

Q3 INTERIM REPORT 1 JAN–30 SEP 2021



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KEY FIGURES



Key figure	1-9/2021	1-9/2020	1-12/2020
Net sales	€223.2 million	€228.3 million	€303.4 million
Number of rental apartments	26,594 homes	26,628 homes	26,792 homes
Investment properties	€4.98 billion	€4.71 billion	€4.75 billion
Housing investments	€116.9 million	€83.3 million	€120.6 million
Under construction Finland	1,417 pcs	467 pcs	385 pcs
Average rent in Finland at the end of review period	17.46 €/sqm/month	17.49 €/sqm/month	17.51 €/sqm/month
Cash earnings	€74.7 million	€95.7 million	€132.1 million
Shareholders' equity at the end of review period	€2,310.7 million	€2,135.4 million	€2,155.7 million

SATO CORPORATION'S INTERIM REPORT I JAN–30 SEP 2021

DEMAND FOR RENTAL HOMES HAVE IMPROVED SLIGHTLY FROM THE EARLY 2021

SUMMARY FOR I JAN–30 SEP 2021 (I JAN–30 SEP 2020)

- The economic occupancy rate in Finland was 94.7% (97.0).
- Net sales were EUR 223.2 (228.3) million.
- Net rental income amounted to EUR 157.3 (166.9) million.
- Profit before taxes was EUR 211.7 (102.8) million.
- The change in the fair value of investment properties included in the result was EUR 114.4 (-7.0) million.
- Housing investments amounted to EUR 116.9 (83.3) million.
- Invested capital at the end of review period was EUR 4,479.8 (4,587.8) million.
- Return on invested capital was 7.3% (4.2).
- Equity was EUR 2,310.7 (2,135.4) million, or EUR 40.82 (37.72) per share.
- Earnings per share were EUR 2.99 (1.44).
- A total of 41 (608) rental apartments and 0 (63) owner-occupied apartments as well as 0 (36) FlexHome apartments were acquired or completed.
- A total of 1,294 (451) rental apartments and 71 (16) owner-occupied apartments as well as 52 (0) FlexHome apartments are under construction.
- The House Expert model was expanded to Tampere and Turku: a total of 45 House Experts were working for SATO at the end of the period under review.
- The competitive situation between rental housing providers has intensified, and the role of a successful customer experience has become even more important due to the increased freedom of choice available to those looking for a home.

SUMMARY FOR I JUL–30 SEP 2021 (I JUL–30 SEP 2020)

- The economic occupancy rate in Finland was 95.1% (96.5).
- Net sales were EUR 74.9 (76.2) million.
- Net rental income amounted to EUR 57.3 (60.3) million.
- Profit before taxes was EUR 40.5 (26.5) million.
- The change in the fair value of investment properties included in the result was EUR 2.4 (-13.6) million.
- Housing investments amounted to EUR 57.3 (23.5) million.
- Earnings per share were EUR 0.57 (0.37).
- A total of 0 (0) rental apartments and 0 (0) owner-occupied apartments as well as 0 (0) FlexHome apartments were acquired or completed.

CEO ANTTI AARNIO:

– The demand for rental homes improved slightly. SATO's occupancy rate increased moderately in comparison with the beginning of the year 2021 and was 95.1% (96.5) for the period under review (1 Jul-30 Sep 2021). Demand in the Helsinki Metropolitan Area started to recover in August. In Tampere, Turku and other growth centres, the demand for rental homes had already picked up during the summer.

– Construction of new homes still remains at a record-high level in the Helsinki Metropolitan Area, with higher investor demand being the key factor behind this. The supply of rental homes also remains high. The competitive situation between rental housing providers has intensified, and the role of a successful customer experience has become even more important due to the increased freedom of choice available to those looking for a home.

– The House Expert operating model was expanded further in the Helsinki Metropolitan area as well as in Tampere and Turku: A total of 45 House Experts were working for SATO at the end of the period under review. The aim is for SATO to have 60 House Experts by the end of the year. In the operating model launched in late 2019, SATO's own House Experts are responsible for work inside the buildings, such as work relating to building technology within apartments and buildings. Our aim with the House Expert model is to provide an even better customer experience and more efficient maintenance.

– Our focus during the period under review was on reforming our customer services. The changes made will increase the efficiency of the day-to-day work of our customer service and rental services and will be seen by our customers as a smoother customer experience.

– SATO launched the construction of a timber apartment building property in Lupajantie, Mellunmäki, Helsinki. The two-storey buildings will provide 112 new rental homes.

– I would like to thank SATO employees for their great work in developing customer satisfaction and the housing comfort of our residents.

OPERATING ENVIRONMENT

The Finnish economy has recovered at a fast pace from the COVID-19 crisis since spring 2021 now that the vaccine uptake rate has risen and restrictions have been relieved. Growth is also projected to continue in 2022, after which the pace of growth will slow. According to the September economic forecast of the Ministry of Finance, Finnish economic growth is expected to be 3.3% in 2021 and 2.9% in 2022. Uncertainties arising from the disease development, virus mutations and slow rise in vaccination coverage continue to add to the uncertainty of the forecast, however.

Efforts are being made to limit the negative impact of the pandemic on Finland's economy through support measures adopted by the European Central Bank, the European Union and the State of Finland. Due to Europe's economic development, interest rates are expected to remain low for a longer time, which will have a positive impact on SATO's financing costs. Future trends in inflation may affect interest rate levels.

In recent years, the rental housing markets in major cities have been characterised by sharp growth in supply. The growth largely stems from the brisk production of rental housing and strong investor demand being the key factor behind this.

The pandemic has slightly shifted the focus of demand for rental apartments to larger apartments and areas with lower rent levels. Behind both of these developments is the increase in teleworking: people need more space when they also use their home for working.

Despite the outbreak of the COVID-19 pandemic in 2020, there is demand for rental homes, and the urbanisation development, which has temporarily slowed during the pandemic, is projected to be strong again over the years ahead.

REVIEW PERIOD 1 JANUARY–30 SEPTEMBER 2021 (1 JANUARY–30 SEPTEMBER 2020)

NET SALES AND PROFIT

Between January and September 2021, consolidated net sales were EUR 223.2 (228.3) million.

Operating profit was EUR 245.4 (138.9) million. The operating profit without the change in the fair value of investment properties was EUR 130.9 (145.9) million. The change in fair value in profit and loss was EUR 114.4 (-7.0) million.

Financial income and expenses totalled EUR -33.7 (-36.1) million.

Profit before taxes was EUR 211.7 (102.8) million. Cash flow from operations (free cash flow after taxes excluding changes in fair value) between January and September amounted to EUR 74.7 (95.7) million.

Earnings per share was 2.99 (1.44) euros.

FINANCIAL POSITION AND FINANCING

The consolidated balance sheet totalled EUR 5,070.8 (5,172.0) million at the end of September. Equity was EUR 2,310.7 (2,135.4) million. Equity per share was EUR 40.82 (37.72).

The Group's equity ratio was 45.6% (41.3) at the end of September. EUR 7.0 million in new long-term financing was withdrawn and the solvency ratio was 42.6% (43.4) at the end of September.

The Group's annualised return on equity was 10.1% (5.2).
Return on investment was 7.3% (4.2).

Interest-bearing liabilities at the end of September totalled EUR 2,169.1 (2,452.4) million, of which loans subject to market terms accounted for EUR 1,976.9 (2,229.9) million. The average loan interest rate was 1.7% (1.9). Net financing costs totalled EUR -33.7 (-36.1) million.

The calculated impact of changes in the market value of interest hedging on equity was EUR 10.9 (-1.8) million.

The proportion of loans without asset-based securities was 86.2% (82.7) of all loans. At the end of September, the proportion of unencumbered assets was 87.5% (84.1) of total assets.

HOUSING BUSINESS

Our housing business includes rental activities, customer service, lifecycle management and maintenance. Effective rental activities and digital services provide home-seekers with quick access to a home, and the Group with a steadily increasing cash flow. High-quality maintenance operations ensure the comfort of residents and that the apartments stay in good condition and maintain their value. We serve our customers in daily housing issues through our customer-oriented service organisation.

Rental income was EUR 223.2 (228.3) million. The economic occupancy rate of apartments in Finland was 94.7% (97.0) on average, and the external tenant turnover was 31.6% (31.8).

The average monthly rent of SATO's rental apartments in Finland at the end of the review period was EUR 17.46 (17.49) per m².

Net rental income from apartments stood at EUR 157.3 (166.9) million.

INVESTMENT PROPERTIES

On 30 September 2021, SATO owned a total of 26,594 (26,628) apartments. During the review period, 41 (608) rental apartments were completed. The total number of divested rental apartments and part ownership apartments redeemed by the owner-occupants was 165.

