

Q1 INTERIM REPORT 1 JANUARY–31 MARCH 2022



CONTENTS

Key figures.....	3
SATO Corporation's Interim Report 1 Jan–31 Mar 2022	4
President and CEO Antti Aarnio.....	4
Operating environment	5
Net sales and profit.....	5
Financial position and financing	5
Housing business	6
Investment properties	6
Personnel	7
Annual General Meeting on 24 March 2022	7
Organisation of the Board of Directors	7
Events after the review period	7
Short-term risks and uncertainties	7
Outlook	8
SATO Corporation's shareholders on 31 March 2022	9
Financial trend.....	10
Consolidated income statement, IFRS.....	13
Consolidated statement of comprehensive income, IFRS	14
Consolidated statement of financial position, IFRS	15
Consolidated statement of cash flows, IFRS	16
Consolidated statement of changes in shareholders equity, IFRS	17
Notes to the interim report.....	18
Key indicators, group	27
Formulas used in calculation	28

KEY FIGURES



Key figure	1-3/2022	1-3/2021	1-12/2021
Net sales	€74.7 million	€74.0 million	€298.3 million
Number of rental apartments	26,771 homes	26,714 homes	26,791 homes
Investment properties	€5,129.1 million	€4,804.5 million	€5,032.8 million
Housing investments	€23.7 million	€16.9 million	€167.1 million
Under construction Finland	1,152 pcs	632 pcs	1,152 pcs
Average rent in Finland at the end of review period	17.44 €/sqm/month	17.50 €/sqm/month	17.46 €/sqm/month
Cash earnings	€25.8 million	€21.3 million	€107.9 million
Shareholders' equity	€2,417.1 million	€2,179.0 million	€2,351.3 million

SATO CORPORATION'S INTERIM REPORT I JAN–31 MAR 2022

SATO'S RESULT REMAINED ON STABLE LEVEL IN CHALLENGING MARKET ENVIRONMENT

SUMMARY FOR I JAN–31 MAR 2022 (I JAN–31 MAR 2021)

- The economic occupancy rate in Finland was 94.6% (94.8).
- Net sales totalled EUR 74.7 million (74.0).
- Net rental income was EUR 44.4 million (44.9).
- Profit before taxes was EUR 106.8 million (56.2).
- The change in the fair value of investment properties included in the result was EUR 82.6 million (31.6).
- Housing investments amounted to EUR 23.7 million (16.9).
- Invested capital at the end of the review period was EUR 4,593.7 million (4,379.8).
- Return on invested capital was EUR 10.4% (6.1).
- Equity was EUR 2,417.1 million (2,179.0), or EUR 42.70 per share (38.49).
- Earnings per share were EUR 1.50 (0.79).
- A total of 0 rental apartments (0) were acquired or completed.
- A total of 1,100 new rental apartments (561), 0 owner-occupied apartments (71) and 52 FlexHomes (0) are under construction.

PRESIDENT AND CEO ANTTI AARNIO:

– During the reporting period, SATO's occupancy rate was 94.6% (94.8). In the Helsinki Metropolitan Area in particular, the continued high level of housing supply has sustained intense competition between rental housing providers. SATO is investing strongly in its presence at SATO-owned properties and in developing personal service for customers.

– There are slight signs of the record-high rate of construction slowing. According to Statistics Finland, the number of building permits issued in November–January decreased by 15% year on year.

– The war in Ukraine has increased uncertainty relating to the development of the economy. The impacts of the war are reflected particularly in the surge in energy and materials prices and in the accelerating inflation.

– SATO's House Expert model is now fully deployed in the Helsinki Metropolitan Area, Tampere and Turku. With the House

Expert model, SATO aims to improve the customer service in the daily lives of its residents.

– The renovation of an apartment building started in Castréninkatu, Kallio, Helsinki in February and it is estimated to take around 18 months. SATO repairs its properties in accordance with the lifecycle principle and, when renovating properties, energy efficiency is also improved. The aim is to improve energy efficiency by around 30% compared to the pre-renovation level.

– Events after the review period: SATO sold 2,009 rental apartments mainly in Lahti, Jyväskylä and Oulu region to Heimstaden. The divestment implements the SATO strategy to focus housing investments on the Helsinki Metropolitan area and its commuter area along the main railway line as well as on Tampere and Turku and their surrounding municipalities

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

OPERATING ENVIRONMENT

Over the reporting period, SATO's operating environment was affected by the war in Ukraine, accelerating inflation and the continued high level of rental housing supply, particularly in the Helsinki Metropolitan Area.

The first months of the year saw rapid economic growth as COVID-19 restrictions were lifted. Russia's attack on Ukraine in late February transformed the economic outlook. The biggest impacts are related to the surge in energy and materials prices and challenges in supply chains, which were already visible in the end of the year 2021. According to a Bank of Finland analysis of 11 March 2022, the war in Ukraine is increasing uncertainty over the outlook for Finland's economy and will slow economic growth. The analysis projects that Finland's economic growth will slow to 0.5%–2% in the current year. The uncertainty has resulted in a major decline in consumer confidence. According to the consumer confidence indicator published by Statistics Finland on 28 March 2022, consumers' expectations concerning their own finances and especially the Finnish economy were very pessimistic.

Inflation has continued to accelerate in early 2022. According to preliminary Eurostat data published on 1 April 2022, inflation in March was expected to be 7.5% in the euro area and 5.6% in Finland. The main component pushing prices up has been the surge in energy prices, which has accelerated after Russia's attack on Ukraine. The accelerating inflation has raised the overall interest rate level, and central banks have tightened their monetary policy to curb price increases. The US Federal Reserve approved its first interest rate hike in March, and the European Central Bank (ECB) announced it would scale down its securities purchase programme. Contrary to previous forecasts, inflation is anticipated to remain at a high level during 2022.

The continued high level of housing supply particularly in the Helsinki Metropolitan Area has maintained intense competition for good tenants between rental housing providers, which was reflected over the reporting period in SATO's business as a decline in the economic occupancy rate and in a slight decrease in average rents year on year. However, with COVID-19 restrictions lifted and service-sector employment improving, demand for centrally located homes started to grow towards the end of the reporting period. There are slight signs of slowing in the record-high rate of construction that has been seen for a long period of time. According to Statistics Finland, the number of building permits issued in November–January decreased by 15% year on year.

Despite the economic uncertainty, there is demand for rental homes and the urbanisation trend continues. Dense urban housing with good access to public transport is becoming increasingly popular in Finland. The Helsinki Metropolitan Area (HMA), Tampere and Turku continue to enjoy strong growth, while at the same time Statistics Finland forecasts a downturn in the nationwide population trend in 2031. The HMA is projected to grow by more than 200,000 new residents by 2040. Almost 80% of HMA residents already live in households with one to

two members, and the proportion of small households continues to grow. The proportion of immigrants is projected to increase in the HMA from the current 17% to 25% by 2030. The ageing population is moving to growth centres providing access to services and expects more and more housing-related services.

The demographic change and the price development of owner-occupied homes create a stable foundation for demand for rental housing, especially in the HMA, Tampere and Turku. Outside growth centres, the real prices of homes are declining, which makes home ownership in a growth centre even more challenging for people coming from those areas.

