

# H1 HALF-YEAR REPORT 1 JANUARY–30 JUNE 2024

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## KEY FIGURES



Key figure	1-6/2024	1-6/2023	1-12/2023
Net sales	€ 150.5 million	€ 142.4 million	€ 288.4 million
Number of rental apartments	25,578 homes	25,143 homes	25,468 homes
Investment properties	€ 4,929.4 million	€ 4,956.0 million	€ 4,885.7 million
Housing investments	€ 22.8 million	€ 92.7 million	€ 150.5 million
Under construction	257 pcs	679 pcs	349 pcs
Average rent at the end of review period	€ 18.30 m <sup>2</sup> /month	€ 18.05 m <sup>2</sup> /month	€ 18.07 m <sup>2</sup> /month
Cash earnings	€ 34.3 million	€ -9.6 million	€ 32.9 million
Shareholders' equity	€ 2,564.7 million	€ 2,400.9 million	€ 2,435.0 million

# SATO CORPORATION'S HALF-YEAR REPORT I JANUARY TO 30 JUNE 2024: DEMAND FOR RENTAL HOMES IS RECOVERING

## **SUMMARY FOR I JANUARY TO 30 JUNE 2024 (I JANUARY TO 30 JUNE 2023)**

- The economic occupancy rate was 95.1% (95.0).
- Net sales totalled EUR 150.5 million (142.4).
- Net rental income was EUR 101.1 million (93.4).
- Profit before taxes was EUR 50.9 million (-101.2).
- The unrealised change in the fair value of investment properties included in the result was EUR 6.8 million (-122.0).
- Housing investments amounted to EUR 22.8 million (92.7).
- Invested capital at the end of the review period was EUR 4,531.2 million (4,554.9).
- Return on invested capital was 3.8% (-3.0).
- Equity was EUR 2,564.7 million (2,400.9), or EUR 30.21 per share (42.41).
- Earnings per share were EUR 0.53 (-1.51).
- A total of 92 rental apartments were completed (648). Renovation of 56 rental homes (197) was completed.
- A total of 257 rental apartments are under construction (679).
- Profit from operations before depreciation improved year on year due to increased operational efficiency and savings measures.
- The occupancy rate improved slightly as demand increased.

## **SUMMARY FOR I APRIL TO 30 JUNE 2024 (I APRIL TO 30 JUNE 2023)**

- The economic occupancy rate was 95.3% (95.0).
- Net sales totalled EUR 75.8 million (71.5).
- Net rental income was EUR 57.5 million (52.5).
- Profit before taxes was EUR 31.4 million (-69.1).
- The unrealised change in the fair value of investment properties included in the result was EUR 5.1 million (-75.1).
- Housing investments amounted to EUR 10.0 million (46.5).
- Earnings per share were EUR 0.30 (-1.05).
- A total of 0 rental apartments were completed (513). Renovation of 0 rental homes (125) was completed.
- A total of 257 rental apartments are under construction (679).

## PRESIDENT AND CEO ANTTI AARNIO:

– We improved our profit from operations before depreciation by increasing our operational efficiency and implementing savings measures. Profit from operations before depreciation was also affected positively by the higher occupancy rate.

– Demand for rental housing particularly in Helsinki is growing slightly, which is why our occupancy rate has improved year on year.

– Inflation is continuing to decline and was 1.9% in Finland in April. In the eurozone, inflation rose to 2.6% in May (YoY) from 2.4% in April and was slightly higher than forecasts. In its June meeting, the European Central Bank lowered the deposit facility rate by 0.25 percentage points and is likely to continue rate cuts this year.

– The renting of our latest rental apartments, the SATO homes to be completed at Peijinkuja 6, Finnoo, Espoo, in the autumn, started in May. The neighbouring building, Peijinkuja 10, will be completed in December 2024 and is, for the time being, our last property under construction.

– According to market research company Nepa, SATO is clearly the most recognised brand in its segment, that is, rental housing. According to the 2023 research summary, we were the first rental housing provider that came to mind for more than one in five respondents.

– Following the change negotiations completed in June, SATO's organisation has been adjusted to reflect the current operating environment, with our fixed costs decreasing by about one million euros. Most of the savings will be realised in 2025.

– I would like to thank SATO staff members for their openness, expertise and persistence and for their contributions to the continuous development of our residents' comfort and housing.

## OPERATING ENVIRONMENT

During the period under review, the continued abundant supply of rental housing and the economic uncertainty still remained key factors affecting SATO's operating environment. Uncertainty is increased by the slow rate of economic growth, the increase in the number of unemployed jobseekers, the high interest rate level, and geopolitical risks.

Inflation continued its decline and was 1.9% in Finland and 2.4% in the euro area in April. In May, the inflation in the eurozone rose to 2.6%. The long decline enabled the European Central Bank to decide on a key interest rate cut in June, and the markets expect further rate cuts this year. Weak economic growth and the declining employment rate are keeping consumer confidence at a low level. Going forward, both the lower interest

rate level and waning inflation will improve consumers' purchasing power and the employment rate, and Finland is expected to see moderate economic growth.

Newbuild construction of homes is still declining. According to Statistics Finland, the volume of building permits for newbuilding granted in January–March 2024 was 20% lower than a year earlier. The prolonged decline in the building permits granted and building projects started is reflected in the number of completed dwellings. The newbuild construction volume of previous years, which exceeds the long-term housing demand, is, however, maintaining an oversupply of rental homes in the growth centres, albeit in Helsinki a slight downturn in the number of vacant rental homes was seen in April. The continued high level of housing supply has maintained intense competition for good tenants.

The urbanisation trend continues, and dense urban housing is becoming increasingly popular. There is demand for rental homes in growth centres close to good public transport connections and services. Among the major growth centres, the Helsinki Metropolitan Area (HMA), Tampere and Turku continue to enjoy strong growth, while 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 number 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 coupled with the price development create a stable foundation for rental housing demand, especially in the HMA, Tampere and Turku. Migration to large growth centres has continued, and the HMA's migration gain in 2023 was the highest in the 2000s: 23,500 persons. This is reflected in the demand for rental homes in growth centres.

Urbanisation, the income development of wage and salary earners, pent-up housing demand of households and lower interest rates together with the decrease in new housing production will increase housing demand towards the end of the year. The housing allowance policy changes may, however, steer consumers towards looking for more affordable housing. Some of those looking for a home to buy may be considering a rental home as a housing option.

Rental housing providers are still competing for good tenants, which results in rent increases remaining moderate. Going forward, higher maintenance and finance costs will be reflected in higher rent costs, while at the same time the supply of rental housing decreases.

## REVIEW PERIOD 1 JANUARY TO 30 JUNE 2024 (1 JANUARY TO 30 JUNE 2023)

### NET SALES AND PROFIT

In January–June 2024, SATO Corporation's consolidated net sales totalled EUR 150.5 million (142.4).

Operating profit was EUR 87.0 million (-68.6).

Operating profit without the change in the fair value of investment properties was EUR 80.2 million (53.4). The unrealised change in fair value through profit or loss was EUR 6.8 million (-122.0).

Net financing expenses totalled EUR -36.1 million (-32.6).

Profit before taxes was EUR 50.9 million (-101.2).

