

H1 HALF-YEAR REPORT 1 JANUARY–30 JUNE 2022



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KEY FIGURES



Key figure	1-6/2022	1-6/2021	1-12/2021
Net sales	€ 147.2 million	€ 148.2 million	€ 298.3 million
Number of rental apartments	24,949 homes	26,718 homes	26,791 homes
Investment properties	€ 4,976.7 million	€ 4,916.4 million	€ 5,032.8 million
Housing investments	€ 68.5 million	€ 59.6 million	€ 167.1 million
Under construction Finland	1,053 pcs	1,158 pcs	1,152 pcs
Average rent in Finland at the end of review period	17.84 €/sqm/month	17.48 €/sqm/month	17.46 €/sqm/month
Cash earnings	€ 84.6 million	€ 38.5 million	€ 107.9 million
Shareholders' equity	€ 2,462.2 million	€ 2,274.5 million	€ 2,351.3 million

SATO CORPORATION'S HALF-YEAR REPORT

1 JAN–30 JUN 2022

DEMAND FOR RENTAL HOMES GROWING

SUMMARY FOR 1 JAN–30 JUN 2022 (1 JAN–30 JUN 2021)

- The economic occupancy rate in Finland was 94.8% (94.6).
- Net sales totalled EUR 147.2 million (148.2).
- Net rental income was EUR 98.4 million (100.0).
- Profit before taxes was EUR 144.5 million (171.2).
- The change in the fair value of investment properties included in the result was EUR 40.3 million (112.0).
- Housing investments amounted to EUR 68.5 million (59.6).
- Invested capital at the end of the review period was EUR 4,613.5 million (4,430.3).
- Return on invested capital was 7.3% (8.7).
- Equity was EUR 2,462.2 million (2,274.5), or EUR 43.49 (40.17) per share.
- Earnings per share were EUR 2.04 (2.42).
- A total of 191 rental apartments (41) were acquired or completed.
- A total of 1,001 new rental apartments (1,035), 0 owner-occupied apartments (71) and 52 FlexHomes (52) are under construction.
- SATO sold 2,009 rental apartments mainly in the Lahti, Jyväskylä and Oulu regions.

SUMMARY FOR 1 APR–30 JUN 2022 (1 APR–30 JUN 2021)

- The economic occupancy rate in Finland was 95.0% (94.4).
- Net sales totalled EUR 72.5 million (74.2).
- Net rental income was EUR 54.0 million (55.1).
- Profit before taxes was EUR 37.6 million (115.1).
- The change in the fair value of investment properties included in the result was EUR -42.3 million (80.4).
- Housing investments amounted to EUR 44.7 million (42.7).
- Earnings per share were EUR 0.54 (1.63).
- A total of 191 rental apartments (41) were acquired or completed.
- A total of 1,001 new rental apartments (1,035), 0 owner-occupied apartments (71) and 52 FlexHomes (52) are under construction.
- SATO sold 2,009 rental apartments mainly in the Lahti, Jyväskylä and Oulu regions.

CEO ANTTI AARNIO:

– During the period under review, SATO's occupancy rate improved and was 94.8% (94.6). Demand for rental homes has picked up after the COVID-19 pandemic, and the higher occupancy rate is mainly attributable to growth in service consumption and the consequent improvement in service-sector employment rate. Economic uncertainty and higher consumer prices and interest rates are also in part reflected in the rising demand for rental homes.

– During the period under review, we at SATO focused on developing our customer service and rental operations to align them even better with customer needs.

– SATO sold 2,009 rental apartments mainly in the Lahti, Jyväskylä and Oulu regions 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.

– May saw the commencement of the construction of a rental homes property in Rykmentinpuisto, Tuusula. The project is SATO's first new housing investment in Tuusula in more than 15 years.

– May also saw the completion of a timber apartment building in Lupajantie in the Mellunmäki district of Helsinki. The two-storey timber-structure low-rise apartment buildings feature 112 non-subsidised rental homes. The design solutions employed pay attention to energy efficiency as well as construction solutions and materials that will last for decades.

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

OPERATING ENVIRONMENT

Over the reporting period, SATO's operating environment was affected by the war in Ukraine, high 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, resulting in growing service consumption and, consequently, improved employment rate. Russia's attack on Ukraine in late February made the economic outlook increasingly uncertain. The biggest impacts are related to the surge in prices of energy and materials, and challenges in supply chains, which could already be seen in late 2021. Cost increases remained at a high level throughout the reporting period, and central banks had to make interest rate hikes to curb the increases in costs. Several forecasting institutions have lowered their growth projections for the current and coming year. The uncertainty has resulted

in a major decline in consumer confidence. According to the consumer confidence indicator published by Statistics Finland on 27 June 2022, consumers' expectations concerning their own finances and the Finnish economy were very pessimistic in June.

Inflation remained high in early 2022. According to preliminary Eurostat data, the rate of inflation in June was expected to be 8.6% in the euro area and 8.1% in Finland. The main component pushing up prices was the surge in energy and food prices. The accelerating inflation rate has raised overall interest rate levels, and central banks have tightened their monetary policy to curb price increases. The European Central Bank (ECB) intends to raise the key ECB interest rates in July and again in September. Inflation is, however, anticipated to slow during 2023

There are signs of slowing in the record-high rate of construction that has been seen for a long period time. The May economic forecast of the Confederation of Finnish Construction Industries (RT) estimates that rental housing starts will decline by around a fifth to around 39,000 homes this year, with the figure for next year projected to settle at the long-term level of housing production demand at 35,000 homes.

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 rental housing demand, especially in the HMA, Tampere and Turku. Outside growth centres, the real prices of homes are declining, which makes acquiring an owner-occupied home in a growth centre even more challenging for people coming from those areas.

REVIEW PERIOD I JANUARY–30 JUNE 2022 (I JANUARY–30 JUNE 2021)

NET SALES AND PROFIT

In January–June 2022, SATO Corporation's consolidated net sales totalled EUR 147.2 million (148.2).

Operating profit was EUR 166.8 million (194.0). Operating profit without the change in the fair value of investment properties was EUR 126.5 million (82.0). The change in fair value through profit or loss was EUR 40.3 million (112.0).

Net financing expenses totalled EUR -22.3 million (-22.7).