Fair value

The development of the value of rental apartments is a key factor for SATO. Its housing stock is concentrated in areas and apartment sizes which are expected to be the focus, in the long term, of increasing rental apartment demand. The allocation of building repairs is based on life-cycle plans and repair need specifications.

At the end of September, the fair value of investment properties came to a total of EUR 4,975.4 (4,713.4) million.

The change in the value of investment properties, including the rental apartments acquired and divested during the review period, was EUR 221.9 (55.6) million.

Of the value of apartments, the Helsinki metropolitan area accounted for some 84%, Tampere and Turku made up 11%, Jyväskylä and Oulu 2% and St. Petersburg covered 3% at the end of September.

Investments, divestments and property development

Investment activities are used to manage the housing portfolio and prepare the ground for growth. Since 2000, SATO has invested more than EUR 2.0 billion in non-subsidised rental apartments. SATO acquires and builds entire rental buildings and single rental apartments. Property development allows for new investments in rental apartments in Finland. The rental potential and value of rental apartments owned by SATO are developed through renovation activities.

Housing investments stood at EUR 116.9 (83.3) million. Investments in the Helsinki metropolitan area represented 90 per cent of all investments in the review period. Investments in new apartments represented 46% of the investments. On 30 September 2021, binding purchase agreements in Finland totalled EUR 120.0 (54.4) million.

During the review period, 14 (65) rental apartments were divested in Finland. Their total value was EUR 2.8 (6.3) million.

The book value of plot reserves totalled EUR 39.8 (60.1) million at the end of September. The value of new plots acquired by the end of September totalled EUR 15.3 (1.8) million.

The permitted building volume for approximately 1,800 apartments is being developed for the plots in the company's housing portfolio. This allows SATO to utilise existing infrastructure, create a denser urban structure and thus bring more customers closer to services and public transport connections.

In Finland, a total of 41 (608) rental apartments and 0 (63) owner-occupied apartments were completed as well as 0 (36) FlexHome apartments. On 30 September 2021, a total of 1,294 (451) rental apartments and 71 (16) owner-occupied apartments and 52 (0) FlexHome apartments were under construction.

A total of EUR 67.6 (45.7) million was spent on repairing apartments and improving their quality.

At the end of September, SATO owned 531 (533) apartments in St. Petersburg. The economic occupancy rate of rental apartments in St. Petersburg was 95.6% (90.3) on average. For the time being, SATO will refrain from making new investment decisions in Russia. The share of investments in Russia is limited to a maximum of 10 per cent of the Group's housing assets.

PERSONNEL

At the end of September, the Group employed 289 (234) people, of whom 265 (217) had a permanent employment contract. The average number of personnel was 268 (226) between January and September. The increase in the number of personnel is mainly due to the expansion of the House Expert operating model.

REVIEW PERIOD 1 JULY–30 SEPTEMBER 2021 (1 JULY–30 SEPTEMBER 2020)

NET SALES AND PROFIT

Between July and September 2021, consolidated net sales were EUR 74.9 (76.2) million.

Operating profit was EUR 51.4 (39.2) million. The operating profit without the change in the fair value of investment properties was EUR 49.0 (52.8) million. The change in fair value in profit and loss was EUR 2.4 (-13.6) million.

Financial income and expenses totalled EUR -10.9 (-12.7) million.

Profit before taxes was EUR 40.5 (26.5) million. Cash flow from operations (free cash flow after taxes excluding changes in fair value) between July and September amounted to EUR 36.2 (36.6) million.

Earnings per share was 0.57 (0.37) euros.

HOUSING BUSINESS

Our housing business includes rental activities, customer service, lifecycle management and maintenance. Effective rental activities and digital services provide home-seekers with quick access to a home, and the Group with a steadily increasing cash flow. High-quality maintenance operations ensure the comfort of residents and that the apartments stay in good condition and maintain their value. We serve our customers in daily housing issues through our customer-oriented service organisation.

Rental income was EUR 74.9 (76.2) million. The economic occupancy rate of apartments in Finland was 95.1% (96.5) on average, and the external tenant turnover was 30.6% (35.9).

The average monthly rent of SATO's rental apartments in Finland at the end of the review period was EUR 17.46 (17.49) per m².

Net rental income from apartments stood at EUR 57.3 (60.3) million.

INVESTMENT PROPERTIES

On 30 September 2021, SATO owned a total of 26,594 (26,628) apartments. During the review period, 0 (0) rental

apartments were completed. The total number of divested rental apartments and part ownership apartments redeemed by the owner-occupants was 124.

Fair value

The development of the value of rental apartments is a key factor for SATO. Its housing stock is concentrated in areas and apartment sizes which are expected to be the focus, in the long term, of increasing rental apartment demand. The allocation of building repairs is based on life-cycle plans and repair need specifications.

At the end of September, the fair value of investment properties came to a total of EUR 4,975.4 (4,713.4) million. The change in the value of investment properties, including the rental apartments acquired and divested during the review period, was EUR 59.0 (7.0) million.

Of the value of apartments, the Helsinki metropolitan area accounted for some 84%, Tampere and Turku made up 11%, Jyväskylä and Oulu 2% per cent and St. Petersburg covered 3% at the end of September.

Investments, divestments and property development

Investment activities are used to manage the housing portfolio and prepare the ground for growth. Since 2000, SATO has invested more than EUR 2.0 billion in non-subsidised rental apartments. SATO acquires and builds entire rental buildings and single rental apartments. Property development allows for new investments in rental apartments in Finland. The rental potential and value of rental apartments owned by SATO are developed through renovation activities.

Investments in rental apartments stood at EUR 57.3 (23.5) million. Investments in the Helsinki metropolitan area represented 87% of all investments in the review period. Investments in new apartments represented 46% of the investments. On 30 September 2021, binding purchase agreements in Finland totalled EUR 120.0 (54.4) million.

Construction work of timber apartment buildings at Lupajantie Mellunmäki district of Helsinki began in the beginning of summer 2021. There will be 112 new non-subsidised rental homes in timber apartment buildings featuring two storeys. The design solutions employed in the Lupajantie buildings pay attention to energy efficiency and use construction solutions and materials that will last for decades. The homes and common areas feature efficient design, which helps to reduce the energy consumption and improve the carbon footprint of the buildings. The heat source for the buildings will be geothermal heat, which makes use of thermal energy stored in the ground. Geothermal heat reduces carbon dioxide emissions and also has an additional advantage in that it may be used for cooling as well. The property will also have solar panels. The homes will be move-in ready in May 2022.

During the review period, 3 (5) rental apartments were divested in Finland. Their total value was EUR 0.8 (0.8) million.

The book value of plot reserves totalled EUR 39.8 (60.1) million at the end of September. The value of new plots acquired by the end of September totalled EUR 0.0 (0.0) million.

The permitted building volume for approximately 1,800 apartments is being developed for the plots in the company's housing portfolio. This allows SATO to utilise existing infrastructure, create a denser urban structure and thus bring more customers closer to services and public transport connections.

In Finland, a total of 0 (0) rental apartments, 0 (0) owner-occupied apartments and 0 (0) FlexHome apartments were completed. On 30 September 2021, a total of 1,294 (451) rental apartments and 71 (16) owner-occupied apartments as well as 52 (0) FlexHomes were under construction.

A total of EUR 26.8 (11.9) million was spent on repairing apartments and improving their quality.

At the end of September, SATO owned 531 (533) apartments in St. Petersburg. The economic occupancy rate of rental apartments in St. Petersburg was 96.4% (91.6) on average. For the time being, SATO will refrain from making new investment decisions in Russia. The share of investments in Russia is limited to a maximum of 10 per cent of the Group's housing assets.

PERSONNEL

At the end of September, the Group employed 289 (234) people, of whom 265 (217) had a permanent employment contract. The average number of personnel was 285 (232) between July and September. The increase in the number of personnel is mainly due to the expansion of the House Expert operating model.

EVENTS AFTER THE REVIEW PERIOD

The credit rating agency Standard & Poor's has affirmed SATO Corporation's BBB credit rating, but at the same time revised the rating outlook to negative from stable. The revise in the outlook is a direct consequence of the weakening of the outlook for the corresponding rating of Fastighets AB Balder, SATO's main owner.

FUTURE RISKS AND UNCERTAINTIES

Risk management is used to ensure that risks impacting the company's business are identified, managed and monitored. The main risks of SATO's business are risks related to the business environment and financial risks.