REVIEW PERIOD 1 JAN–31 MAR 2022 (1 JAN–31 MAR 2021)

Net sales and profit

In January–March 2022, SATO Corporation's consolidated net sales totalled EUR 74.7 million (74.0).

Operating profit was EUR 117.9 million (67.9). Operating profit without the change in the fair value of investment properties was EUR 35.3 million (36.3). The change in fair value was EUR 82.6 million (31.6).

Net financing costs totalled EUR -11.1 million (EUR -11.8) million.

Profit before taxes was EUR 106.8 million (56.2). Cash earnings (free cash flow after taxes excluding changes in fair value) in January–March amounted to EUR 25.8 million (21.3).

Earnings per share were EUR 1.50 (0.79).

FINANCIAL POSITION AND FINANCING

The consolidated balance sheet total at the end of March was EUR 5,183.0 million (4,972.6). Equity totalled EUR 2,417.1 million (2,179.0). Equity per share was EUR 42.70 (38.49).

The Group's equity ratio at the end of March was 46.6% (43.8). EUR 0.0 million in new long-term financing was drawn and the solvency ratio at the end of March was 41.9% (43.4).

The Group's annualised return on equity was 14.3% (8.2). Return on invested capital was 10.4% (6.1).

Interest-bearing liabilities at the end of March totalled EUR 2,176.6 million (2,200.9), of which loans on market terms amounted to EUR 2,008.3 million (1,995.1). The average loan interest rate was EUR 1.8% (1.8). Net financing costs totalled EUR -11.1 million (-11.8).

The calculated impact of changes in the market value of interest hedging on equity was EUR 16.9 million (6.8).

The proportion of loans without asset-based securities was 83.5% (82.5) of all loans. At the end of March, unencumbered assets accounted for 88.1% (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 74.7 million (74.0). On average, the economic occupancy rate of apartments in Finland was 94.6% (94.8) and the external tenant turnover 26.2% (31.6).

The average monthly rent of SATO rental homes in Finland was EUR 17.44 per m² (17.50).

Net rental income from apartments totalled EUR 44.4 million (44.9).

INVESTMENT PROPERTIES

On 31 March 2022, SATO owned a total of 26,771 homes (26,714). The reporting period saw the completion of 0 new rental homes (0). The number of divested rental apartments and part-ownership apartments redeemed by residents totalled 7.

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 lifecycle plans and repair need specifications.

At the end of March, the fair value of investment properties came to a total of EUR 5,129.1 million (4,804.5). The change in the value of investment properties, including investments and divestments during the review period, was EUR 96.3 million (51.0).

At the end of March, the commuting zone of the Helsinki Metropolitan Area accounted for around 83%, Tampere and Turku together made up around 11%, Jyväskylä and Oulu around 4% and St Petersburg around 2% of the value of apartments.

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 23.7 million (16.9). The Helsinki Metropolitan Area represented 82.4% of all investments during the reporting period. New apartments accounted for 66.3% of the total. In addition, on 31 March 2022, there were binding purchase agreements to a total of EUR 131.3 million (76.8) in Finland.

SATO repairs its properties in accordance with the lifecycle principle and, when renovating properties, energy efficiency is also improved. The aim is to improve energy efficiency by around 30% compared to the pre-renovation level. In February saw the commencement of the renovation of an apartment building in Castréninkatu, Kallio, Helsinki, which is estimated to take around 18 months. The renovation will involve the full refurbishment of the kitchens, bathrooms and other living areas of the apartments. In addition, the property's staircases and corridors will be painted and the water and drain pipes as well as electrical and building automation and control systems will be replaced. The natural ventilation of the apartment building will be replaced by centralised supply and exhaust ventilation with heat recovery. The building's apartment distribution will change, and the renovated building will feature 95 homes, which is five more than before the project. The exteriors and roof of the building already underwent refurbishment in 2016.

The renovation of a total of 300 rental homes in Helsinki Kontula and Pihlajamäki was completed during the review period. On 31 March 2022, there were 382 rental homes undergoing renovation in Helsinki and Vantaa and 13 units undergoing repurposing from office space to homes in Turku.

During the reporting period, 7 (5) rental homes were divested in Finland. Their total value was EUR 2.6 million (0.9).

The book value of the plot reserve owned at the end of March totalled EUR 42.7 million (67.1). The value of new plots acquired by the end of March totalled EUR 0.0 million (4.4).

Permitted building volume for around 1,700 homes is being developed for 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, 0 rental apartments (0), 0 owner-occupied (0) and 0 FlexHomes (0) were completed. On 31 March 2022, a total of 1,100 rental homes (561), 0 owner-occupied homes (71) and 52 FlexHomes (0) were under construction. FlexHome is a short-term ownership concept that enables home ownership with a small initial capital outlay and a five-year part-ownership period.

A total of EUR 16.3 million (14.0) was spent on repairing apartments and improving their quality.

At the end of March, SATO had a total 522 apartments (533) in St Petersburg. The economic occupancy rate of rental homes

in St Petersburg averaged 98.2% (95.0). SATO will refrain from making new investment decisions in Russia. Apartments in St Petersburg account for 2% of the fair value of SATO apartments and 2% of the total of SATO apartments.

PERSONNEL

At the end of March, the Group had 322 employees (249), of whom 295 had a permanent employment contract (234). The average number of personnel in January–March was 321 (244).

ANNUAL GENERAL MEETING ON 24 MARCH 2022

A decision was made to set the number of members of the Board of Directors of SATO Corporation at six. The Annual General Meeting re-elected Erik Selin as Chairman of the Board. Esa Lager, Tarja Pääkkönen, Sharam Rahi, Johannus (Hans) Spikker and Timo Stenius will also continue as Board members.

The audit firm Deloitte Ltd was appointed as the auditor. Deloitte Ltd has announced that the Key audit partner will be Alekski Martamo, Authorised Public Accountant (APA).

The Annual General Meeting decided to adopt the financial statements of 31 December 2021, and SATO Corporation will distribute EUR 0.50 per share in dividends for the financial period ended on 31 December 2021.

ORGANISATION OF THE BOARD OF DIRECTORS

At its constitutive meeting on 24 March 2022, the company's Board of Directors elected from among its number Esa Lager to serve as Deputy Chairman.

The Board appointed Erik Selin to chair the Nomination and Remuneration Committee and Tarja Pääkkönen and Johannus (Hans) Spikker to serve as Committee members.

EVENTS AFTER THE REVIEW PERIOD

On 22 April 2022, SATO Group companies signed an agreement on the divestment of 2,009 rental homes to Swedish real estate investor Heimstaden. Transaction was closed 25 April 2022. The properties sold in this transaction are located in Hämeenlinna, Jyväskylä, Lahti, Oulu, Vihti and Ylöjärvi. The lease agreements will be transferred to the buyer as they are in the transaction.

The divestment implements the SATO strategy to focus housing investments on the Helsinki Metropolitan area and its commuter area along the main railway line as well as on Tampere and Turku and their surrounding municipalities. The properties sold are mostly located outside the growth centres covered by the strategy.