Profit before taxes was EUR 144.5 million (171.2). Cash earnings (free cash flow after taxes excluding changes in fair value) in January–June amounted to EUR 84.6 million (38.5).

Earnings per share were EUR 2.04 (2.42).

FINANCIAL POSITION AND FINANCING

The consolidated balance sheet total at the end of June was EUR 5,164.9 million (5,012.9). Equity totalled EUR 2,462.2 million (2,274.5). Equity per share was EUR 43.49 (40.17).

The Group's equity ratio at the end of June was 47.7% (45.4). EUR 0.0 million in new long-term financing was drawn and the solvency ratio at the end of June was 41.2% (42.8).

The Group's annualised return on equity was 9.6% (12.4). Return on invested capital was 7.3% (8.7).

Interest-bearing liabilities at the end of June totalled EUR 2,151.4 million (2,155.7), of which loans on market terms amounted to EUR 1,980.5 million (1,952.9). The average loan interest rate was EUR 1.8% (1.7). Net financing costs totalled EUR -22.3 million (-22.7).

The calculated impact of changes in the market value of interest hedging on equity was EUR 31.4 million (9.1).

The proportion of loans without asset-based securities was 83.5% (85.1) of all loans. At the end of June, unencumbered assets accounted for 88.8% (86.9) 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 147.2 million (148.2). On average, the economic occupancy rate of apartments in Finland was 94.8% (94.6) and the external tenant turnover 27.6% (32.3).

At the end of the reporting period, the average monthly rent of SATO rental homes in Finland was EUR 17.84 per m² (17.48).

Net rental income from apartments totalled EUR 98.4 million (100.0).

INVESTMENT PROPERTIES

On 30 June 2022, SATO owned a total of 24,949 homes (26,718). The reporting period saw the completion of 191 rental homes (41). The number of divested rental apartments and part-ownership apartments redeemed by residents totalled 2,018.

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 June, the fair value of investment properties came to a total of EUR 4,976.7 million (4,916.4). The change in the value of investment properties, including the rental apartments acquired and divested during the reporting period, was EUR -56.0 million (162.9).

At the end of June, the commuting zone of the Helsinki Metropolitan Area accounted for around 87%, Tampere and Turku together made up around 11% 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 3 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 68.5 million (59.6). The Helsinki Metropolitan Area represented 78.4% of all investments during the period under review. New apartments accounted for 59.4% of the total. In addition, on 30 June 2022, there were binding purchase agreements to a total of EUR 133.8 million (122.7) in Finland.

SATO sold 2,009 rental apartments mainly in the Lahti, Jyväskylä and Oulu regions to a Swedish investment company Heimstaden. The divestment implements SATO's 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.

In May, construction of non-subsidised rental homes commenced in Rykmentinpuisto, Tuusula. The project is implemented in cooperation between multiple actors and the area will feature a variety of housing types. SATO is having 92 non-subsidised rental homes constructed on the

site. The Pataljoonantie, Rykmentinpuisto project is SATO's first new residential investment in Tuusula in more than 15 years. The design of the buildings caters for energy efficiency and sustainable building solutions that will last for decades to come. The property will be rated energy class A. The buildings will be equipped with district heating because they are located in a groundwater area where geothermal heating is not possible. The buildings will also feature solar panels and an intake air cooling system.

May also saw the completion of a timber apartment building in Lupajantie, Mellunmäki, Helsinki. The two-storey timber-structure low-rise apartment buildings feature 112 non-subsidised rental homes. The design solutions employed pay attention to energy efficiency as well as construction solutions and materials that will last for decades. The homes and common areas feature efficient design, which helps to reduce the building's energy consumption as well as its carbon footprint. The heat source for the buildings is geothermal heat, which makes use of thermal energy stored in the ground.

During the reporting period, 2,015 (11) rental homes were divested in Finland. Their total value was EUR 208.3 million (2.5).

The book value of the plot reserve owned at the end of June totalled EUR 42.2 million (32.5). The value of new plots acquired by the end of June totalled EUR 7.7 million (15.5).

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, 191 rental apartments (41), 0 owner-occupied homes (0) and 0 FlexHomes (0) were completed. On 30 June 2022, a total of 1,001 rental homes (1,035), 0 owner-occupied homes (71) and 52 FlexHomes (52) were under construction.

A total of EUR 31.5 million (40.8) was spent on repairing apartments and improving their quality.

At the end of June, SATO had a total 522 (532) apartments in St Petersburg. The economic occupancy rate of rental homes in St Petersburg averaged 94.0% (95.2). SATO will refrain from making new investment decisions in Russia. The share of investments in Russia is limited to a maximum of 10% of the Group's housing assets.

PERSONNEL

At the end of June, the Group had 342 employees (283), of whom 294 had a permanent employment contract (248). The average number of personnel in January–June was 329 (259).

I APRIL–30 JUNE 2022 (I APRIL–30 JUNE 2021)

NET SALES AND PROFIT

In April–June 2022, SATO Corporation's consolidated net sales totalled EUR 72.5 million (74.2).

Operating profit was EUR 48.8 million (126.0). Operating profit without the change in the fair value of investment properties was EUR 91.2 million (45.7). The change in fair value through profit or loss was EUR -42.3 million (80.4).

Net financing expenses totalled EUR -11.2 million (-11.0).

Profit before taxes was EUR 37.6 million (115.1). Cash earnings (free cash flow after taxes excluding changes in fair value) in April–June amounted to EUR 58.8 million (17.2).

Earnings per share were EUR 0.54 (1.63).

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.

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At the end of the reporting period, the average monthly rent of SATO rental homes in Finland was EUR 17.84 (17.48) per m².

Net rental income from apartments totalled EUR 54.0 million (55.1).

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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 June, the fair value of investment properties came to a total of EUR 4,976.7 million (4,916.4). The change in the value of investment properties, including the rental apartments acquired and divested during the reporting period, was EUR -152.3 million (111.9).

At the end of June, the commuting zone of the Helsinki Metropolitan Area accounted for around 87%, Tampere and Turku together made up around 11% 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 3 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 44.7 million (42.7). The Helsinki Metropolitan Area represented 76.3% of all investments during the period under review. New apartments accounted for 55.8% of the total. In addition, on 30 June 2022, there were binding purchase agreements to a total of EUR 133.8 million (122.7) in Finland.