The most significant risk in the immediate future is the coronavirus pandemic, whose duration and impact on the Finnish economy are difficult to estimate. A prolonged pandemic may have a major negative impact on economic growth,

and on business activity, employment and work productivity in Finland. Such economic or business deterioration, as well as quarantines or other restrictive measures, may have an adverse impact on the financial result or operations of SATO's properties, not to mention on financing costs or values.

The most significant risks in the renting of apartments are related to economic cycles, growth in supply of rental homes and fluctuations in demand. A clear weakening in the housing market could have a negative impact on the market value of SATO's housing portfolio. In accordance with its strategy, SATO focuses its investments on growth centres, thus ensuring the rental potential of its apartments and the development of their value.

Changes in official regulations and legislation, as well as the uncertainty stemming from them, may have a significant impact on the reliability of the investment environment and thus on SATO's business. SATO monitors and anticipates these changes and also calls attention to what it considers to be negative impacts of regulation.

The management of financial risks is steered by the Group's treasury policy. Our risk management principles have been defined in the treasury policy approved by SATO's Board of Directors. Our most significant financial risks relate to liquidity, refinancing and interest rates. We manage our liquidity and refinancing risks by diversifying the financing sources and maturity of our loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other financing commitments.

The means for managing the liquidity risk at SATO include cash assets, a bank account limit, committed credit facilities, and a commercial paper programme. We increase the amount of reserves as the funding requirements grow. Our objective is to keep the liquidity requirements of the next 12 months covered by committed agreements.

Floating rate loans form an interest rate risk which we manage by balancing the share of fixed and floating rate loans either by issuing fixed rate loans or by interest rate hedges. At the end of the review period, the share of fixed rate loans of the debt portfolio was 68.6%.

There are risks related to the business environment in our St. Petersburg operations, including currency risk. The consolidation of foreign currency-denominated assets in the consolidated financial statements also involves a translation risk. Possibilities of hedging the translation risk are evaluated in accordance with our treasury policy. For the time being, SATO will refrain from making new investments in Russia.

A more detailed description of risks and risk management is available in the Group's annual report for 2020 and on the website www.sato.fi.

OUTLOOK

In the operating environment, SATO's business activities are mainly affected by consumer confidence, the development of purchasing power, rent and price development for apartments, the general competitive situation and interest rates.

The Finnish economy has recovered at a fast pace from the COVID-19 crisis since spring 2021 now that the vaccine uptake rate has risen and restrictions have been relieved. Growth is also projected to continue in 2022, after which the pace of growth will slow. According to the September economic forecast of the Ministry of Finance, Finnish economic growth is expected to be 3.3% in 2021 and 2.9% in 2022. Uncertainties arising from the disease development, virus mutations and slow rise in vaccination coverage continue to add to the uncertainty of the forecast, however.

Efforts are being made to limit the negative impact of the pandemic on Finland's economy through support measures adopted by the European Central Bank, the European Union and the State of Finland. Due to Europe's economic development, interest rates are expected to remain low for a longer time, which will have a positive impact on SATO's financing costs. Future trends in inflation may affect interest rate levels.

In recent years, the rental housing markets in major cities have been characterised by sharp growth in supply. The growth largely stems from the brisk production of rental housing and strong investor demand being the key factor behind this. Due to the low interest rate level and strong investor demand, the rate of housing construction is expected to remain at a high level.

Despite the outbreak of the COVID-19 pandemic in 2020, there is demand for rental homes, and the urbanisation development, which has temporarily slowed during the pandemic, is projected to be strong again over the years ahead. The pandemic has slightly shifted the focus of demand for rental apartments to larger apartments and areas with lower rent levels. Behind both of these developments is the increase in teleworking: people need more space when they also use their home for working.

During the COVID-19 pandemic, previously short-term rental apartments were offered for longer rental periods, which boosted supply in some cities, even to a considerable degree.

Once the restrictions to contain the spread of the coronavirus are lifted, travel rates increase and students return to classrooms, the demand for rental apartments is expected to start growing.

As a consequence of the uncertainty caused by the pandemic, SATO's external tenant turnover has grown compared to previous years. The competitive situation between rental housing providers has intensified, and the role of a successful customer experience has become even more important due to the increased freedom of choice available to those looking for a home.

SATO is investing strongly in increasing its presence close to customers and in digital services. These measures are expected to have a positive impact on the occupancy rate over the medium term.

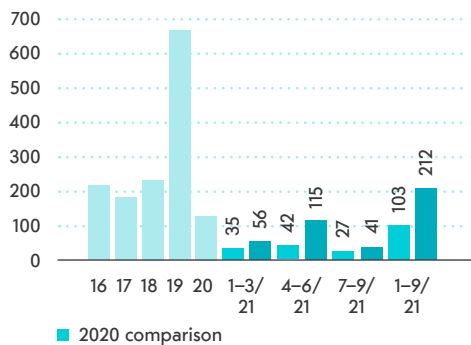
SATO CORPORATION'S SHAREHOLDERS ON 30 SEPTEMBER 2021

Largest shareholders and their holdings	no. of shares	%
Balder Finska Ota Ab (Fastighets Ab Balder)	31,746,745	55.9
Stichting Depositary APG Strategic Real Estate Pool	12,811,647	22.6
Elo Mutual Pension Insurance Company	7,233,081	12.7
The State Pension Fund	2,796,200	4.9
Valkila Erkki	385,000	0.7
Hengityssairauksien tutkimussäätiö	227,000	0.4
SATO Corporation	166,000	0.3
Entelä Tuula	159,000	0.3
Heinonen Erkki	156,684	0.3
Tradeka-sijoitus Oy	126,500	0.2
Others (115 shareholders)	967,710	1.7

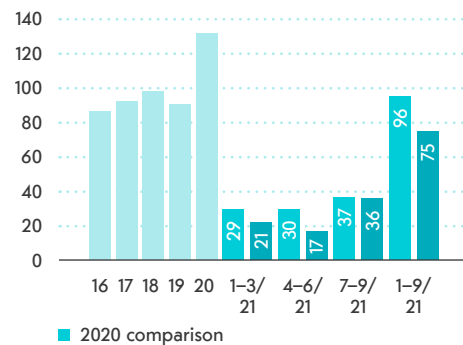
On 30 September 2021, SATO had 56,783,067 shares and 125 shareholders registered in the book-entry system. The share turnover rate was 0.25 per cent for the period 1 January–30 September 2021.

