kuusihalme As Oy	2.3	2.3
Helsingin Pajamäentie 7 As Oy	100.0	100.0	Maijalanraitti As Oy	6.3	6.3
Helsingin Pasilantornit As Oy	74.5	74.5	Marinraitti As Oy	4.4	4.4
Helsingin Rusthollarinkuja 2 As Oy	100.0	100.0	Matinraitti 14 As Oy	1.0	1.0
Helsingin Vetelintie 5 As Oy	100.0	100.0	Mattitapio As Oy	7.6	7.6
Helsingin Viulutie 1 As Oy	100.0	100.0	Muotialantie 31 As Oy	17.0	17.0
Hollolan Harjukoivu As Oy	100.0	100.0	Näsinlaine As Oy	1.0	1.0
Hollolan Hiihto-Salpa As Oy	100.0	100.0	Näsinselkä As Oy	1.1	1.1
Jyväskylän Karsikkotie 3 As Oy	100.0	100.0	Peltohuhta As Oy	1.2	1.2
Jyväskylän Karsikkotie 5 As Oy	0.1	0.1	Pohjankartano As Oy	22.8	22.8
Kuopion Rypysuontie 63 As Oy	100.0	100.0	Puistoraitti As Oy	2.3	2.3
Lohjan Koulukuja 14 As Oy	100.0	100.0	Puolukkasato As Oy	5.9	5.9
			Rantasentteri As Oy	1.5	1.5

Notes to the Consolidated Financial Statements, IFRS

Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %	Subsidiaries owned by the Group and parent company	Group's holding, %	Parent company's holding, %
Reuharinrinne As Oy	4.6	4.6	Rivihkolla As Oy	49.9	49.9
Sarasipi As Oy	1.4	1.4	Saarenkylän Saarenkartanot As Oy	33.3	33.3
Satokaunokki As Oy	7.5	7.5	Salon Valhojanrivi As Oy	21.2	21.2
Satotatti As Oy	3.0	3.0	Satosyppi As Oy	50.0	50.0
Satulapuisto As Oy	22.3	22.3	Satotaival As Oy	50.2	50.2
Säästöjurvala As Oy	1.1	1.1	Tasakuusi As Oy	11.7	11.7
Tasatuomo As Oy	1.3	1.3	Turun Kivimaanrivi As Oy	13.1	13.1
Tikkamatti As Oy	67.4	67.4	Turun Mietoistenkuja As Oy	22.5	22.5
Ulpukkaniemi As Oy	25.4	25.4	Turun Pernon Kartanonlaakso As Oy	68.8	68.8
Vahterantorni As Oy	3.2	3.2	Turun Sipimetsä As Oy	19.8	19.8
Valtapolku As Oy	1.2	1.2	Vantaan Minkkikuja As Oy	74.9	74.9
Varalanrinne As Oy	9.8	9.8	Vantaan Omaksi As Oy	2.8	2.8
Välkynkallio As Oy	0.8	0.8	Vantaan Ravurinmäki As Oy	47.8	47.8
Yläaitankatu 4 As Oy	1.7	1.7	Vantaan Ravurinpuisto As Oy	64.2	64.2
Malmeken Ömsesidiga Fastighet	12.8	12.8	Helsingin Muurahaisenpolku 6 KOy	64.4	64.4
Mannerheimintie 170 KOy	32.1	32.1	Kukkaropohja KOy	100.0	100.0
Vatrotalot Oy			Salpalohi KOy	33.3	33.3
Harjulehmus As Oy	41.0	41.0	Vatro-Osaomistus Oy	100.0	100.0
Helsingin Laivalahdenportti 5 As Oy	75.5	75.5	Suomen Asumisoikeus Oy	50.0	50.0
Helsingin Toini Muonan katu 8 As Oy	31.6	31.6	SATO-Martinpääsky Oy		
Hämeenlinnan Aaponkuja 3 As Oy	47.7	47.7	As Oy Vantaan Martinpääsky	100.0	100.0
Jukolanniitty As Oy	52.6	52.6	Sato-Rakennuttajat Oy		
Jukolantanner As Oy	52.3	52.3	Piipunjuuri Oy	50.0	50.0
Jyväskylän Kakkospesä As Oy	18.2	18.2	K Oy Kupittaaan Lähde	50.0	50.0
Kajaanin Kannonkatu As Oy	12.5	12.5			
Kajaanin Välimaanrinne As Oy	47.4	47.4			
Kangasalan Kukkapuisto As Oy	12.6	12.6			
Karhukorkalo As Oy	29.3	29.3			
Kaukotie 10-12 As Oy	3.1	3.1			
Kavilanniitty As Oy	21.3	21.3			
Kirkkonummen Riihipolku As Oy	100.0	100.0			
Kuopion Tikassato As Oy	79.2	79.2			
Kuopion Vuorikatu 23 As Oy	59.8	59.8			
Kylänpäänkaari As Oy	50.0	50.0			
Kylänpäänpelto As Oy	48.3	48.3			
Laakavuorentie 4 As Oy	39.1	39.1			
Lahden Roopenkuja As Oy	57.7	57.7			
Linkinkoppi As Oy	44.2	44.2			
Marolinnankoti As Oy	15.4	15.4			
Meriramsi As Oy	25.6	25.6			
Meri-Rastilan tie 5 As Oy	23.5	23.5			
Meri-Rastilan tie 9 As Oy	9.1	9.1			
Naantalin Kastovuorenrinne As Oy	34.6	34.6			
Nastolan Moreeniraitti As Oy	27.2	27.2			
Nurmijärven Kylänpäänniitty As Oy	47.2	47.2			
Pirilänportti As Oy	14.5	14.5			
Pohjanpoika As Oy	24.5	24.5			
Poskilammenpuisto As Oy	68.3	68.3			
Puolukkavarikko As Oy	33.9	33.9			
Pupumäki As Oy	8.5	8.5			