SHORT-TERM 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 war in Ukraine is a short-term risk affecting the operating environment, the duration and impacts of which on the Finnish economy are difficult to estimate. The war's biggest impacts have been seen in energy, food and materials prices as well as supply chains. An increase in energy, food and consumer goods prices may slow economic growth, considerably increase the interest rate level, and have a negative effect on the purchasing power of consumers as well as on their capacity to fulfil their obligations. Such a decline in the economy or economic activity may have an adverse effect on the financial performance or activities, finance costs or value of SATO-owned properties.

The highest risks in apartment rental are to do with cyclical movements and changes in supply and demand. The market risk may push the supply of rental homes higher than their demand. This would result in idle rental housing stock and pressure for the rent level to level off or fall, especially as regards old housing stock.

A decline in the housing market may have a negative effect on the market value of SATO's housing stock. In line with its refined strategy, SATO has been focusing in its investments on growth centres and on renovating and repairing existing housing stock and, consequently, ensuring the rentability and value development of the apartments.

Changes in regulation by the authorities and in legislation and related uncertainty may have a significant impact on the reliability of the investment environment and, consequently, 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 adopted 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. In 2019, the company established an EUR 1.5 billion Euro Medium Term Notes (EMTN) Programme under which SATO has issued bonds in the total amount of EUR 1,050.0 million.

The means for managing the liquidity risk at SATO include cash assets, a bank account limit, EUR 700 million in committed credit facilities and a EUR 400 million 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 fixed rate debt arrangements or interest rate derivatives. In accordance with our treasury policy, our aim is for fixed-rate loans, including interest rate derivatives, to account for more than 60% of our debt portfolio.

SATO currently has 522 apartments in St Petersburg. Investments in Russia commenced in 2007. The last investment decision was made in 2013 and the property was completed in 2016. 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, with related hedging options examined in accordance with our treasury policy. SATO will refrain from making new investments in Russia. Following the start of the war in Ukraine, the company has looked into opportunities to exit the business in Russia. According to the explorations, a speedy exit is not possible, which is why SATO will continue to rent out the homes in St Petersburg for the time being. It is expected that the operating environment in Russia will be highly uncertain for a long period of time and could result in disruptions to SATO's business activities in Russia and with parties related to Russia, the ability to make payments to its suppliers, employees and authorities as well as to receive payments from its customers, which could, therefore, have a material adverse effect on SATO's business in Russia and even result in SATO limiting or ceasing its operations in Russia and with parties related to Russia for a long period of time. Should the war in Ukraine be prolonged, carrying out business in Russia may have negative impacts on the company's reputation and may hamper business in Finland or have adverse effects on the company's ability to access finance in the market, which may have an adverse effect on the financial performance or activities, finance costs or value of SATO-owned properties.

For a broader description of risks and risk management, see the Group's website and Annual Report for 2021 at www.sato.fi/en.

OUTLOOK

In the operating environment, SATO's business activities are mainly affected by the urbanisation trend, competitive situation, interest rate level, consumer confidence, the development of purchasing power, rent and price development for apartments, and housing policies. The war in Ukraine

that broke out in February and the resulting acceleration of inflation have brought a great deal of uncertainty to the economic outlook.

The first months of the year saw rapid economic growth as COVID-19 restrictions were lifted. Russia's attack on Ukraine in late February transformed the economic outlook. The biggest impacts have been related to the surge in energy and materials prices and also to challenges in supply chains, which were already visible in the end of the year 2021. According to a Bank of Finland analysis of 11 March 2022, the war in Ukraine is increasing uncertainty over the outlook for Finland's economy and will slow economic growth. The analysis projects that Finland's economic growth will slow to 0.5%–2% in the current year. The uncertainty has resulted in a major decline in consumer confidence. According to the consumer confidence indicator published by Statistics Finland on 28 March 2022, consumers' expectations concerning their own finances and especially the Finnish economy were very pessimistic.

Inflation has continued to accelerate in early 2022. According to preliminary Eurostat data published on 1 April 2022, inflation in March was expected to be 7.5% in the euro area and 5.6% in Finland. The main component pushing prices up has been the surge in energy prices, which has accelerated after Russia's attack on Ukraine. The accelerating inflation has raised the overall interest rate level, and central banks have tightened their monetary policy to curb price increases. The US Federal Reserve approved its first interest rate hike in March, and the European Central Bank (ECB) announced it would scale down its securities purchase programme. Contrary to previous forecasts, inflation is anticipated to remain at a high level during 2022. High inflation increases the interest rate level and, consequently, SATO's finance costs. The abundant supply of rental homes prevents the transfer of higher costs caused by inflation fully to rents.

The continued high level of housing supply particularly in the Helsinki Metropolitan Area has maintained intense competition for good tenants between rental housing providers. However, with COVID-19 restrictions lifted and service-sector employment improving, demand for centrally located homes started to grow towards the end of the reporting period. There are signs of slowing in the record-high rate of construction that has been seen for a long period of time.

With the increased choice available for those looking for a home, the role of a successful customer experience has become even more important. SATO is investing strongly in increasing its presence close to customers and in digital services.

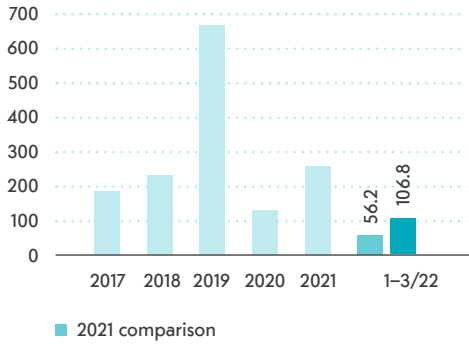
SATO CORPORATION'S SHAREHOLDERS ON 31 MARCH 2022

Largest shareholders and their holdings	no. of shares	%
Balder Finska Otas AB / Fastighets AB Balder	31,754,245	55.9%
Stichting Depository APG Strategic Real Estate Pool	12,811,647	22.6%
Elo Mutual Pension Insurance Company	7,233,081	12.7%
State Pension Fund	2,796,200	4.9%
Valkila Erkkä	385,000	0.7%
Research Foundation of the Pulmonary Diseases	227,000	0.4%
SATO Corporation	166,000	0.3%
Entelä Tuula	159,000	0.3%
Heinonen Erkki	156,684	0.3%
Tradeka-invest Ltd	126,500	0.2%
Others (116 shareholders)	96,710	1.7%

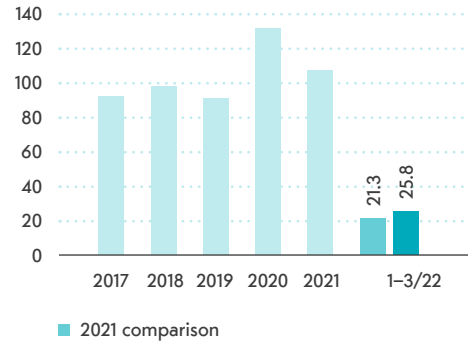
On 31 March 2022, SATO had 56,783,067 shares and 126 shareholders registered in the book-entry system. The share turnover rate was 0.00% for the period from 1 January to 31 March 2022.