FINANCIAL TREND

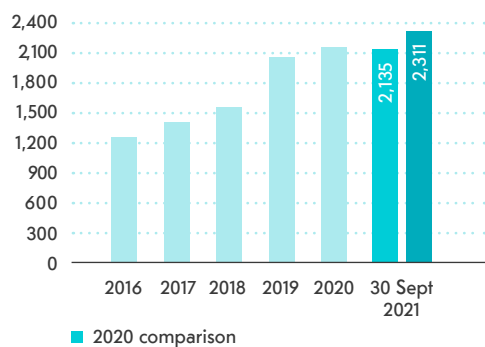
Profit before taxes, MEUR



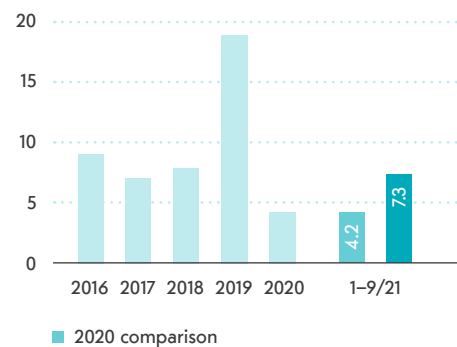
Cash earnings, MEUR



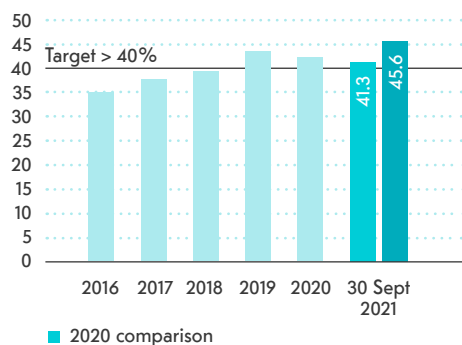
Shareholders' equity, MEUR



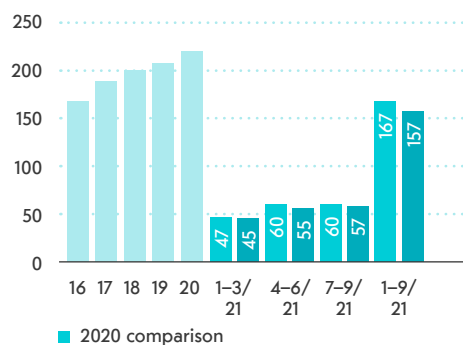
Return on invested capital, %



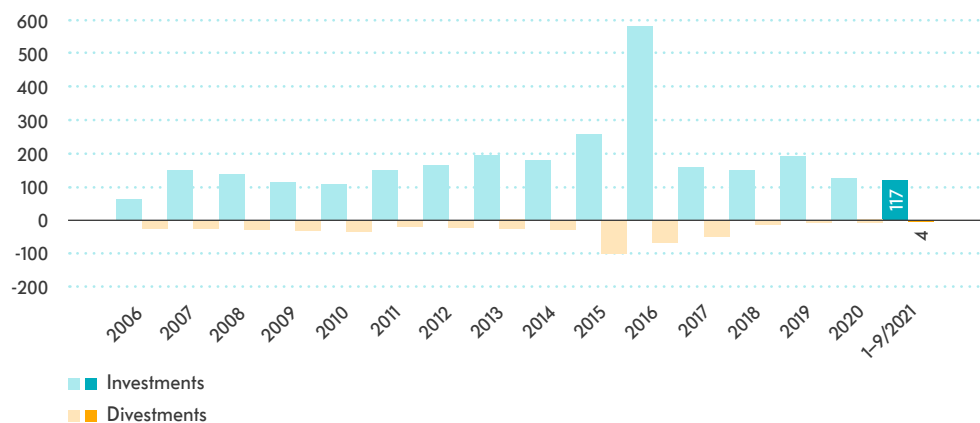
Equity ratio, %



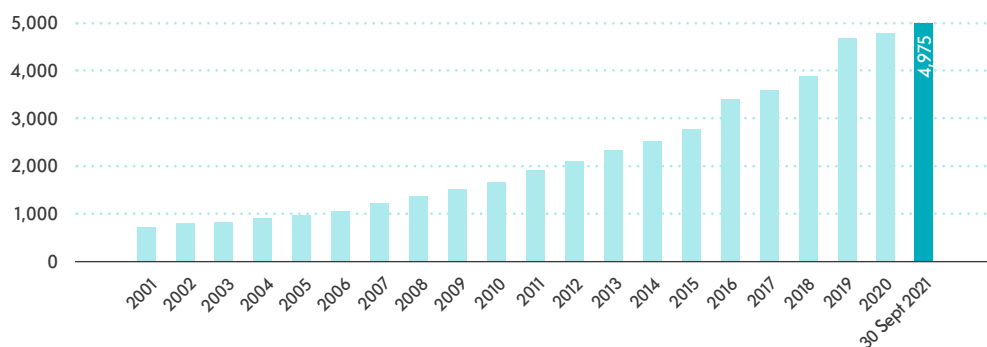
Net rental income, MEUR



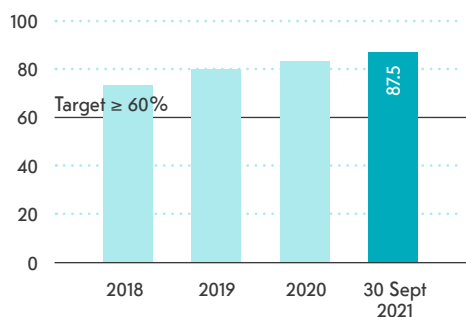
Housing investments and divestments, MEUR



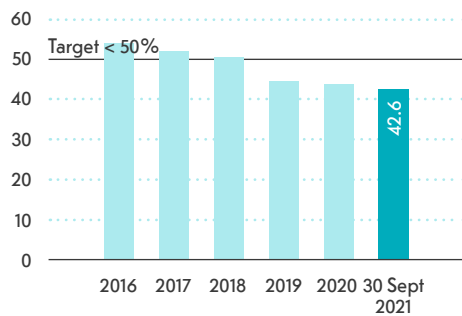
Trend in the investment property portfolio value, MEUR



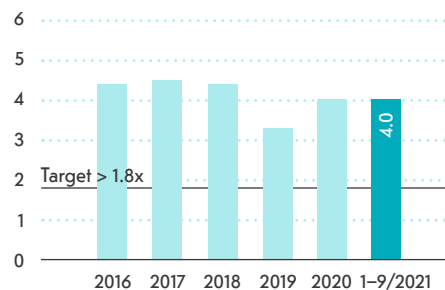
Unencumbered assets, %



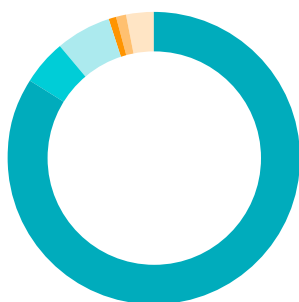
Solvency ratio, %



Interest coverage ratio

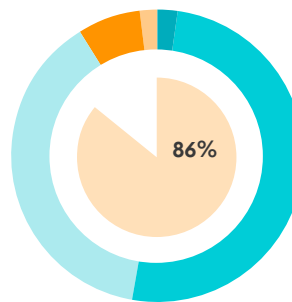


Regional distribution of the housing portfolio, 30 September 2021



- Helsinki Metropolitan Area 84%
- Turku region 5%
- Tampere region 6%
- Jyväskylä region 1%
- Oulu region 1%
- St. Petersburg 3%

Debt portfolio, Nominal values 30 September 2021, total MEUR 2,176



- Commercial papers 50
- Corporate bonds 1,099
- Bank loans 835
- Interest subsidised 156
- State subsidised (ARAVA) 37
- 86% of loans without asset based securities

CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	1 Jul-30 Sep 2021	1 Jul-30 Sep 2020	1 Jan-30 Sep 2021	1 Jan-30 Sep 2020	1 Jan-31 Dec 2020
Net sales	74.9	76.2	223.2	228.3	303.4
Property maintenance expenses	-17.6	-16.0	-65.8	-61.5	-83.0
Net rental income	57.3	60.3	157.3	166.9	220.3
Fair value change of investment properties, realised	0.3	0.2	1.3	1.7	3.0
Fair value change of investment properties, unrealised	2.4	-13.6	114.4	-7.0	-13.0
Sales, marketing and administrative expenses	-8.4	-7.1	-25.9	-22.4	-30.6
Other operating income	-0.2	-0.1	-0.6	1.5	1.7
Other operating expenses	0.0	-0.5	-1.1	-1.7	-2.0
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
Operating profit	51.4	39.2	245.4	138.9	179.6
Financial income	0.1	0.1	0.5	0.3	0.6
Financial expenses	-11.0	-12.7	-34.1	-36.4	-50.7
	-10.9	-12.7	-33.7	-36.1	-50.0
Profit before tax	40.5	26.5	211.7	102.8	129.5
Income tax expenses	-8.3	-5.4	-42.6	-21.3	-27.6
Profit for the period	32.2	21.1	169.1	81.5	101.9
Profit for the period attributable to					
Equity holders of the parent	32.2	21.1	169.1	81.5	101.9
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
	32.2	21.1	169.1	81.5	101.9
Earnings per share attributable to equity holders of the parent					
Basic, EUR	0.57	0.37	2.99	1.44	1.80
Diluted, EUR	0.57	0.37	2.99	1.44	1.80
Average number of shares, million	56.6	56.6	56.6	56.6	56.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	1 Jul–30 Sep 2021	1 Jul–30 Sep 2020	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	1 Jan–31 Dec 2020
Other comprehensive income					
Remeasurement of defined benefit liability, net of tax	0.0	0.0	0.0	0.0	0.0
Related tax	0.0	0.0	0.0	0.0	0.0
Items that will never be reclassified to income statement	0.0	0.0	0.0	0.0	0.0
Cash flow hedges	2.4	1.6	13.7	-2.3	-2.4
Translation differences	2.0	0.0	3.2	0.0	-0.1
Related tax	-0.5	-0.3	-2.7	0.5	0.5
Items that may be reclassified subsequently to income statement	3.9	1.2	14.2	-1.8	-2.0
Other comprehensive income, net of tax	3.9	1.2	14.2	-1.8	-2.0
Total comprehensive income	36.1	22.3	183.3	79.7	99.9
Comprehensive income attributable to					
Equity holders of the parent	36.1	22.3	183.3	79.7	100.0
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
	36.1	22.3	183.3	79.7	99.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Non-current assets			
Investment property	4,975.4	4,713.4	4,753.5
Tangible assets	2.7	2.5	2.8
Intangible assets	4.8	3.7	4.0
Investments in associated companies and joint ventures	0.1	0.1	0.1
Other non-current investments	1.0	1.0	1.0
Other right-of-use assets	5.7	6.9	6.6
Non-current receivables	2.8	6.8	2.8
Deferred tax assets	11.4	14.8	14.2
Total	5,003.9	4,749.2	4,785.1
Current assets			
Account and other receivables	51.7	31.3	58.6
Current tax assets	3.0	26.5	2.9
Cash and cash equivalents	12.1	365.1	258.0
Total	66.8	422.9	319.6
TOTAL ASSETS	5,070.8	5,172.0	5,104.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	4.4	4.4	4.4
Fair value and other reserves	-20.7	-31.6	-31.7
Reserve fund	43.7	43.7	43.7
Reserve for invested non-restricted equity	114.8	114.8	114.8
Retained earnings	2,168.6	2,004.2	2,024.6
Total	2,310.9	2,135.6	2,155.9
Non-controlling interests	-0.2	-0.2	-0.2
TOTAL SHAREHOLDERS' EQUITY	2,310.7	2,135.4	2,155.7
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	413.2	390.0	387.2
Provisions	2.0	1.7	1.9
Lease liabilities	53.0	49.4	54.0
Derivative liabilities	25.4	38.7	39.1
Long-term non-interest bearing liabilities	0.9	0.0	0.9
Long-term interest bearing liabilities	2,054.1	2,123.0	2,075.6
Total	2,548.6	2,602.8	2,558.7
Current liabilities			
Accounts payable and other liabilities	88.6	77.9	72.4
Provisions	1.3	2.5	1.7
Lease liabilities	4.9	4.6	4.9
Current tax liabilities	1.6	19.4	5.4
Short-term interest bearing liabilities	115.1	329.4	305.9
Total	211.4	433.8	390.3
TOTAL LIABILITIES	2,760.1	3,036.6	2,949.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,070.8	5,172.0	5,104.7