Cash flow from operations (free cash flow after taxes excluding changes in fair value) in January–June amounted to EUR 34.3 million (-9.6).

Earnings per share were EUR 0.53 (-1.51).

### FINANCIAL POSITION AND FINANCING

The consolidated balance sheet total at the end of June was EUR 5,027.6 million (5,091.9). Equity totalled EUR 2,564.7 million (2,400.9). Equity per share was EUR 30.21 (42.41).

The Group's equity ratio at the end of June was 51.0% (47.2). EUR 325.0 million in new long-term financing was drawn and the solvency ratio at the end of June was 38.9% (42.0).

The Group's annualised return on equity was 3.3% (-7.0). Return on invested capital was 3.8% (-3.0).

Interest-bearing liabilities at the end of June totalled EUR 1,966.5 million (2,153.9), of which loans on market terms amounted to EUR 1,856.8 million (2,019.8). The average loan interest rate was 4.0% (3.2%). Net financing expenses totalled EUR -36.1 million (-32.6).

The calculated impact of changes in the market value of interest hedging on equity was EUR 2.0 million (-2.6).

The proportion of loans without asset-based securities was 67.9% (87.9) of all loans. At the end of June, unencumbered assets accounted for 72.3% (89.8) 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 150.5 million (142.4). On average, the economic occupancy rate of apartments was 95.1% (95.0) and the external tenant turnover 28.3% (26.1).

At the end of the reporting period, the average monthly rent of SATO rental homes was EUR 18.30 per m<sup>2</sup> (18.05).

Net rental income from apartments totalled EUR 101.1 million (93.4).

### INVESTMENT PROPERTIES

At 30 June 2024, SATO owned a total of 25,578 homes (25,143). The reporting period saw the completion of 92 (648) rental homes. The number of divested rental apartments was 1 (525).

#### Fair value

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

At the end of June, the fair value of investment properties came to a total of EUR 4,929.4 million (4,956.0). The change in the value of investment properties, including investments and divestments during the reporting period, was EUR 43.7 million (-88.2).

The value of properties funded with ARAVA loans or interest-subsidised loans would be EUR 245 million higher when valuated with the income value method.

At the end of June, the commuting zone of the Helsinki Metropolitan Area accounted for around 86.6% and Tampere and Turku together made up around 13.4% 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 apartments totalled EUR 22.8 million (92.7). The Helsinki Metropolitan Area represented 91.0% of all investments during the period under review. New apartments accounted for 44.8% of the total. At 30 June 2024, there were binding purchase agreements to a total of EUR 7.1 million (57.7).

During the reporting period, 1 rental homes (3) were divested in Finland. Their total value amounted to EUR 0.3 million (0.5).

The book value of the plot reserve owned at the end of June totalled EUR 58.4 million (48.2). The value of new plots acquired by the end of June totalled EUR 18.4 million (0.0).

Permitted building volume for around 1,300 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.

A total of 92 rental homes (648) were completed for SATO. A total of 257 rental homes (679) were under construction at 30 June 2024.

A total of EUR 9.5 (14.9) was spent on repairing apartments and improving their quality.

## PERSONNEL

At the end of June, the Group had 337 employees (358), of which 285 (294) had a permanent employment contract. The average number of personnel in January–June was 323 (332).

## REVIEW PERIOD I APRIL TO 30 JUNE 2024 (I APRIL TO 30 JUNE 2023)

### NET SALES AND PROFIT

In April–June 2024, SATO Corporation's consolidated net sales totalled EUR 75.8 million (71.5).

Operating profit was EUR 52.2 million (-51.5). Operating profit without the change in the fair value of investment properties was EUR 47.1 million (23.6). The unrealised change in fair value through profit or loss was EUR 5.1 million (-75.1).

Net financing expenses totalled EUR -20.8 million (-17.6).

Profit before taxes was EUR 31.4 million (-69.1). Cash flow from operations (free cash flow after taxes excluding changes in fair value) in April–June amounted to EUR 8.8 million (-11.3).

Earnings per share were EUR 0.30 (-1.05).

## HOUSING BUSINESS

Rental income was EUR 75.8 million (71.5). On average, the economic occupancy rate of apartments was 95.3% (95.0) and the external tenant turnover 27.7% (26.4).

At the end of the reporting period, the average monthly rent of SATO rental homes was EUR 18.30 per m<sup>2</sup> (18.05).

Net rental income from apartments totalled EUR 57.5 million (52.5).

## INVESTMENT PROPERTIES

At 30 June 2024, SATO owned a total of 25,578 homes (25,143). The reporting period saw the completion of 0 (513) rental homes. The number of divested rental apartments was 1 (522).

### Fair value

At the end of June, the fair value of investment properties came to a total of EUR 4,929.4 million (4,956.0). The change in the value of investment properties, including investments and divestments during the reporting period, was EUR 14.8 million (-88.9).

The value of properties funded with ARAVA loans or interest-subsidised loans would be EUR 245 million higher when valuated with the income value method.

At the end of June, the commuting zone of the Helsinki Metropolitan Area accounted for around 86.6% and Tampere and Turku together made up around 13.4% of the value of apartments.

## Investments, divestments and property development

Investments in apartments totalled EUR 10.0 million (46.5). The Helsinki Metropolitan Area represented 83.8% of all investments during the period under review. New apartments accounted for 40.0% of the total. At 30 June 2024, there were binding purchase agreements to a total of EUR 7.1 million (57.7).

During the reporting period, 1 rental homes (0) were divested in Finland. Their total value amounted to EUR 0.3 million (0.0).

The book value of the plot reserve owned at the end of June totalled EUR 58.4 million (48.2). The value of new plots acquired by the end of June totalled EUR 18.4 million (0.0).

Permitted building volume for around 1,300 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.

A total of 0 rental homes (513) were completed for SATO. A total of 257 rental homes (679) were under construction at 30 June 2024.

A total of EUR 4.6 (8.0) was spent on repairing apartments and improving their quality.

## PERSONNEL

At the end of June, the Group had 337 employees (358), of which 285 (294) had a permanent employment contract. The average number of personnel in April–June was 328 (340).

## EVENTS AFTER THE REVIEW PERIOD

There have been 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.

SATO's most significant risks relate to prolonged inflation and the resulting rise in interest rate level. The war in Ukraine has resulted in a surge in the prices of energy, food, materials and commodities and an elevated interest rate level. Higher living costs may have a negative effect on the purchasing power of consumers as well as on their capacity to perform their obligations. If the strong growth in the cost of financing and maintenance costs continues and the market situation does not provide an opportunity to transfer the higher costs into rents in full, this may have a negative impact on the fair value of investment assets and the company's ability to perform its obligations or to finance its investments. This means new investments and major renovations may have to be postponed.

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 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 long-term financing commitments. The company has in place a EUR 2.0 billion Euro Medium Term Notes (EMTN) Programme, under which SATO has issued bonds in the total amount of EUR 350 million.

The means for managing liquidity risk at SATO include cash assets, a bank account limit, EUR 600 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. At the end of the review period, the fixed rate portion of the loan portfolio after hedging was 52.7% (62.9) excluding short-term loans.

For a broader description of risks and risk management, see the Group's website and Annual Report for 2023 at [www.sato.fi/en](http://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.