FINANCIAL TREND

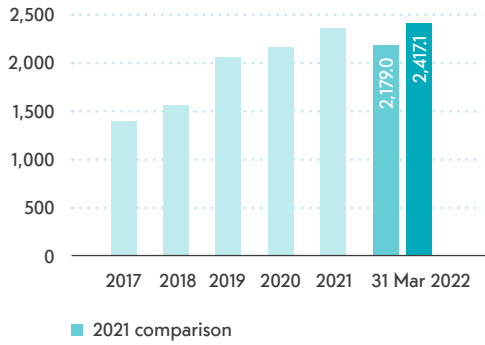
Profit before taxes, EUR million



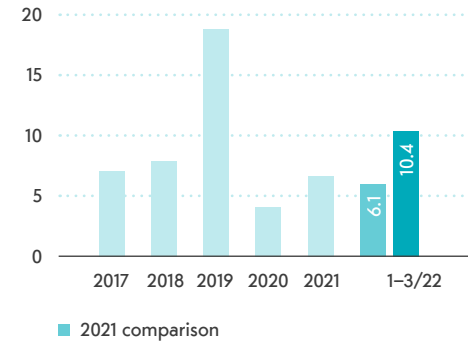
Cash earnings (CE), EUR million



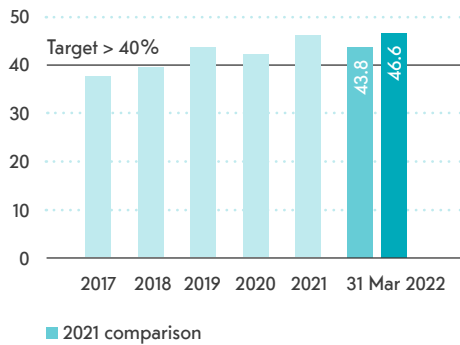
Shareholders' equity, EUR million



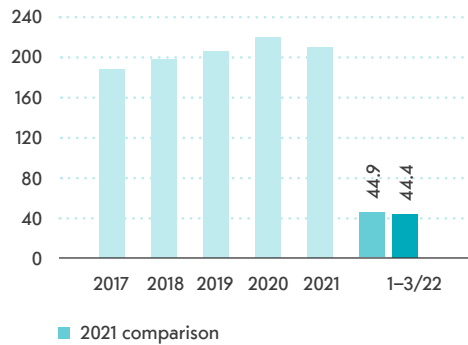
Return on invested capital, %



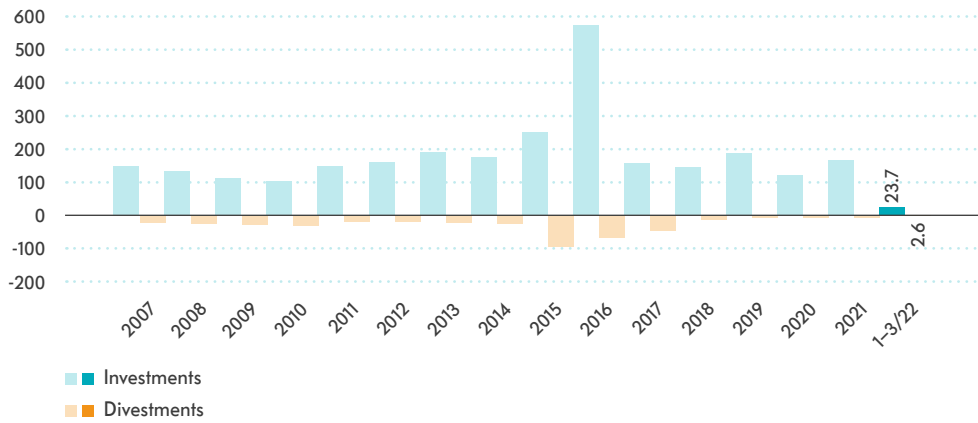
Equity ratio, %



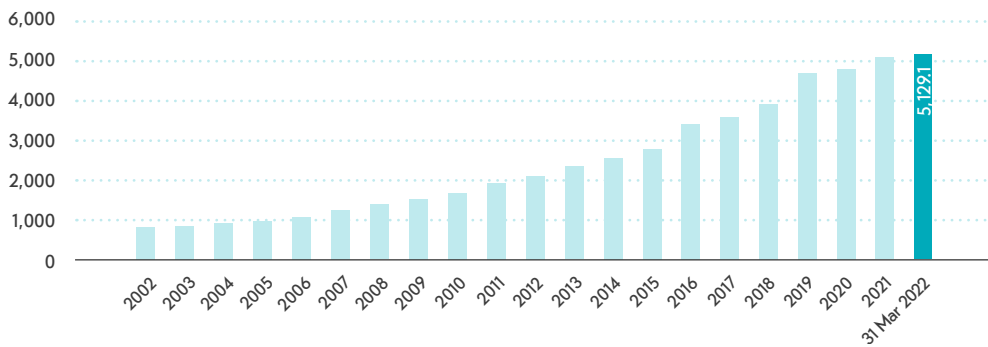
Net rental income, EUR million



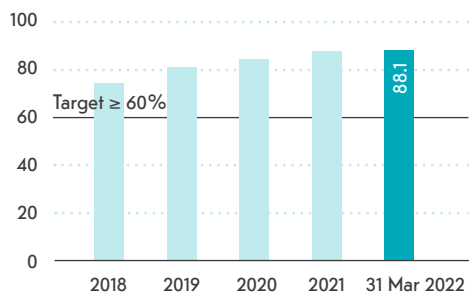
Housing investments and divestments, EUR million



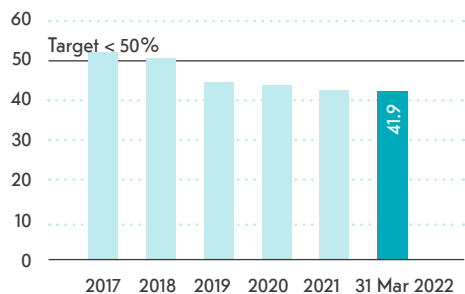
Trend in the investment property portfolio, EUR million



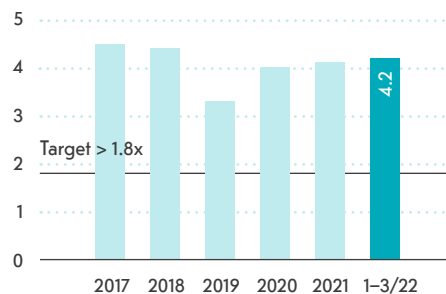
Unencumbered assets, %



Solvency ratio, %



Interest coverage ratio



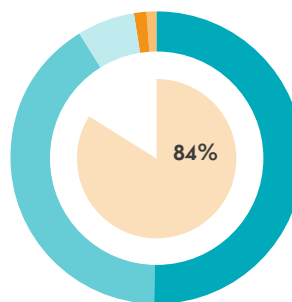
Regional distribution of the housing portfolio, 31 March 2022



- Helsinki Metropolitan Area 83%
- Tampere region 6%
- Turku region 5%
- Jyväskylä region 2%
- Oulu region 2%
- St. Petersburg 2%