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reduce the building's energy consumption as well as its carbon footprint. The heat source for the buildings is geothermal heat, which makes use of thermal energy stored in the ground.

During the period under review, 2,015 rental homes (6) were divested in Finland. Their total value was EUR 207.4 million (1.1).

The book value of the plot reserve owned at the end of June totalled EUR 42.2 million (32.5). The value of new plots acquired by the end of June totalled EUR 7.7 million (15.5).

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, 191 rental apartments (41), 0 owner-occupied homes (0) and 0 FlexHomes (0) were completed. On 30 June 2022, a total of 1,001 rental homes (1,035), 0 owner-occupied homes (71) and 52 FlexHomes (52) were under construction.

A total of EUR 20.4 million (29.8) was spent on repairing apartments and improving their quality.

At the end of June, SATO had a total of 522 apartments (532) in St Petersburg. The economic occupancy rate of rental homes in St Petersburg averaged 90.1% (95.4). SATO will refrain from making new investment decisions in Russia. The share of investments in Russia is limited to a maximum of 10% of the Group's housing assets

PERSONNEL

At the end of June, the Group had 342 employees (283), of whom 294 had a permanent employment contract (248). The average number of personnel in April–June was 336 (273).

EVENTS AFTER THE REVIEW PERIOD

There are no material events after the review period.

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 the prices of energy, food, and materials as well as in 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 perform their obligations. Such 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 rents 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 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 issued 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 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 represent 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 business in Russia and also impact the ability of SATO to make payments to its suppliers, employees and authorities as well as 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, financial 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 consumer confidence, development of purchasing power, rent and price development for apartments, competitive situation, and interest rate level.

The first months of the year saw rapid economic growth as COVID-19 restrictions were lifted, resulting in growing service consumption and, consequently, improved employment rate. Russia's attack on Ukraine in late February made the economic outlook increasingly uncertain. The biggest impacts are related to the surge in the prices of energy and materials and to challenges in supply chains, which could already be seen in late 2021. Cost increases remained at a high level throughout the reporting period. Higher construction costs may postpone some of SATO's future investment decisions.

There are slight signs of slowing in the record-high rate of construction that has been seen for a long period time. The May economic forecast of the Confederation of Finnish

Construction Industries (RT) estimates that rental housing starts will decline by around a fifth to around 39,000 homes this year, with the figure for next year projected to settle at the long-term level of housing production demand at 35,000 homes. This will be reflected in the supply of rental homes over the long term.

Several forecasting institutions have lowered their growth projections for the current and coming year. The uncertainty has resulted in a major decline in consumer confidence. According to the consumer confidence indicator published by Statistics Finland on 27 June 2022, consumers' expectations concerning their own finances and the Finnish economy were very pessimistic in April.

The accelerating inflation rate has raised overall interest rate levels, and central banks have tightened their monetary policy to curb price increases. The European Central Bank (ECB) intends to raise the key ECB interest rates in July and again in September. Inflation is, however, anticipated to slow during 2023. High inflation increases, in addition to higher

property maintenance expenses, the interest rate level and, and consequently, SATO's finance costs. The ample supply of rental homes prevents the transfer of higher costs caused by inflation fully to rents.

However, with COVID-19 restrictions lifted and service-sector employment improving, demand for centrally located homes has started to grow, which is reflected in the improved occupancy rate. The economic uncertainty, pressure for interest rate hikes and increases in consumer prices have also been in part reflected in increased demand for rental homes.

The continued high level of housing supply particularly in the Helsinki Metropolitan Area has maintained intense competition for good tenants and was reflected over the period under review in SATO's business as a slight decrease in average rents year on year. With greater 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.

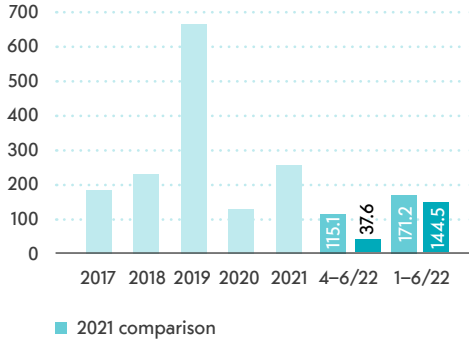
SATO CORPORATION'S SHAREHOLDERS ON 30 JUNE 2022

Largest shareholders and their holdings	no. of shares	%
Balder Finska Otas AB (Fastighets AB Balder)	31,854,535	56.1%
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 of Finland	2,796,200	4.9%
Valkila Erkkä	385,000	0.7%
Research Foundation of 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 (117 shareholders)	867,420	1.5%

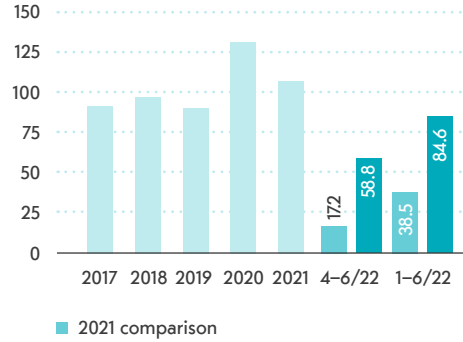
On 30 June 2022, SATO had 56,783,067 shares and 127 shareholders registered in the book-entry system. The share turnover rate was 0.72% for the period from 1 January to 30 June 2022.