Notes to the Consolidated Financial Statements, IFRS

MEUR

33 Events after year-end

In January 2009, SATO purchased from Pension Fennia Mutual Insurance Company 195 privately financed homes in Espoo and Vantaa. On the same date, Pension Fennia subscribed 950,769 shares in SATO Corporation in a targeted issue. The share issue was based on an authorising resolution passed by the annual general meeting of 26 March 2008. Following the share issue, the number of SATO Corporation shares is 45,372,689.

34 The application of new and updated IFRS norms

The change is described in more detail above in the section of the Notes to the consolidated financial statements entitled The application of new and updated IFRS norms.

IAS 23 Borrowing costs	2008	2007
Changeover date 1.1.2007		
Capitalised expenses of borrowing costs during the period	2.5	0.3
Financial expense index	5.26	4.92

Notes to the Consolidated Financial Statements, IFRS

MEUR

Effects of adopting IFRIC 15

	reported 1.1.- 31.12.2008	change	changed 1.1.- 31.12.2008
Group's profit and loss account, IFRS			
Turnover	232.4	67.2	299.6
Consumption of materials and services	-67.0	-60.8	-127.8
Operating profit	70.3	6.4	76.7
Profit before taxes	27.4	6.4	33.8
Income taxes	-6.9	-1.7	-8.6
Net profit for year	20.5	4.7	25.2

	reported 31.12.2008	change	changed 31.12.2008
Group's balance sheet			
Assets			
Non-current assets	1,196.0		1,196.0
	1,196.0		1,196.0
Current assets			
Inventory	1,18.9	10.9	129.8
Accounts receivable and other receivables	16.8	-1.0	15.8
	184.2	9.9	194.1
Assets. total	1,380.2	9.9	1,390.1

Notes to the Consolidated Financial Statements, IFRS

MEUR

	reported 1.1.– 31.12.2008	change	changed 1.1.– 31.12.2008
Shareholders' equity and liabilities			
Shareholders' equity due to shareholders in the parent company	203.8	-0.7	203.1
Minority interest	1.5		1.5
Shareholders' equity, total	205.2	-0.7	204.5
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	839.9	15.1	855.0
Other liabilities	68.8	-0.2	68.6
	908.8	14.8	923.5
Current liabilities			
Accounts payable and other debts	56.0	-4.2	51.8
	266.3	-4.2	262.1
Liabilities, total	1,175.0	10.6	1,185.6
Shareholders equity and liabilities, total	1,380.2	9.9	1,390.1

Effects on the cash flow statement

The effect of the amendment to IFRIC 15 on the cash flow from business operations is EUR -14.8 million and that on the cash flow from financing is EUR +14.8 million. The amendment has no effect on net cash flow.

