

H1 HALF-YEAR REPORT 1 JANUARY–30 JUNE 2023



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KEY FIGURES



Key figure	1-6/2023	1-6/2022	1-12/2022
Net sales	€ 142.4 million	€ 147.2 million	€ 291.2 million
Number of rental apartments	25,143 homes	24,949 homes	24,999 homes
Investment properties	€ 4,956.0 million	€ 4,976.7 million	€ 5,044.2 million
Housing investments	€ 92.7 million	€ 68.5 million	€ 190.5 million
Under construction	679 pcs	1,053 pcs	1,418 pcs
Average rent at the end of review period	18.05 €/sqm/ month	17.84 €/sqm/ month	17.84 €/sqm/ month
Cash earnings	€ -9.6 million	€ 84.6 million	€ 141.3 million
Shareholders' equity	€ 2,400.9 million	€ 2,462.2 million	€ 2,480.9 million

SATO CORPORATION'S HALF-YEAR REPORT I JANUARY TO 30 JUNE 2023: STABLE OCCUPANCY RATE IN A COMPETITIVE MARKET

SUMMARY FOR I JANUARY TO 30 JUNE 2023 (I JANUARY TO 30 JUNE 2022)

- The economic occupancy rate was 95.0% (94.8).
- Net sales totalled EUR 142.4 million (147.2).
- Net rental income was EUR 93.4 million (98.4).
- Profit before taxes was EUR -101.2 million (144.5).
- The unrealised change in the fair value of investment properties included in the result was EUR -122.0 million (40.3).
- Housing investments amounted to EUR 92.7 million (68.5).
- Invested capital at the end of the review period was EUR 4,554.9 million (4,613.5).
- Return on invested capital was -3.0% (7.3).
- Equity was EUR 2,400.9 million (2,462.2), or EUR 42.41 per share (43.49).
- Earnings per share were EUR -1.51 (2.04).
- A total of 648 (191) rental apartments were acquired or completed.
- A total of 679 new rental apartments (1,001) and 0 owner-occupied homes (0) and 0 FlexHomes (52) are under construction.
- SATO completed the divestment of the housing business in Russia on 14 April 2023. The transaction had no significant effect on SATO Corporation's result.
- Despite the challenging competitive situation, SATO has succeeded in improving the occupancy rate.

SUMMARY FOR I APRIL TO 30 JUNE 2023 (I APRIL TO 30 JUNE 2022)

- The economic occupancy rate was 95.0% (95.0).
- Net sales totalled EUR 71.5 million (72.5).
- Net rental income was EUR 52.5 million (54.0).
- Profit before taxes was EUR -69.1 million (37.6).
- The unrealised change in the fair value of investment properties included in the result was EUR -75.1 million (-42.3).
- Housing investments amounted to EUR 46.5 million (44.7).
- Earnings per share were EUR -1.05 (0.54).
- A total of 513 (191) rental apartments were acquired or completed.
- A total of 679 new rental apartments (1,001), 0 owner-occupied homes (0) and 0 FlexHomes (52) are under construction.
- In April 118 and in June 104 SATO rental homes were completed in Veräjämäki, Oulunkylä, Helsinki. In April 132 rental homes were completed in Hervantajärvi, Tampere, and in June 159 rental homes were completed in Keimolanmäki, Vantaa. Following full renovation, 95 rental homes were completed in Kallio, Helsinki, and 30 rental homes were completed in Etelä-Haaga, Helsinki.

PRESIDENT AND CEO ANTTI AARNIO:

– During the period under review, SATO's occupancy rate improved and was 95.0% (94.8). After the coronavirus pandemic, demand for SATO rental homes has been picking up since spring 2022 and there is demand for rental homes in growth centres. Spurred by the war in Ukraine, the economic uncertainty and higher consumer prices and interest rates are also in part reflected in the rising demand for rental homes.

– There has been a significant decline in the volume of new housing construction projects commenced, but previously started projects will still result in a large number of new homes being completed this year, maintaining intense competition for good tenants. Due to the competitive situation, it has not been possible to transfer the higher maintenance and interest rate costs in full to apartment rents, but the increase in demand, higher costs and, on the other hand, a significant decline in new construction may result in higher rents in the future.

– As the level of inflation and interest rates appears to be staying higher than was anticipated, there may be upward pressure on the return requirement for real property. Going forward, this may affect the fair value of investment assets.