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	1 Jul–30 Sep 2021	1 Jul–30 Sep 2020	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	1 Jan–31 Dec 2020
Cash flow from operating activities					
Profit for the period	32.2	21.1	169.1	81.5	101.9
Adjustments:					
Non-cash items included in the profit	-1.6	13.4	-112.3	9.0	15.3
Profit and loss on sales of investment properties and fixed assets	-0.3	-0.2	-1.4	-1.8	-3.1
Other adjustments	-0.1	-0.1	-0.5	-0.1	0.1
Interest expenses and other financial expenses	11.0	12.7	34.1	36.4	50.7
Interest income	-0.1	-0.1	-0.5	-0.3	-0.6
Dividend income	0.0	0.0	0.0	0.0	0.0
Income taxes	8.3	5.4	42.6	21.3	27.6
Cash flow before change in net working capital	49.3	52.2	131.2	146.1	191.7
Change in net working capital:					
Changes in accounts receivable and other receivables	-13.0	-7.3	-33.5	-22.1	-8.7
Change in accounts payable and other liabilities	6.7	-4.5	25.9	1.6	-2.1
Interest paid	-5.7	-8.6	-38.1	-33.9	-44.5
Interest received	-0.8	0.7	-1.8	0.3	1.3
Taxes paid	-5.2	-6.1	-20.5	-20.6	-19.6
Net cash flow from operating activities	31.3	26.5	63.2	71.4	118.3
Cash flow from investing activities					
Investments in investment properties	-56.8	-19.8	-133.9	-88.2	-130.4
Net investment in tangible and intangible assets	-1.0	-0.1	-2.0	-0.7	-1.7
Repayments of loans receivable	5.5	0.0	43.6	2.5	-4.1
Payments of granted loans	0.0	0.0	0.0	-3.0	-33.4
Disposals of investment property	5.0	2.1	25.8	18.8	21.7
Net cash flow from investing activities	-47.4	-17.7	-66.6	-70.6	-147.9
Cash flow from financing activities					
Repayments (-) / withdrawals (+) of current loans	35.0	-10.0	44.5	-190.0	-227.5
Withdrawals of non-current loans	0.0	407.9	7.0	766.5	766.5
Repayments of non-current loans	-22.2	-167.5	-264.7	-215.5	-254.5
Repayments of lease liabilities	1.0	-0.2	-0.9	-1.7	-1.8
Repayment of capital and dividends paid	0.0	0.0	-28.3	0.0	0.0
Net cash flow from financing activities	13.8	230.1	-242.5	359.2	282.7
Change in cash and cash equivalents	-2.2	238.9	-245.8	360.0	253.1
Cash and cash equivalents at the beginning of period	14.4	126.1	258.0	5.0	5.0
Effect of exchange rate fluctuations on cash held	0.0	0.1	-0.1	0.0	-0.1
Cash and cash equivalents at the end of period	12.1	365.1	12.1	365.1	258.0

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
Shareholders' equity 1 Jan 2020	4.4	-29.8	43.7	114.8	1,922.8	2,055.9	-0.2	2,055.8
Comprehensive income:								
Cash flow hedges, net of tax	-	-1.8	-	-	-	-1.8	-	-1.8
Translation differences	-	-	-	-	0.0	0.0	-	0.0
Profit for the period	-	-	-	-	81.5	81.5	0.0	81.5
Total comprehensive income	0.0	-1.8	0.0	0.0	81.5	79.7	0.0	79.7
Transactions with shareholders:								
Dividend	-	-	-	-	0.0	0.0	-	0.0
Transaction with shareholders, total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other adjustments	0.0	-	-	-	-	0.0	-	0.0
Total of equity movements	0.0	-1.8	0.0	0.0	81.5	79.7	0.0	79.7
Shareholders' equity 30 Sep 2020	4.4	-31.6	43.7	114.8	2,004.3	2,135.6	-0.2	2,135.4

MEUR	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings			
Shareholders' equity 1 Jan 2021	4.4	-31.7	43.7	114.8	2,024.6	2,155.9	-0.2	2,155.7
Comprehensive income:								
Cash flow hedges, net of tax	-	11.0	-	-	-	11.0	-	11.0
Translation differences	-	-	-	-	3.2	3.2	-	3.2
Profit for the period	-	-	-	-	169.1	169.1	0.0	169.1
Total comprehensive income	0.0	11.0	0.0	0.0	172.3	183.3	0.0	183.3
Transactions with shareholders:								
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3
Transaction with shareholders, total	0.0	0.0	0.0	0.0	-28.3	-28.3	0.0	-28.3
Other adjustments	-	-	-	-	-	0.0	-	0.0
Total of equity movements	0.0	11.0	0.0	0.0	144.0	155.0	0.0	155.0
Shareholders' equity 30 Sep 2021	4.4	-20.7	43.7	114.8	2,168.6	2,310.9	-0.2	2,310.7

NOTES TO THE INTERIM REPORT

I. GENERAL INFORMATION

SATO Corporation is a Finnish public limited company domiciled in Helsinki, Finland. The registered address of the company is Panuntie 4, 00600 Helsinki. SATO Corporation and its subsidiaries together form the consolidated SATO Group ("SATO" or "the Group"). SATO provides housing solutions and its operations consists of investments in housing properties. The focus of the Group's operations is in the largest growth centers, and approximately 80 per cent of the investment property is located in the Helsinki region. The rest of the operations are located in Tampere, Turku, Oulu, Jyväskylä and St. Petersburg.

2. BASIS OF PREPARATION AND NEW ACCOUNTING STANDARDS

SATO's interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* -standard. Figures presented in this interim report have been rounded from exact figures and therefore the sum of figures presented individually may deviate from the presented sum figure. The preparation of the interim report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The figures in the interim report are unaudited.

From the beginning of the year 2021, the Group has adopted new or amended IFRS's and IFRIC interpretations, as described in the financial statements 2020. The changes have been applied to the comparison periods.

Otherwise, the half-year financial report has been prepared according to the same accounting principles as the consolidated financial statements for the year ended 31 December 2020.

3. SEGMENT INFORMATION

SATO has one operating segment. Significant operational decisions are made by SATO's Board of Directors, which reviews the operating results and profitability as a single operating segment. The Group operates in two geographic regions, Finland and Russia. SATO does not have any single external customers that would account for 10% or more of SATO's revenues.