Parent company's profit and loss account

Profit and loss account, FAS

MEUR	Note	1.1.- 31.12.2008	1.1.- 31.13.2007
Turnover	1	4.4	3.7
Other operating income	2	6.2	6.2
Materials and services	3	-0.8	-0.9
Personnel expenses	4 - 6	-1.9	-3.0
Depreciation and write-downs	7	-0.6	-0.5
Other operating expenses	8	-6.6	-7.1
Operating profit		0.7	-1.6
Financial income and expenses	9	-0.8	-0.4
Profit/loss before extraordinary items		-0.1	-2.1
Extraordinary items	10	14.7	23.7
Profit before taxes		14.6	21.6
Income taxes	11	-3.8	-5.4
Net profit for the financial year		10.8	16.2

Parent company's balance sheet

Balance sheet , FAS

MEUR	Note	31.12.2008	31.13.2007
Assets			
Fixed assets and other long-term investments			
Intangible assets	12	1.2	1.2
Tangible assets	13	0.8	0.9
Holdings in Group companies	14	62.2	62.3
Holdings in associated companies	15	0.0	
Other holdings and shares	16-17	1.2	5.4
		65.3	69.9
Inventories and financial assets			
Inventories	18	4.6	6.2
Long-term receivables	19	38.2	33.5
Short-term receivables	20	153.4	104.4
Financial securities		7.9	4.0
Cash and bank deposits		0.3	1.2
		204.4	149.3
Assets, total		269.7	219.1
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	21-23	4.4	4.4
Revaluation fund			
Reserve fund		43.7	43.7
Other funds		3.9	3.9
Retained earnings		17.3	17.1
Profit for the period		10.8	16.2
		80.0	85.3
Obligatory reserves	24	0.9	0.9
Liabilities			
Long-term	25	0.8	0.8
Short-term	26	187.9	132.1
		188.7	132.9
Shareholders' equity and liabilities, total		269.7	219.1

Parent company's cash flow statement

Cash flow statement

MEUR	2008	2007
Cash flow from operating activities		
Net profit for financial year	10.8	16.2
Adjustments:		
Depreciation	0.6	0.5
Financing income (-) and expenses (+)	0.8	0.4
Income taxes	3.8	5.4
Profits (-) and losses (+) on sale of fixed assets	-1.8	-0.0
Other adjustments	-14.7	-23.7
Cash flow before change in working capital	-0.5	-1.1
Change in working capital:		
Decrease (+)/increase(-) in current non-interest-bearing receivables	1.5	5.1
Decrease (+)/increase (-) in inventories	1.6	-4.4
Decrease (-)/increase (+) in current debts	0.8	0.9
Increase (+)/decrease (-) in obligatory reserves	0.0	-0.0
Cash flow before financial items and taxes	3.4	0.4
Interest paid and payments for other financial expenses	-6.3	-3.9
Dividends received	0.0	0.0
Interest received	6.5	4.2
Direct taxes paid	-6.7	-7.0
Cash flow before extraordinary items	-3.1	-6.3
Cash flow from operating activities (A)	-3.1	-6.3
Cash flow from investments		
Investments in tangible and intangible assets	-0.4	-0.7
Income from surrender of tangible assets	6.3	0.0
Investments in other placements	-0.3	-0.6
Instalments on notes receivable	-54.9	-37.3
Cash flow from investments (B)	-49.2	-38.6
Cash flow from financing		
Change in funds	0.0	2.8
Loans taken	53.5	60.2
Payments on loans	-0.5	-1.4
Group contributions (contribution-based)	18.3	0.0
Dividends paid and other distribution of profit	-16.0	-15.9
Cash flow from financing (C)	55.3	45.7
Calculated change in cash and cash equivalents (A+B+C)	3.0	0.8
Cash and cash equivalents at start of year	5.2	4.3
Cash and cash equivalents at end of period	8.2	5.2

Notes to the parent company's financial statements

Notes to the profit and loss account, FAS	2008	2007
MEUR		
1 Turnover		
Rental income and compensation	1.8	2.2
Building management and maintenance fees	0.0	0.0
Sales of shares	0.1	0.4
Other income	2.4	1.0
	4.4	3.7
2 Other income from business operations		
Other income from business operations	0.0	0.2
Proceeds from sales of fixed assets	1.9	0.0
Charges for management costs	4.3	6.0
	6.2	6.2
3 Materials and services		
Materials and supplies		
Purchases during the period (=procurements)	0.9	0.8
Change in inventories	-0.1	0.1
	0.8	0.9
4 Personnel expenses		
Salaries and wages	1.4	2.4
Pension expenses	0.3	0.4
Other personnel expenses	0.1	0.2
	1.9	3.0
5 Management salaries and emoluments		
Presidents and members of the Board of Directors	0.9	1.5
The President and CEO is entitled to retire at the age of 60.		
6 Parent company had during the financial year an average number of		
Employees	15	25
7 Depreciation		
Depreciation on tangible and intangible assets	0.6	0.5
	0.6	0.5

