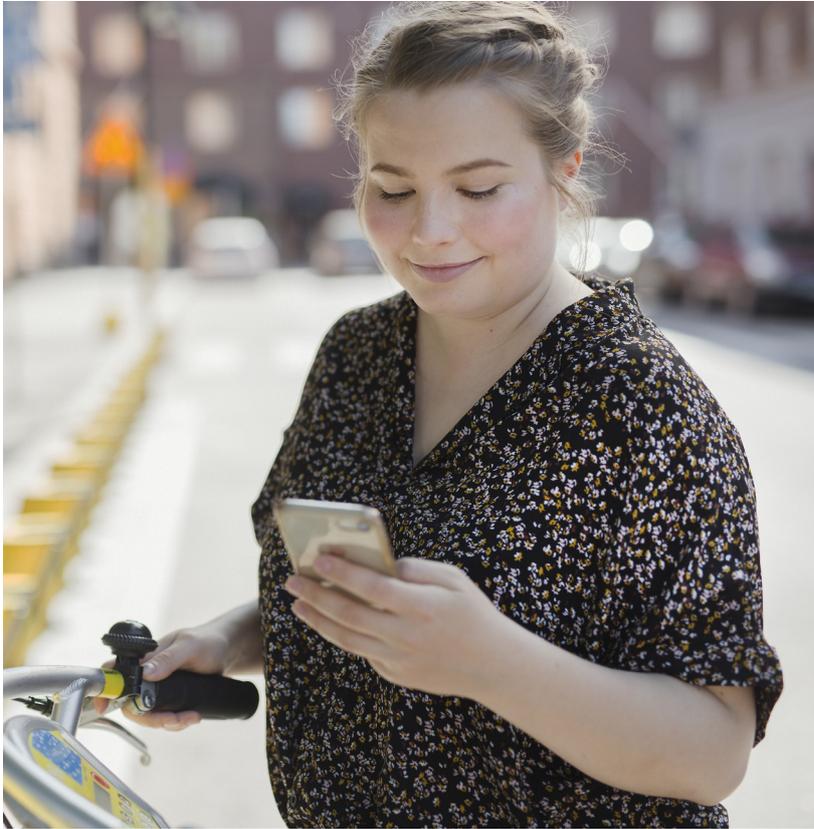


# HI HALF-YEAR REPORT 1 JAN–30 JUN 2020



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## KEY FIGURES



Key figure	1-6/2020	1-6/2019	1-12/2019
Net sales	€ 152.1 million	€ 146.5 million	€ 295.6 million
Number of rental apartments	26,767 homes	25,848 homes	26,074 homes
Investment properties	€ 4.71 billion	€ 4.04 billion	€ 4.66 billion
Housing investments	€ 59.8 million	€ 77.2 million	€ 185.9 million
Under construction Finland	467 pcs	1,221 pcs	868 pcs
Average rent in Finland at the end of review period	17.44 €/m <sup>2</sup> /month	17.03 €/m <sup>2</sup> /month	17.23 €/m <sup>2</sup> /month
Cash earnings	€ 59.1 million	€ 31.3 million	€ 97.9 million
Shareholders' equity at the end of review period	€ 2,113.1 million	€ 1,582.8 million	€ 2,055.8 million

# SATO CORPORATION'S HALF-YEAR REPORT I JAN–30 JUN 2020

## SATO IMPROVES THE AVAILABILITY OF ITS CUSTOMER SERVICE

### SUMMARY FOR I JAN–30 JUN 2020 (I JAN–30 JUN 2019)

- The economic occupancy rate in Finland was 97.2 (98.0) %.
- Net sales were EUR 152.1 (146.5) million.
- Net rental income amounted to € 106.6 (97.2) million.
- Profit before taxes was EUR 76.3 (85.5) million.
- The change in the fair value of investment properties included in the result was EUR 6.7 (39.2) million.
- Housing investments amounted to € 59.8 (77.2) million.
- Invested capital at the end of review period was € 4,335.0 (4,154.2) million.
- Return on invested capital was 4.7 (6.7) per cent.
- Equity was EUR 2,113.1 (1,582.8) million, or EUR 37.32 (27.96) per share.
- Earnings per share were EUR 1.07 (1.20).
- A total of 608 (0) rental apartments were acquired or completed.
- A total of 410 rental apartments and 57 owner-occupied apartments are under construction.

### SUMMARY FOR I APR–30 JUN 2020 (I APR–30 JUN 2019)

- The economic occupancy rate in Finland was 96.9 (98.0) %.
- Net sales were EUR 76.5 (73.4) million.
- Net rental income amounted to € 59.6 (53.7) million.
- Profit before taxes was EUR 41.8 (39.0) million.
- The change in the fair value of investment properties included in the result was EUR 1.8 (16.5) million.
- Housing investments amounted to € 32.5 (46.8) million.
- Invested capital at the end of review period was € 4,335.0 (4,154.2) million.
- Equity was EUR 2,113.1 (1,582.8) million, or EUR 37.32 (27.96) per share.
- Earnings per share were EUR 0.59 (0.55).
- A total of 397 (0) rental apartments were acquired or completed.
- A total of 410 rental apartments and 57 owner-occupied apartments are under construction.

## CEO SHARAM RAHI:

- We reorganised SATO's Rental Housing Business as of 1 June 2020 to reinforce our Customer First strategy. The change aims to ensure that our customers receive even better and more easily available customer service. As a key element of the change we launched during the review period the recruitment of 11 employees to fill the new role of Service Manager.
- The impacts of the coronavirus pandemic can be broadly seen in Finland's economy. Despite the situation, SATO's occupancy rate was only moderately lower and stood at 97.2 per cent (98.0%) during the review period.
- Our organisation has been able to operate efficiently and serve our customers well also while teleworking due to the coronavirus pandemic. We have continued to look after the safety of our customers, personnel and partners, and we have visited the homes of our customers' only to take care of the most urgent maintenance measures.
- During the period under review, the number of apartments continued to grow through SATO's new construction, and 608 new rental apartments were completed.
- SATO's first FlexHome was completed in the Tali neighbourhood of Helsinki on 1 June. FlexHome is a new concept for part ownership that enables home ownership with a small initial capital outlay and a five-year part-ownership period.
- SATO's financing structure improved further during the review period, when SATO Corporation issued a EUR 300 million senior unsecured bond offered to European investors under its EMTN programme.
- Finally, I would like to thank everyone at SATO for their amazing creativity and handling of the daily work during the tough period we have had.

## OPERATING ENVIRONMENT

The coronavirus pandemic which began to spread in early 2020 will have a significant effect on Finland's economy. According to the forecast of the Bank of Finland, the contraction in the Finnish economy will be between 5 and 11 per cent this year. The negative impact of the pandemic is limited with support measures of the European Central Bank, European Union and the State of Finland. According to Statistics Finland, consumers' pessimistic attitude towards Finland's economy grew significantly when the restrictions came into effect.

Demand for rental apartments has remained good, and urbanisation continues to be strong.

## REVIEW PERIOD I JANUARY–30 JUNE 2020 (I JANUARY–30 JUNE 2019)

### NET SALES AND PROFIT

Between January and June 2020, consolidated net sales were EUR 152.1 (146.5) million.

Operating profit was EUR 99.7 (119.4) million. The operating profit without the change in the fair value of investment properties was EUR 93.1 (80.2) million. The change in fair value in profit and loss was EUR 6.7 (39.2) million.

Financial income and expenses totalled EUR -23.4 (-33.9) million.

Profit before taxes was EUR 76.3 (85.8) million. Cash flow from operations (free cash flow after taxes excluding changes in fair value) between January and June amounted to EUR 59.1 (31.3) million.

Earnings per share was 1.07 (1.20) euros.

### FINANCIAL POSITION AND FINANCING

The consolidated balance sheet totalled EUR 4,915.6 (4,105.5) million at the end of June. Equity was EUR 2,113.1 (1,582.8) million. Equity per share was EUR 37.32 (27.96).