FINANCIAL TREND

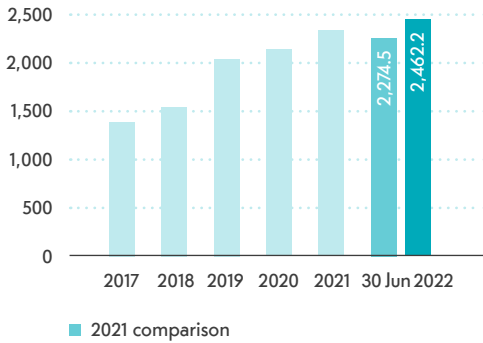
Profit before taxes, EUR million



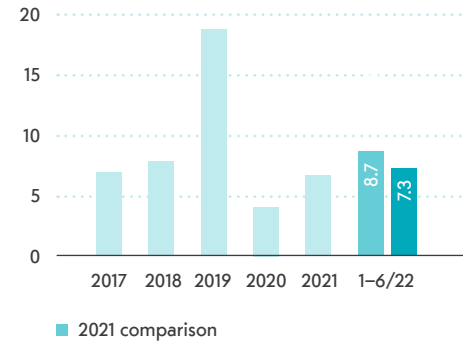
Cash earnings (CE), EUR million



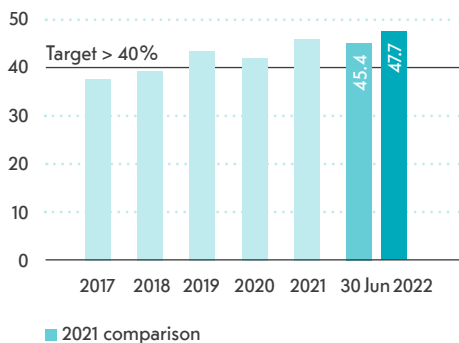
Shareholders' equity, EUR million



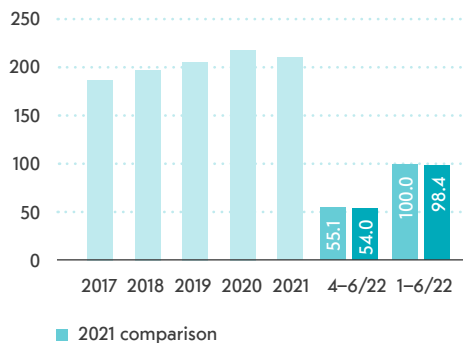
Return on invested capital, %



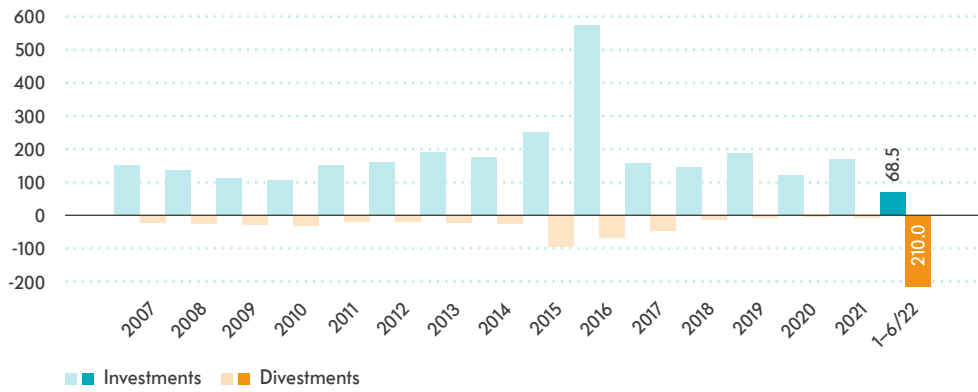
Equity ratio, %



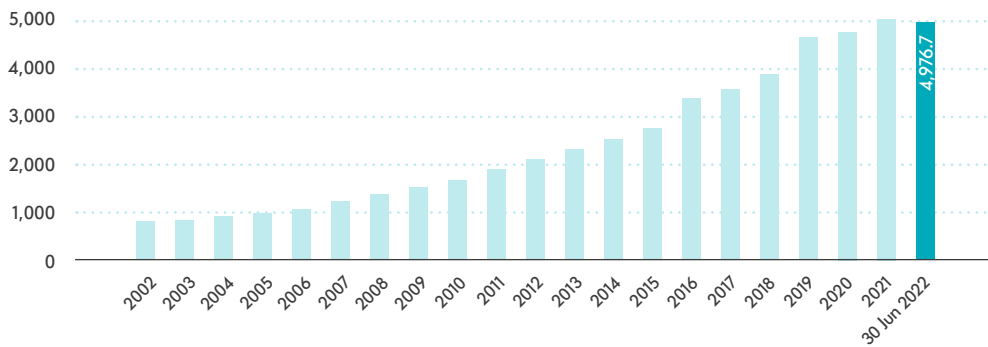
Net rental income, EUR million



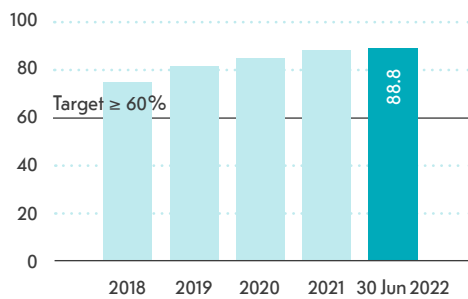
Housing investments and divestments, EUR million



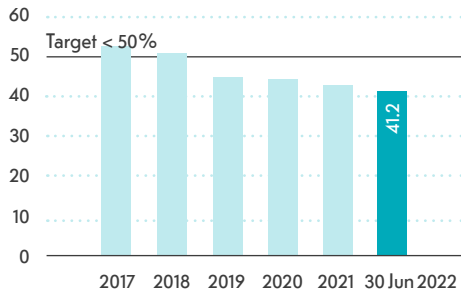
Trend in the investment property portfolio, EUR million



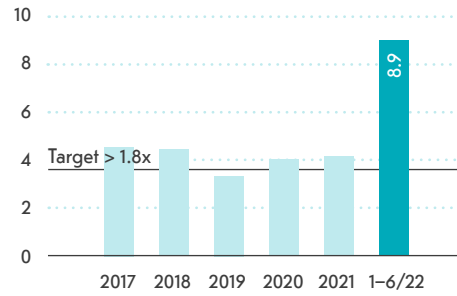
Unencumbered assets, %



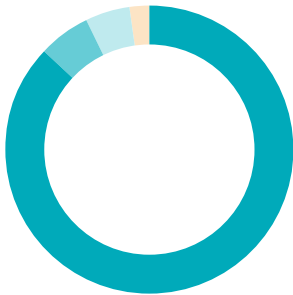
Solvency ratio, %



Interest coverage ratio



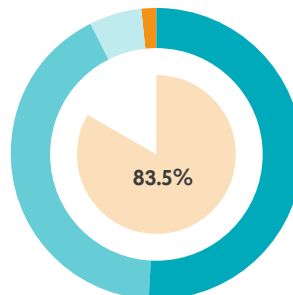
Regional distribution of the housing portfolio, 30 June 2022



- Helsinki Metropolitan Area 87%
- Turku region 6%
- Tampere region 5%
- St. Petersburg 2%