Notes to the profit and loss account, FAS	2008	2007
MEUR		
8 Other expenses of business operations		
Rents	1.7	1.6
Properties' maintenance expenses	0.3	0.2
Other fixed expenses	4.4	5.2
Other expenses of business operations	0.3	0.0
	6.6	7.1
9 Financial income and expenses		
Dividend income		
From others	0.0	0.0
Dividend income, total	0.0	0.0
Interest income on long-term investments		
From Group companies	6.6	4.1
From others	0.4	0.3
	6.9	4.5
Interest expenses and other financing expenses		
To Group companies	0.5	0.5
To others	7.2	4.4
	7.7	4.9
Financial income and expenses, total	-0.8	-0.4
10 Extraordinary items		
Extraordinary income		
Group contributions	14.7	23.7
	14.7	23.7
11 Income taxes		
Income taxes on actual business	3.8	5.4
	3.8	5.4

Notes to the balance sheet, FAS	2008	2007
MEUR		
12 Intangible assets		
Other long-term expenditure		
Acquisition cost, 1 Jan.	1.8	1.6
Increases	0.3	0.5
Transfers between items	-0.1	-0.2
Acquisition cost, 31 Dec.	2.0	1.8
Accumulated depreciation and write-downs, 1 Jan..	0.6	0.5
Accumulated depreciation of transfers	-0.1	-0.2
Depreciation for year	0.3	0.3
Accumulated depreciation, 31 Dec.	0.8	0.6
Book value, 31 Dec.	1.2	1.2
Intangible assets, total	1.2	1.2
13 Tangible assets		
Land and water areas		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
Buildings and structures		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Accumulated depreciation and write-downs, 1 Jan.	0.0	0.0
Accumulated depreciation, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
Connection fees		
Acquisition cost, 1 Jan.	0.0	0.0
Acquisition cost, 31 Dec.	0.0	0.0
Machinery and equipment		
Acquisition cost, 1 Jan.	1.8	1.7
Increases	0.1	0.2
Decreases	0.0	-0.0
Transfers between items	-0.2	-0.2
Acquisition cost, 31 Dec.	1.7	1.8
Accumulated depreciation and write-downs, 1 Jan.	0.9	0.8
Accumulated depreciation of transfers	-0.2	-0.2
Depreciation for year	0.3	0.2
Accumulated depreciation, 31 Dec.	0.9	0.9
Book value, 31 Dec.	0.7	0.9

Notes to the balance sheet, FAS	2008	2007
MEUR		
Other tangible assets		
Acquisition cost, 1 Jan.	0.1	0.0
Increases	0.0	0.0
Acquisition cost, 31 Dec.	0.1	0.1
Accumulated depreciation and write-downs, 1 Jan.	0.0	0.0
Depreciation for year	0.0	0.0
Accumulated depreciation, 31 Dec.	0.0	0.0
Book value, 31 Dec.	0.0	0.0
Tangible assets, total	0.8	0.9
14 Holdings in Group companies		
Acquisition cost, 1 Jan.	62.3	62.3
Increases	0.0	
Decreases	-0.1	
Transfers between items	-0.1	
Acquisition cost, 31 Dec.	62.2	62.3
Book value, 31 Dec.	62.2	62.3
15 Holdings in Group companies		
Increases	0.0	
Acquisition cost, 31 Dec.	0.0	
Book value, 31 Dec.	0.0	
16 Other stocks and shares		
Acquisition cost, 1 Jan.	0.9	0.7
Increases	0.3	0.1
Decreases	-0.0	
Transfers between items	0.1	0.0
Acquisition cost, 31 Dec.	1.1	0.9
Accumulated write-downs, 1 Jan.	0.0	0.0
Accumulated write-downs, 31 Dec.	0.0	0.0
Book value, 31 Dec.	1.1	0.8
17 Investments/housing companies and mutual building management companies		
	0.0	4.5
Investments, total	63.4	67.7
18 Inventories		
Completed housing units and commercial space	0.0	0.1
Land areas and land area companies	4.4	5.8
Other inventories	0.2	0.3
Book value, 31 Dec.	4.6	6.2

Notes to the balance sheet, FAS	2008	2007
MEUR		
19 Non-current receivables		
Receivables from Group companies		
Notes receivable, Group	37.3	33.0
	37.3	33.0
Receivables from others		
Notes receivable	0.9	0.5
	0.9	0.5
Non-current receivables, total	38.2	33.5
20 Current receivables		
Receivables from Group companies		
Accounts receivable	1.6	1.5
Notes receivable	145.4	98.9
Accrued assets	2.2	1.1
	149.2	101.6
Receivables from others		
Accounts receivable	0.2	0.4
Notes receivable	0.1	0.0
Other receivables	0.0	0.0
Accrued assets	3.9	2.4
	4.2	2.9
Current receivables, total	153.4	104.4
Receivables, total	191.6	137.9
Critical items of accrued assets		
Taxes	1.5	1.6
Interest	3.0	0.5
Receivables from construction commissioning	1.2	0.9
Other	0.5	0.5
	6.1	3.6