Weak economic growth and the declining employment rate are keeping consumer confidence at a low level. Going forward, both the lower interest rate level and waning inflation will improve consumers' purchasing power and the employment rate, and Finland is expected to see moderate economic growth.

Newbuild construction of homes is still declining. According to Statistics Finland, the volume of building permits for newbuilding granted in January–March 2024 was 20% lower than a year earlier. The prolonged decline in the building permits granted and building projects started is reflected in the number of completed dwellings. The newbuild construction volume of previous years, which exceeds the long-term housing demand, is, however, maintaining an oversupply of rental homes in the growth centres, albeit in Helsinki a slight downturn in the number of vacant rental homes was seen in April. The continued high level of housing supply has maintained intense competition for good tenants.

The urbanisation trend continues, and dense urban housing is becoming increasingly popular. There is demand for rental homes in growth centres close to good public transport connections and services.

The demographic change coupled with the price development create a stable foundation for rental housing demand, especially in the HMA, Tampere and Turku. Migration to large growth centres has continued,

and the HMA's migration gain in 2023 was the highest in the 2000s: 23,500 persons. This is reflected in the demand for rental homes in growth centres.

Urbanisation, the income development of wage and salary earners, pent-up housing demand of households and lower interest rates together with the decrease in new housing production will increase housing demand towards the end of the year. The housing allowance policy changes may, however, steer consumers towards looking for more affordable housing. Some of those looking for a home to buy may be considering a rental home as a housing option.

Rental housing providers are, however, still competing for good tenants, which results in rent revisions remaining moderate. Going forward, higher maintenance and finance costs will be reflected in higher rent costs, while at the same time the supply of rental housing decreases.

In line with the decision made in October 2022, SATO will still refrain from launching any newbuild construction projects.

In line with its majority shareholder's operating model, SATO Corporation will not publish guidance on its 2024 earnings. The parent company of Balder Finska Otas AB is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.

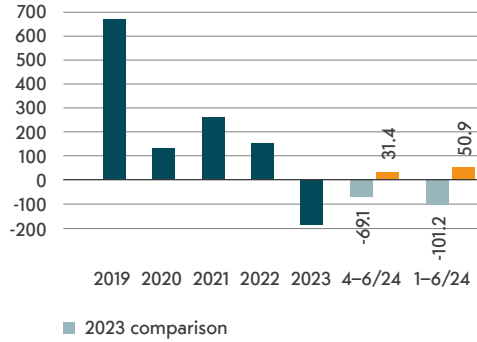
## SATO CORPORATION'S SHAREHOLDERS ON 30 JUNE 2024

Largest shareholders and their holdings	Number of shares	%
Balder Finska Otas AB (Fastighets AB Balder)	48,483,564	57.0%
Stichting Depository APG Strategic Real Estate Pool	19,217,470	22.6%
Elo Mutual Pension Insurance Company	10,849,621	12.8%
State Pension Fund of Finland	4,194,300	4.9%
Valkila Erkka	385,000	0.5%
Tradeka Invest Ltd	189,750	0.2%
Research Foundation of the Pulmonary Diseases	180,000	0.2%
SATO Corporation	166,000	0.2%
Komulainen Pekka	159,825	0.2%
Entelä Tuula	151,500	0.2%
Others (119 shareholders)	1,085,414	1.3%

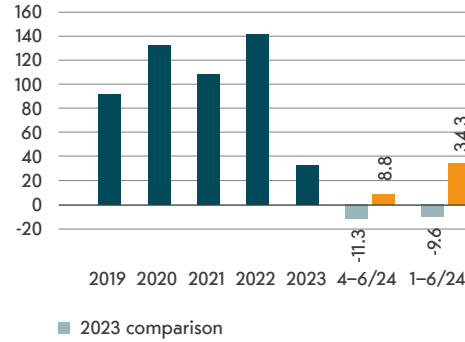
At 28 June 2024, SATO had 85,062,444 shares and 129 shareholders registered in the book-entry system. The share turnover rate was 0.0% for the period from 1 January to 30 June 2024.