The Group's equity ratio was 43.0 (38.6) per cent at the end of June. EUR 358.6 million in new long-term financing was withdrawn and the solvency ratio was 43.8 (49.9) per cent at the end of June.

The Group's annualised return on equity was 5.8 (8.6) per cent. Return on investment was 4.7 (6.7) per cent.

Interest-bearing liabilities at the end of June totalled EUR 2,221.9 (2,049.6) million, of which loans subject to market terms accounted for EUR 1,992.8 (1,755.0) million. The average loan interest rate was 2.0 (1.8) per cent. Net financing costs totalled EUR -23.4 (-33.9) million.

The calculated impact of changes in the market value of interest hedging on equity was EUR -3.1 (-11.2) million.

The proportion of loans without asset-based securities was 80.6 (74.5) per cent of all loans. At the end of June, the proportion of unencumbered assets was 83.9 (80.2) per cent 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 152.1 (146.5) million. The economic occupancy rate of apartments in Finland was 97.2 (98.0) per cent on average, and the external tenant turnover was 30.0 (28.2) per cent.

The average monthly rent of SATO's rental apartments in Finland at the end of the review period was EUR 17.44 (17.03) per m<sup>2</sup>.

Net rental income from apartments stood at EUR 106.6 (97.2) million.

## INVESTMENT PROPERTIES

On 30 June 2020, SATO owned a total of 26,767 (25,848) apartments. During the review period, 608 (0) rental apartments were completed. The total number of divested rental apartments and part ownership apartments redeemed by the owner-occupants was 106.

### 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 4,706.5 (4,038.2) million. The change in the value of investment properties, including the rental apartments acquired and divested during the review period, was EUR 48.6 (163.1) million.

Of the value of apartments, the Helsinki metropolitan area accounted for some 85 per cent, Tampere and Turku made up 11 per cent, Jyväskylä and Oulu 2 per cent and St. Petersburg covered 2 per cent at the end of June.

### Investments, divestments and property development

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

Investments in rental apartments stood at EUR 59.8 (77.2) million. Investments in the Helsinki metropolitan area represented 89 per cent of all investments in the review period. Investments in new apartments represented 54 per cent of the investments. On 30 June 2020, binding purchase agreements in Finland totalled EUR 58.5 (79.6) million.

During the review period, 61 (21) rental apartments were divested in Finland. Their total value was EUR 3.9 (4.0) million.

The book value of plot reserves totalled EUR 59.3 (37.7) million at the end of June. The value of new plots acquired by the end of June totalled EUR 1.8 (0.0) million.

The permitted building volume for approximately 2,400 apartments is being developed for the plots in the company's housing portfolio. This allows SATO to utilise existing infrastructure, create a denser urban structure and thus bring more customers closer to services and public transport connections.

In Finland, a total of 608 (0) rental apartments and 99 (0) owner-occupied apartments were completed. On 30 June 2020, a total of 410 (1,090) rental apartments and 57 (131) owner-occupied apartments were under construction.

A total of EUR 33.8 (31.6) million was spent on repairing apartments and improving their quality.

At the end of June, SATO owned 533 (534) apartments in St. Petersburg. The economic occupancy rate of rental apartments in St. Petersburg was 89.7 (92.8) per cent on average. For the time being, SATO will refrain from making new investment decisions in Russia. The share of investments in Russia is limited to a maximum of 10 per cent of the Group's housing assets.

## PERSONNEL

At the end of June, the Group employed 224 (221) people, of whom 205 (202) had a permanent employment contract. The average number of personnel was 223 (219) between January and June.

## PERIOD I APRIL–30 JUNE 2020 (I APRIL–30 JUNE 2019)

### NET SALES AND PROFIT

Between April and June 2020, consolidated net sales were EUR 76.5 (73.4) million.

Operating profit was EUR 54.2 (61.6) million. The operating profit without the change in the fair value of investment properties was EUR 52.4 (45.1) million. The change in fair value in profit and loss was EUR 1.8 (16.5) million.

Financial income and expenses totalled EUR -12.4 (-22.6) million.

Profit before taxes was EUR 41.8 (39.0) million. Cash flow from operations (free cash flow after taxes excluding changes

in fair value) between April and June amounted to EUR 29.8 (11.3) million.

Earnings per share was 0.59 (0.55) euros.

## HOUSING BUSINESS

Rental income was EUR 76.5 (73.4) million. The economic occupancy rate of apartments in Finland was 96.9 (98.0) per cent on average, and the external tenant turnover was 31.8 (28.0) per cent.

The average monthly rent of SATO's rental apartments in Finland at the end of the review period was EUR 17.44 (17.03) per m<sup>2</sup>.

Net rental income from apartments stood at EUR 59.6 (53.7) million.

## INVESTMENT PROPERTIES

On 30 June 2020, SATO owned a total of 26,767 (25,848) apartments. During the review period, 397 (0) rental apartments were completed. The total number of divested rental apartments and part ownership apartments redeemed by the owner-occupants was 50.

At the end of June, the fair value of investment properties came to a total of EUR 4,706.5 (4,038.2) million. The change in the value of investment properties, including the rental apartments acquired and divested during the review period, was EUR 17.4 (66.7) million.

Of the value of apartments, the Helsinki metropolitan area accounted for some 85 per cent, Tampere and Turku made up 11 per cent, Jyväskylä and Oulu 2 per cent and St. Petersburg covered 2 per cent at the end of June.

### Investments, divestments and property development

Investments in rental apartments stood at EUR 32.5 (46.8) million. Investments in the Helsinki metropolitan area represented 85 per cent of all investments in the review period. Investments in new apartments represented 41 per cent of the investments. On 30 June 2020, binding purchase agreements in Finland totalled EUR 58.8 (79.6) million.

During the review period, 5 (7) rental apartments were divested in Finland. Their total value was EUR 1.5 (1.3) million.

The book value of plot reserves totalled EUR 59.3 (37.7) million at the end of June. The value of new plots acquired by the end of June totalled EUR 1.8 (0.0) million.

The permitted building volume for approximately 2,400 apartments is being developed for the plots in the company's housing portfolio. This allows SATO to utilise existing infrastructure, create a denser urban structure and thus bring more customers closer to services and public transport connections.

In Finland, a total of 397 (0) rental apartments and 99 (0) owner-occupied apartments were completed. On 30 June 2020, a total of 410 (1,090) rental apartments and 57 (131) owner-occupied apartments were under construction.

A total of EUR 17.9 (17.5) million was spent on repairing apartments and improving their quality.

At the end of June, SATO owned 533 (534) apartments in St. Petersburg. The economic occupancy rate of rental apartments in St. Petersburg was 88.2 (92.0) per cent on average. For the time being, SATO will refrain from making new investment decisions in Russia. The share of investments in Russia is limited to a maximum of 10 per cent of the Group's housing assets.

## PERSONNEL

At the end of June, the Group employed 224 (221) people, of whom 205 (209) had a permanent employment contract. The average number of personnel was 222 (220) between April and June.

## ANNUAL GENERAL MEETING ON 23 JUNE 2020

The number of members of the Board of Directors was confirmed to be six persons.

The Annual General Meeting elected Erik Selin to serve as Chairman of the Board. Members Jukka Hienonen, Esa Lager, Tarja Pääkkönen, Johannes (Hans) Spikker and Timo Stenius were re-elected as members of the Board of Directors.

Deloitte Oy, the firm of authorized public accountants, was elected as the auditor. Deloitte Oy has notified that APA Eero Lumme will serve as the auditor with principal responsibility.

The Annual General Meeting resolved that no dividends will be paid by SATO Corporation for the financial period ending 31 December 2019.

## ORGANISATION OF THE BOARD OF DIRECTORS

At its organizational meeting also held on 23 June 2020, the Board elected from among its number Jukka Hienonen to serve as Deputy Chairman.

Erik Selin was appointed by the Board to chair the Nomination and Remuneration Committee and Jukka Hienonen and Tarja Pääkkönen to serve as Committee members.