Notes to the balance sheet, FAS	2008	2007
MEUR		
21 Shareholders' equity		
Share capital, 1 Jan.	4.4	4.4
Increase in share		0.0
Share capital, 31 Dec.	4.4	4.4
Reserve fund, 1 Jan.	43.7	43.7
Reserve fund, 31 Dec.	43.7	43.7
Other funds, 1 Jan.	3.9	1.1
Increase in other funds	0.0	2.7
Other funds, 31 Dec.	3.9	3.9
Retained earnings, 1 Jan.	33.3	33.0
Dividend payment	-16.0	-15.9
Retained earnings, 31 Dec.	17.3	17.1
Profit for the period	10.8	16.2
Shareholders' equity, total, 31 Dec.	80.0	85.3
22 Calculation of distributable assets		
Other funds	3.9	3.9
Retained earnings	17.3	17.1
Profit for the period	10.8	16.2
Distributable assets, 31 Dec.	31.9	37.2
23 The parent company's share capital is divided into shares as follows:		
Number of shares	44,421,920	44,421,920
Combined par value of shares		
24 Obligatory reserves		
Refund claim expense reserve	0.9	0.9
	0.9	0.9

Notes to the balance sheet, FAS	2008	2007
MEUR		
25 Long-term liabilities		
Debts to Group companies		
Loans, Group	0.8	0.8
	0.8	0.8
Long-term liabilities, total	0.8	0.8
Debts maturing in more than five years		
Loans from Group companies	0.8	0.8
	0.8	0.8
26 Current liabilities		
Debts to Group companies		
Loans	11.6	11.8
Accounts payable	0.4	0.4
Deferred liabilities	0.7	0.5
	12.8	12.7
Debts to others		
Loans from financial institutions	170.3	117.1
Advances received	0.0	0.0
Accounts payable	0.3	0.7
Other debts	0.1	0.1
Deferred liabilities	4.5	1.5
	175.1	119.4
Current liabilities, total	187.9	132.1
Liabilities, total	188.7	132.9
Critical items of deferred liabilities		
Wages and salaries with employee benefits	0.3	0.5
Interest	4.7	1.3
Others	0.2	0.2
	5.2	2.0

Notes to the balance sheet, FAS	2008	2007
MEUR		
27 Collateral, contingent liabilities and other commitments		
For own debt		
Pledged shares	0.3	0.3
Mortgages on land areas and buildings	0.5	0.5
	0.7	0.7
For Group company debts		
Pledges	0.4	2.0
Mortgages on land areas and buildings	4.5	4.5
Guarantees	349.1	302.6
	354.0	309.2
For others		
Guarantees	20.9	27.9
Other own commitments		
Leasing commitments		
To be paid in the next financial year	0.1	0.1
To be paid in subsequent financial years	0.1	0.2
	0.2	0.3
Total		
Pledges	0.7	2.3
Mortgages on land areas and buildings	5.0	5.0
Guarantees	369.9	330.5
Other commitments	0.2	0.3
Pledges and contingent liabilities, total	375.7	338.1

Auditor's Report

To the Annual General Meeting of SATO Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SATO Corporation for the financial period 1 January - 31 December 2008.

The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements

and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

The financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors on how to deal with the result for the financial period is in compliance with the Limited Liability Companies Act.

Helsinki, 3 February 2009

KPMG OY AB

Markku Sohlman
Authorized Public Accountant

Key indicators

Five-year review

Key indicators for financial trend

	2004	2005*	2006*	2007*	2008*
Turnover, MEUR	362	270	273	256	232
Operating profit, MEUR	60	66	67	66	70
as percentage of turnover	16.6	24.4	24.5	25.9	30.2
Net financing expenses, MEUR	-26	-24	-24	-32	-43
as percentage of turnover	-7.2	-8.8	-8.9	-12.4	-18.5
Profit before extraordinary items, MEUR	34	42	43	35	27
as percentage of turnover	9.4	15.6	15.6	13.5	11.8
Profit before taxes, MEUR	32.2	42.2	42.6	34.7	27.4
as percentage of turnover	8.9	15.6	15.6	13.5	11.8
Balance sheet total, MEUR	1,106	1,074	1,113	1,264	1,380
Shareholders' equity and minority interest, MEUR	153	179	197	210	205
Liabilities, MEUR	952	895	916	1,053	1,175
Return on equity, % (ROE)	15.8	18.9	16.7	12.5	9.9
Return on investment, % (ROI)	6.6	7.0	6.9	6.3	6.0
Equity ratio, %	14.3	16.8	17.9	16.8	15.0
Gross investments in fixed assets, MEUR	134	65	60	149	134
as percentage of turnover	37.1	24.0	21.9	58.2	57.7
Personnel, average	228	181	173	176	160