# FINANCIAL TREND

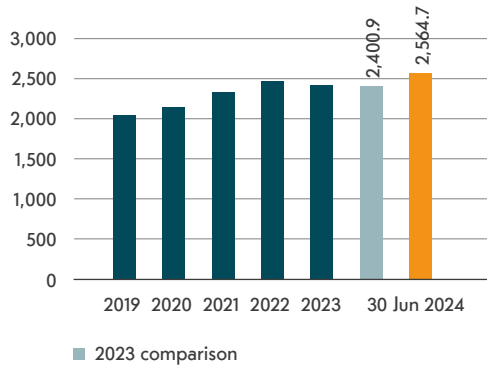
Profit before taxes, EUR million



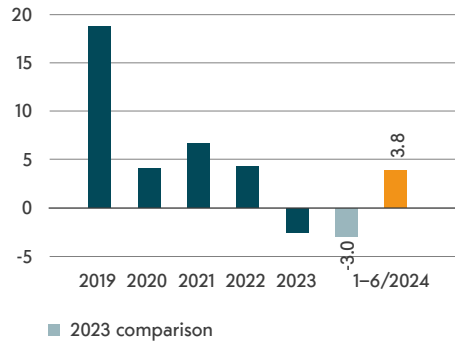
Cash earnings, EUR million



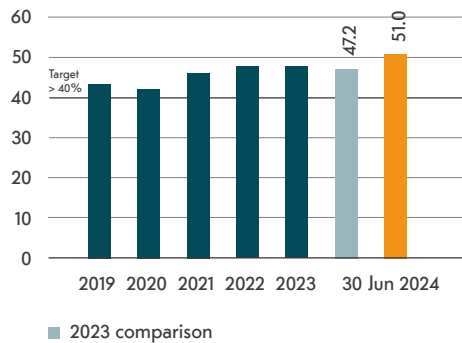
Shareholders' equity, EUR million



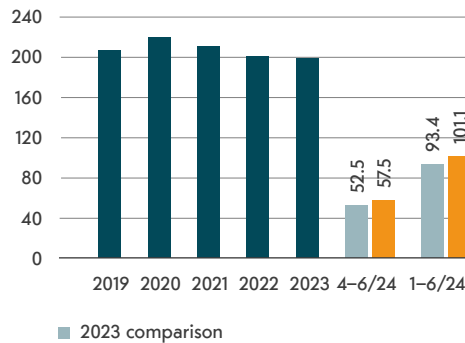
Return on invested capital, %



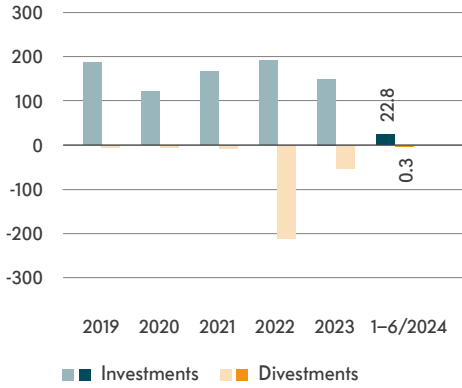
Equity ratio, %



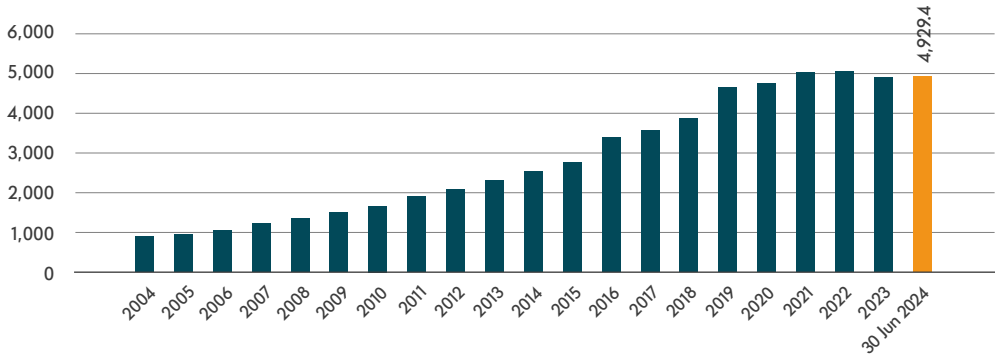
Net rental income, EUR million



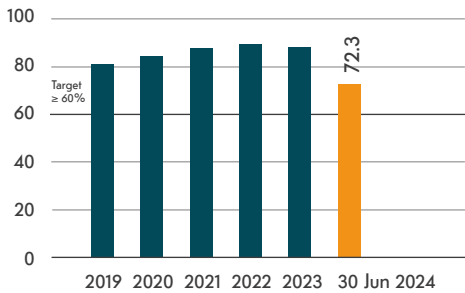
### Housing investments and divestments, EUR million



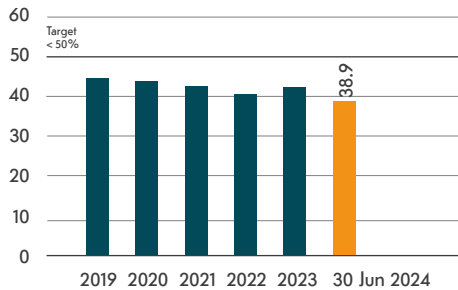
### Trend in the investment property portfolio, EUR million



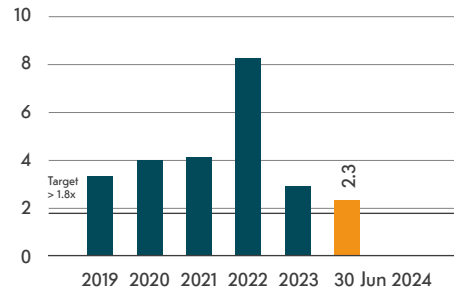
### Unencumbered assets, %



### Solvency ratio, %



### Interest coverage ratio



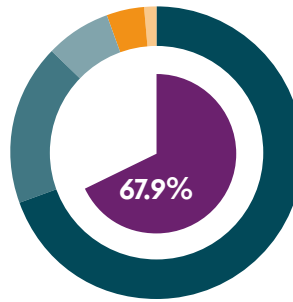
### Regional distribution of the housing portfolio 30 June 2024, %



- Helsinki Metropolitan Area 86.6%
- Tampere region 7.7%
- Turku region 5.7%

Total housing portfolio EUR 4,769.7 million

### Debt portfolio, Nominal values 30 June 2024, total EUR 1,976.7 million



- Bank loans 1,375.5
  - Corporate bonds 350.0
  - Commercial papers 141.5
  - Interest subsidised 86.5
  - State subsidised (ARAVA) 23.2
- 67.9% of loans without asset based securities

## CONSOLIDATED INCOME STATEMENT, IFRS

EUR million	1 Apr–30 Jun 2024	1 Apr–30 Jun 2023	1 Jan–30 Jun 2024	1 Jan–30 Jun 2023	1 Jan–31 Dec 2023
Net sales	75.8	71.5	150.5	142.4	288.4
Property maintenance expenses	-18.3	-18.9	-49.4	-49.0	-89.7
<b>Net rental income</b>	<b>57.5</b>	<b>52.5</b>	<b>101.1</b>	<b>93.4</b>	<b>198.7</b>
Fair value change of investment properties, realised	0.2	-17.1	0.2	-17.1	-18.7
Fair value change of investment properties, unrealised	5.1	-75.1	6.8	-122.0	-249.3
Sales, marketing and administrative expenses	-10.3	-11.3	-19.8	-21.8	-41.4
Other operating income	0.2	0.3	0.7	0.4	0.0
Other operating expenses	-0.5	-0.9	-2.0	-1.5	-3.0
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
<b>Operating profit</b>	<b>52.2</b>	<b>-51.5</b>	<b>87.0</b>	<b>-68.6</b>	<b>-113.6</b>
Financial income	6.7	5.6	18.7	7.3	17.7
Financial expenses	-27.5	-23.2	-54.8	-39.9	-89.8
<b>Net financing expenses</b>	<b>-20.8</b>	<b>-17.6</b>	<b>-36.1</b>	<b>-32.6</b>	<b>-72.2</b>
<b>Profit before tax</b>	<b>31.4</b>	<b>-69.1</b>	<b>50.9</b>	<b>-101.2</b>	<b>-185.8</b>
Income tax expenses	-6.2	9.6	-10.1	15.5	31.9
<b>Profit for the period</b>	<b>25.1</b>	<b>-59.5</b>	<b>40.8</b>	<b>-85.7</b>	<b>-153.9</b>
<b>Profit for the period attributable to</b>					
Equity holders of the parent	25.1	-59.5	40.8	-85.7	-153.9
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>25.1</b>	<b>-59.5</b>	<b>40.8</b>	<b>-85.7</b>	<b>-153.9</b>
<b>Earnings per share attributable to equity holders of the parent</b>					
Basic, EUR	0.30	-1.05	0.53	-1.51	-2.72
Diluted, EUR	0.30	-1.05	0.53	-1.51	-2.72
Average number of shares, million pcs	84.9	56.6	77.3	56.6	56.6