Total housing portfolio EUR million 4,986.6

Debt portfolio, Nominal values 31 March 2022, total EUR million 2,182.5



- Corporate bonds 1,099.0
 - Bank loans 894.1
 - Interest subsidised 135.1
 - State subsidised (ARAVA) 33.3
 - Commercial papers 21.0
- 84% of loans without asset based securities

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million	1 Jan–31 Mar 2022	1 Jan–31 Mar 2021	1 Jan–31 Dec 2021
Net sales	74.7	74.0	298.3
Property maintenance expenses	-30.3	-29.1	-87.7
Net rental income	44.4	44.9	210.6
Fair value change of investment properties, realised	0.0	0.3	2.4
Fair value change of investment properties, unrealised	82.6	31.6	129.1
Sales, marketing and administrative expenses	-9.4	-8.1	-35.8
Other operating income	0.6	-0.3	-0.2
Other operating expenses	-0.4	-0.4	-1.5
Share of profit of associated companies and joint ventures	0.0	0.0	0.0
Operating profit	117.9	67.9	304.5
Financial income	0.1	0.3	0.5
Financial expenses	-11.2	-12.1	-45.6
Net financing expenses	-11.1	-11.8	-45.1
Profit before tax	106.8	56.2	259.4
Income tax expenses	-21.7	-11.6	-53.4
Profit for the period	85.2	44.5	206.0
Profit for the period attributable to			
Equity holders of the parent	85.2	44.5	206.0
Non-controlling interests	0.0	0.0	0.0
Total	85.2	44.5	206.0
Earnings per share attributable to equity holders of the parent			
Basic, EUR	1.50	0.79	3.64
Diluted, EUR	1.50	0.79	3.64
Average number of shares, million	56.6	56.6	56.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	1 Jan–31 Mar 2022	1 Jan–31 Mar 2021	1 Jan–31 Dec 2021
Other comprehensive income			
Remeasurement of defined benefit liability, net of tax	0.0	0.0	0.0
Related tax	0.0	0.0	0.0
Items that will never be reclassified to income statement	0.0	0.0	0.0
Cash flow hedges	21.2	8.5	18.8
Translation differences	-8.0	0.3	2.8
Related tax	-4.2	-1.7	-3.8
Items that may be reclassified subsequently to income statement	8.9	7.0	17.9
Other comprehensive income, net of tax	8.9	7.0	17.9
Total comprehensive income	94.1	51.6	223.9
Comprehensive income attributable to			
Equity holders of the parent	94.1	51.6	223.9
Non-controlling interest	0.0	0.0	0.0
Total	94.1	51.6	223.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS			
Non-current assets			
Investment property	5,129.1	4,804.5	5,032.8
Tangible assets	3.2	2.7	3.2
Intangible assets	5.9	4.2	5.7
Investments in associated companies	0.1	0.1	0.1
Other non-current investments	1.0	1.0	1.0
Other right-of-use assets	5.5	6.3	5.8
Non-current receivables	6.7	2.8	3.1
Deferred tax assets	5.9	12.5	10.4
Total	5,157.3	4,834.0	5,062.0
Current assets			
Account and other receivables	16.9	55.4	19.1
Current tax assets	0.6	6.8	1.8
Cash and cash equivalents	8.2	76.3	8.5
Total	25.7	138.6	29.4
TOTAL ASSETS	5,183.0	4,972.6	5,091.4
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	0.3	-24.9	-16.6
Reserve fund	43.7	43.7	43.7
Reserve for invested non-restricted equity	114.8	114.8	114.8
Retained earnings	2,254.0	2,041.1	2,205.2
Total	2,417.3	2,179.2	2,351.5
Non-controlling interests	-0.2	-0.2	-0.2
TOTAL SHAREHOLDERS' EQUITY	2,417.1	2,179.0	2,351.3
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	434.4	394.8	416.8
Provisions	1.6	1.9	1.6
Lease liabilities	54.3	53.2	54.1
Derivative liabilities	2.7	31.2	20.1
Long-term non-interest bearing liabilities	0.0	0.9	0.9
Long-term interest bearing liabilities	2,073.8	2,067.1	2,076.6
Total	2,566.8	2,549.1	2,570.2
Current liabilities			
Accounts payable and other liabilities	88.9	100.9	67.3
Provisions	0.7	1.6	0.6
Lease liabilities	5.1	4.9	5.1
Current tax liabilities	1.7	3.3	4.0
Short-term interest bearing liabilities	102.8	133.8	92.9
Total	199.1	244.4	170.0
TOTAL LIABILITIES	2,765.9	2,793.6	2,740.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,183.0	4,972.6	5,091.4

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million	1 Jan–31 Mar 2022	1 Jan–31 Mar 2021	1 Jan–31 Dec 2021
Cash flow from operating activities			
Profit for the period	85.2	44.5	206.0
Adjustments:			
Non-cash items included in the profit	-81.6	-30.8	-127.1
Profit and loss on sales of investment properties and fixed assets	0.0	-0.3	-2.6
Other adjustments	0.1	-0.1	0.0
Interest expenses and other financial expenses	11.2	12.1	45.6
Interest income	-0.1	-0.3	-0.5
Dividend income	0.0	0.0	0.0
Income taxes	21.7	11.6	53.4
Cash flow before change in net working capital	36.4	36.8	174.8
Change in net working capital:			
Changes in accounts receivable and other receivables	-0.8	-5.9	-3.7
Change in accounts payable and other liabilities	-6.5	3.7	0.7
Interest paid	-9.9	-11.0	-46.0
Interest received	-1.0	-0.6	0.6
Taxes paid	-4.7	-10.1	-24.0
Net cash flow from operating activities	13.5	13.0	102.4
Cash flow from investing activities			
Investments in investment properties	-25.0	-23.0	-185.1
Net investment in tangible and intangible assets	-0.8	-0.5	-4.0
Cash receipts from loans receivable and debt securities	0.0	10.0	43.6
Loans granted and investments in debt securities	0.0	0.0	0.0
Disposals of investment property	4.0	2.0	34.5
Net cash flow from investing activities	-21.8	-11.4	-111.0
Cash flow from financing activities			
Repayments (-) / withdrawals (+) of current loans	16.0	-5.0	-0.5
Withdrawals of non-current loans	0.0	0.0	101.2
Repayments of non-current loans	-7.8	-177.4	-313.3
Repayments of lease liabilities	0.2	-0.8	-0.1
Repayment of capital and dividends paid	0.0	0.0	-28.3
Net cash flow from financing activities	8.4	-183.2	-241.0
Change in cash and cash equivalents	0.1	-181.7	-249.5
Cash and cash equivalents at the beginning of period	8.5	258.0	258.0
Effect of exchange rate fluctuations on cash held	-0.4	0.0	0.0
Cash and cash equivalents at the end of period	8.2	76.3	8.5