Key indicators for shares

Earnings per share, EUR	0.51	0.71	0.70	0.57	0.46
Equity per share, EUR	3.42	3.99	4.41	4.70	4.59
Dividend per share, EUR **)	0.27	0.35	0.36	0.36	0.24
Dividend, MEUR	12.1	15.4	15.9	16.0	10.7
Adjusted number of shares, average	44 421 920	44 421 920	44 421 920	44 421 920	44 421 920

*) IFRS

***) Based on the Board of Directors' proposed dividend for 2008

Formulas for key indicators

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

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. As SATO Corporation is not publicly listed it does not, however, comply with section 10 of the recommendation: Management of Insiders. The company's Board of Directors approved guidelines on 13 February 2008 for trading in SATO Corporation shares and other securities.

Authority and the governance of the company are divided among the annual general meeting, the Board of Directors, and the President and CEO.

The general meeting

The general meeting of the shareholders is SATO Corporation's supreme decision-making body. The annual general meeting is to be held once a year within six months of the end of the financial year.

The annual general meeting decides on the matters due to it under the Finnish Companies Act and the articles of association, which include the following:

1. adopting the company financial statements and consolidated financial statements
2. the application of the profit shown by the balance sheet
3. granting release from personal liability to the members of the Board of Directors and the President and CEO
4. electing the members and chairman of the Board of Directors as well as an auditor
5. the remuneration of the Board members and the auditor.

A shareholder is entitled to propose an item permitted under the Companies Act for discussion by the meeting of shareholders if he or she requires this in writing from the Board of Directors in sufficient time for the item to be included in the notice of meeting.

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. The notice of meeting is also posted on the company's website.

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

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

Board of Directors

The general meeting elects no fewer than five and no more than nine members to the company's Board of Directors. The general meeting elects one member of the Board of Directors to serve as chairman of the Board. The Board of Directors elects one of its members to serve as deputy chairman. The term in office of the members of the Board of Directors lasts until the closing of the annual general meeting following the one at which they were elected.

The annual general meeting which convened on 26 March 2008 elected six members to the Board of Directors. The Board of Directors convenes 10-12 times a year in general. In 2008, the Board of Directors convened 14 times. An average of 92% per cent of the members of the Board of Directors attended the Board meetings.

Information about the chairman and members of the company's Board of Directors as well as their holdings is given on page 102.

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. For the improvement of its work, the Board performs an annual self-assessment of its activities.

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 business strategy and monitoring implementation
2. confirming and monitoring the annual budget and the action plan
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

The Audit Committee and the Nomination and Compensation Committee are comprised of between three and five members appointed by the Board of Directors, one of whom acts as chairman.

The Board of Directors has confirmed rules of procedure for the committees. 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. The rules of procedure can be seen on the Group's website www.sato.fi.

The Audit Committee convened three times during the financial year and the Nomination and Compensation Committee convened twice.

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 104.

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 104.

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 26 March 2008 decided that the chairman of the Board of Directors was to be paid EUR 36,000 and the members of the Board of Directors were to be paid EUR 18,000 for their term in office. It was also decided to pay the chairman of the Board of Directors and the members EUR 500 per meeting. It was decided to pay the chairmen of the committees and the members EUR 500 per meeting.

The fees for the members of the Board of Directors in 2008 totalled EUR 178,000. No shares or share-related entitlements were surrendered to members of the Board

of Directors during the financial year.

It has been decided to pay the auditors' fee on invoice. Auditing fees paid by the SATO Group to the auditors during the financial year 2008 amounted to EUR 113,009.

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 2008 amounted to EUR 310,770. The salary and other perquisites paid to the Deputy President and CEO were EUR 175,236.

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 members of the Corporate Management Group are covered by an annual incentive scheme based on the Group's profit and the attainment of other main targets. The Board of Directors approves the payment of bonuses.

The current long-term incentive scheme applies to the period 2007–2010. Habinvest Oy, which was founded by the Corporate Management Group to implement the incentive scheme, holds 465,000 SATO Corporation shares, which the company has pledged to retain until 31 December 2010. The shareholders of Habinvest Oy have also pledged to retain the shares they hold in Habinvest Oy until 31 December 2010.

The auditors and the internal audit

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 duties in office is the financial year and his duties end 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 2008 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, financial 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 handling of 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 internal audit reports are sent to the chairman of the Board of Directors and to the chairman of the Audit Committee as well as to the President and CEO. 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.