Total housing portfolio EUR million 4,833.6

Debt portfolio, Nominal values 30 June 2022, total EUR million 2,157.3



- Corporate bonds 1,099.0
 - Bank loans 897.7
 - Interest subsidised 127.2
 - State subsidised (ARAVA) 33.4
 - Commercial papers 0.0
- 83.5% of loans without asset based securities

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million	1 Apr–30 Jun 2022	1 Apr–30 Jun 2021	1 Jan–30 Jun 2022	1 Jan–30 Jun 2021	1 Jan–31 Dec 2021
Net sales	72.5	74.2	147.2	148.2	298.3
Property maintenance expenses	-18.5	-19.2	-48.8	-48.3	-87.7
Net rental income	54.0	55.1	98.4	100.0	210.6
Fair value change of investment properties, realised	47.1	0.7	47.2	1.0	2.4
Fair value change of investment properties, unrealised	-42.3	80.4	40.3	112.0	129.1
Sales, marketing and administrative expenses	-10.6	-9.4	-20.0	-17.5	-35.8
Other operating income	1.0	0.0	1.7	-0.4	-0.2
Other operating expenses	-0.4	-0.7	-0.8	-1.1	-1.5
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
Operating profit	48.8	126.0	166.8	194.0	304.5
Financial income	0.1	0.1	0.2	0.4	0.5
Financial expenses	-11.3	-11.1	-22.5	-23.1	-45.6
Net financing expenses	-11.2	-11.0	-22.3	-22.7	-45.1
Profit before tax	37.6	115.1	144.5	171.2	259.4
Income tax expenses	-7.1	-22.7	-28.8	-34.4	-53.4
Profit for the period	30.5	92.3	115.7	136.9	206.0
Profit for the period attributable to					
Equity holders of the parent	30.5	92.3	115.7	136.9	206.0
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Total	30.5	92.3	115.7	136.9	206.0
Earnings per share attributable to equity holders of the parent					
Basic, EUR	0.54	1.63	2.04	2.42	3.64
Diluted, EUR	0.54	1.63	2.04	2.42	3.64
Average number of shares, million	56.6	56.6	56.6	56.6	56.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	1 Apr–30 Jun 2022	1 Apr–30 Jun 2021	1 Jan–30 Jun 2022	1 Jan–30 Jun 2021	1 Jan–31 Dec 2021
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	18.1	2.9	39.3	11.3	18.8
Translation differences	0.0	0.9	-8.0	1.2	2.8
Related tax	-3.6	-0.6	-7.9	-2.3	-3.8
Items that may be reclassified subsequently to income statement	14.5	3.2	23.5	10.3	17.9
Other comprehensive income, net of tax	14.5	3.2	23.5	10.3	17.9
Total comprehensive income	45.1	95.6	139.2	147.1	223.9
Comprehensive income attributable to					
Equity holders of the parent	45.1	95.6	139.2	147.1	223.9
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total	45.1	95.6	139.2	147.1	223.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	30 Jun 2022	30 Jun 2021	31 Dec 2021
ASSETS			
Non-current assets			
Investment property	4,976.7	4,916.4	5,032.8
Tangible assets	3.0	2.5	3.2
Intangible assets	6.3	4.5	5.7
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	5.2	6.0	5.8
Non-current receivables	23.0	2.8	3.1
Deferred tax assets	2.3	11.9	10.4
Total	5,017.6	4,945.2	5,062.0
Current assets			
Account and other receivables	110.4	42.4	19.1
Current tax assets	0.6	10.9	1.8
Cash and cash equivalents	36.3	14.4	8.5
Total	147.3	67.7	29.4
TOTAL ASSETS	5,164.9	5,012.9	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	14.8	-22.6	-16.6
Reserve fund	43.7	43.7	43.7
Reserve for invested non-restricted equity	114.8	114.8	114.8
Retained earnings	2,284.6	2,134.4	2,205.2
Total	2,462.3	2,274.7	2,351.5
Non-controlling interests	-0.2	-0.2	-0.2
TOTAL SHAREHOLDERS' EQUITY	2,462.2	2,274.5	2,351.3
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	416.1	411.5	416.8
Provisions	1.5	2.0	1.6
Lease liabilities	52.0	52.1	54.1
Derivative liabilities	0.7	28.6	20.1
Long-term non-interest bearing liabilities	0.0	0.9	0.9
Long-term interest bearing liabilities	1,700.0	2,064.8	2,076.6
Total	2,170.3	2,559.9	2,570.2
Current liabilities			
Accounts payable and other liabilities	57.9	73.2	67.3
Provisions	0.8	1.4	0.6
Lease liabilities	4.9	4.8	5.1
Current tax liabilities	17.5	8.2	4.0
Short-term interest bearing liabilities	451.4	90.9	92.9
Total	532.5	178.5	170.0
TOTAL LIABILITIES	2,702.7	2,738.4	2,740.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,164.9	5,012.9	5,091.4