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

EUR million	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total			
Shareholders' equity 1 Jan 2022	4.4	-16.6	43.7	114.8	2,205.2	2,351.5	-0.2	2,351.3	
Comprehensive income:									
Cash flow hedges, net of tax	-	16.9	-	-	-	16.9	-	16.9	
Translation differences	-	-	-	-	-8.0	-8.0	-	-8.0	
Profit for the period	-	-	-	-	85.2	85.2	0.0	85.2	
Total comprehensive income	-	16.9	-	-	77.2	94.1	0.0	94.1	
Transactions with shareholders:									
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3	
Transaction with shareholders, total	-	-	-	-	-28.3	-28.3	-	-28.3	
Other adjustments	-	-	-	-	-	-	-	-	
Total of equity movements	-	16.9	-	-	48.8	65.8	0.0	65.8	
Shareholders' equity 31 Mar 2022	4.4	0.3	43.7	114.8	2,254.0	2,417.3	-0.2	2,417.1	

EUR million	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total			
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	-	6.8	-	-	-	6.8	-	6.8	
Translation differences	-	-	-	-	0.3	0.3	-	0.3	
Profit for the period	-	-	-	-	44.5	44.5	0.0	44.5	
Total comprehensive income	-	6.8	-	-	44.8	51.6	0.0	51.6	
Transactions with shareholders:									
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3	
Transaction with shareholders, total	-	-	-	-	-28.3	-28.3	-	-28.3	
Other adjustments	-	-	-	-	-	-	-	-	
Total of equity movements	-	6.8	-	-	16.5	23.3	0.0	23.3	
Shareholders' equity 31 Mar 2021	4.4	-24.9	43.7	114.8	2,041.1	2,179.2	-0.2	2,179.0	

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 83% 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.

The interim financial report has been prepared according to the same accounting principles as the consolidated financial statements for the year ended 31 December 2021 with the exception of new and amended standards applied to the annual periods beginning on 1 January 2022. New IFRS standards, amendments to standards and IFRIC interpretations which have entered into force at the beginning of the year 2022 has not had any significant impact on the Group.

SATO has used European Central Bank (ECB) published Russian rouble rates from 1 January 2022 to 28 February 2022 and before that. The ECB has decided to suspend its publication of a euro reference rate for the Russian rouble as per 1 March 2022 and therefore SATO has used Russian rouble rate published by Bloomberg starting from 1 March 2022.

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

EUR million	1-3/2022	1-3/2021	1-12/2021
Finland	73.5	72.7	292.8
Russia	1.2	1.3	5.5
Total	74.7	74.0	298.3

NON-CURRENT ASSETS BY GEOGRAPHICAL REGION

EUR million	31 Mar 2022			31 Mar 2021		
	Finland	Russia	Total	Finland	Russia	Total
Investment property	5,011.1	118.0	5,129.1	4,693.2	111.3	4,804.5
Tangible assets	3.1	0.0	3.2	2.6	0.0	2.7
Intangible assets	5.9	0.0	5.9	4.1	0.0	4.2
Other right-of-use assets	5.5	-	5.5	6.3	-	6.3
Investments in associated companies	0.1	-	0.1	0.1	-	0.1
Total	5,025.6	118.1	5,143.6	4,706.3	111.3	4,817.6

EUR million	31 Dec 2021		
	Finland	Russia	Total
Investment property	4,904.7	128.1	5,032.8
Tangible assets	3.1	0.0	3.2
Intangible assets	5.7	0.0	5.7
Other right-of-use assets	5.8	-	5.8
Investments in associated companies	0.1	-	0.1
Total	4,919.3	128.2	5,047.5

4. GAINS AND LOSSES ON DISPOSAL OF INVESTMENT PROPERTIES

EUR million	1-3/2022	1-3/2021	1-12/2021
Sale of residential investment properties			
Proceeds from disposal of residential investment properties	2.7	0.9	8.2
Carrying value of investment properties sold	-2.6	-0.9	-8.0
Total	0.1	0.0	0.2
Sale of land plots			
Proceeds from disposal of land plots	0.0	1.0	23.3
Carrying value of land plots sold	-0.1	-0.8	-21.2
Total	-0.1	0.3	2.1
Total	0.0	0.3	2.4

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

EUR million	1-3/2022	1-3/2021	1-12/2021
Other operating income			
Sales income, new production	3.0	0.0	1.6
New production expenses	-2.4	-0.4	-2.5
Other income	0.0	0.1	0.7
Total	0.6	-0.3	-0.2

6. FINANCIAL INCOME AND EXPENSES

EUR million	1-3/2022	1-3/2021	1-12/2021
Financial income			
Interest income on loans and other receivables	0.1	0.3	0.5
Dividend income from other non-current investments	0.0	0.0	0.0
Foreign exchange gains	0.0	0.0	0.0
Total	0.1	0.3	0.5

EUR million	1-3/2022	1-3/2021	1-12/2021
Financial expenses			
Interest expense on financial liabilities measured at amortised cost	-7.2	-7.5	-29.3
Interest expense on effective cash flow hedges	-2.1	-2.3	-8.0
Interest expense on lease liabilities	-0.8	-0.8	-3.3
Foreign exchange losses	-0.2	-0.1	-0.1
Other financial expenses	-0.9	-1.2	-5.0
Total	-11.2	-12.1	-45.6
Financial income and expenses, net	-11.1	-11.8	-45.1

7. INVESTMENT PROPERTIES

EUR million	1-3/2022	1-3/2021	1-12/2021
Fair value of investment properties at start of period	5,032.8	4,753.5	4,753.5
Acquisitions of properties	0.5	4.6	16.3
New construction and other investments in properties	24.8	16.7	167.3
Disposals of investment properties	-2.7	-1.7	-29.3
Capitalised borrowing costs	0.3	0.2	1.2
Reclassified from other items	-0.9	0.0	-6.5
Gains and losses in profit and loss from changes in fair value*	82.6	31.6	129.1
Exchange rate differences, no P/L effect	-8.4	-	1.0
Remeasurement of right-of-use investment properties, no P/L effect	-	-0.5	0.2
Fair value of investment properties at end of period	5,129.1	4,804.5	5,032.8

* Gains and losses from changes in fair value include foreign exchange gains and losses of EUR -0.7 million (3.9).

Significant acquisitions and disposals during the period

SATO did not make significant purchases of land or divestments of completed investment properties or land plots 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 83% 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 semi-annually 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.

The effect of Russia-Ukraine war on the value of investment properties located in St. Petersburg is difficult to estimate and due to that SATO has decided to freeze the values of investment properties in St. Petersburg in accordance with the valuation made on 31 December 2021.

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.