NET SALES BY GEOGRAPHICAL REGION

MEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Finland	73.5	74.9	219.1	224.2	297.9
Russia	1.4	1.3	4.0	4.1	5.4
Total	74.9	76.2	223.2	228.3	303.4

NON-CURRENT ASSETS BY GEOGRAPHICAL REGION

MEUR	30 Sep 2021			30 Sep 2020		
	Finland	Russia	Total	Finland	Russia	Total
Investment property	4,848.1	127.3	4,975.4	4,615.0	98.5	4,713.4
Tangible assets	2.7	0.0	2.7	2.4	0.0	2.5
Intangible assets	4.8	0.0	4.8	3.7	0.0	3.7
Other right-of-use assets	5.7	-	5.7	6.9	-	6.9
Investments in associated companies	0.1	-	0.1	0.1	-	0.1
Total	4,861.4	127.4	4,988.7	4,628.0	98.6	4,726.5

MEUR	31 Dec 2020		
	Finland	Russia	Total
Investment property	4,650.8	102.7	4,753.5
Tangible assets	2.7	0.0	2.8
Intangible assets	4.0	0.0	4.0
Other right-of-use assets	6.6	-	6.6
Investments in associated companies	0.1	-	0.1
Total	4,664.3	102.8	4,767.0

4. GAINS AND LOSSES ON DISPOSAL OF INVESTMENT PROPERTIES

MEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Sale of residential investment properties					
Proceeds from disposal of residential investment properties	1.1	0.8	3.6	6.1	8.3
Carrying value of investment properties sold	-1.1	-0.7	-3.7	-4.5	-5.8
Total	0.0	0.1	-0.1	1.6	2.5
Sale of land plots					
Proceeds from disposal of land plots	1.4	0.2	19.9	6.4	8.5
Carrying value of land plots sold	-1.2	-0.1	-18.6	-6.3	-7.9
Total	0.3	0.1	1.3	0.1	0.6
Total	0.3	0.2	1.3	1.7	3.0

Proceeds from the disposal of investment properties include the disposal price received net of disposal costs. The carrying value of disposed-of assets includes the fair value recognised in the statement of financial position at the end of the previous quarter, plus any further investments made thereafter.

5. OTHER OPERATING INCOME

MEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Other operating income					
Sales income, new production	0.0	0.0	0.0	18.7	18.7
New production expenses	-0.3	-0.2	-0.9	-17.6	-17.6
Other income	0.1	0.1	0.3	0.3	0.6
Total	-0.2	-0.1	-0.6	1.5	1.7

6. FINANCIAL INCOME AND EXPENSES

MEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Financial income					
Interest income on loans and other receivables	0.1	0.1	0.4	0.3	0.6
Dividend income from other non-current investments	0.0	0.0	0.0	0.0	0.0
Foreign exchange gains	0.0	0.0	0.0	0.0	0.0
Total	0.1	0.1	0.5	0.3	0.6
Financial expenses					
Interest expense on financial liabilities measured at amortised cost	-7.2	-7.5	-22.0	-20.2	-28.8
Interest expense on effective cash flow hedges	-1.8	-3.0	-6.1	-9.0	-11.5
Interest expense on lease liabilities	-0.8	-0.8	-2.5	-2.3	-3.1
Foreign exchange losses	0.0	-0.2	0.0	-0.5	-0.3
Other financial expenses	-1.2	-1.3	-3.6	-4.4	-6.9
Total	-11.0	-12.7	-34.1	-36.4	-50.7
Financial income and expenses, net	-10.9	-12.7	-33.7	-36.1	-50.0

7. INVESTMENT PROPERTIES

MEUR	1-9/2021	1-9/2020	1-12/2020
Fair value of investment properties at start of period	4,753.5	4,657.9	4,657.9
Acquisitions of properties	15.8	0.0	2.7
New construction and other investments in properties	117.3	88.8	133.4
Disposals of investment properties	-22.4	-28.6	-31.2
Capitalised borrowing costs	0.9	1.4	1.6
Reclassified from other items	-5.0	0.8	-0.2
Gains and losses in profit and loss from changes in fair value*	114.4	-7.0	-13.0
Exchange rate differences, no P/L effect	1.3	0.0	0.0
Remeasurement of right-of-use investment properties, no P/L effect	-0.5	0.1	2.4
Fair value of investment properties at end of period	4,975.4	4,713.4	4,753.5

* Gains and losses from changes in fair value include foreign exchange gains and losses of EUR 6.7 (-30.1) million.

Significant acquisitions and disposals during the period

The most significant acquisitions during the reporting period were land purchases in Nihtisilta, Espoo and Kruunuvuorenranta, Helsinki. Land sales in several locations were also completed during the period, most importantly in Oulunkylä, Helsinki and Vermonniitty, Espoo. SATO did not make significant acquisitions or divestments of completed investment properties during the period.

Investment property valuation principles

SATO's investment properties mainly comprise of residential properties. In addition, the investment properties include commercial and parking space, unbuilt land and development projects as well as right-of-use investment properties.

The housing properties are located in the largest growth centres, with approximately 84 per cent of them located in the Helsinki region. The quality of investment properties is maintained by renovation and repair activities based on their lifecycle and repair plans. Change in the fair value of SATO's owned investment property was mainly due to market price levels, reclassifications from measurement group to another when legal restrictions have ended and changes in parameters used in valuation.

Some of the residential investment properties are subject to legislative and usage restrictions. The so-called non-profit restrictions apply to the owning company and the so-called property-specific restrictions apply to the investment owned. The non-profit restrictions include, among other things, permanent limitations on the company's operations, distribution of profit, lending and provision of collateral, and the divestment of investments. The property-specific restrictions include the use of apartments, the selection of residents, the setting of rents and divestment of apartments, and they are fixed-term.

The valuation of investment properties in SATO's ownership is based on a method which has been prepared by SATO in co-operation with a third party expert (currently: JLL). The external expert quarterly issues a statement on the applicability of SATO's valuation methods, the appropriateness of sources of information used and the credibility of the valuation. As part of the valuation process, the external expert also reviews each SATO's property on site every three years. Existing properties located in St. Petersburg are valued by third party expert (JLL). The principles and methods used in the fair value measurement are approved by the Corporate Management Group. During the quarterly valuation process, all the periodical changes are analysed. The result of the valuation and the changes in fair value are reported to the Corporate Management Group and Board of Directors.

At inception, owned investment properties are recognised at acquisition value, which includes transaction costs. Thereafter, they are recorded at fair value. Gains and losses from changes in fair value are recorded through profit and loss in the period when they are incurred. Fair value of an investment property represents the price that, according to the Group's estimate, would be received for the property in an orderly transaction taking place in the local (principal) market at the reporting date, considering the condition and location of the property. The valuation methods for SATO's owned investment properties are income value method, sales comparison method and acquisition cost method. The valuation is prepared with income value method for investment properties located in Finland that can be sold without restrictions, or can be sold as entire properties and to a restricted group of buyers. The method is based on a cash flow analysis, whereby the estimated cash flows for 10 years and the terminal value are discounted to their present value. The cash flows are based on property-specific estimates of rental income, vacancy, operating expenses and renovation. The discount rate includes yield requirement and an inflation estimate. The yield requirements are determined based on the location, age and technical condition of the assets. Completed properties located in St. Petersburg are valued by third party expert (JLL) with sales comparison method. Properties funded with ARAVA loans or interest-subsidised loans are valued at cost less any impairments, which is estimated to represent their fair value. Unbuilt land and development projects, whose realization is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably.

SATO's right-of-use investment properties include land plots leased for residential construction. The land lease agreements are accounted for as right-of-use assets classified as investment property and measured at fair value in accordance with the IFRS 16 *Leases* and IAS 40 *Investment property* standards. They are valued at the present value of future lease payments of the underlying agreements, which is considered to be equivalent to their fair value.

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Investment property classified by valuation method			
Income value	4,548.0	4,307.7	4,337.9
Sales comparison value	127.3	98.5	102.7
Acquisition cost	247.8	259.3	261.2
Owned investment property, total	4,923.1	4,665.4	4,701.7
Right-of-use investment properties	52.3	48.0	51.8
Total	4,975.4	4,713.4	4,753.5

Sensitivity analysis of investment properties

Sensitivity analysis of investment properties has been presented in the 2020 consolidated financial statements. Quarterly changes are not significant. All SATOs investment properties are classified to hierarchy level 3 under IFRS 13. Items which are included in the hierarchy level 3 are measured using input data which is not based on observable market data.