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	1 Apr–30 Jun 2024	1 Apr–30 Jun 2023	1 Jan–30 Jun 2024	1 Jan–30 Jun 2023	1 Jan–31 Dec 2023
<b>Other comprehensive income</b>					
<b>Items that may be reclassified to income statement</b>					
Cash flow hedges	1.0	0.6	2.5	-3.3	-16.7
Translation differences	-	6.3	-	8.4	8.3
Related tax	-0.2	-0.1	-0.5	0.7	3.3
<b>Items that may be reclassified to income statement total</b>	<b>0.8</b>	<b>6.8</b>	<b>2.0</b>	<b>5.7</b>	<b>-5.1</b>
<b>Other comprehensive income, net of tax</b>	<b>0.8</b>	<b>6.8</b>	<b>2.0</b>	<b>5.7</b>	<b>-5.1</b>
<b>Total comprehensive income</b>	<b>26.0</b>	<b>-52.7</b>	<b>42.8</b>	<b>-79.9</b>	<b>-159.0</b>
<b>Comprehensive income attributable to</b>					
Equity holders of the parent	26.0	-52.7	42.8	-79.9	-159.0
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>26.0</b>	<b>-52.7</b>	<b>42.8</b>	<b>-79.9</b>	<b>-159.0</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	30 Jun 2024	30 Jun 2023	31 Dec 2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	4,929.4	4,956.0	4,885.7
Tangible assets	2.8	3.2	3.3
Intangible assets	6.8	7.1	7.2
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	3.6	4.3	4.2
Derivative receivables	24.7	35.1	23.0
Non-current receivables	2.8	3.2	3.1
Deferred tax assets	10.7	6.1	10.5
<b>Total</b>	<b>4,982.0</b>	<b>5,016.0</b>	<b>4,938.1</b>
<b>Current assets</b>			
Account and other receivables	29.7	41.9	129.1
Current tax assets	0.4	10.7	10.8
Cash and cash equivalents	15.6	23.2	7.0
<b>Total</b>	<b>45.6</b>	<b>75.9</b>	<b>146.9</b>
<b>TOTAL ASSETS</b>	<b>5,027.6</b>	<b>5,091.9</b>	<b>5,085.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	4.4	4.4	4.4
Fair value and other reserves	20.1	28.9	18.1
Reserve fund	43.7	43.7	43.7
Reserve for invested non-restricted equity	314.8	114.8	227.9
Retained earnings	2,181.8	2,209.2	2,141.0
<b>Total</b>	<b>2,564.9</b>	<b>2,401.1</b>	<b>2,435.2</b>
<b>Non-controlling interests</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,564.7</b>	<b>2,400.9</b>	<b>2,435.0</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	371.1	392.5	366.1
Provisions	1.4	1.5	1.5
Lease liabilities	52.7	51.5	54.2
Derivative liabilities	0.2	0.4	0.1
Long-term interest-bearing liabilities	1,667.1	1,480.1	1,516.3
<b>Total</b>	<b>2,092.5</b>	<b>1,926.0</b>	<b>1,938.2</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	64.7	82.8	58.6
Provisions	0.5	0.6	0.5
Lease liabilities	5.2	4.9	5.3
Current tax liabilities	0.6	2.9	4.4
Short-term interest-bearing liabilities	299.4	673.8	642.9
<b>Total</b>	<b>370.4</b>	<b>764.9</b>	<b>711.8</b>
<b>TOTAL LIABILITIES</b>	<b>2,462.9</b>	<b>2,691.0</b>	<b>2,650.1</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>5,027.6</b>	<b>5,091.9</b>	<b>5,085.0</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million	1 Apr–30 Jun 2024	1 Apr–30 Jun 2023	1 Jan–30 Jun 2024	1 Jan–30 Jun 2023	1 Jan–31 Dec 2023
<b>Cash flow from operating activities</b>					
<b>Profit for the period</b>	<b>25.1</b>	<b>-59.5</b>	<b>40.8</b>	<b>-85.7</b>	<b>-153.9</b>
Adjustments:					
Non-cash items included in the profit	-3.9	76.1	-4.6	124.0	253.3
Profit and loss on sales of investment properties and fixed assets	-0.2	17.1	-0.2	17.0	18.5
Other adjustments	0.3	-0.2	0.2	-0.2	0.1
Interest expenses and other financial expenses	27.5	23.2	54.8	39.9	89.8
Interest income	-6.7	-5.6	-18.7	-7.3	-17.6
Dividend income	0.0	0.0	0.0	0.0	0.0
Income taxes	6.2	-9.6	10.1	-15.5	-31.9
<b>Cash flow before change in net working capital</b>	<b>48.3</b>	<b>41.5</b>	<b>82.5</b>	<b>72.3</b>	<b>158.3</b>
Change in net working capital:					
Changes in accounts receivable and other receivables	-7.1	-9.5	1.8	-19.0	1.1
Change in accounts payable and other liabilities	13.2	13.2	10.0	22.8	-7.5
Interest paid	-40.8	-36.9	-61.3	-48.1	-91.0
Interest received	5.0	1.7	8.8	-1.1	13.5
Taxes paid	-1.7	-5.4	0.7	-25.5	-35.7
<b>Net cash flow from operating activities</b>	<b>16.9</b>	<b>4.7</b>	<b>42.4</b>	<b>1.3</b>	<b>38.8</b>
<b>Cash flow from investing activities</b>					
Investments in investment properties	-11.0	-47.2	-41.7	-93.6	-152.1
Net investment in tangible and intangible assets	-0.4	-0.6	-0.6	-1.3	-3.8
Cash receipts from loans receivable and debt securities	19.8	0.0	19.9	0.0	0.0
Loans granted and investments in debt securities	0.0	0.0	-19.8	0.0	0.0
Disposals of investment property	1.1	51.3	4.8	51.8	52.6
<b>Net cash flow from investing activities</b>	<b>9.5</b>	<b>3.4</b>	<b>-37.4</b>	<b>-43.1</b>	<b>-103.3</b>
<b>Cash flow from financing activities</b>					
Share issue	-	-	199.9	-	-
Repayments (-) / withdrawals (+) of current loans	48.0	73.8	-106.8	172.2	230.1
Withdrawals of non-current loans	0.0	50.0	325.0	180.0	255.0
Repayments of non-current loans	-350.8	-340.3	-412.9	-346.3	-472.3
Repayments of lease liabilities	-1.2	-1.1	-1.6	-1.5	-1.8
<b>Net cash flow from financing activities</b>	<b>-304.0</b>	<b>-217.6</b>	<b>3.6</b>	<b>4.4</b>	<b>11.0</b>
<b>Change in cash and cash equivalents</b>	<b>-277.7</b>	<b>-209.4</b>	<b>8.6</b>	<b>-37.3</b>	<b>-53.6</b>
Cash and cash equivalents at the beginning of the period	293.3	232.6	7.0	60.5	60.5
Effect of exchange rate fluctuations on cash held	-	-	-	0.1	0.1
Cash and cash equivalents at the end of the period	15.6	23.2	15.6	23.2	7.0



## 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		
<b>Shareholders' equity 1 Jan 2024</b>	4.4	18.1	43.7	227.9	2,141.0	2,435.2	-0.2	2,435.0
Comprehensive income:								
Cash flow hedges, net of tax	-	2.0	-	-	-	2.0	-	2.0
Translation differences	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	40.8	40.8	0.0	40.8
<b>Total comprehensive income</b>	-	2.0	-	-	40.8	42.8	0.0	42.8
Transactions with shareholders:								
Share issue	-	-	-	86.9	-	86.9	-	86.9
Dividend	-	-	-	-	-	-	-	-
<b>Transaction with shareholders, total</b>	-	-	-	86.9	-	86.9	-	86.9
Other adjustments	-	-	-	-	-	-	-	-
<b>Total of equity movements</b>	-	2.0	-	86.9	40.8	129.7	0.0	129.7
<b>Shareholders' equity 30 Jun 2024</b>	4.4	20.1	43.7	314.8	2,181.8	2,564.9	-0.2	2,564.7

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		
<b>Shareholders' equity 1 Jan 2023</b>	4.4	31.5	43.7	114.8	2,286.6	2,481.1	-0.2	2,480.9
Comprehensive income:								
Cash flow hedges, net of tax	-	-2.6	-	-	-	-2.6	-	-2.6
Translation differences	-	-	-	-	8.4	8.4	-	8.4
Profit for the period	-	-	-	-	-85.7	-85.7	0.0	-85.7
<b>Total comprehensive income</b>	-	-2.6	-	-	-77.3	-79.9	0.0	-79.9
Transactions with shareholders:								
Share issue	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-
<b>Transaction with shareholders, total</b>	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-
<b>Total of equity movements</b>	-	-2.6	-	-	-77.3	-79.9	0.0	-79.9
<b>Shareholders' equity 30 Jun 2023</b>	4.4	28.9	43.7	114.8	2,209.3	2,401.1	-0.2	2,400.9

# 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 on the largest growth centers, and approximately 86.6% of the investment property is located in the Helsinki region. The rest of the operations are located in Tampere and Turku.