## EVENTS AFTER THE REVIEW PERIOD

There are no significant events following the review period.

## FUTURE RISKS AND UNCERTAINTIES

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

The most significant risk in the immediate future is the coronavirus pandemic, whose duration and impact on the Finnish economy are difficult to estimate. A prolonged COVID-19 pandemic may have a major negative impact on economic growth, and on business activity, employment and work productivity in Finland. Such economic or business deterioration, as well as quarantines or other restrictive measures, may have an adverse impact on the financial result or operations of SATO, not to mention on financing costs or values of SATO's investment properties. To minimise the negative business impacts of the coronavirus pandemic, the company has postponed the start of some new projects and launched a cost-saving programme to secure future stability, in addition to reinforcing its sales and marketing measures.

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

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

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

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

Floating rate loans form an interest rate risk which we manage by balancing the share of fixed and floating rate loans either by issuing fixed rate loans or by interest rate hedges. At the end of the review period the share of fixed rate loans of debt portfolio was 73.7 per cent.

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

A more detailed description of risks and risk management is available in the Group's annual report for 2019 and on the website [www.sato.fi](http://www.sato.fi).

## OUTLOOK

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

The coronavirus pandemic which began to spread in early 2020 will have a significant effect on Finland's economy. According to the forecast of the Bank of Finland, the national economy will contract between 5 and 11 per cent this year. The negative impact of the pandemic is limited with support measures of the European Central Bank, European Union and the State of Finland. According to Statistics Finland, consumers' pessimistic attitude towards Finland's economy grew significantly when the restrictions came into effect.

Due to Europe's weak economic development, interest rates are expected to remain low for a longer time, which will have a positive impact on SATO's financing costs.

Still, urbanisation provides good long-term conditions for sustained investments in SATO's main operating areas in Finland. The share of net migration in population increase is expected to be the highest in SATO's operating areas. Some 80 per cent of SATO's housing stock is located in the Helsinki metropolitan area, where price development is expected to be more positive than in the rest of Finland.

The number of construction permits applied for has fallen dramatically, due to which the historically high rate of housing construction is expected to decrease in the coming years.

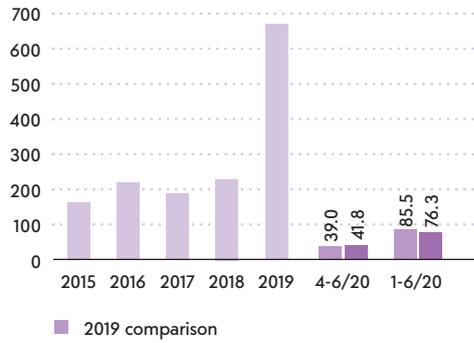
## SATO CORPORATION'S SHAREHOLDERS ON 30 JUNE 2020

Largest shareholders and their holdings	pcs	%
Balder Finska Otas AB (Fastighets AB Balder)	31,001,003	54.6%
Stichting Depository APG Strategic Real Estate Pool	12,811,647	22.6%
Elo Mutual Pension Insurance Company	7,233,081	12.7%
The State Pension Fund	2,796,200	4.9%
The Finnish Construction Trade Union	619,300	1.1%
Valkila Erkki	390,000	0.7%
Hengityssairauksien tutkimussäätiö	227,000	0.4%
Entelä Tuula	179,000	0.3%
SATO Corporation	160,000	0.3%
Heinonen Erkki	156,684	0.3%
Others (110 shareholders)	1,217,349	2.1%

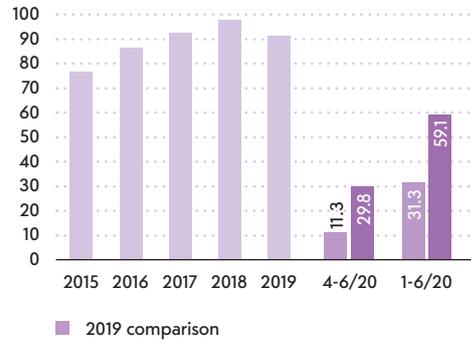
On 30 June 2020, SATO had 56,783,067 shares and 122 shareholders registered in the book-entry system. The share turnover rate was 0.65 per cent for the period 1 January–30 June 2020.