– A large number of rental apartments were completed during the 1 April to 30 June 2023 review period: in April 118 and in June 104 SATO homes were completed in Veräjämäki, Helsinki, in April 132 homes in Hervantajärvi, Tampere, and in June 159 homes were completed in Keimolanmäki, Vantaa. Following full renovation, 95 rental homes were completed in Kallio, Helsinki, and 30 in Etelä-Haaga, Helsinki, both in June.

– This year will see the completion of a total of 978 SATO rental homes. The industry-wide volume of new construction projects commenced is, however, at a historically low level, and the supply of new rental homes will decrease over the years ahead. The full renovation of a total of 545 SATO homes will be completed this year.

– We completed the divestment of our housing business in Russia on 14 April 2023. SATO had operated in St. Petersburg since 2007 and owned 522 rental apartments. Following the transaction, SATO no longer has operations in Russia. The transaction had no significant effect on SATO Corporation's result.

– SATO is strongly invested in increasing its presence close to customers and in digital services. During the first half of this year, we continued to build a consistent and seamless customer service experience. We have developed and reformed our digital operating environment and our operational information systems that enable us to operate more efficiently and serve our customers even better at any time of the day.

– In April, we outsourced SATO's rent payments process to Ropo Capital Oy, which is now responsible for functions including sending our rent invoices, processing payments and customer service relating to payments.

– Director for Marketing and Communications at SATO since 2020, Laura Laamanen, MA, was appointed Chief Commercial Officer and member of the Corporate Management Group effective 11 May 2023.

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

OPERATING ENVIRONMENT

Over the reporting period, SATO's operating environment was affected especially by inflation and the continued high level of rental housing supply. Inflation has remained high despite the price pressure having become more moderate after the winter months thanks to lower energy prices in particular. Core inflation has, however, persisted at a high level and clearly above the two per cent target of the central banks. The European Central Bank still continued to hike rates in June. The market expects the interest rate hikes to still continue in July. Inflation is projected to slow to below two per cent in 2024.

The persistently high inflation has weakened consumers' purchasing power, but the good employment situation has maintained service sector demand and stimulated the economy. Due to the increased interest rates, Finland will likely drift into a mild recession this year, and GDP is projected to grow by approximately one per cent in 2024 thanks to slower inflation and higher income growth.

The economic uncertainty, persistently high interest rate level and increases in living costs have affected the number of housing transactions. In 2023, transaction volumes of both new and old homes have been exceptionally low, which has had a strong impact on the number of housing construction projects commenced. The Confederation of Finnish Construction Industries RT forecast of 29 March projects that the volume of new housing construction will decline by almost a third this year to around 27,000 homes. According to a housing production survey published on 1 June, the number of new housing construction projects started will be clearly lower than that anticipated in March. Projects started in 2021 and in early 2022 will still maintain the supply of new homes at a high level in the Helsinki Metropolitan Area throughout 2023, which means competition for good tenants will be intense and rent increases moderate. Higher maintenance costs will be reflected in more substantial rent increases in the future.

With the good employment situation continuing, migration to large growth centres has continued and Helsinki region's migration gain in 2022 was 17,420 people. This is reflected in the demand for rental homes in growth centres. The economic uncertainty and the climbing home loan interest rates coupled with increasing energy and other costs may also contribute towards growth in demand for rental housing. Some of those looking for a home to buy are now also considering a rental home as an option.

The urbanisation trend continues and dense urban housing is becoming increasingly popular in Finland. There is demand for rental homes in growth centres close to good public transport connections and services. The Helsinki Metropolitan Area (HMA), Tampere and Turku continue to enjoy strong growth, while at the same time Statistics Finland forecasts a downturn in the nationwide population trend in 2031. The HMA is projected to grow by more than 200,000 new residents by 2040. Almost 80% of HMA residents already live in households with one to two members, and the 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 and the price development of owner-occupied homes create a stable foundation for rental housing demand, especially in the HMA, Tampere and Turku.

REVIEW PERIOD 1 JANUARY TO 30 JUNE 2023 (1 JANUARY TO 30 JUNE 2022)

NET SALES AND PROFIT

In January–June 2023, SATO Corporation's consolidated net sales totalled EUR 142.4 million (147.2).

Operating profit was EUR -68.6 million (166.8). Operating profit without the change in the fair value of investment properties was EUR 53.4 million (126.5). The change in fair value through profit or loss was EUR -122.0 million (40.3).