Articles of association and shares

SATO Corporation's current articles of association were registered on 26 October 2007. The articles of association do not include provisions on share buybacks.

The company's share capital as at 31 December 2008 was EUR 4,442,192.00. The company had 44,421,920 shares. The share has no par value.

The company has a single series of shares. The shares are in a book-entry securities system maintained by Euroclear Finland Ltd.

Board of Directors

Juha Laaksonen

born 1952, B.Sc. (Econ.)
CFO, Fortum Corporation
Board member since 2007
Chairman of the Board since 2007
independent of the main shareholders

Primary working experience:

Fortum Corporation: CFO since 2000
Fortum Corporation: Corporate Vice President, M&A, and Executive Vice President, Finance & Planning; 1999–2000
Neste Corporation: CFO 1998, Corporate Controller 1997–1998,
Director of Finance & Planning, Chemicals Division 1994–1997
Neste Corporation: various specialist and management duties 1979–1993

Main simultaneous positions of trust:

Kemira Oyj: member of the Board of Directors
Teollisuuden Voima Oy: member of the Board of Directors
Kemijoki Oy: member of the Supervisory Board
Several Fortum Group companies' Board chairman and member
Fortum Art Foundation: chairman of the Board

Jorma Kuokkanen

born 1953, LL.M., M.Sc. (Econ.)
Director, Investments,
Varma Mutual Pension Insurance Company
Board member since 2005
not independent of the main shareholders

Primary working experience:

Varma Mutual Pension Insurance Company: head of Client Financing and Real Estate Investments since 1998
Since 1981 in various investment-related posts for Sampo, Pension Sampo and Varma Mutual Pension Insurance Company

Main simultaneous positions of trust:

NV Kiinteistösiijointus 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
Deputy Chairman of the Board since September 2007
independent of the main shareholders

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 & finance and line functions 1976–1989

Main simultaneous positions of trust:

Member of the Board of Directors of several Wärtsilä Group companies

Timo Hukka

born 1952, economist
Chief Investment Officer, Investment Operations, Suomi Mutual Life Assurance Company
member of the Board of Directors since 2008,
not independent of the main shareholders

Primary working experience:

Suomi Mutual Life Assurance Company: deputy for President and CEO since 2008, Chief Investment Officer, Investment Operations since 2003
Has served in the insurance industry since 1979 in various specialist, managerial and executive posts for corporate finance and investment.

Main simultaneous positions of trust:

Finsilva Oy: member of the Board of Directors
Aberdeen Property Investors Finland Oy, member of the Board of Directors July 2008
Retro Life Assurance Company Ltd., member of the Investment Committee

Esko Torsti

born 1964,
Licentiate in Social Sciences, Economics
Director, Ilmarinen Mutual Pension Insurance Company
Board member since 2006
not independent of the main shareholders

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, Finland: Chief Economist 1996–1998
Stockbroker company Protos: economist 1994–1996
Research Institute of the Finnish Economy: 1985–1994

Main simultaneous positions of trust:

Tornator Oy: member of the Board of Directors
Central Chamber of Commerce: member of the Property Appraisal Board

Asko Salminen

born 1947, M.Sc. (Constr. Eng.), Certified Real Estate Manager, Construction Counsellor
Managing Director,
Asko Salminen Consulting Oy
Board member since 2007
SATO shareholding: 20,000 shares,
independent of the main shareholders

Primary working experience:

Asko Salminen Consulting Oy, Managing Director since September 2008
Tapiola Real Estate Ltd, Managing Director 2007– August 2008
Tapiola Insurance Group: Director of Property Unit 1989–2006, Deputy Director to Senior Management of Investment 1988–1989, Purchasing Manager of Development Department 1984–1988
Pohjola Group plc: head of construction 1981–1983, project manager 1975–1981
Haka Construction Cooperative: project engineer 1973–1975

Main simultaneous positions of trust:

Tapiolan Alueen Kehitys Oy,
chairman of the Board



Corporate Management Group

Erkka Valkila

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

Primary working experience:

Polar Corporation/Polar Real Estate Corporation: President and CEO 1999–2003;
Vice President, Real Estate Division 1993–1998
Ferenda Oy: Managing Director 1991–1993
Kiinteistö solar Oy: Managing Director 1988–1991

Main simultaneous positions of trust:

Member of the Board for several SATO Group companies
KTI Kiinteistö tieto Oy: chairman of the Board of Directors
Suomen Talokeskus Oy: member of the Board of Directors
HYY Group: member of the Board of Directors
The Finnish Housing Fair: member of the Supervisory Board
Helsinki Region Chamber of Commerce: deputy chairman of the Board
RAKLI – the Finnish Association of Building Owners and Construction Clients: deputy chairman of the Board
Finnish Housing Reform Association: deputy chairman of the Board
SFHP Suomi-Finland Housing and Planning: member of the Board of Directors
Habinvest Oy: chairman of the Board of Directors