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Investment property classified by valuation method			
Income value	4,689.4	4,381.0	4,585.0
Sales comparison value	118.0	111.3	128.1
Acquisition cost	268.4	261.0	266.8
Owned investment property, total	5,075.8	4,753.3	4,979.9
Right-of-use investment properties	53.3	51.2	52.9
Total	5,129.1	4,804.5	5,032.8

Sensitivity analysis of investment properties

Sensitivity analysis of investment properties has been presented in the 2021 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

EUR million	1-3/2022	1-3/2021	1-12/2021
Carrying value, beginning of period	3.2	2.8	2.8
Additions	0.3	0.1	1.4
Disposals	-	-0.1	-0.4
Accumulated depreciation of disposals	-	0.0	0.4
Transfers between items	0.0	-	0.0
Depreciation	-0.3	-0.2	-1.0
Carrying value, end of period	3.2	2.7	3.2

9. INTANGIBLE ASSETS

EUR million	1-3/2022	1-3/2021	1-12/2021
Carrying value, beginning of period	5.7	4.0	4.0
Additions	0.8	0.4	4.5
Disposals	-0.2	-	-
Accumulated depreciation of disposals	-	-	-
Transfers between items	0.0	0.0	-1.8
Depreciation	-0.4	-0.3	-1.0
Carrying value, end of period	5.9	4.2	5.7

10. LEASES

Right-of-use assets

EUR million	1-3/2022	1-3/2021	1-12/2021
Right-of-use investment properties			
Carrying value, beginning of period	52.9	51.8	51.8
Additions	0.6	0.0	1.5
Disposals	-	-	-
Remeasurement of lease agreements	0.0	-0.5	0.2
Changes of fair value in profit and loss	-0.2	-0.1	-0.6
Carrying value, end of period	53.3	51.2	52.9
Other right-of-use assets			
Carrying value, beginning of period	5.8	6.6	6.6
Additions	-	-	-
Remeasurement of lease agreements	-	-	0.4
Depreciation for the period	-0.3	-0.3	-1.2
Carrying value, end of period	5.5	6.3	5.8
Total carrying value, beginning of period	58.7	58.4	58.4
Total carrying value, end of period	58.8	57.5	58.7

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

EUR million	1-3/2022	1-3/2021	1-12/2021
Non-current			
From land lease agreements	49.9	48.0	49.4
From other lease agreements	4.4	5.2	4.7
Total	54.3	53.2	54.1
Current			
From land lease agreements	3.8	3.6	3.8
From other lease agreements	1.2	1.2	1.3
Total	5.1	4.9	5.1
Total lease liabilities	59.4	58.0	59.2

11. SHAREHOLDERS' EQUITY

The total number of SATO's shares as at 31 March 2022 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:

EUR million	31.3.2022	31.3.2021	31.12.2021
The following dividend was declared by the company:			
Dividend EUR 0.50 (0.50) per share	-28.3	-28.3	-28.3
Total	-28.3	-28.3	-28.3

The Annual General Meeting of SATO Corporation resolved on 24 March 2022 that EUR 0.50 per share, EUR 28.3 million in total, be paid out in dividends for the financial period ended 31 December 2021. The dividend was paid on 7 April 2022.

12. FINANCIAL LIABILITIES

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Financial liabilities			
Commercial papers	21.0	0.5	5.0
Corporate bonds	1,095.7	1,094.3	1,095.3
Bank loans	891.6	900.3	894.1
Interest-subsidised loans	135.0	166.0	139.0
State-subsidised ARAVA loans	33.3	39.7	36.0
Total	2,176.6	2,200.9	2,169.5

On the reporting date, the average interest of SATO's debt portfolio was 1.8% (1.8).

For purposes of short-term financing, SATO has a commercial paper program of EUR 400 million (400) of which EUR 379.0 million (399.5) were unused, committed credit limits of EUR 700 million (350), of which EUR 700 million (350) were unused, and a non-committed current overdraft limit of EUR 5.0 million (5.0), of which EUR 5.0 million (5.0) were unused.

13. DERIVATIVES

EUR million	31 Mar 2022			31 Mar 2021	31 Dec 2021
	Positive	Negative	Net	Net	Net
Fair values of derivative instruments					
Interest rate swaps, cash flow hedging	3.6	-3.8	-0.2	-31.4	-21.3
Cross-currency and interest rate swaps, cash flow hedging	-	-	-	-7.4	-
Total	3.6	-3.8	-0.2	-38.8	-21.3

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Nominal values of derivative instruments			
Interest rate swaps, cash flow hedging	510.8	534.2	510.9
Cross-currency and interest rate swaps, cash flow hedging	-	53.4	-
Total	510.8	587.6	510.9

Change in fair value of designated interest rate hedges, booked to fair value reserve, totalled EUR 16.9 million (6.8). 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 mainly 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

EUR million	31 Mar 2022			31 Mar 2021		
	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	-	-	-	-	27.0	-
Derivative assets	-	3.6	-	-	-	-
Accounts receivable and other non-interest-bearing receivables	-	12.2	-	-	51.6	-
Cash and cash equivalents	-	8.2	-	-	76.3	-
Liabilities						
Corporate bonds	1,086.0	24.0	-	1,112.3	24.0	-
Other loans	-	1,071.7	-	-	1,109.8	-
Derivative liabilities	-	3.8	-	-	38.8	-
Accounts payable and other non-interest-bearing payables	-	16.5	-	-	14.7	-

EUR million	31 Dec 2021		
	Level 1:	Level 2:	Level 3:
Assets			
Other non-current investments	-	1.0	-
Loans receivable	-	0.2	-
Commercial paper	-	-	-
Derivative assets	-	-	-
Accounts receivable and other non-interest-bearing receivables	-	13.8	-
Cash and cash equivalents	-	8.5	-
Liabilities			
Corporate bonds	1,100.2	24.0	-
Other loans	-	1,063.2	-
Derivative liabilities	-	21.3	-
Accounts payable and other non-interest-bearing payables	-	25.3	-

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

EUR million	Provision for refund claim
Provisions at the beginning of the period 1 Jan 2022	2.2
Increases	0.1
Provisions used	0.0
Reversals	0.0
Provisions at the end of the period 31 Mar 2022	2.2

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Non-current provisions	1.6	1.9	1.6
Current provisions	0.7	1.6	0.6
Total	2.2	3.6	2.2

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. SATO has no other provisions 31 March 2022.

16. NOTES TO THE CASH FLOW STATEMENT

EUR million	1-3/2022	1-3/2021	1-12/2021
Non-cash items included in the profit			
Depreciation and amortization	1.0	0.8	3.3
Gains and losses from changes in fair value of investment properties	-82.6	-31.6	-129.1
Changes in provisions	0.0	0.0	-1.4
Share of profit of associated companies and joint ventures	0.0	0.0	0.0
Total	-81.6	-30.8	-127.1
EUR million	1-3/2022	1-3/2021	1-12/2021
Changes in interest-bearing debt during the period			
Interest-bearing debt, beginning of period	2,169.5	2,381.5	2,381.5
Cash changes in interest-bearing debt during the period, total	8.2	-182.4	-212.6
Non-cash changes:			
Change in foreign exchange rates	0.0	1.2	-0.7
Interest accrued by the effective interest rate method	0.6	0.6	2.4
Transfer of debt to buyers upon disposal of investment property and other adjustments	-1.7	0.0	-1.1
Interest-bearing debt, end of period	2,176.6	2,200.9	2,169.5

17. COLLATERAL, COMMITMENTS AND CONTINGENCIES

EUR million	31 Mar 2022	31 Mar 2021	31 Dec 2021
Mortgages and pledges for secured borrowings			
Secured borrowings	357.3	378.3	366.5
Pledges and mortgages provided, fair value	615.2	789.6	634.4
Guarantees for others			
Shared ownership apartment purchase commitments	0.0	4.5	0.0
Rs-guarantees	1.8	2.9	1.8
Other collateral provided			
Mortgages provided to secure payment of rent and street maintenance	6.6	6.9	7.2
Guarantees and mortgages provided to secure payments of land use contracts	8.4	8.0	8.4
Binding purchase agreements			
For acquisitions of investment properties	131.3	76.8	96.8
Pledges for land use payments on zoned plots	0.7	0.7	0.9
Letters of intent on land for which there is a zoning condition	65.7	44.7	65.7

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 (6.9) 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% or more are automatically considered as a related party of SATO. When ownership is below 20% 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 2022 are Balder Finska Ota AB, other Balder-group companies (parent company: Fastighets AB Balder), Erik Selin Fastigheter AB, Stichting Depositary APG Strategic Real Estate Pool together with its parent company and asset manager (parent company: Stichting Pensioenfonds ABP, >95%; asset manager: APG Asset Management NV) and Elo Mutual Pension Insurance Company.