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million	1 Apr–30 Jun 2022	1 Apr–30 Jun 2021	1 Jan–30 Jun 2022	1 Jan–30 Jun 2021	1 Jan–31 Dec 2021
Cash flow from operating activities					
Profit for the period	30.5	92.3	115.7	136.9	206.0
Adjustments:					
Non-cash items included in the profit	43.4	-79.8	-38.2	-110.6	-127.1
Profit and loss on sales of investment properties and fixed assets	-47.1	-0.8	-47.2	-1.1	-2.6
Other adjustments	-0.3	-0.2	-0.2	-0.3	0.0
Interest expenses and other financial expenses	11.3	11.1	22.5	23.1	45.6
Interest income	-0.1	-0.1	-0.2	-0.4	-0.5
Dividend income	0.0	0.0	0.0	0.0	0.0
Income taxes	7.1	22.7	28.8	34.4	53.4
Cash flow before change in net working capital	44.8	45.1	81.1	81.9	174.8
Change in net working capital:					
Changes in accounts receivable and other receivables	-9.1	-14.7	-9.9	-20.6	-3.7
Change in accounts payable and other liabilities	13.7	15.5	7.3	19.2	0.7
Interest paid	-21.4	-21.4	-31.3	-32.4	-46.0
Interest received	-0.7	-0.4	-1.7	-1.0	0.6
Taxes paid	-9.6	-5.2	-14.3	-15.3	-24.0
Net cash flow from operating activities	17.7	18.9	31.1	31.9	102.4
Cash flow from investing activities					
Investments in investment properties	-53.3	-54.1	-78.3	-77.1	-185.1
Net investment in tangible and intangible assets	-1.0	-0.5	-1.8	-1.0	-4.0
Cash receipts from loans receivable and debt securities	12.3	28.1	12.3	38.1	43.6
Loans granted and investments in debt securities	-95.0	0.0	-95.0	0.0	0.0
Disposals of investment property	208.8	18.8	212.9	20.8	34.5
Net cash flow from investing activities	71.8	-7.7	50.0	-19.2	-111.0
Cash flow from financing activities					
Repayments (-) / withdrawals (+) of current loans	-21.0	14.5	-5.0	9.5	-0.5
Withdrawals of non-current loans	0.0	7.0	0.0	7.0	101.2
Repayments of non-current loans	-9.5	-65.1	-17.3	-242.5	-313.3
Repayments of lease liabilities	-2.5	-1.1	-2.3	-2.0	-0.1
Repayment of capital and dividends paid	-28.3	-28.3	-28.3	-28.3	-28.3
Net cash flow from financing activities	-61.3	-73.1	-52.9	-256.3	-241.0
Change in cash and cash equivalents	28.1	-61.9	28.2	-243.6	-249.5
Cash and cash equivalents at the beginning of period	8.2	76.3	8.5	258.0	258.0
Effect of exchange rate fluctuations on cash held	0.0	0.0	-0.5	0.0	0.0
Cash and cash equivalents at the end of period	36.3	14.4	36.3	14.4	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	-	31.4	-	-	-	31.4	-	31.4
Translation differences	-	-	-	-	-8.0	-8.0	-	-8.0
Profit for the period	-	-	-	-	115.7	115.7	0.0	115.7
Total comprehensive income	-	31.4	-	-	107.7	139.2	0.0	139.2
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	-	31.4	-	-	79.4	110.8	0.0	110.8
Shareholders' equity 30 Jun 2022	4.4	14.8	43.7	114.8	2,284.6	2,462.3	-0.2	2,462.2

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	-	9.1	-	-	-	9.1	-	9.1
Translation differences	-	-	-	-	1.2	1.2	-	1.2
Profit for the period	-	-	-	-	136.9	136.9	0.0	136.9
Total comprehensive income	-	9.1	-	-	138.1	147.1	0.0	147.1
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	-	9.1	-	-	109.8	118.8	0.0	118.8
Shareholders' equity 30 Jun 2021	4.4	-22.6	43.7	114.8	2,134.4	2,274.7	-0.2	2,274.5

NOTES TO THE HALF-YEAR 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 87% of the investment property is located in the Helsinki region. The rest of the operations are located in Tampere, Turku and St. Petersburg.

2. BASIS OF PREPARATION AND NEW ACCOUNTING STANDARDS

SATO's half-year report has been prepared in accordance with IAS 34 *Interim Financial Reporting* -standard. Figures presented in this half-year 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 half-year 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 half-year report are unaudited.

The half-year 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.

As the Russia-Ukraine war has significant effects to the market value of Russian rouble rate SATO has decided to freeze Russian rouble rate to the rouble rate published as of 31 March 2022. 30 June 2022 balance sheet date EUR/RUB rate is 91.8305 and average EUR/RUB rate is 98.6328.

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	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Finland	71.3	72.9	144.8	145.6	292.8
Russia	1.2	1.3	2.4	2.6	5.5
Total	72.5	74.2	147.2	148.2	298.3

Non-current assets by geographical region

EUR million	30 Jun 2022			30 Jun 2021		
	Finland	Russia	Total	Finland	Russia	Total
Investment property	4,858.7	118.0	4,976.7	4,800.7	115.7	4,916.4
Tangible assets	3.0	0.0	3.0	2.4	0.0	2.5
Intangible assets	6.3	0.0	6.3	4.5	0.0	4.5
Other right-of-use assets	5.2	-	5.2	6.0	-	6.0
Investments in associated companies	0.1	-	0.1	0.1	-	0.1
Total	4,873.2	118.1	4,991.3	4,813.7	115.7	4,929.4

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	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Sale of residential investment properties					
Proceeds from disposal of residential investment properties	207.7	1.6	210.4	2.5	8.2
Carrying value of investment properties sold	-160.6	-1.7	-163.2	-2.6	-8.0
Total	47.1	-0.1	47.2	-0.1	0.2
Sale of land plots					
Proceeds from disposal of land plots	0.0	17.5	0.0	18.5	23.3
Carrying value of land plots sold	0.0	-16.7	-0.1	-17.4	-21.2
Total	0.0	0.8	-0.1	1.1	2.1
Total	47.1	0.7	47.2	1.0	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	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Other operating income					
Sales income, new production	2.6	0.0	5.6	0.0	1.6
New production expenses	-1.8	-0.2	-4.2	-0.6	-2.5
Other income	0.2	0.1	0.3	0.2	0.7
Total	1.0	0.0	1.7	-0.4	-0.2

6. FINANCIAL INCOME AND EXPENSES

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Financial income					
Interest income on loans and other receivables	0.1	0.1	0.2	0.4	0.5
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	0.2	0.4	0.5
Financial expenses					
Interest expense on financial liabilities measured at amortised cost	-7.3	-7.2	-14.3	-14.8	-29.3
Interest expense on effective cash flow hedges	-1.9	-2.0	-4.2	-4.4	-8.0
Interest expense on lease liabilities	-0.8	-0.8	-1.7	-1.6	-3.3
Foreign exchange losses	0.0	0.1	-0.2	0.0	-0.1
Other financial expenses	-1.2	-1.1	-2.1	-2.3	-5.0
Total	-11.3	-11.1	-22.5	-23.1	-45.6
Financial income and expenses, net	-11.2	-11.0	-22.3	-22.7	-45.1

7. INVESTMENT PROPERTIES

EUR million	1-6/2022	1-6/2021	1-12/2021
Fair value of investment properties at start of period	5,032.8	4,753.5	4,753.5
Acquisitions of properties	7.7	15.8	16.3
New construction and other investments in properties	70.8	59.1	167.3
Disposals of investment properties	-164.7	-20.1	-29.3
Capitalised borrowing costs	0.8	0.5	1.2
Reclassified from other items	-2.6	-4.7	-6.5
Gains and losses in profit and loss from changes in fair value*	40.3	112.0	129.1
Exchange rate differences, no P/L effect	-8.4	0.7	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	4,976.7	4,916.4	5,032.8

* Gains and losses from changes in fair value include foreign exchange gains and losses of EUR -0.7 million (4.7).