Shareholding in SATO:

direct holding 165,500 shares,
indirect holding via Habinvest Oy 180,000 shares

Esa Neuvonen

born 1967, M.Sc. (Econ.)
Chief Financial Officer
has worked for SATO since 2009

Primary working experience:

TeliaSonera: Director, corporate services finance and business development 2007–2008
Chief Financial Officer, TeliaSonera Finland 2005–2006
Director, Head of Business Control and Finance, TeliaSonera Finland 2003–2005
Sonera Corporation: Head of Business Control and Finance, mobile division 2002
Quam GmbH: Director, 2001
Sonera Corporation: Director, mobile division finance 1998–2000
Business Controller, mobile services 1997
Helsingin Energia: Manager, finance department 1993–1996

Pekka Komulainen

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

Primary working experience:

Polar Real Estate Corporation: various managerial positions 1994–2004
Kiinteistö solar Oy: Managing Director 1991–1994, Project Manager 1989–1991

Main simultaneous positions of trust:

Member of the Board for several SATO Group companies
Helsinki Region Chamber of Commerce: member of the Regional and Housing Committee
Habinvest Oy: member of the Board of Directors

Shareholding in SATO:

direct holding 97,200 shares,
indirect holding via Habinvest Oy 90,000 shares

Monica Aro

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

Primary working experience:

SATO Group: Director, Marketing 2002–2003;
Director in Property Investment 1998–2002:
Project Manager in Housing Development and Construction 1998; Construction Client Agent 1990–1997

Main simultaneous positions of trust:

Member of the Board for several SATO Group companies
Habinvest Oy: member of the Board of Directors

Shareholding in SATO:

direct holding 7,000 shares,
indirect holding via Habinvest Oy 35,000 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

Primary working experience:

Polar Group: Administrative Director of Real Estate Division 1992–1994
SATO Group: Director, Housing Development and Construction 1989–1992
SOK Corporation: Real Estate Legal Counsel 1987–1989
SATO Group: Construction Client Agent 1981–1986

Main simultaneous positions of trust:

Member of the Board for several SATO Group companies
Sponda Plc: member of the Board of Directors
Helsingin Osuuskouppa Elanto: deputy chairman of the Board
Helsinki Deaconess Institute: member of the Social Work Board
Finnish Housing Association: member of the Board of Directors
RAKLI – the Finnish Association of Building Owners and Construction Clients: member of the Investment Committee
Habinvest Oy: member of the Board of Directors

Shareholding in SATO:

direct holding 58,500 shares,
indirect holding via Habinvest Oy 90,000 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 5 March 2009 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 23 February 2009 has been entered as a shareholder in the company's register of shareholders maintained by Euroclear Finland Ltd.

Shareholders who wish to attend the annual general meeting must give notice thereof no later than Thursday 26 February 2009. The notification must be made in writing to the address SATO Corporation, Kati Laakso, PO Box 401, FI-00601 Helsinki, by phone (+358 201 34 4002/Kati Laakso), by fax (+358 201 34 4452) or by e-mail (kati.laakso@sato.fi). Notifications must arrive before the deadline stated above. Possible proxies should be submitted to the company by the end of 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 0.24 per share in dividend for the year ending on 31 December 2008. Dividend would be payable to a shareholder who, on the date of record for the dividend payment, 10 March 2009, has been entered in the register of the company's shareholders maintained by Euroclear Finland Ltd. However, no dividend will be paid on shares subscribed in the targeted share issue of 30 January 2009. The Board of Directors proposes to the annual general meeting that the dividend be paid on Friday, 20 March 2009.

Financial disclosures

The issue dates for interim reports are as follows:

January – March	28 April 2009
January – June	7 August 2009
January – September	23 October 2009

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

Distribution of shares 30 January 2009

Varma Mutual Pension Insurance Company	39.5 %
Ilmarinen Mutual Pension Insurance Company	16.3 %
Suomi Mutual Life Assurance Company	15.1 %
Tapiola Insurance Group	7.4 %
Tapiola Mutual Pension Insurance Company	5.2 %
Wärtsilä Corporation	4.5 %
Mutual Insurance Company Pension Fennia	3.4 %
Pohjola Insurance Ltd	2.8 %
Notalar Oy	2.0 %
Habinvest Oy	1.0 %
Other	2.8 %

On 30 January 2009, the Group had 29 shareholders entered in the book-entry securities register. The change in holdings of SATO Corporation shares during the year under review was 3.4%.

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