# FINANCIAL TREND

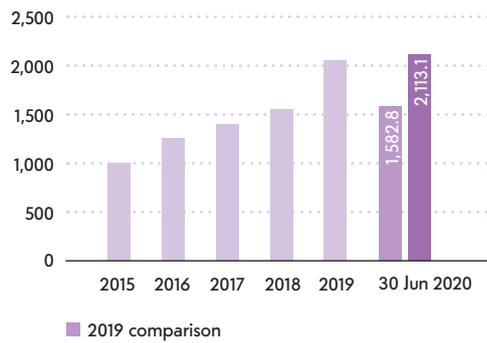
Profit before taxes, MEUR



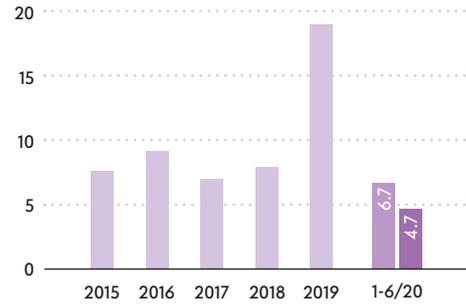
Cash earnings (CE), MEUR



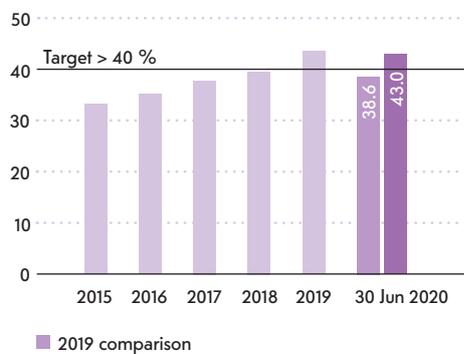
Shareholders' equity, MEUR



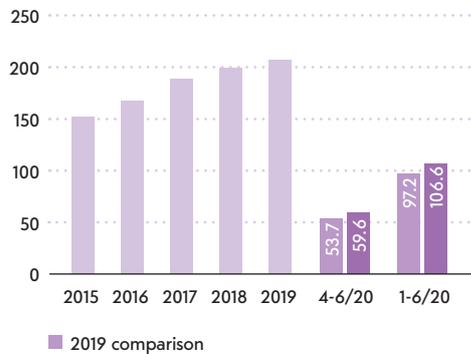
Return on invested capital, %



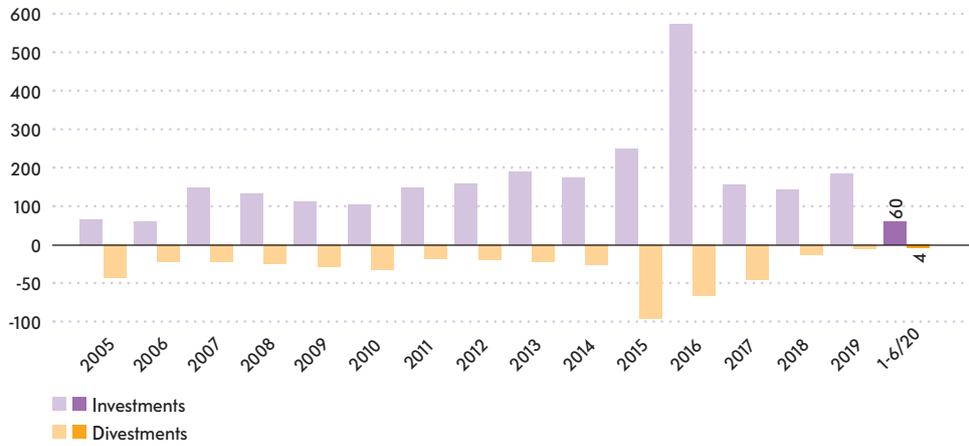
Equity ratio, %



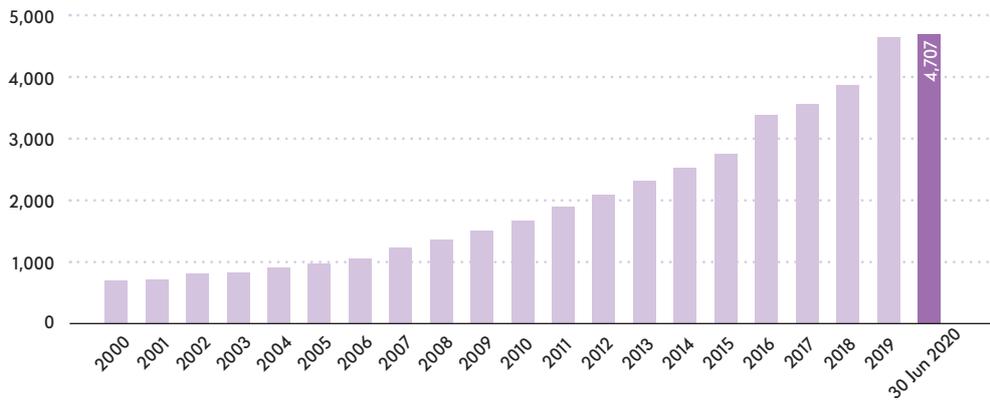
Net rental income, MEUR



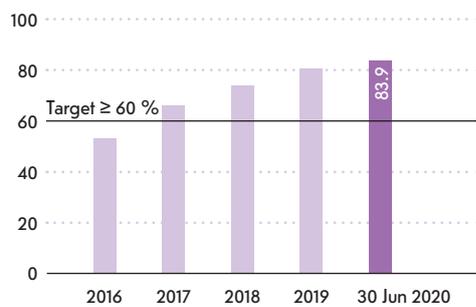
### Housing investments and divestments, MEUR



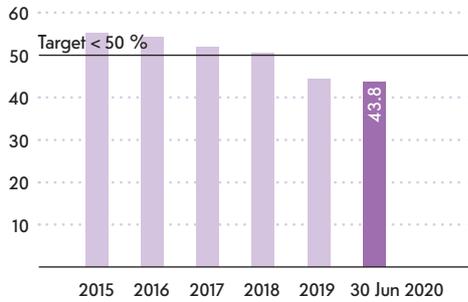
### Trend in the investment property portfolio value, MEUR



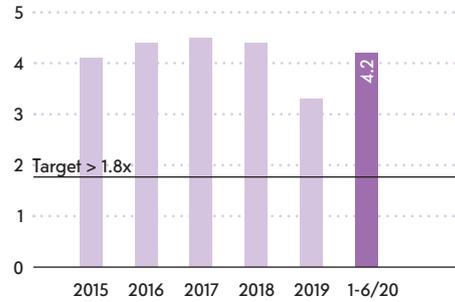
### Unencumbered assets, %



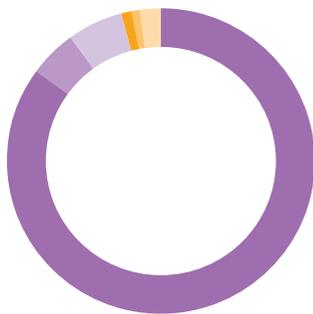
**Solvency ratio, %**



**Interest coverage ratio**



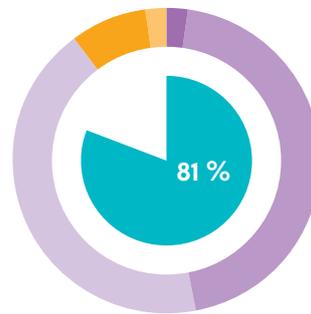
**Regional distribution of the housing portfolio, 30 Jun 2020**



- Helsinki Metropolitan Area 85 %
- Turku region 5 %
- Tampere region 6 %
- Jyväskylä region 1 %
- Oulu region 1 %
- St. Petersburg 2 %

Total housing portfolio MEUR 4,575

**Debt portfolio, Nominal values 30 Jun 2020, total MEUR 2,240**



- Commercial papers 53
- Corporate bonds 999
- Bank loans 959
- Interest subsidised 182
- State subsidised (ARAVA) 47
- 81 % of loans without asset based securities

## CONSOLIDATED INCOME STATEMENT, IFRS

MEUR	1 Apr–30 Jun 2020	1 Apr–30 Jun 2019	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	1 Jan–31 Dec 2019
Net sales	76.5	73.4	152.1	146.5	295.6
Property maintenance expenses	-16.9	-19.7	-45.5	-49.3	-88.5
<b>Net rental income</b>	<b>59.6</b>	<b>53.7</b>	<b>106.6</b>	<b>97.2</b>	<b>207.1</b>
Fair value change of investment properties, realised	0.1	0.0	1.5	-0.5	1.0
Fair value change of investment properties, unrealised	1.8	16.5	6.7	39.2	552.2
Sales, marketing and administrative expenses	-8.1	-8.0	-15.4	-15.8	-32.6
Other operating income	1.4	-0.1	1.5	-0.1	1.9
Other operating expenses	-0.6	-0.5	-1.2	-0.7	-4.3
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.2
<b>Operating profit</b>	<b>54.2</b>	<b>61.6</b>	<b>99.7</b>	<b>119.4</b>	<b>725.6</b>
Financial income	0.2	0.2	0.2	0.4	0.9
Financial expenses	-12.6	-22.8	-23.7	-34.3	-56.0
	-12.4	-22.6	-23.4	-33.9	-55.1
<b>Profit before tax</b>	<b>41.8</b>	<b>39.0</b>	<b>76.3</b>	<b>85.5</b>	<b>670.5</b>
Income tax expenses	-8.5	-8.0	-15.9	-17.8	-135.5
<b>Profit for the period</b>	<b>33.3</b>	<b>31.0</b>	<b>60.4</b>	<b>67.7</b>	<b>534.9</b>
<b>Profit for the period attributable to</b>					
Equity holders of the parent	33.3	31.0	60.4	67.7	535.0
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
	<b>33.3</b>	<b>31.0</b>	<b>60.4</b>	<b>67.7</b>	<b>534.9</b>
<b>Earnings per share attributable to equity holders of the parent</b>					
Basic, EUR	0.59	0.55	1.07	1.20	9.45
Diluted, EUR	0.59	0.55	1.07	1.20	9.45
Average number of shares, million	56.6	56.6	56.6	56.6	56.6