Net financing expenses totalled EUR -32.6 million (-22.3).

Profit before taxes was EUR -101.2 million (144.5). Cash earnings (free cash flow after taxes excluding changes in fair value) in January–June amounted to EUR -9.6 million (84.6).

Earnings per share were EUR -1.51 (2.04).

FINANCIAL POSITION AND FINANCING

The consolidated balance sheet total at the end of June was EUR 5,091.9 million (5,164.9). Equity totalled EUR 2,400.9 million (2,462.2). Equity per share was EUR 42.41 (43.49).

The Group's equity ratio at the end of June was 47.2% (47.7). EUR 180,0 million in new long-term financing was drawn and the solvency ratio at the end of June was 42.0% (41.2).

The Group's annualised return on equity was -7.0% (9.6). Return on invested capital was -3.0% (7.3).

Interest-bearing liabilities at the end of June totalled EUR 2,153.9 million (2,151.4), of which loans on market terms amounted to EUR 2,019.8 million (1,980.5). The average loan interest rate was 3.2% (1.8). Net financing expenses totalled EUR -32.6 million (-22.3).

The calculated impact of changes in the market value of interest hedging on equity was EUR -2.6 million (31.4).

The proportion of loans without asset-based securities was 87.9% (83.5) of all loans. At the end of June, unencumbered assets accounted for 89.8% (88.8) 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 142.4 million (147.2). On average, the economic occupancy rate of apartments was 95.0% (94.8%) and the external tenant turnover 26.1% (27.6).

At the end of the reporting period, the average monthly rent of SATO rental homes was EUR 18.05/m² (17.84).

Net rental income from apartments totalled EUR 93.4 million (98.4).

INVESTMENT PROPERTIES

On 30 June 2023, SATO owned a total of 25,143 homes (24,949). The reporting period saw the completion of 648 rental homes (191). The number of divested rental apartments totalled 525. The period under review saw the divestment of SATO's housing assets, a total of 522 rental homes, in St. Petersburg.

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 4,956.0 million (4,976.7). The change in the value of investment properties, including the rental apartments acquired and divested during the reporting period, was EUR -88.2 million (-56.0).

The value of properties funded with ARAVA loans or interest-subsidised loans would be EUR 280 million higher when valuated with income value method.

At the end of June, the commuting zone of the Helsinki Metropolitan Area accounted for around 87.5% and Tampere and Turku together made up around 12.5% 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 may acquire and build entire rental buildings and single rental apartments. Property development allows for new investments in rental apartments. The rental potential and value of rental apartments owned by SATO are developed through renovation activities.

Investments in rental apartments totalled EUR 92.7 million (68.5). The Helsinki Metropolitan Area represented 88.2% of all investments during the period under review. New apartments accounted for 54.0% of the total. In addition, on 30 June 2023 there were binding purchase agreements to a total of EUR 57.7 million (133.8).

In April 118 and in June 104 SATO rental homes were completed in Veräjämäki, Oulunkylä, Helsinki. Jokiniementie 46 and 48 are *Osta vastuullisesti* homes ranked by an independent sustainability panel, which means they are an above-average choice in terms of sustainability. The design of these energy-efficient buildings of energy class A caters for ease of use and maintenance as well as adaptability. The buildings have geothermal heating. In April, 132 rental homes were also completed in Heittoniitynkuja, Hervantjärvi, Tampere. The design of Heittoniitynkuja 5 takes account of energy efficiency and building solutions that will last for decades. The heat source for the buildings is geothermal heat.

In June, 159 rental homes were completed in Lincolninaukio, Keimolanmäki, Vantaa. Located close to nature in Keimolanmäki, this *Osta vastuullisesti* property is in energy class A and heated with geothermal heat. The ground floor of the Lincolninaukio building features 12 dual-purpose innovation apartments with a ceiling height of around 4 metres that can be used as business premises or homes.

June saw the completion of the full renovation of the Castréninkatu property in Kallio, Helsinki, that took around a year and a half. The modernisation involved the replacement of the property's water and drain pipes, electrical and building automation and control systems as well as the kitchens, bathrooms and other rooms of the apartments. Constructed in the 1930s, the apartment building now has 95 fully refurbished rental homes. In addition, the full renovation of 30 rental homes in Ansaritie, Etelä-Haaga, Helsinki, was completed in June.