## 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 2023 with the exception of new and amended standards applied to the annual periods beginning on 1 January 2024. New IFRS standards, amendments to standards and IFRIC interpretations which have entered into force at the beginning of the year 2024 has not had any significant impact on the Group.

## 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. SATO completed the divestment of the business in Russia on 14 April 2023. After the transaction, the Group operates in one geographic region, Finland. 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	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
Finland	75.8	71.3	150.5	141.0	287.1
Russia	-	0.2	-	1.3	1.3
<b>Total</b>	<b>75.8</b>	<b>71.5</b>	<b>150.5</b>	<b>142.4</b>	<b>288.4</b>

### Non-current assets by geographical region

SATO's non-current assets are located in Finland.

#### 4. GAINS AND LOSSES ON DISPOSAL OF INVESTMENT PROPERTIES

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
<b>Sale of residential investment properties</b>					
Proceeds from disposal of residential investment properties	0.2	51.3	0.1	51.8	58.9
Carrying value of investment properties sold	-0.3	-62.1	-0.3	-62.6	-69.7
Translation differences	-	-6.3	-	-6.3	-6.3
<b>Total</b>	<b>-0.1</b>	<b>-17.1</b>	<b>-0.1</b>	<b>-17.1</b>	<b>-17.1</b>
<b>Sale of land plots</b>					
Proceeds from disposal of land plots	0.9	-	4.6	-	0.5
Carrying value of land plots sold	-0.6	-	-4.3	-	-2.1
<b>Total</b>	<b>0.3</b>	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>-1.6</b>
<b>Total</b>	<b>0.2</b>	<b>-17.1</b>	<b>0.2</b>	<b>-17.1</b>	<b>-18.7</b>

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 year end, plus any further investments made thereafter.

SATO completed the divestment of the business in Russia on 14 April 2023. Translation differences related to the Russian business operations are presented separately.

#### 5. OTHER OPERATING INCOME

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
<b>Other operating income</b>					
Sales income, new production	0.0	0.0	0.7	0.0	0.4
New production expenses	0.6	0.0	-0.1	0.0	-1.4
Other income	-0.4	0.3	0.2	0.4	1.1
<b>Total</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>0.4</b>	<b>0.0</b>

#### 6. FINANCIAL INCOME AND EXPENSES

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
<b>Financial income</b>					
Interest income on loans	2.5	0.9	4.1	1.5	2.3
Interest income on derivatives	4.2	4.7	8.8	5.8	14.2
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
Fair value gains, financial instruments	-	-	-	-	1.2
Other financial income	-	-	5.8	-	-
<b>Total</b>	<b>6.7</b>	<b>5.6</b>	<b>18.7</b>	<b>7.3</b>	<b>17.7</b>

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
<b>Financial expenses</b>					
Interest expense on financial liabilities measured at amortised cost	-23.4	-18.1	-45.7	-31.8	-73.7
Interest expense on derivatives	-1.4	-2.5	-2.9	-2.5	-5.2
Interest expense on lease liabilities*	-0.9	-0.8	-1.7	-1.7	-3.3
Foreign exchange losses	0.0	0.1	0.0	-0.1	-0.1
Fair value losses, financial instruments	-0.2	-	-0.4	-	-
Other financial expenses	-1.6	-1.7	-4.0	-3.8	-7.5
<b>Total</b>	<b>-27.5</b>	<b>-23.2</b>	<b>-54.8</b>	<b>-39.9</b>	<b>-89.8</b>
<b>Financial income and expenses, net</b>	<b>-20.8</b>	<b>-17.6</b>	<b>-36.1</b>	<b>-32.6</b>	<b>-72.2</b>

\* Includes the financial expense component from lease agreements recognised in accordance with IFRS 16 *Leases*. See note 10 for further information.

## 7. INVESTMENT PROPERTIES

EUR million	1-6/2024	1-6/2023	1-12/2023
Fair value of investment properties at start of period	4,885.7	5,044.2	5,044.2
Acquisitions of properties	18.9	-	0.0
New construction and other investments in properties	25.0	92.9	151.7
Disposals of investment properties	-5.2	-62.6	-70.2
Capitalised borrowing costs	0.4	1.2	1.8
Reclassified from other items	-2.3	0.6	2.9
Gains and losses in profit and loss from changes in fair value*	6.8	-122.0	-249.3
Exchange rate differences, no P/L effect	-	1.7	1.7
Remeasurement of right-of-use investment properties, no P/L effect	-	-	2.9
Fair value of investment properties at end of period	4,929.4	4,956.0	4,885.7

\* Gains and losses from changes in fair value include foreign exchange gains and losses of EUR 0.0 million (0.1).

### Significant acquisitions and disposals during the period

Based on a precontract concluded on 30 November 2020, SATO Corporation and Senate Properties signed the final contract on a property acquisition concerning an upcoming block area of residential buildings in the Viikki district of Helsinki on 7 March 2024. The local detailed plan concerning the block area was confirmed on 1 February 2024. Located at Maakaarenkuja 2, the plot has residential building rights for around 300–350 new apartments.

On 30 April 2024, SATO concluded the sale of three land plots to Hartela. Two of these are located in Kirkkonummi and one in Turku. On 13 June 2024, SATO signed a precontract with VRP Rakennuspalvelut Oy. In the coming years, SATO will sell three land plots in phases. Two of these are located in Espoo and one in Helsinki.

### Investment property valuation principles

SATO's investment properties mainly comprise of residential properties. In addition, the investment properties include commercial premises, parking spaces, 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 86.6% 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. The change in the fair value of SATO's investment property was mainly due to market price levels, reclassifications from measurement group to another when legal restrictions 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 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. 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 and acquisition cost method. The valuation is prepared with income value method for investment properties 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. 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 realisation is uncertain are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably.