Significant acquisitions and disposals during the period

SATO sold 2,009 rental apartments mainly in the Lahti, Jyväskylä and Oulu regions to Heimstad. The most significant acquisition during the reporting period was the investment to Mellunpuisto project where approx. 1,000 new apartments, including approx. 250 SATO rental apartments, will be built in Mellunmäki, Helsinki in the upcoming years. SATO did not make significant acquisitions 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 87% 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 (DMA Valuation). 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 (DMA Valuation) 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 market 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.

EUR million	30 Jun 2022	30 Jun 2021	31 Dec 2021
Investment property classified by valuation method			
Income value	4,537.0	4,501.9	4,585.0
Sales comparison value	118.0	115.7	128.1
Acquisition cost	269.9	247.8	266.8
Owned investment property, total	4,924.9	4,865.4	4,979.9
Right-of-use investment properties	51.9	51.0	52.9
Total investment property	4,976.7	4,916.4	5,032.7

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	1-6/2022	1-6/2021	1-12/2021
Carrying value, beginning of period	3.2	2.8	2.8
Additions	0.4	0.2	1.4
Disposals	-0.1	-0.2	-0.4
Accumulated depreciation of disposals	0.1	0.2	0.4
Transfers between items	-	-	-
Depreciations and impairments	-0.6	-0.5	-1.0
Carrying value, end of period	3.0	2.5	3.2

9. INTANGIBLE ASSETS

EUR million	1-6/2022	1-6/2021	1-12/2021
Carrying value, beginning of period	5.7	4.0	4.0
Additions	1.6	1.0	2.7
Disposals	-0.2	0.0	0.0
Accumulated depreciation of disposals	-	-	-
Transfers between items	-0.1	0.0	0.0
Depreciation	-0.7	-0.5	-1.0
Carrying value, end of period	6.3	4.5	5.7

10. LEASES

Right-of-use assets

EUR million	1-6/2022	1-6/2021	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	-1.4	-	-
Remeasurement of lease agreements	0.0	-0.5	0.2
Changes of fair value in profit and loss	-0.2	-0.3	-0.6
Carrying value, end of period	51.9	51.0	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	-0.6	-0.6	-1.2
Carrying value, end of period	5.2	6.0	5.8
Total carrying value, beginning of period	58.7	58.4	58.4
Total carrying value, end of period	57.0	57.0	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	30 Jun 2022	30 Jun 2021	31 Dec 2021
Non-current			
From land lease agreements	47.8	47.2	49.4
From other lease agreements	4.2	4.9	4.7
Total	52.0	52.1	54.1
Current			
From land lease agreements	3.7	3.6	3.8
From other lease agreements	1.2	1.2	1.3
Total	4.9	4.8	5.1
Total lease liabilities	56.8	56.9	59.2

II. SHAREHOLDERS' EQUITY

The total number of SATO's shares as at 30 June 2022 was 56,783,067 (56,783,067) and the number of own shares held was 166,000 (166,000). The following dividends were distributed by the company during the period:

EUR million	1-6/2022	1-6/2021	1-12/2021
The following dividend was declared by the company:			
Dividend 0.50 (0.50) per share, EUR	-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	30 Jun 2022	30 Jun 2021	31 Dec 2021
Financial liabilities			
Commercial papers	-	15.0	5.0
Corporate bonds	1,096.0	1,094.7	1,095.3
Bank loans	894.8	843.3	894.1
Interest-subsidised loans	127.2	163.1	139.0
State-subsidised ARAVA loans	33.4	39.7	36.0
Total	2,151.4	2,155.7	2,169.5

On the reporting date, the average interest of SATO's debt portfolio was 1.8% (1.7).

For purposes of short-term financing, SATO has a commercial paper program of EUR 400.0 million (400.0) of which EUR 400.0 million (385.0) were unused, committed credit limits of EUR 700.0 million (350.0), of which EUR 700.0 million (350.0) 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	30 Jun 2022			30 Jun 2021	31 Dec 2021
	Positive	Negative	Net	Net	Net
Fair values of derivative instruments					
Interest rate swaps, cash flow hedging	19.2	-1.2	18.0	-28.8	-21.3
Cross-currency and interest rate swaps, cash flow hedging	-	-	-	-	-
Total	19.2	-1.2	18.0	-28.8	-21.3

EUR million	30 Jun 2022	30 Jun 2021	31 Dec 2021
Nominal values of derivative instruments			
Interest rate swaps, cash flow hedging	500.8	524.2	510.9
Cross-currency and interest rate swaps, cash flow hedging	-	-	-
Total	500.8	524.2	510.9

Change in fair value of designated interest rate hedges, booked to fair value reserve, totalled EUR 31.4 million (9.1). 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 mainly 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	30 Jun 2022			30 Jun 2021		
	Level 1:	Level 2:	Level 3:	Level 1:	Level 2:	Level 3:
Assets						
Other non-current investments	-	1.0	-	-	1.0	-
Loans receivable	-	35.1	-	-	5.6	-
Commercial paper	-	50.0	-	-	-	-
Derivative assets	-	19.2	-	-	-	-
Accounts receivable and other non-interest-bearing receivables	-	17.4	-	-	33.2	-
Cash and cash equivalents	-	36.3	-	-	14.4	-
Liabilities						
Corporate bonds	984.3	24.0	-	1,111.5	24.0	-
Other loans	-	1,047.9	-	-	1,064.1	-
Derivative liabilities	-	1.2	-	-	28.8	-
Accounts payable and other non-interest-bearing payables	-	15.6	-	-	17.0	-

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	0.3
Provisions used	0.0
Reversals	-0.1
Provisions at the end of the period 30 Jun 2022	2.3

EUR million	30 Jun 2022	30 Jun 2021	31 Dec 2021
Non-current provisions	1.5	2.0	1.6
Current provisions	0.8	1.4	0.6
Total	2.3	3.3	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 30 June 2022.