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

MEUR	1 Apr–30 Jun 2020	1 Apr–30 Jun 2019	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	1 Jan–31 Dec 2019
<b>Other comprehensive income</b>					
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
<b>Items that will never be reclassified to income statement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Cash flow hedges	-1.9	-6.3	-3.8	-14.0	-6.7
Translation differences	0.0	0.0	0.0	0.1	0.1
Related tax	0.4	1.3	0.8	2.8	1.3
<b>Items that may be reclassified subsequently to income statement</b>	<b>-1.5</b>	<b>-5.1</b>	<b>-3.1</b>	<b>-11.1</b>	<b>-5.3</b>
<b>Other comprehensive income, net of tax</b>	<b>-1.5</b>	<b>-5.1</b>	<b>-3.1</b>	<b>-11.1</b>	<b>-5.3</b>
<b>Total comprehensive income</b>	<b>31.8</b>	<b>25.9</b>	<b>57.3</b>	<b>56.6</b>	<b>529.6</b>
<b>Comprehensive income attributable to</b>					
Equity holders of the parent	31.8	25.9	57.3	56.6	529.7
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
	<b>31.8</b>	<b>25.9</b>	<b>57.3</b>	<b>56.6</b>	<b>529.6</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	4,706.5	4,038.2	4,657.9
Tangible assets	2.8	2.8	3.2
Intangible assets	3.9	3.0	3.7
Investments in associated companies and joint ventures	0.1	0.0	0.2
Other non-current investments	1.0	1.1	1.1
Other right-of-use assets	7.2	6.6	7.7
Non-current receivables	6.8	6.0	6.3
Deferred tax assets	15.0	15.6	14.2
<b>Total</b>	<b>4,743.1</b>	<b>4,073.4</b>	<b>4,694.4</b>
<b>Current assets</b>			
Account and other receivables	25.6	11.6	10.9
Current tax assets	20.6	17.4	7.9
Cash and cash equivalents	126.1	3.1	5.0
<b>Total</b>	<b>172.4</b>	<b>32.1</b>	<b>23.8</b>
<b>TOTAL ASSETS</b>	<b>4,915.5</b>	<b>4,105.5</b>	<b>4,718.2</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	-32.9	-35.6	-29.8
Reserve fund	43.7	43.7	43.7
Reserve for invested non-restricted equity	114.8	114.8	114.8
Retained earnings	1,983.2	1,455.5	1,922.8
<b>Total</b>	<b>2,113.3</b>	<b>1,582.9</b>	<b>2,055.9</b>
<b>Non-controlling interests</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,113.1</b>	<b>1,582.8</b>	<b>2,055.8</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	391.2	284.1	387.4
Provisions	1.8	1.8	1.6
Lease liabilities	49.7	47.8	53.0
Derivative liabilities	40.5	56.2	46.7
Long-term non-interest bearing liabilities	0.0	0.0	0.0
Long-term interest bearing liabilities	1,800.9	1,756.0	1,673.8
<b>Total</b>	<b>2,284.0</b>	<b>2,145.9</b>	<b>2,162.4</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	76.5	64.1	65.3
Provisions	3.4	3.1	2.8
Lease liabilities	4.6	5.2	4.7
Current tax liabilities	12.9	10.7	2.6
Short-term interest bearing liabilities	421.1	293.7	424.6
<b>Total</b>	<b>518.4</b>	<b>376.8</b>	<b>500.0</b>
<b>TOTAL LIABILITIES</b>	<b>2,802.4</b>	<b>2,522.7</b>	<b>2,662.4</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,915.5</b>	<b>4,105.5</b>	<b>4,718.2</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

MEUR	1 Apr–30 Jun 2020	1 Apr–30 Jun 2019	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	1 Jan–31 Dec 2019
<b>Cash flow from operating activities</b>					
<b>Profit for the period</b>	<b>33.3</b>	<b>31.0</b>	<b>60.4</b>	<b>67.7</b>	<b>534.9</b>
Adjustments:					
Non-cash items included in the profit	-1.0	-15.6	-4.3	-37.4	-549.3
Profit and loss on sales of investment properties and fixed assets	-0.1	0.0	-1.6	0.5	-1.1
Other adjustments	0.1	-0.3	0.1	0.1	0.4
Interest expenses and other financial expenses	12.6	22.8	23.7	34.3	56.0
Interest income	-0.2	-0.2	-0.2	-0.4	-0.8
Dividend income	0.0	0.0	0.0	0.0	0.0
Income taxes	8.5	8.0	15.9	17.8	135.5
<b>Cash flow before change in net working capital</b>	<b>53.2</b>	<b>45.7</b>	<b>93.9</b>	<b>82.6</b>	<b>175.6</b>
Change in net working capital:					
Changes in accounts receivable and other receivables	-13.6	-1.6	-14.7	0.7	2.3
Change in accounts payable and other liabilities	-1.7	1.5	6.1	7.3	0.2
Interest paid	-15.2	-26.8	-25.3	-40.7	-58.8
Interest received	-0.2	0.2	-0.4	0.3	0.7
Taxes paid	-6.2	-6.2	-14.6	-14.1	-27.3
<b>Net cash flow from operating activities</b>	<b>16.2</b>	<b>12.7</b>	<b>44.9</b>	<b>36.0</b>	<b>92.8</b>
<b>Cash flow from investing activities</b>					
Disposals of subsidiaries, net of disposed cash	0.0	0.0	0.0	0.0	0.0
Investments in investment properties	-36.1	-50.7	-68.5	-88.3	-211.3
Net investment in tangible and intangible assets	-0.3	-1.1	-0.6	-1.6	-3.4
Repayments of loans receivable	1.9	1.0	2.5	1.0	0.8
Payments of granted loans	0.0	0.0	-3.0	0.0	0.0
Disposals of investment property	13.8	1.2	16.7	10.0	28.1
<b>Net cash flow from investing activities</b>	<b>-20.7</b>	<b>-49.6</b>	<b>-52.9</b>	<b>-78.8</b>	<b>-185.9</b>
<b>Cash flow from financing activities</b>					
Repayments (-) / withdrawals (+) of current loans	-232.1	37.0	-180.1	53.0	50.1
Withdrawals of non-current loans	358.2	521.9	358.6	542.0	657.2
Repayments of non-current loans	-35.5	-495.3	-48.0	-525.0	-583.9
Repayments of lease liabilities	-1.3	-0.6	-1.5	-1.2	-2.5
Repayment of capital and dividends paid	0.0	-28.3	0.0	-28.3	-28.3
<b>Net cash flow from financing activities</b>	<b>89.3</b>	<b>34.7</b>	<b>129.1</b>	<b>40.4</b>	<b>92.6</b>
<b>Change in cash and cash equivalents</b>	<b>84.9</b>	<b>-2.2</b>	<b>121.2</b>	<b>-2.4</b>	<b>-0.5</b>
Cash and cash equivalents at the beginning of period	41.5	5.3	5.0	5.4	5.4
Effect of exchange rate fluctuations on cash held	-0.2	0.0	-0.1	0.1	0.1
Cash and cash equivalents at the end of period	126.1	3.1	126.1	3.1	5.0

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

MEUR	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 2019</b>	4.4	-24.4	43.7	114.8	1,416.1	1,554.6	-0.1	1,554.5	
Comprehensive income:									
Cash flow hedges, net of tax	-	-11.2	-	-	-	-11.2	-	-11.2	
Translation differences	-	-	-	-	0.1	0.1	-	0.1	
Profit for the period	-	-	-	-	67.7	67.7	0.0	67.7	
<b>Total comprehensive income</b>	0.0	-11.2	0.0	0.0	67.8	56.6	0.0	56.6	
Transactions with shareholders:									
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3	
<b>Transaction with shareholders, total</b>	0.0	0.0	0.0	0.0	-28.3	-28.3	0.0	-28.3	
Other adjustments	0.0	-	-	-	-	0.0	-	0.0	
<b>Total of equity movements</b>	0.0	-11.2	0.0	0.0	39.5	28.3	0.0	28.3	
<b>Shareholders' equity 30 Jun 2019</b>	4.4	-35.6	43.7	114.8	1,455.5	1,582.9	-0.1	1,582.8	

MEUR	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 2020</b>	4.4	-29.8	43.7	114.8	1,922.8	2,055.9	-0.2	2,055.8	
Comprehensive income:									
Cash flow hedges, net of tax	-	-3.1	-	-	-	-3.1	-	-3.1	
Translation differences	-	-	-	-	0.0	0.0	-	0.0	
Profit for the period	-	-	-	-	60.4	60.4	0.0	60.4	
<b>Total comprehensive income</b>	0.0	-3.1	0.0	0.0	60.4	57.3	0.0	57.3	
Transactions with shareholders:									
Dividend	-	-	-	-	0.0	0.0	-	0.0	
<b>Transaction with shareholders, total</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other adjustments	-	-	-	-	-	0.0	-	0.0	
<b>Total of equity movements</b>	0.0	-3.1	0.0	0.0	60.4	57.3	0.0	57.3	
<b>Shareholders' equity 30 Jun 2020</b>	4.4	-32.9	43.7	114.8	1,983.2	2,113.3	-0.2	2,113.1	

## NOTES TO THE HALF-YEAR REPORT

### 1. GENERAL INFORMATION

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

### 2. BASIS OF PREPARATION AND NEW ACCOUNTING STANDARDS

SATO's 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.