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

EUR million	30 Jun 2024	30 Jun 2023	31 Dec 2023
<b>Investment property classified by valuation method</b>			
Income value	4,605.4	4,635.3	4,563.9
Acquisition cost	269.7	268.5	267.1
<b>Owned investment property, total</b>	<b>4,875.1</b>	<b>4,903.7</b>	<b>4,831.0</b>
Right-of-use investment properties	54.3	52.2	54.7
<b>Total</b>	<b>4,929.4</b>	<b>4,956.0</b>	<b>4,885.7</b>

### Sensitivity analysis of investment properties

Sensitivity analysis of investment properties has been presented in the 2023 consolidated financial statements. Quarterly changes are not significant. All SATO's 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	1-6/2024	1-6/2023	1-12/2023
Carrying value, beginning of period	3.3	3.3	3.3
Additions	0.1	0.6	1.3
Disposals	-0.1	-0.2	-0.4
Accumulated depreciation of disposals	0.1	0.1	0.3
Transfers between items	0.0	0.0	0.0
Depreciation and impairments	-0.6	-0.5	-1.1
<b>Carrying value, end of period</b>	<b>2.8</b>	<b>3.2</b>	<b>3.3</b>

## 9. INTANGIBLE ASSETS

EUR million	1-6/2024	1-6/2023	1-12/2023
Carrying value, beginning of period	7.2	7.1	7.1
Additions	0.6	0.8	1.9
Disposals	0.0	-0.1	-0.1
Accumulated depreciation of disposals	-	-	-
Transfers between items	-	0.1	0.1
Depreciation	-1.1	-0.9	-1.8
<b>Carrying value, end of period</b>	<b>6.8</b>	<b>7.1</b>	<b>7.2</b>

## 10. LEASES

### Right-of-use assets

EUR million	1-6/2024	1-6/2023	1-12/2023
<b>Right-of-use investment properties</b>			
Carrying value, beginning of period	54.7	52.6	52.6
Remeasurement of lease agreements	-	-	2.9
Changes of fair value in profit and loss	-0.4	-0.4	-0.8
<b>Carrying value, end of period</b>	<b>54.3</b>	<b>52.2</b>	<b>54.7</b>
<b>Other right-of-use assets</b>			
Carrying value, beginning of period	4.2	4.9	4.9
Remeasurement of lease agreements	-	-	0.5
Depreciation for the period	-0.6	-0.5	-1.1
<b>Carrying value, end of period</b>	<b>3.6</b>	<b>4.3</b>	<b>4.2</b>
<b>Total carrying value, beginning of period</b>	<b>58.9</b>	<b>57.5</b>	<b>57.5</b>
<b>Total carrying value, end of period</b>	<b>57.9</b>	<b>56.6</b>	<b>58.9</b>

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 2024	30 Jun 2023	31 Dec 2023
<b>Non-current</b>			
From land lease agreements	49.9	48.1	50.9
From other lease agreements	2.8	3.5	3.3
<b>Total</b>	<b>52.7</b>	<b>51.5</b>	<b>54.2</b>
<b>Current</b>			
From land lease agreements	4.0	3.8	4.0
From other lease agreements	1.2	1.1	1.2
<b>Total</b>	<b>5.2</b>	<b>4.9</b>	<b>5.3</b>
<b>Total lease liabilities</b>	<b>57.9</b>	<b>56.4</b>	<b>59.5</b>

## II. SHAREHOLDERS' EQUITY

The total number of SATO's shares as of 30 June 2024 was 85,062,444 (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	1-6/2024	1-6/2023	1-12/2023
<b>The following dividend was declared by the company:</b>			
Dividend 0.00 (0.00) per share, EUR	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The Annual General Meeting of SATO Corporation resolved on 21 March 2024 that dividends shall not be distributed for the 2023 financial period.

## 12. FINANCIAL LIABILITIES

EUR million	30 Jun 2024	30 Jun 2023	31 Dec 2023
<b>Financial liabilities</b>			
Commercial papers	138.1	117.0	74.9
Corporate bonds	349.1	748.2	748.6
Bank loans	1,369.6	1,154.7	1,220.5
Interest-subsidised loans	86.5	106.1	89.6
State-subsidised ARAVA loans	23.2	28.0	25.6
<b>Total</b>	<b>1,966.5</b>	<b>2,153.9</b>	<b>2,159.2</b>

On the reporting date, the average interest of SATO's debt portfolio was 4.0% (3.2) and the average maturity was 3.5 years (3.1).

For purposes of short-term financing, SATO has a commercial paper program of EUR 400.0 million (400.0) of which EUR 258.5 million (282.0) were unused, committed credit limits of EUR 600.0 million (700.0), of which EUR 600.0 million (630.0) 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 2024			30 Jun 2023	31 Dec 2023
	Positive	Negative	Net	Net	Net
<b>Fair values of derivative instruments</b>					
Interest rate swaps, cash flow hedging	24.6	-	24.6	35.6	22.1
Interest rate swaps, not in hedge accounting	1.0	-0.2	0.8	-	1.2
<b>Total</b>	<b>25.6</b>	<b>-0.2</b>	<b>25.4</b>	<b>35.6</b>	<b>23.3</b>

EUR million	30 Jun 2024	30 Jun 2023	31 Dec 2023
<b>Nominal values of derivative instruments</b>			
Interest rate swaps, cash flow hedging	381.2	447.4	430.3
Interest rate swaps, not in hedge accounting	50.0	-	50.0
<b>Total</b>	<b>431.2</b>	<b>447.4</b>	<b>480.3</b>

Change in fair value of designated interest rate hedges, booked to fair value reserve, totalled EUR 2.0 million (-2.6). Interest rate swaps are used to hedge interest cash flows against fluctuations in market interest rates. 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 periods.

## 14. FAIR VALUES OF FINANCIAL INSTRUMENTS

EUR million	30 Jun 2024			30 Jun 2023		
	Level 1:	Level 2:	Level 3:	Level 1:	Level 2:	Level 3:
<b>Assets</b>						
Other non-current investments	-	1.0	-	-	1.0	-
Derivative assets	-	25.6	-	-	36.0	-
Accounts receivable and other non-interest-bearing receivables	-	8.9	-	-	27.9	-
Cash and cash equivalents	-	15.6	-	-	23.2	-
<b>Liabilities</b>						
Corporate bonds	313.6	-	-	645.7	-	-
Other loans	-	1 623.4	-	-	1 408.2	-
Derivative liabilities	-	0.2	-	-	0.4	-
Accounts payable and other non-interest-bearing payables	-	26.9	-	-	13.4	-

EUR million	31 Dec 2023		
	Level 1:	Level 2:	Level 3:
<b>Assets</b>			
Other non-current investments	-	1.0	-
Derivative assets	-	23.4	-
Accounts receivable and other non-interest-bearing receivables	-	9.3	-
Cash and cash equivalents	-	7.0	-
<b>Liabilities</b>			
Corporate bonds	684.2	-	-
Other loans	-	1 412.6	-
Derivative liabilities	-	0.1	-
Accounts payable and other non-interest-bearing payables	-	13.6	-

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	2024	2023
<b>Provision for refund claim at the beginning of the period 1 Jan</b>	<b>2.0</b>	<b>2.0</b>
Increases	0.0	0.2
Provisions used	0.0	-0.1
Reversals	0.0	-0.1
<b>Provision for refund claim at the end of the period 30 Jun</b>	<b>2.0</b>	<b>2.0</b>

EUR million	30 Jun 2024	30 Jun 2023	31 Dec 2023
Non-current provisions	1.4	1.5	1.5
Current provisions	0.5	0.6	0.5
<b>Total</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>



The provision for refund claim includes guarantees related to new construction business and a 10-year warranty period after completion of the work. The provision for refund claim is measured based on previous claims and an assessment of previous experience. The provision for refund claim will be used, if applicable, within 10 years from the reporting date. SATO has no other provisions on 30 June 2024.