8. TANGIBLE ASSETS

MEUR	1-9/2021	1-9/2020	1-12/2020
Carrying value, beginning of period	2.8	3.2	3.2
Additions	0.7	0.0	0.5
Disposals	-0.3	-0.2	-0.2
Accumulated depreciation of disposals	0.3	0.2	0.2
Transfers between items	0.0	0.0	0.0
Depreciation	-0.7	-0.7	-0.9
Carrying value, end of period	2.7	2.5	2.8

9. INTANGIBLE ASSETS

MEUR	1-9/2021	1-9/2020	1-12/2020
Carrying value, beginning of period	4.0	3.7	3.7
Additions	1.5	0.8	1.4
Disposals	0.0	0.0	0.0
Accumulated depreciation of disposals	0.0	0.0	0.0
Transfers between items	0.0	0.0	0.0
Depreciation	-0.8	-0.8	-1.0
Carrying value, end of period	4.8	3.7	4.0

10. LEASES

Right-of-use assets

MEUR	1-9/2021	1-9/2020	1-12/2020
Right-of-use investment properties			
Carrying value, beginning of period	51.8	49.7	49.7
Additions	1.4	0.9	2.5
Disposals	0.0	-1.9	-1.9
Remeasurement of lease agreements	-0.5	0.1	2.4
Changes of fair value in profit and loss	-0.5	-0.7	-0.9
Carrying value, end of period	52.3	48.0	51.8
Other right-of-use assets			
Carrying value, beginning of period	6.6	7.7	7.7
Additions	0.0	0.0	0.0
Remeasurement of lease agreements	0.0	0.0	0.0
Depreciation for the period	-0.9	-0.9	-1.2
Carrying value, end of period	5.7	6.9	6.6
Total carrying value, beginning of period	58.4	57.5	57.5
Total carrying value, end of period	58.0	54.9	58.4

The right-of-use investment properties include land lease agreements, which are related to residential investment properties. They are measured at fair value and presented under investment properties in the statement of financial position (see note 7). Other right-of-use assets include leases for premises in SATO's own use.

Lease liabilities

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Non-current			
From land lease agreements	48.4	43.7	48.5
From other lease agreements	4.6	5.7	5.5
Total	53.0	49.4	54.0
Current			
From land lease agreements	3.7	3.4	3.7
From other lease agreements	1.2	1.2	1.2
Total	4.9	4.6	4.9
Total lease liabilities	57.9	54.0	58.9

II. SHAREHOLDERS' EQUITY

The total number of SATO's shares as at 30 September 2021 was 56,783,067 (56,783,067) and the number of own shares held was 166,000 (160,000). The following dividends were distributed by the company during the period:

MEUR	1-9/2021	1-9/2020	1-12/2020
The following dividend was declared by the company:			
Dividend 0.50 (0.00) per share, EUR	-28.3	0.0	0.0
Total	-28.3	0.0	0.0

The Annual General Meeting of SATO Corporation resolved on 25 March 2021 that EUR 0.50 per share, EUR 28.3 million in total, be paid out in dividends for the financial period ended 31 December 2020. The dividend was paid on 7 April 2021.

12. FINANCIAL LIABILITIES

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Financial liabilities			
Commercial papers	50.0	42.9	5.5
Corporate bonds	1,095.0	1,243.6	1,244.0
Bank loans	831.9	943.3	920.8
Interest-subsidised loans	155.6	179.0	168.6
State-subsidised ARAVA loans	36.7	43.5	42.6
Total	2,169.1	2,452.4	2,381.5

On the reporting date, the average interest of SATO's debt portfolio was 1.7 (1.9) per cent.

For purposes of short-term financing, SATO has a commercial paper program of EUR 400 (400) million, committed credit limits of EUR 350 (650) million, of which EUR 350 (650) million were unused, and a non-committed current overdraft limit of EUR 5.0 (5.0) million, of which EUR 5.0 (5.0) million were unused.

13. DERIVATIVES

MEUR	30 Sep 2021		30 Sep 2020	31 Dec 2020
	Positive	Negative	Net	Net
Fair values of derivative instruments				
Interest rate swaps, cash flow hedging	-	-26.4	-26.4	-39.4
Cross-currency and interest rate swaps, cash flow hedging	-	-	-	-9.0
Total	0.0	-26.4	-26.4	-48.4

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Nominal values of derivative instruments			
Interest rate swaps, cash flow hedging	510.9	615.0	555.0
Cross-currency and interest rate swaps, cash flow hedging	-	73.4	73.4
Total	510.9	688.4	628.4

Change in fair value of designated interest rate hedges, booked to fair value reserve, totalled EUR 10.9 (-1.8) million. Interest rate swaps are used to hedge interest cash flows against fluctuation in market interest rates. Cross-currency and interest rates swaps additionally hedge the currency risks of interest and repayment cash flows of loan contracts denominated in foreign currency. Interest rate hedges have maturities ranging between 1–10 years. Typically netting agreements are applied to derivative contracts, however the contracts are represented in gross value in financial statements. The method of presentation has no significant impact on figures on reporting or comparative period.

14. FAIR VALUES OF FINANCIAL INSTRUMENTS

MEUR	30 Sep 2021			30 Sep 2020		
	Level 1:	Level 2:	Level 3:	Level 1:	Level 2:	Level 3:
Assets						
Other non-current investments	-	1.0	-	-	1.0	-
Loans receivable	-	0.2	-	-	6.8	-
Commercial paper	-	-	-	-	-	-
Derivative assets	-	0.0	-	-	0.0	-
Accounts receivable and other non-interest-bearing receivables	-	45.7	-	-	28.3	-
Cash and cash equivalents	-	12.1	-	-	365.1	-
Liabilities						
Corporate bonds	1,111.5	24.0	-	1,242.5	24.0	-
Other loans	-	1,076.9	-	-	1,211.5	-
Derivative liabilities	-	26.4	-	-	51.6	-
Accounts payable and other non-interest-bearing payables	-	17.2	-	-	12.9	-

MEUR	31 Dec 2020		
	Level 1:	Level 2:	Level 3:
Assets			
Other non-current investments	-	1.0	-
Loans receivable	-	6.8	-
Commercial paper	-	37.0	-
Derivative assets	-	0.0	-
Accounts receivable and other non-interest-bearing receivables	-	12.7	-
Cash and cash equivalents	-	258.0	-
Liabilities			
Corporate bonds	1,261.2	24.0	-
Other loans	-	1,141.0	-
Derivative liabilities	-	48.4	-
Accounts payable and other non-interest-bearing payables	-	19.1	-

Fair values of assets and liabilities at fair value hierarchy level 1 are quoted on operational markets. Level 2 assets and liabilities fair values are based on verifiable input data and level 3 asset and liabilities are based on unverified input data.

SATO fair values of assets and liabilities level 1 are quoted market prices. Values on hierarchy level 2 are based on discounted cash flows, with market rates as calculation input. Loans are presented at acquisition cost.

15. PROVISIONS

MEUR	Provision for refund claim	Other provisions	Total
Provisions at the beginning of the period 1 Jan 2021	2.9	0.7	3.6
Increases	0.9	0.0	0.9
Provisions used	-1.0	0.0	-1.0
Reversals	-0.1	0.0	-0.1
Provisions at the end of the period 30 Sep 2021	2.6	0.7	3.3

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Non-current provisions	2.0	1.7	1.9
Current provisions	1.3	2.5	1.7
Total	3.3	4.2	3.6

The provision for refund claim includes guarantees related to new construction business and 10 year warranty period after completion of the work. Provision for refund claim is measured based on previous claims and assessment of previous experience. The provision for refund claim will be used, if applicable, within ten years from the reporting date.

16. NOTES TO THE CASH FLOW STATEMENT

MEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Non-cash items included in the profit					
Depreciation and amortization	0.8	0.8	2.4	2.3	3.1
Gains and losses from changes in fair value of investment properties	-2.4	13.6	-114.4	7.0	13.0
Changes in provisions	0.0	-1.0	-0.3	-0.2	-0.9
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
Total	-1.6	13.4	-112.3	9.0	15.3
MEUR					
	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Changes in interest-bearing debt during the period					
Interest-bearing debt, beginning of period	2,155.7	2,221.9	2,381.5	2,098.4	2,098.4
Cash changes in interest-bearing debt during the period, total	12.8	230.3	-213.2	360.9	284.5
Non-cash changes:					
Change in foreign exchange rates	0.0	-0.5	-0.7	-0.7	2.6
Interest accrued by the effective interest rate method	0.6	0.6	1.8	1.7	3.9
Transfer of debt to buyers upon disposal of investment property and other adjustments	0.0	0.0	-0.2	-7.9	-7.9
Interest-bearing debt, end of period	2,169.1	2,452.4	2,169.1	2,452.4	2,381.5

17. COLLATERAL, COMMITMENTS AND CONTINGENCIES

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Mortgages and pledges for secured borrowings			
Secured borrowings	296.5	413.1	404.3
Pledges and mortgages provided, fair value	634.7	772.2	809.4
Guarantees for others			
Shared ownership apartment purchase commitments	0.0	4.5	4.5
Rs-guarantees	2.9	3.7	2.9
Other collateral provided			
Mortgages provided to secure payment of rent and street maintenance	7.4	6.9	6.9
Guarantees and mortgages provided to secure payments of land use contracts	8.2	14.1	14.1
Binding purchase agreements			
For acquisitions of investment properties	120.0	54.4	55.3
Pledges for land use payments on zoned plots	1.7	0.7	0.7
Commitments to cleaning and removal charges	0.0	0.0	0.0
Letters of intent on land for which there is a zoning condition	53.9	30.2	44.7

Housing companies which had hold so-called shared ownership apartments were treated as structured entities, which are established for a fixed period, and was not included in the consolidation. On the reporting date, the loans of such housing companies included in the shared ownership systems, totalled EUR 0.0 (7.3) million.