The members of the Board of Directors of SATO Corporation, the CEO and other 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; EVP, Investments; Commercial Director; Chief Digital Officer; Chief Financial Officer; EVP, Housing Business; VP, Human Resources and VP, General Counsel.

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

On 30 March 2022, SATO Corporation has received an unsecured revolving credit facility from Fastighets AB Balder in the amount of EUR 350 million, with the maturity at 31.3.2024. No withdrawals from the facility were made during the period.

EUR million	1-3/2022	1-3/2021	1-12/2021
Extended Management Group employee benefits			
Salaries and other employee benefits	0.6	0.4	1.3
Total	0.6	0.4	1.3

Incentive schemes

Persons employed by SATO 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 other 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.

19. SUBSEQUENT EVENTS

On 22 April 2022, SATO Group companies signed an agreement on the divestment of 2,009 rental homes to Swedish real estate investor Heimstaden. Transaction was closed 25 April 2022. The properties sold in this transaction are located in Hämeenlinna, Jyväskylä, Lahti, Oulu, Vihti and Ylöjärvi. The lease agreements will be transferred to the buyer as they are in the transaction.

The divestment implements the SATO strategy to focus housing investments on the Helsinki Metropolitan area and its commuter area along the main railway line as well as on Tampere and Turku and their surrounding municipalities. The properties sold are mostly located outside the growth centres covered by the strategy.

KEY INDICATORS, GROUP

Key financial indicators	1-3/2022	1-3/2021	2021	2020	2019*	2018*	2017*
Net sales, EUR million	74.7	74.0	298.3	303.4	295.6	290.4	280.1
Net rental income, EUR million	44.4	44.9	210.6	220.3	207.1	198.5	188.4
Operating profit, EUR million	117.9	67.9	304.5	179.6	725.6	273.3	230.1
Net financing expenses, EUR million	-11.1	-11.8	-45.1	-50.0	-55.1	-42.5	-45.8
Profit before taxes, EUR million	106.8	56.2	259.4	129.5	670.5	230.8	184.4
Balance sheet total, EUR million	5,183.0	4,972.6	5,091.4	5,104.7	4,718.2	3,922.4	3,693.1
Shareholders' equity, EUR million	2,417.1	2,179.0	2,351.3	2,155.7	2,055.8	1,554.5	1,397.6
Interest bearing liabilities, EUR million	2,176.6	2,200.9	2,169.5	2,381.5	2,098.4	1,982.2	1,931.7
Return on invested capital, % (ROIC)	10.4%	6.1%	6.7%	4.1%	18.9%	7.9%	7.1%
Return on equity, % (ROE)	14.3%	8.2%	9.1%	4.8%	29.6%	12.4%	11.0%
Equity ratio, %	46.6%	43.8%	46.2%	42.2%	43.6%	39.6%	37.8%
Personnel, average**	321	244	276	229	223	215	206
Personnel at the end of period	322	249	313	242	229	218	212
Key indicators per share							
Earnings per share, EUR	1.50	0.79	3.64	1.80	9.45	3.26	2.55
Equity per share, EUR***	42.70	38.49	41.53	38.07	36.31	27.46	24.68
Number of shares, million****	56.6	56.6	56.6	56.6	56.6	56.6	56.6
Operational key figures and net asset value							
Operational earnings, EUR million	18.5	19.3	101.6	109.0	91.4	98.7	82.8
Operational earnings per share, EUR	0.33	0.34	1.79	1.92	1.61	1.74	1.46
Net asset value, EUR million	2,845.9	2,600.2	2,779.3	2,577.2	2,477.7	1,855.7	1,678.7
Net asset value per share, EUR	50.27	45.93	49.09	45.52	43.76	32.77	29.65
Cash earnings, EUR million	25.8	21.3	107.9	132.1	91.2	97.9	92.4
Cash earnings per share, EUR	0.46	0.38	1.91	2.33	1.61	1.73	1.63
Quarterly key financial indicators							
	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021		
Net sales, EUR million	74.7	75.1	74.9	74.2	74.0		
Net rental income, EUR million	44.4	53.2	57.3	55.1	44.9		
Operating profit, EUR million	117.9	59.1	51.4	126.0	67.9		
Profit and losses from changes of fair value	82.6	14.6	2.4	80.4	31.6		
Net financing expenses, EUR million	-11.1	-11.4	-10.9	-11.0	-11.8		
Profit before taxes, EUR million	106.8	47.7	40.5	115.1	56.2		
Earnings per share, EUR	1.50	0.65	0.57	1.63	0.79		
Average number of shares, million*	56.6	56.6	56.6	56.6	56.6		
Housing investments, EUR million	23.7	50.2	57.3	42.7	16.9		
as percentage of net sales	31.8%	66.8%	76.5%	57.5%	22.9%		
Operational key figures							
Operational earnings, EUR million	18.5	24.4	30.3	27.6	19.3		
Operational earnings per share, EUR	0.33	0.43	0.53	0.49	0.34		
Cash earnings, EUR million	25.8	33.2	36.2	17.2	21.3		
Cash earnings per share, EUR	0.46	0.59	0.64	0.30	0.38		

* 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.

**** The 166,000 shares held by the Group have been deducted from the number of shares.

FORMULAS USED IN CALCULATION

Net rental income, EUR	<p>Net sales – Property maintenance expenses</p>
Return on investment, % =	$\frac{\text{Operating profit}}{\text{Balance sheet total (average during the period)} - \text{non-interest-bearing debt (average during the period)}} \times 100$
Return on equity, % =	$\frac{\text{Profit for the period}}{\text{Shareholders' equity (average during the period)}} \times 100$
Equity ratio, % =	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total}} \times 100$
Earnings per share, EUR =	$\frac{\text{Profit for the period attributable to owners of the parent}}{\text{Number of shares, Basic, average during the period}}$
Equity per share, EUR =	$\frac{\text{Shareholders' equity attributable to owners of the parent}}{\text{Number of shares, Basic, at the end of the reporting period}}$
Operational earnings, EUR	<p>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</p>
Net asset value, EUR	<p>Shareholders' equity attributable to owners of the parent –/+ Fair value of financial instruments (net), net of tax –/+ Deferred tax assets and liabilities (net)</p>
Cash earnings, EUR	<p>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</p>

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