Earlier in the year, in February 135 apartments were completed in Runoratsunkatu, Vermonniitty, Espoo, and in January the full renovation of 30 homes was completed in Ansaritie, Etelä-Haaga and in March 42 homes in Piispantie, Reimarla, Pitäjänmäki, Helsinki.

The book value of the plot reserve owned at the end of June totalled EUR 48.2 million (42.2). The value of new plots acquired by the end of June totalled EUR 0.0 million (7.7).

Permitted building volume for around 1,400 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.

During the period under review, 648 rental homes (191), 0 owner-occupied homes (0) and 0 FlexHomes (0) were completed. On 30 June 2023, a total of 679 rental homes (1,001), 0 owner-occupied homes (0) and 0 FlexHomes (52) were under construction.

A total of EUR 14.9 million (11.3) was spent on repairing apartments and improving their quality.

During the period under review, 3 (2,015) rental homes were divested. Their total value amounted to EUR 0.5 million (208.3).

SATO completed the divestment of the housing business in Russia on 14 April 2023. SATO had operated in St. Petersburg since 2007 and owned 522 rental apartments. The transaction had no significant effect on SATO Corporation's result.

PERSONNEL

At the end of June, the Group had 358 (342) employees, of whom 294 (294) had a permanent employment contract. The average number of personnel in January–June was 332 (329).

PERIOD I APRIL–30 JUNE 2023 (I APRIL–30 JUNE 2022)

NET SALES AND PROFIT

In April–June 2023, SATO Corporation's consolidated net sales totalled EUR 71.5 million (72.5).

Operating profit was EUR -51.5 million (48.8). Operating profit without the change in the fair value of investment properties was EUR 23.6 million (91.2). The change in fair value through profit or loss was EUR -75.1 million (-42.3).

Net financing expenses totalled EUR -17.6 million (-11.2).

Profit before taxes was EUR -69.1 million (37.6). Cash earnings (free cash flow after taxes excluding changes in fair value) in April–June amounted to EUR -11.3 million (58.8).

Earnings per share were EUR -1.05 (0.54).

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 71.5 million (72.5). On average, the economic occupancy rate of apartments was 95.0% (95.0) and the external tenant turnover 26.4% (29.0).

At the end of the reporting period, the average monthly rent of SATO rental homes was EUR 18.05/m² (17.84).

Net rental income from apartments totalled EUR 52.5 million (54.0).

INVESTMENT PROPERTIES

On 30 June 2023, SATO owned a total of 25,143 homes (24,949). The reporting period saw the completion of 513 rental homes (191). The number of divested rental apartments totalled 522.

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 4,956.0 million (4,976.7). The change in the value of investment properties, including the rental apartments acquired and divested during the reporting period, was EUR -88.9 million (-152.3).

The value of properties funded with ARAVA loans or interest-subsidised loans would be EUR 280 million higher when valued with income value method.

At the end of June, the commuting zone of the Helsinki Metropolitan Area accounted for around 87.5% and Tampere and Turku together made up around 12.5% 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 may acquire and build entire rental buildings and single rental apartments. Property development allows for new investments in rental apartments. The rental potential and value of rental apartments owned by SATO are developed through renovation activities.

Investments in rental apartments totalled EUR 46.5 million (44.7). The Helsinki Metropolitan Area represented 89.5% of all investments during the period under review. New apartments accounted for 48.6% of the total. In addition, on 30 June 2023, there were binding purchase agreements to a total of EUR 57.7 million (133.8).

In April 118 and in June 104 SATO rental homes were completed in Veräjämäki, Oulunkylä, Helsinki. Jokiniementie 46 and 48 are *Osta vastuullisesti* homes ranked by an independent sustainability panel, which means they are an above-average choice in terms of sustainability. The design of these energy-efficient buildings of energy class A caters for ease of use and maintenance as well as adaptability. The buildings have geothermal heating. In April, 132 rental homes were also completed in Heittoniitynkuja, Hervantajärvi, Tampere. The design of Heittoniitynkuja 5 takes account of energy efficiency and building solutions that will last for decades. The heat source for the buildings is geothermal heat.

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June saw the completion of the full renovation of the Castréninkatu property in Kallio, Helsinki, that took around a year and a half. The modernisation involved the replacement of the property's water and drain pipes, electrical and building automation and control systems as well as the kitchens, bathrooms and other rooms of the apartments. Constructed in the 1930s, the apartment building now has 95 fully refurbished rental homes. In addition, the full renovation of 30 rental homes in Ansariitie, Etelä-Haaga, Helsinki, was completed in June.