## 16. NOTES TO THE CASH FLOW STATEMENT

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
<b>Non-cash items included in the profit</b>					
Depreciation and amortization	1.1	1.0	2.2	2.0	4.1
Gains and losses from changes in fair value of investment properties	-5.1	75.1	-6.8	122.0	249.3
Changes in provisions	0.0	0.0	0.0	0.0	0.0
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>-3.9</b>	<b>76.1</b>	<b>-4.6</b>	<b>124.0</b>	<b>253.3</b>

EUR million	4-6/2024	4-6/2023	1-6/2024	1-6/2023	1-12/2023
<b>Changes in interest-bearing debt during the period</b>					
<b>Interest-bearing debt, beginning of period</b>	<b>2,268.7</b>	<b>2,368.8</b>	<b>2,159.2</b>	<b>2,145.7</b>	<b>2,145.7</b>
Cash changes in interest-bearing debt during the period, total	-302.8	-216.5	-194.7	5.9	12.9
Non-cash changes:					
Change in foreign exchange rates	-	0.0	-	0.0	-
Interest accrued by the effective interest rate method	0.5	0.7	1.2	1.4	2.3
Transfer of debt to buyers upon disposal of investment property and other adjustments	0.0	1.0	0.7	1.0	-1.6
<b>Interest-bearing debt, end of period</b>	<b>1,966.5</b>	<b>2,153.9</b>	<b>1,966.5</b>	<b>2,153.9</b>	<b>2,159.2</b>

## 17. COLLATERAL, COMMITMENTS AND CONTINGENCIES

EUR million	30 Jun 2024	30 Jun 2023	31 Dec 2023
<b>Mortgages and pledges for secured borrowings</b>			
Secured borrowings	628.0	259.8	313.1
Pledges and mortgages provided, fair value	1,391.3	518.7	625.8
<b>Guarantees for others</b>			
Rs-guarantees	1.9	1.9	1.9
<b>Other collateral provided</b>			
Mortgages provided to secure payment of rent and street maintenance	7.2	6.4	7.1
Guarantees and mortgages provided to secure payments of land use contracts	0.7	2.2	1.1
<b>Binding purchase agreements</b>			
For acquisitions of investment properties	7.1	57.7	16.2
Pledges for land use payments on zoned plots	0.2	0.8	0.6
Letters of intent on properties under development for which there is a zoning or other condition	50.3	70.5	74.7

## 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 2024 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 Financial Officer; EVP, Housing Business; Chief Digital Officer; VP, Human Resources; Director, Business Development; 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 28 March 2024, SATO Corporation has received an unsecured revolving credit facility from Fastighets AB Balder in the amount of EUR 350.0 million, with the maturity at 31.3.2027. No withdrawals from the facility were made during the period.

EUR million	1-6/2024	1-6/2023	1-12/2023
<b>Extended Management Group employee benefits</b>			
Salaries and other employee benefits	1.0	1.2	2.1
<b>Total</b>	<b>1.0</b>	<b>1.2</b>	<b>2.1</b>

### 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	1-6/2024	1-6/2023	2023	2022	2021	2020	2019
Net sales, EUR million	150.5	142.4	288.4	291.2	298.3	303.4	295.6
Net rental income, EUR million	101.1	93.4	198.7	200.4	210.6	220.3	207.1
Operating profit, EUR million	87.0	-68.6	-113.6	198.9	304.5	179.6	725.6
Net financing expenses, EUR million	-36.1	-32.6	-72.2	-47.0	-45.1	-50.0	-55.1
Profit before taxes, EUR million	50.9	-101.2	-185.8	151.9	259.4	129.5	670.5
Balance sheet total, EUR million	5,027.6	5,091.9	5,085.0	5,184.7	5,091.4	5,104.7	4,718.2
Shareholders' equity, EUR million	2,564.7	2,400.9	2,435.0	2,480.9	2,351.3	2,155.7	2,055.8
Interest-bearing liabilities, EUR million	1,966.5	2,153.9	2,159.2	2,145.7	2,169.5	2,381.5	2,098.4
Return on invested capital, % (ROIC)	3.8%	-3.0%	-2.5%	4.3%	6.7%	4.1%	18.9%
Return on equity, % (ROE)	3.3%	-7.0%	-6.3%	5.0%	9.1%	4.8%	29.6%
Equity ratio, %	51.0%	47.2%	47.9%	47.8%	46.2%	42.2%	43.6%
Personnel, average*	323	332	333	328	276	229	223
Personnel at the end of period	337	358	323	325	313	242	229
<b>Key indicators per share</b>							
Earnings per share, EUR	0.53	-1.51	-2.72	2.13	3.64	1.80	9.45
Equity per share, EUR**	30.21	42.41	43.01	43.82	41.53	38.07	36.31
Number of shares outstanding, million pcs	84.9	56.6	56.6	56.6	56.6	56.6	56.6
<b>Operational key figures and net asset value</b>							
Operational earnings, EUR million	35.7	25.6	58.7	88.5	101.6	109.0	91.4
Operational earnings per share, EUR	0.46	0.45	1.04	1.56	1.79	1.92	1.61
Net asset value, EUR million	2,899.9	2,752.0	2,767.5	2,849.4	2,779.3	2,577.2	2,477.7
Net asset value per share, EUR	34.16	48.61	48.88	50.33	49.09	45.52	43.76
Cash earnings, EUR million	34.3	-9.6	32.9	141.3	107.9	132.1	91.2
Cash earnings per share, EUR	0.44	-0.17	0.58	2.50	1.91	2.33	1.61
<b>Quarterly key financial indicators</b>							
	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	
Net sales, EUR million	75.8	74.7	73.5	72.5	71.5	70.9	
Net rental income, EUR million	57.5	43.7	50.2	55.1	52.5	40.8	
Operating profit, EUR million	52.2	34.9	-70.8	25.8	-51.5	-17.1	
Profit and losses from changes of fair value	5.1	1.7	-109.3	-18.0	-75.1	-46.9	
Net financing expenses, EUR million	-20.8	-15.3	-20.8	-18.8	-17.6	-15.0	
Profit before taxes, EUR million	31.4	19.6	-91.6	7.0	-69.1	-32.1	
Earnings per share, EUR	0.30	0.23	-1.30	0.10	-1.05	-0.46	
Average number of shares outstanding, million pcs	84.9	69.7	56.6	56.6	56.6	56.6	
Housing investments, EUR million	10.0	12.8	27.5	29.8	46.5	46.2	
as percentage of net sales	13.2%	17.1%	37.4%	41.1%	65.0%	65.2%	
<b>Operational key figures</b>							
Operational earnings, EUR million	21.1	14.6	13.4	19.7	14.3	11.3	
Operational earnings per share, EUR	0.25	0.21	0.24	0.35	0.25	0.20	
Cash earnings, EUR million	8.8	25.5	17.8	24.6	-11.3	1.7	
Cash earnings per share, EUR	0.10	0.37	0.31	0.44	-0.20	0.03	

\* Including seasonal employees.

\*\* Equity excluding non-controlling interests.

### Items impacting comparability

SATO's equity and the number of shares have increased after the rights offering completed in 2024. Comparative figures have not been restated.

## FORMULAS USED IN CALCULATION

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