From the beginning of the year 2020, the Group has adopted new or amended IFRS's and IFRIC interpretations, as described in the financial statements 2019. The changes have been applied to the comparison periods.

Otherwise, the half-year financial report has been prepared according to the same accounting principles as the consolidated financial statements for the year ended 31 December 2019.

### 3. SEGMENT INFORMATION

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

#### Net sales by geographical region

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Finland	75.2	71.9	149.3	143.5	289.3
Russia	1.3	1.5	2.8	3.0	6.2
<b>Total</b>	<b>76.5</b>	<b>73.4</b>	<b>152.1</b>	<b>146.5</b>	<b>295.6</b>

#### Non-current assets by geographical region

MEUR	30 Jun 2020			30 Jun 2019		
	Finland	Russia	Total	Finland	Russia	Total
Investment property	4,595.6	110.9	4,706.5	3,918.0	120.2	4,038.2
Tangible assets	2.7	0.1	2.8	2.8	0.1	2.8
Intangible assets	3.8	0.0	3.9	3.0	0.0	3.0
Other right-of-use assets	7.2	-	7.2	6.6	-	6.6
Investments in associated companies	0.1	-	0.1	0.0	-	0.0
<b>Total</b>	<b>4,609.3</b>	<b>111.0</b>	<b>4,720.3</b>	<b>3,930.4</b>	<b>120.3</b>	<b>4,050.7</b>

MEUR	31 Dec 2019		
	Finland	Russia	Total
Investment property	4,533.8	124.0	4,657.9
Tangible assets	3.2	0.1	3.2
Intangible assets	3.7	0.0	3.7
Other right-of-use assets	7.7	-	7.7
Investments in associated companies	0.2	-	0.2
<b>Total</b>	<b>4,548.6</b>	<b>124.1</b>	<b>4,672.8</b>

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

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
<b>Sale of residential investment properties</b>					
Proceeds from disposal of residential investment properties	1.6	1.3	5.4	4.0	9.0
Carrying value of investment properties sold	-1.5	-1.3	-3.9	-4.0	-9.1
<b>Total</b>	<b>0.1</b>	<b>0.0</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Sale of land plots</b>					
Proceeds from disposal of land plots	0.1	0.2	6.2	5.4	12.1
Carrying value of land plots sold	-0.2	-0.2	-6.2	-5.9	-11.1
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.5</b>	<b>1.0</b>
<b>Total</b>	<b>0.1</b>	<b>0.0</b>	<b>1.5</b>	<b>-0.5</b>	<b>1.0</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 quarter, plus any further investments made thereafter.

#### 5. OTHER OPERATING INCOME

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
<b>Other operating income</b>					
Sales income, new production	18.7	0.0	18.7	0.0	13.3
New production expenses	-17.4	-0.2	-17.4	-0.3	-11.8
Other income	0.1	0.1	0.2	0.2	0.4
<b>Total</b>	<b>1.4</b>	<b>-0.1</b>	<b>1.5</b>	<b>-0.1</b>	<b>1.9</b>

#### 6. FINANCIAL INCOME AND EXPENSES

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
<b>Financial income</b>					
Interest income on loans and other receivables	0.2	0.2	0.2	0.3	0.7
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	0.1	0.1
<b>Total</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	<b>0.9</b>
<b>Financial expenses</b>					
Interest expense on financial liabilities measured at amortised cost	-7.2	-5.9	-12.7	-12.6	-23.9
Interest expense on effective cash flow hedges	-3.0	-2.9	-6.0	-5.6	-11.7
Interest expense on lease liabilities	-0.8	-0.8	-1.6	-1.5	-3.1
Foreign exchange losses	0.1	0.0	-0.3	0.0	0.0
Other financial expenses	-1.8	-13.3	-3.1	-14.5	-17.3
<b>Total</b>	<b>-12.6</b>	<b>-22.8</b>	<b>-23.7</b>	<b>-34.3</b>	<b>-56.0</b>
<b>Financial income and expenses, net</b>	<b>-12.4</b>	<b>-22.6</b>	<b>-23.4</b>	<b>-33.9</b>	<b>-55.1</b>

## 7. INVESTMENT PROPERTIES

MEUR	1-6/2020	1-6/2019	1-12/2019
<b>Fair value of investment properties at start of period</b>	4,657.9	3,922.4	3,922.4
Acquisitions of properties	0.0	0.0	31.1
New construction and other investments in properties	67.9	85.1	180.0
Disposals of investment properties	-27.8	-10.3	-32.2
Capitalised borrowing costs	1.1	1.2	2.6
Reclassified from other items	0.7	0.6	0.8
Gains and losses in profit and loss from changes in fair value*	6.7	39.2	55.2
Remeasurement of right-of-use investment properties, no P/L effect	0.0	0.0	0.9
<b>Fair value of investment properties at end of period</b>	<b>4,706.5</b>	<b>4,038.2</b>	<b>4,657.9</b>

\* Gains and losses from changes in fair value include foreign exchange gains and losses of EUR -15.1 (4.1) million.

### Significant acquisitions and disposals during the period

SATO did not make any acquisitions of completed investment properties or land plots during the period. The most significant divestments in the period was the sale of two plots in Niittykumpu, Espoo, to Lujatalo Oy and sales of owner-occupied HITAS apartments in Verkkosaari, Helsinki.

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

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

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

At inception, owned investment properties are recognised at acquisition value, which includes transaction costs. Thereafter, they are recorded at fair value. Gains and losses from changes in fair value are recorded through profit and loss in the period when they are incurred. Fair value of an investment property represents the price that, according to the Group's estimate, would be received for the property in an orderly transaction taking place in the local (principal) market at the reporting date, considering the condition and location of the property. 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 valuation methods for SATO's owned investment properties are income value method, sales comparison method and acquisition cost method. SATO changed, from 31 December 2019, its valuation method from sales comparison method to 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.

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

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Investment property classified by valuation method</b>			
Income value	4,293.0	472.3	4,226.6
Sales comparison value	110.9	3,285.8	124.0
Acquisition cost	255.1	233.1	257.5
<b>Owned investment property, total</b>	<b>4,659.0</b>	<b>3,991.2</b>	<b>4,608.1</b>
Right-of-use investment properties	47.5	47.0	49.7
<b>Total</b>	<b>4,706.5</b>	<b>4,038.2</b>	<b>4,657.9</b>

### Sensitivity analysis of investment properties

Sensitivity analysis of investment properties has been presented in the 2019 consolidated financial statements. Quarterly changes are not significant. All SATOs investment properties are classified to hierarchy level 3 under IFRS 13. Items which are included in the hierarchy level 3 are measured using input data which is not based on observable market data.

## 8. TANGIBLE ASSETS

MEUR	1-6/2020	1-6/2019	1-12/2019
<b>Carrying value, beginning of period</b>	3.2	2.4	2.4
Additions	0.0	0.7	1.6
Disposals	-0.2	0.0	-0.3
Accumulated depreciation of disposals	0.1	0.0	0.2
Transfers between items	0.0	0.0	0.0
Depreciation	-0.4	-0.3	-0.7
<b>Carrying value, end of period</b>	<b>2.8</b>	<b>2.8</b>	<b>3.2</b>

## 9. INTANGIBLE ASSETS

MEUR	1-6/2020	1-6/2019	1-12/2019
<b>Carrying value, beginning of period</b>	3.7	2.6	2.6
Additions	0.7	0.8	2.0
Disposals	0.0	0.0	0.0
Accumulated depreciation of disposals	0.0	0.0	0.0
Transfers between items	0.0	0.0	0.0
Depreciation	-0.5	-0.5	-0.9
<b>Carrying value, end of period</b>	<b>3.9</b>	<b>3.0</b>	<b>3.7</b>