The book value of the plot reserve owned at the end of June totalled EUR 48.2 million (42.2). The value of new plots acquired by the end of June totalled EUR 0.0 million (7.7).

Permitted building volume for around 1,400 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.

During the period under review, 513 rental homes (191), 0 owner-occupied homes (0) and 0 FlexHomes (0) were completed. On 30 June 2023, a total of 679 rental homes (1,001), 0 owner-occupied homes (0) and 0 FlexHomes (52) were under construction.

A total of EUR 8.0 (6.2) million was spent on repairing apartments and improving their quality.

During the reporting period, 0 (2015) rental homes were divested. Their total value amounted to EUR 0.0 million (207.4).

SATO completed the divestment of the Russian housing business on 14 April 2023. SATO had operated in St. Petersburg since 2007 and owned 522 rental apartments. The transaction had no significant effect on SATO Corporation's result.

PERSONNEL

At the end of June, the Group had 358 (342) employees, of whom 294 (294) had a permanent employment contract. The average number of personnel in April–June was 340 (336).

EVENTS AFTER THE REVIEW PERIOD

There are no material events after the review period.

SHORT-TERM RISKS AND UNCERTAINTIES

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

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

The highest risks in apartment rental are to do with cyclical movements and changes in supply and demand. The market risk may push the supply of rental homes higher than their demand. This would result in idle rental housing stock and pressure for 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 also calls attention to what it considers to be negative impacts of regulation.

The management of financial risks is steered by the Group's treasury policy. Our risk management principles have been defined in the treasury policy adopted by SATO's Board of Directors. Our most significant financial risks relate to liquidity, refinancing and interest rates. We manage our liquidity and refinancing risks by diversifying the financing sources and maturity of our loan portfolio, and by holding sufficient liquidity reserves in the form of committed credit facilities and other financing commitments. The company has in place an EUR 2.0 billion Euro Medium Term Notes (EMTN) Programme, under which SATO has issued bonds in the total amount of EUR 750.0 million.

The means for managing liquidity risk at SATO include cash assets, a bank account limit, EUR 700.0 million in committed credit facilities and a EUR 400.0 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 62.9% (excluding short-term loans).

For a broader description of risks and risk management, see the Group's website and Annual Report for 2022 at www.sato.fi/en.

OUTLOOK

In the operating environment, SATO's business activities are mainly affected by consumer confidence, development of purchasing power, rent and price development for apartments, competitive situation and interest rate level. Inflation has remained high despite the price pressure having become more moderate after the winter months thanks to lower energy prices in particular. Core inflation has, however, persisted at a high level and clearly above the two per cent target of the central banks. The European Central Bank still continued to hike rates in June. The market expects the interest rate hikes to still continue in July. Inflation is projected to slow to below two per cent in 2024.

The persistently high inflation has weakened consumers' purchasing power, but the good employment situation has maintained service sector demand and stimulated the economy. Due to the increased interest rates, Finland will likely drift into a mild recession this year, and GDP is projected to grow by approximately one per cent in 2024 thanks to slower inflation and higher income growth.

With the volume of new housing construction projects commenced declining, the supply of rental homes is also projected to decrease in the next few years. This is anticipated to improve the occupancy rate and opportunities to transfer the higher costs to apartment rents. Higher maintenance costs will be reflected in more substantial rent increases in the future.

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

transport connections and services. The economic uncertainty and the climbing home loan interest rates coupled with increasing energy and other costs also contributes towards growth in demand for rental housing. Some of those looking for a home to buy are now also considering a rental home as an option.

In line with its majority shareholder's operating model, SATO Corporation will not publish guidance on its 2023 earnings. The parent company of Balder Finska Otas AB is Fastighets AB Balder, which is quoted on the Stockholm Stock Exchange.