18. RELATED PARTY TRANSACTIONS

SATO Group's related party consists of SATO Corporation, its parent company, sister companies, subsidiaries, joint ventures and associated companies. SATO's related party includes shareholders that have direct or indirect control or joint control or significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity or is a close family member of the key management personnel. Shareholders whose holding is 20 per cent or more are automatically considered as a related party of SATO. When ownership is below 20 per cent shareholders are considered as a related party when they have considerable influence of the reporting entity, for example through a position in the Board of Directors.

Shareholders that are considered as SATO's related party in 2021 are Balder Finska Ota AB, Erik Selin Fastigheter AB and Balder-group companies (owner: Fastighets Ab Balder, 100 per cent), Stichting Depositary APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95 per cent; manager: APG Asset Management NV) and Elo Mutual Pension Insurance Company.

The members of the Board of Directors of SATO, the CEO and the members of the Extended Corporate Management Group and their close family members and the entities controlled or jointly controlled by them and joint venture SV-Asunnot Oy are considered as SATO's related party. The Extended Corporate Management Group comprises of SATO Corporation's President and CEO, Director investments and new construction, Commercial Director, Chief Digital Officer, Chief Financial Officer, Director of Human Resources and General Counsel.

SATO extended the concept of the Corporate Management Group at the end of the financial year 2020. The comparison period has been adjusted to include Extended Management Group employee benefits for the year 2020.

The terms and conditions used in the potential related party transactions are equivalent to the terms used in transactions between independent parties.

MEUR	1-9/2021	1-9/2020	1-12/2020
Extended Management Group employee benefits			
Salaries and other employee benefits	1.5	1.3	1.8
Total	1.5	1.3	1.8

Management remuneration

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

19. SUBSEQUENT EVENTS

The credit rating agency Standard & Poor's has affirmed SATO Corporation's BBB credit rating, but at the same time revised the rating outlook to negative from stable. The revise in the outlook is a direct consequence of the weakening of the outlook for the corresponding rating of Fastighets AB Balder, SATO's main owner.

No other significant events after the end of the reporting period.

KEY INDICATORS, GROUP

Key financial indicators	1-9/2021	1-9/2020	2020	2019	2018*	2017*	2016**
Net sales, MEUR	223.2	228.3	303.4	295.6	290.4	280.1	262.7
Net rental income, MEUR	157.3	166.9	220.3	207.1	198.5	188.4	167.1
Operating profit, MEUR	245.4	138.9	179.6	725.6	273.3	230.1	267.2
Net financing expenses, MEUR	-33.7	-36.1	-50.0	-55.1	-42.5	-45.8	-47.8
Profit before taxes, MEUR	211.7	102.8	129.5	670.5	230.8	184.4	219.4
Balance sheet total, MEUR	5,070.8	5,172.0	5,104.7	4,718.2	3,922.4	3,693.1	3,562.2
Shareholders' equity, MEUR	2,310.7	2,135.4	2,155.7	2,055.8	1,554.5	1,397.6	1,252.6
Interest bearing liabilities, MEUR	2,169.1	2,452.4	2,381.5	2,098.4	1,982.2	1,931.7	1,943.0
Return on invested capital, % (ROIC)	7.3%	4.2%	4.1%	18.9%	7.9%	7.1%	9.1%
Return on equity, % (ROE)	10.1%	5.2%	4.8%	29.6%	12.4%	11.0%	15.6%
Equity ratio, %	45.6%	41.3%	42.2%	43.6%	39.6%	37.8%	35.2%
Personnel, average**	268	226	229	223	215	206	170
Personnel at the end of period	289	234	242	229	218	212	175
Key indicators per share							
Earnings per share, EUR	2.99	1.44	1.80	9.45	3.26	2.55	3.22
Equity per share, EUR***	40.82	37.72	38.07	36.31	27.46	24.68	22.12
Number of shares outstanding, million	56.6	56.6	56.6	56.6	56.6	56.6	56.6
Operational key figures and net asset value							
Operational earnings, MEUR	77.2	84.8	109.0	91.4	98.7	82.8	69.5
Operational earnings per share, EUR	1.36	1.50	1.92	1.61	1.74	1.46	1.28
Net asset value, MEUR	2,739.1	2,562.4	2,577.2	2,477.7	1,855.7	1,678.7	1,517.5
Net asset value per share, EUR	48.38	45.25	45.52	43.76	32.77	29.65	26.80
Cash earnings, MEUR	74.7	95.7	132.1	91.2	97.9	92.4	86.2
Cash earnings per share, EUR	1.32	1.69	2.33	1.61	1.73	1.63	1.59
Quarterly key financial indicators							
	Q3,2021	Q2,2021	Q1,2021	Q4,2020	Q3,2020	Q2,2020	Q1,2020
Net sales, MEUR	74.9	74.2	74.0	75.0	76.2	76.5	75.6
Net rental income, MEUR	57.3	55.1	44.9	53.5	60.3	59.6	47.0
Operating profit, MEUR	51.4	126.0	67.9	40.6	39.2	54.3	45.5
Profit and losses from changes of fair value	2.4	80.4	31.6	-6.0	-13.6	1.8	4.8
Net financing expenses, MEUR	-10.9	-11.0	-11.8	-13.9	-12.7	-12.4	-11.0
Profit before taxes, MEUR	40.5	115.1	56.2	26.7	26.5	41.8	34.5
Earnings per share, EUR	0.57	1.63	0.79	0.36	0.37	0.59	0.48
Average number of shares outstanding, million	56.6	56.6	56.6	56.6	56.6	56.6	56.6
Housing investments, MEUR	57.3	42.7	16.9	42.4	18.3	32.5	27.3
as percentage of net sales	76.5%	57.5%	22.9%	56.6%	24.0%	42.4%	36.2%
Operational key figures							
Operational earnings, MEUR	30.3	27.6	19.3	24.2	32.0	30.7	22.1
Operational earnings per share, EUR	0.53	0.49	0.34	0.43	0.56	0.54	0.39
Cash earnings, MEUR	36.2	17.2	21.3	36.4	36.6	29.8	29.3
Cash earnings per share, EUR	0.64	0.30	0.38	0.64	0.65	0.53	0.52

† Key figures since 2017 include the effects of adoption of IFRS 9 *Financial Instruments*. The figures of prior years are unadjusted.

* Key figures since 2019 include the effects of adoption of IFRS 16 *Leases*. The figures of prior years are unadjusted.

** Including summer trainees.

*** Equity excluding non-controlling interests.

FORMULAS USED IN CALCULATION

Net rental income	=	Rental income - Property, maintenance and reparation expenses - Ground rents	
Return on investment, %	=	$\frac{(\text{Profit or loss before taxes} + \text{interest expense and other financing expenses})}{\text{Balance sheet total (average during the period)} - \text{non-interest-bearing debt (average during the period)}}$	x 100
Return on equity, %	=	$\frac{\text{Profit or loss after taxes}}{\text{Shareholders' equity (average during the period)}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total}}$	x 100
Earnings per share, EUR	=	$\frac{\text{Profit for the period attributable to owners of the parent}}{\text{Adjusted number of shares (average during the period)}}$	
Equity per share, EUR	=	$\frac{\text{Shareholders' equity attributable to owners of the parent}}{\text{Adjusted number of shares (at the end of the reporting period)}}$	
Operational earnings	=	Profit for the period, IFRS -/+ Gains and losses from valuation of investment properties - Profit on sales of investment properties + Loss on sales of investment properties -/+ Profit on sales of new apartments adjusted with sales and marketing expenses -/+ Profit on sales of land areas -/+ Fair value change of financial instruments -/+ Deferred taxed of above items - Non-controlling interests	
Net asset value	=	Shareholders' equity attributable to owners of the parent -/+ Fair value of financial instruments (net), net of tax -/+ Deferred tax assets and liabilities (net)	
Cash earnings	=	Operating profit -/+ Gains and losses from valuation of investment properties + Depreciations -/+ Change of provisions -/+ Defined benefit plans - Cash based financial income and expenses - Cash based taxes -/+ Other items	

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