## 10. LEASES

### Right-of-use assets

MEUR	1-6/2020	1-6/2019	1-12/2019
<b>Right-of-use investment properties</b>			
Carrying value, beginning of period	49.7	47.3	47.3
Additions	0.2	0.0	2.1
Disposals	-1.9	0.0	0.0
Remeasurement of lease agreements	0.0	0.0	0.9
Changes of fair value in profit and loss	-0.5	-0.3	-0.7
Carrying value, end of period	47.5	47.0	49.7
<b>Other right-of-use assets</b>			
Carrying value, beginning of period	7.7	7.6	7.6
Additions	0.0	0.0	0.2
Remeasurement of lease agreements	0.0	0.0	1.8
Depreciation for the period	-0.6	-0.9	-1.8
Carrying value, end of period	7.2	6.6	7.7
<b>Total carrying value, beginning of period</b>	<b>57.5</b>	<b>54.9</b>	<b>54.9</b>
<b>Total carrying value, end of period</b>	<b>54.7</b>	<b>53.6</b>	<b>57.5</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

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Non-current</b>			
From land lease agreements	43.7	43.1	46.4
From other lease agreements	6.0	4.7	6.6
<b>Total</b>	<b>49.7</b>	<b>47.8</b>	<b>53.0</b>
<b>Current</b>			
From land lease agreements	3.4	3.3	3.5
From other lease agreements	1.2	1.9	1.2
<b>Total</b>	<b>4.6</b>	<b>5.2</b>	<b>4.7</b>
<b>Total lease liabilities</b>	<b>54.3</b>	<b>53.0</b>	<b>57.7</b>

## II. SHAREHOLDERS' EQUITY

The total number of SATO's shares as at 30 June 2020 was 56,783,067 (56,783,067) and the number of own shares held was 160,000 (160,000). The following dividends were distributed by the company during the period:

MEUR	1-6/2020	1-6/2019	1-12/2019
<b>The following dividend was declared and paid by the company:</b>			
Dividend 0.00 (0.50) per share, EUR	0.0	-28.3	-28.3
<b>Total</b>	<b>0.0</b>	<b>-28.3</b>	<b>-28.3</b>

The Annual General Meeting of SATO Corporation, held on 23 June 2020, resolved that no dividend shall be paid for the financial period ended 31 December 2019.

## 12. FINANCIAL LIABILITIES

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Financial liabilities</b>			
Commercial papers	52.9	235.9	233.0
Corporate bonds	995.4	646.1	646.5
Bank loans	944.5	873.1	950.7
Interest-subsidised loans	182.5	241.1	218.3
State-subsidised ARAVA loans	46.7	53.5	49.9
<b>Total</b>	<b>2,221.9</b>	<b>2,049.6</b>	<b>2,098.4</b>

On the reporting date, the average interest of SATO's debt portfolio was 2.0 (1.8) per cent.

For purposes of short-term financing, SATO has a commercial paper program of EUR 400 (400) million, committed credit limits of EUR 650 (400) million, of which EUR 650 (400) million were unused, and a non-committed current overdraft limit of EUR 5.0 (5.0) million, of which EUR 5.0 (4.7) million were unused.

## 13. DERIVATIVES

MEUR	30 Jun 2020			30 Jun 2019	31 Dec 2019
	Positive	Negative	Net	Net	Net
<b>Fair values of derivative instruments</b>					
Interest rate swaps, cash flow hedging	-	-40.1	-40.1	-41.1	-34.6
Cross-currency and interest rate swaps, cash flow hedging	-	-12.7	-12.7	-15.5	-14.0
Foreign exchange forward contracts, cash flow hedging	-	-	-	-	0.0
<b>Total</b>	<b>0.0</b>	<b>-52.7</b>	<b>-52.7</b>	<b>-56.6</b>	<b>-48.6</b>

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Nominal values of derivative instruments</b>			
Interest rate swaps, cash flow hedging	658.3	709.9	658.4
Cross-currency and interest rate swaps, cash flow hedging	73.4	73.4	73.4
Foreign exchange forward contracts, cash flow hedging	-	-	0.6
<b>Total</b>	<b>731.7</b>	<b>783.3</b>	<b>732.4</b>

Change in fair value of designated interest rate hedges, booked to fair value reserve, totalled EUR -3.1 (-11.2) million. Interest rate swaps are used to hedge interest cash flows against fluctuation in market interest rates. Cross-currency and interest rates swaps additionally hedge the currency risks of interest and repayment cash flows of loan contracts denominated in foreign currency. Interest rate hedges have maturities ranging between 1-10 years. Typically netting agreements are applied to derivative contracts, however the contracts are represented in gross value in financial statements. The method of presentation has no significant impact on figures on reporting or comparative period.

## 14. FAIR VALUES OF FINANCIAL INSTRUMENTS

MEUR	30 Jun 2020			30 Jun 2019		
	Level 1:	Level 2:	Level 3:	Level 1:	Level 2:	Level 3:
<b>Assets</b>						
Other non-current investments	-	1.0	-	-	1.1	-
Loans receivable	-	6.8	-	-	6.0	-
Derivative assets	-	0.0	-	-	0.0	-
Accounts receivable and other non-interest-bearing receivables	-	21.2	-	-	9.1	-
Cash and cash equivalents	-	126.1	-	-	3.1	-
<b>Liabilities</b>						
Corporate bonds	973.6	24.0	-	638.2	24.0	-
Other loans	-	1,229.5	-	-	1,409.0	-
Derivative liabilities	-	52.7	-	-	56.6	-
Accounts payable and other non-interest-bearing payables	-	14.8	-	-	33.4	-

MEUR	31 Dec 2019		
	Level 1:	Level 2:	Level 3:
<b>Assets</b>			
Other non-current investments	-	1.1	-
Loans receivable	-	6.3	-
Derivative assets	-	0.0	-
Accounts receivable and other non-interest-bearing receivables	-	8.7	-
Cash and cash equivalents	-	5.0	-
<b>Liabilities</b>			
Corporate bonds	638.0	24.0	-
Other loans	-	1,451.9	-
Derivative liabilities	-	48.6	-
Accounts payable and other non-interest-bearing payables	-	25.8	-

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

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

## 15. PROVISIONS

MEUR	Provision for refund claim	Other provisions	Total
<b>Provisions at the beginning of the period 1 Jan 2020</b>	2.6	1.8	4.4
Increases	0.4	0.7	1.1
Provisions used	-0.2	0.0	-0.2
Reversals	-0.1	0.0	-0.1
<b>Provisions at the end of the period 30 Jun 2020</b>	<b>2.7</b>	<b>2.5</b>	<b>5.2</b>
<b>MEUR</b>			
Non-current provisions	30 Jun 2020	30 Jun 2019	31 Dec 2019
Current provisions	1.8	1.8	1.6
Total	3.4	3.1	2.8
	5.2	4.9	4.4

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

## 16. NOTES TO THE CASH FLOW STATEMENT

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
<b>Non-cash items included in the profit</b>					
Depreciation and amortization	0.8	0.9	1.5	1.7	3.4
Properties	-1.8	-16.5	-6.7	-39.2	-552.2
Changes in provisions	0.0	0.0	0.8	0.2	-0.3
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	-0.2
<b>Total</b>	<b>-1.0</b>	<b>-15.6</b>	<b>-4.3</b>	<b>-37.4</b>	<b>-549.3</b>
<b>MEUR</b>					
<b>Changes in interest-bearing debt during the period</b>					
<b>Interest-bearing debt, beginning of period</b>	<b>2,135.0</b>	<b>1,986.9</b>	<b>2,098.4</b>	<b>1,982.2</b>	<b>1,982.2</b>
Cash changes in interest-bearing debt during the period, total	90.6	63.6	130.6	69.9	123.4
Non-cash changes:					
Change in foreign exchange rates	3.2	-1.0	-0.3	-1.9	-1.2
Interest accrued by the effective interest rate method	0.6	0.5	1.1	1.0	1.3
Transfer of debt to buyers upon disposal of investment property and other adjustments	-7.5	-0.4	-7.9	-1.6	-7.3
<b>Interest-bearing debt, end of period</b>	<b>2,221.9</b>	<b>2,049.6</b>	<b>2,221.9</b>	<b>2,049.6</b>	<b>2,098.4</b>

## 17. COLLATERAL, COMMITMENTS AND CONTINGENCIES

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Mortgages and pledges for secured borrowings</b>			
Secured borrowings	420.9	511.6	466.2
Pledges and mortgages provided, fair value	793.3	811.2	905.9
<b>Guarantees for others</b>			
Shared ownership apartment purchase commitments	4.5	7.7	5.9
Rs-guarantees	3.7	3.9	3.7
<b>Other collateral provided</b>			
Mortgages provided to secure payment of rent and street maintenance	6.9	4.8	6.9
Guarantees and mortgages provided to secure payments of land use contracts	14.3	3.6	18.2
<b>Binding purchase agreements</b>			
For acquisitions of investment properties	58.5	79.6	40.9
Pledges for land use payments on zoned plots	1.3	0.7	4.3
Commitments to cleaning and removal charges	0.0	0.0	0.0
Letters of intent on land for which there is a zoning condition	9.2	44.9	9.2

Housing companies which hold so-called shared ownership apartments are treated as structured entities, which are established for a fixed period, and are not included in the consolidation. On the reporting date, the loans of such housing companies included in the shared ownership systems, totalled EUR 7.4 (20.7) million.