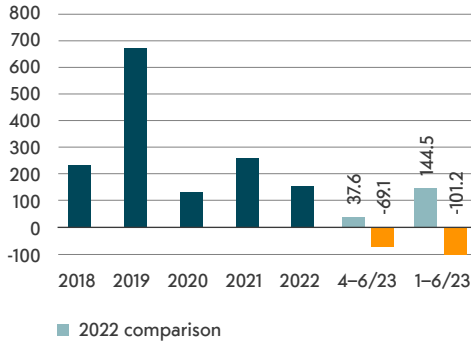
SATO CORPORATION'S SHAREHOLDERS ON 30 JUNE 2023

Largest shareholders and their holdings	no. of shares	%
Balder Finska Otas AB (Fastighets AB Balder)	31,971,535	56.3%
Stichting Depository APG Strategic Real Estate Pool	12,811,647	22.6%
Elo Mutual Pension Insurance Company	7,233,081	12.7%
State Pension Fund of Finland	2,796,200	4.9%
Valkila Erkka	385,000	0.7%
SATO Corporation	166,000	0.3%
Entelä Tuula	159,000	0.3%
Heinonen Erkki	146,684	0.3%
Tradeka Invest Ltd	126,500	0.2%
Research Foundation of the Pulmonary Diseases	120,000	0.2%
Others (117 shareholders)	867,420	1.5%

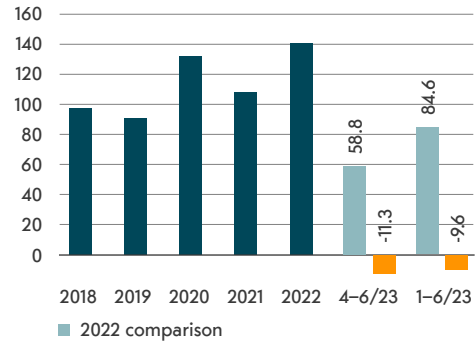
On 30 June 2023, SATO had 56,783,067 shares and 127 shareholders registered in the book-entry system. The share turnover rate was 0.0% for the period from 1 January to 30 June 2023.