16. NOTES TO THE CASH FLOW STATEMENT

EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Non-cash items included in the profit					
Depreciation and amortization	1.0	0.8	1.9	1.6	3.3
Gains and losses from changes in fair value of investment properties	42.3	-80.4	-40.3	-112.0	-129.1
Changes in provisions	0.1	-0.3	0.1	-0.2	-1.4
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
Total	43.4	-79.8	-38.2	-110.6	-127.1
EUR million	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Changes in interest-bearing debt during the period					
Interest-bearing debt, beginning of period	2,176.6	2,200.9	2,169.5	2,381.5	2,381.5
Cash changes in interest-bearing debt during the period, total	-30.5	-43.7	-22.3	-226.0	-212.6
Non-cash changes:					
Change in foreign exchange rates	0.0	-1.9	0.0	-0.7	-0.7
Interest accrued by the effective interest rate method	0.7	0.6	1.3	1.2	2.4
Transfer of debt to buyers upon disposal of investment property and other adjustments	4.6	-0.2	2.9	-0.2	-1.1
Interest-bearing debt, end of period	2,151.4	2,155.7	2,151.4	2,155.7	2,169.5

17. COLLATERAL, COMMITMENTS AND CONTINGENCIES

EUR million	30 Jun 2022	30 Jun 2021	31 Dec 2021
Mortgages and pledges for secured borrowings			
Secured borrowings	352.7	318.4	366.5
Pledges and mortgages provided, fair value	576.4	657.5	634.4
Guarantees for others			
Shared ownership apartment purchase commitments	-	3.9	-
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	8.5	8.4
Binding purchase agreements			
For acquisitions of investment properties	133.8	122.7	96.8
Pledges for land use payments on zoned plots	0.7	1.2	0.9
Letters of intent on properties under development for which there is a zoning condition	58.8	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 (5.6) 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 Otas AB, other Balder-group companies (parent company: Fastighets AB Balder), Erik Selin Fastigheter AB, Stichting Depository 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	1-6/2022	1-6/2021	1-12/2021
Extended Management Group employee benefits			
Salaries and other employee benefits	1.1	0.9	1.3
Total	1.1	0.9	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

No significant events after the end of the reporting period.

KEY INDICATORS, GROUP

Key financial indicators	1-6/2022	1-6/2021	2021	2020	2019*	2018*	2017*
Net sales, EUR million	147.2	148.2	298.3	303.4	295.6	290.4	280.1
Net rental income, EUR million	98.4	100.0	210.6	220.3	207.1	198.5	188.4
Operating profit, EUR million	166.8	194.0	304.5	179.6	725.6	273.3	230.1
Net financing expenses, EUR million	-22.3	-22.7	-45.1	-50.0	-55.1	-42.5	-45.8
Profit before taxes, EUR million	144.5	171.2	259.4	129.5	670.5	230.8	184.4
Balance sheet total, EUR million	5,164.9	5,012.9	5,091.4	5,104.7	4,718.2	3,922.4	3,693.1
Shareholders' equity, EUR million	2,462.2	2,274.5	2,351.3	2,155.7	2,055.8	1,554.5	1,397.6
Interest bearing liabilities, EUR million	2,151.4	2,155.7	2,169.5	2,381.5	2,098.4	1,982.2	1,931.7
Return on invested capital, % (ROIC)	7.3%	8.7%	6.7%	4.1%	18.9%	7.9%	7.1%
Return on equity, % (ROE)	9.6%	12.4%	9.1%	4.8%	29.6%	12.4%	11.0%
Equity ratio, %	47.7%	45.4%	46.2%	42.2%	43.6%	39.6%	37.8%
Personnel, average**	329	259	276	229	223	215	206
Personnel at the end of period	342	283	313	242	229	218	212
Key indicators per share							
Earnings per share, EUR	2.04	2.42	3.64	1.80	9.45	3.26	2.55
Equity per share, EUR***	43.49	40.17	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	44.6	46.9	101.6	109.0	91.4	98.7	82.8
Operational earnings per share, EUR	0.79	0.83	1.79	1.92	1.61	1.74	1.46
Net asset value, EUR million	2,858.1	2,703.1	2,779.3	2,577.2	2,477.7	1,855.7	1,678.7
Net asset value per share, EUR	50.48	47.74	49.09	45.52	43.76	32.77	29.65
Cash earnings, EUR million	84.6	38.5	107.9	132.1	91.2	97.9	92.4
Cash earnings per share, EUR	1.49	0.68	1.91	2.33	1.61	1.73	1.63
Quarterly key financial indicators							
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	
Net sales, EUR million	72.5	74.7	75.1	74.9	74.2	74.0	
Net rental income, EUR million	54.0	44.4	53.2	57.3	55.1	44.9	
Operating profit, EUR million	48.8	117.9	59.1	51.4	126.0	67.9	
Profit and losses from changes of fair value	-42.3	82.6	14.6	2.4	80.4	31.6	
Net financing expenses, EUR million	-11.2	-11.1	-11.4	-10.9	-11.0	-11.8	
Profit before taxes, EUR million	37.6	106.8	47.7	40.5	115.1	56.2	
Earnings per share, EUR	0.54	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	56.6	
Housing investments, EUR million	44.7	23.7	50.2	57.3	42.7	16.9	
as percentage of net sales	61.7%	31.8%	66.8%	76.5%	57.5%	22.9%	
Operational key figures							
Operational earnings, EUR million	26.1	18.5	24.4	30.3	27.6	19.3	
Operational earnings per share, EUR	0.46	0.33	0.43	0.53	0.49	0.34	
Cash earnings, EUR million	58.8	25.8	33.2	36.2	17.2	21.3	
Cash earnings per share, EUR	1.04	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	Net Sales – Property maintenance expenses	
Return on investment, % =	$\frac{\text{Operating profit}}{\text{Balance sheet total (average during the period)} - \text{non-interest-bearing debt (average during the period)}} \times 100$	x 100
Return on equity, % =	$\frac{\text{Profit for the period}}{\text{Shareholders' equity (average during the period)}}$	x 100
Equity ratio, % =	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total}}$	x 100
Earnings per share, EUR =	$\frac{\text{Profit for the period attributable to owners of the parent}}{\text{Number of shares, Basic, average during the period}}$	
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	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, EUR	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, EUR	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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