## 18. RELATED PARTY TRANSACTIONS

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

Shareholders that are considered as SATO's related party in 2020 are Balder Finska Otas AB, Erik Selin Fastigheter AB and Balder-group companies (owner: Fastighets Ab Balder, 100 per cent), Stichting Depositary APG Strategic Real Estate Pool (owner: Stichting Pensioenfonds ABP, >95 per cent; manager: APG Asset Management NV) and Elo Mutual Pension Insurance Company.

The members of the Board of Directors of SATO, the CEO and the members of the Extended Corporate Management Group and their close family members and the entities controlled or jointly controlled by them and joint venture SV-Asunnot Oy are considered as SATO's related party. The Extended Corporate Management Group comprises of SATO Corporation's President and CEO, Vice President/Rental Housing Business and Investments, Director of Marketing and Communications, Chief Financial Officer, CDO, Director of Human Resources and General Counsel.

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

On 25 February 2020, SATO Corporation has received an unsecured revolving credit facility from Fastighets AB Balder in the amount of EUR 250 million, with the maturity at 31.3.2022. No withdrawals from the facility were made during the period.

MEUR	1-6/2020	1-6/2019	1-12/2019
<b>Management employee benefits</b>			
Salaries and other employee benefits	0.4	1.1	1.3
<b>Total</b>	<b>0.4</b>	<b>1.1</b>	<b>1.3</b>

### Management remuneration

Persons employed by the Group are not paid separate remuneration when serving as a member of the Board of Directors or as a President of a Group company. The members of SATO's Corporate Management Group and SATO's management are covered by an annual incentive scheme based on the SATO's profit and fulfilment of the targets for their respective area of responsibility. The Board of Directors approves the payment of bonuses.

## 19. SUBSEQUENT EVENTS

No significant events after the end of the reporting period.

## KEY INDICATORS, GROUP

Key financial indicators	1-6/2020	1-6/2019	2019	2018*	2017*	2016**	2015**
Net sales, MEUR	152.1	146.5	295.6	290.4	280.1	262.7	249.4
Net rental income, MEUR	106.6	97.2	207.1	198.5	188.4	167.1	151.8
Operating profit, MEUR	99.7	119.4	725.6	273.3	230.1	267.2	196.5
Net financing expenses, MEUR	-23.4	-33.9	-55.1	-42.5	-45.8	-47.8	-37.0
Profit before taxes, MEUR	76.3	85.5	670.5	230.8	184.4	219.4	159.4
Balance sheet total, MEUR	4,915.5	4,105.5	4,718.2	3,922.4	3,693.1	3,562.2	2,979.6
Shareholders' equity, MEUR	2,113.1	1,582.8	2,055.8	1,554.5	1,397.6	1,252.6	993.2
Interest bearing liabilities, MEUR	2,221.9	2,049.6	2,098.4	1,982.2	1,931.7	1,943.0	1,676.2
Return on invested capital, % (ROIC)	4.7%	6.7%	18.9%	7.9%	7.1%	9.1%	7.6%
Return on equity, % (ROE)	5.8%	8.6%	29.6%	12.4%	11.0%	15.6%	13.5%
Equity ratio, %	43.0%	38.6%	43.6%	39.6%	37.8%	35.2%	33.3%
Personnel, average**	223	219	223	215	206	170	172
Personnel at the end of period	224	221	229	218	212	175	170
<b>Key indicators per share</b>							
Earnings per share, EUR	1.07	1.20	9.45	3.26	2.55	3.22	2.49
Equity per share, EUR***	37.32	27.96	36.31	27.46	24.68	22.12	19.53
Number of shares, million****	56.6	56.6	56.6	56.6	56.6	56.6	50.8
<b>Operational key figures and net asset value</b>							
Operational earnings, MEUR	52.8	36.5	91.4	98.7	82.8	69.5	64.5
Operational earnings per share, EUR	0.93	0.64	1.61	1.74	1.46	1.28	1.27
Net asset value, MEUR	2,542.2	1,908.0	2,477.7	1,855.7	1,678.7	1,517.5	1,227.8
Net asset value per share, EUR	44.90	33.70	43.76	32.77	29.65	26.80	24.15
Cash earnings, MEUR	59.1	31.3	91.2	97.9	92.4	86.2	78.1
Cash earnings per share, EUR	1.04	0.55	1.61	1.73	1.63	1.59	1.54
<b>Quarterly key financial indicators</b>							
	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	
Net sales, MEUR	76.5	75.6	75.0	74.0	73.4	73.1	
Net rental income, MEUR	59.6	47.0	53.6	56.3	53.7	43.5	
Operating profit, MEUR	54.3	45.5	531.1	75.1	61.6	57.8	
Profit and losses from changes of fair value, MEUR	1.8	4.8	488.0	25.0	16.5	22.7	
Net financing expenses, MEUR	-12.4	-11.0	-10.5	-10.8	-22.6	-11.2	
Profit before taxes, MEUR	41.8	34.5	520.6	64.3	39.0	46.6	
Earnings per share, EUR	0.59	0.48	7.34	0.91	0.55	0.65	
Average number of shares, million*	56.6	56.6	56.6	56.6	56.6	56.6	
Housing investments, MEUR	32.5	27.3	75.8	33.0	46.8	30.4	
as percentage of net sales	42.4%	36.2%	101.0%	44.5%	63.7%	41.6%	
<b>Operational key figures</b>							
Operational earnings, MEUR	52.8	22.1	23.6	31.3	17.6	18.9	
Operational earnings per share, EUR	0.93	0.39	0.42	0.55	0.31	0.33	
Cash earnings, MEUR	29.8	29.3	26.3	33.6	11.3	20.0	
Cash earnings per share, EUR	0.53	0.52	0.46	0.59	0.20	0.35	

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

\* Key figures of 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 160,000 shares held by the Group have been deducted from the number of shares.

## FORMULAS USED IN CALCULATION

<b>Net rental income</b>	=	Rental income – Property, maintenance and reparation expenses – Ground rents	
<b>Return on investment, %</b>	=	$\frac{\text{(Profit or loss before taxes + interest expense and other financing expenses)}}{\text{Balance sheet total (average during the period) - non interest-bearing debt (average during the period)}}$	x 100
<b>Return on equity, %</b>	=	$\frac{\text{Profit or loss after taxes}}{\text{Shareholders' equity (average during the period)}}$	x 100
<b>Equity ratio, %</b>	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total}}$	x 100
<b>Earnings per share, EUR</b>	=	$\frac{\text{Profit for the period attributable to owners of the parent}}{\text{Adjusted number of shares (average during the period)}}$	
<b>Equity per share, EUR</b>	=	$\frac{\text{Shareholders' equity attributable to owners of the parent}}{\text{Adjusted number of shares (at the end of the reporting period)}}$	
<b>Operational earnings</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</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</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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