FINANCIAL TREND

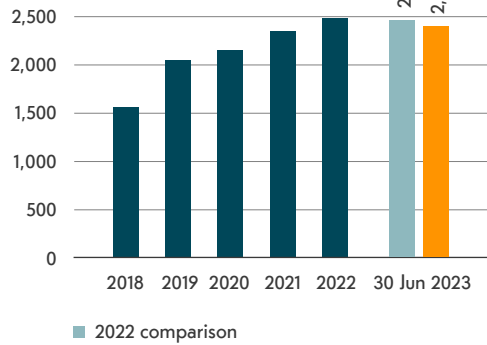
Profit before taxes, EUR million



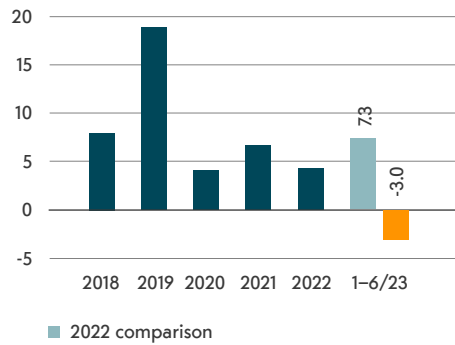
Cash earnings (CE), EUR million



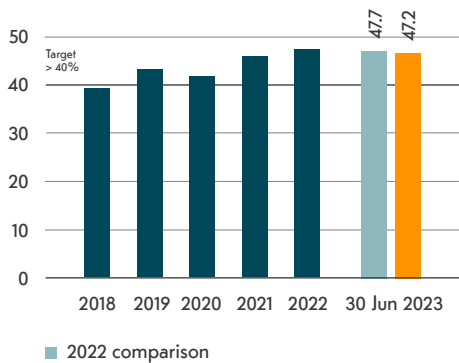
Shareholders' equity, EUR million



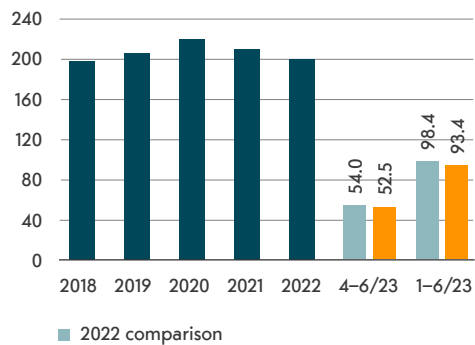
Return on invested capital, %



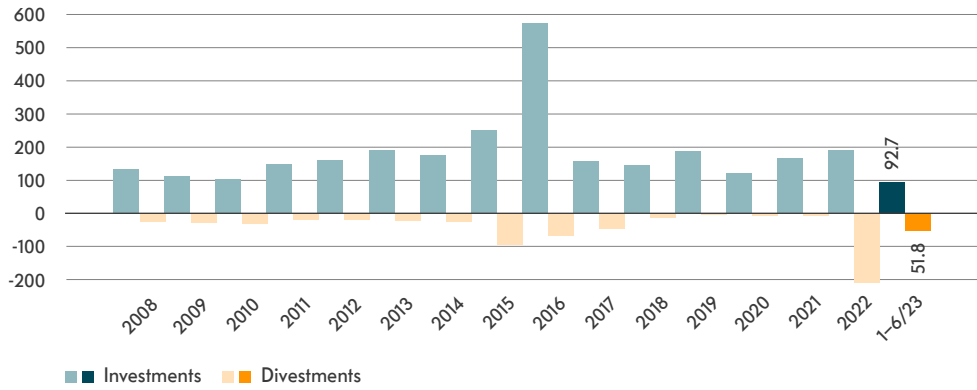
Equity ratio, %



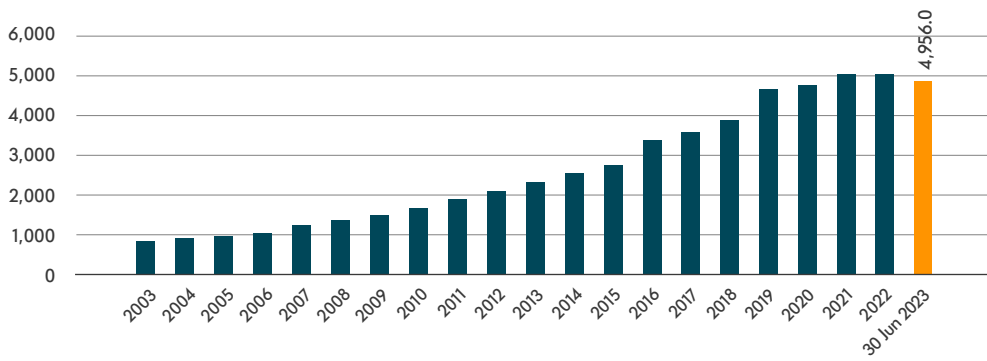
Net rental income, EUR million



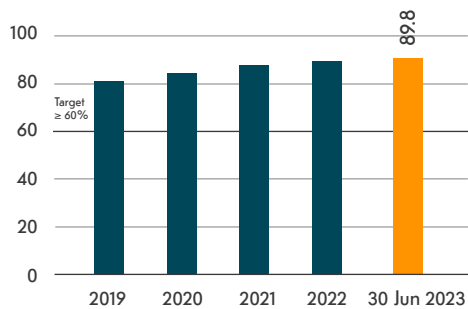
Housing investments and divestments, EUR million



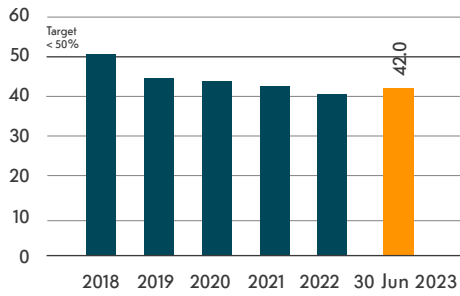
Trend in the investment property portfolio, EUR million



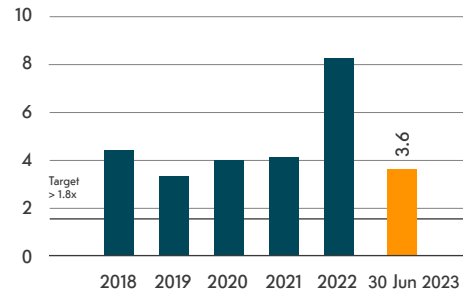
Unencumbered assets, %



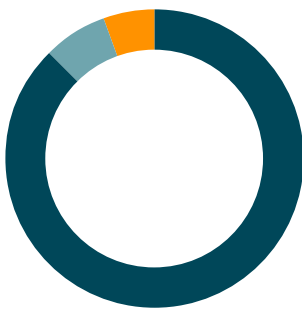
Solvency ratio, %



Interest coverage ratio



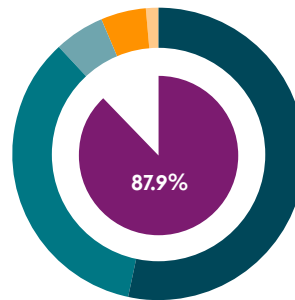
Regional distribution of the housing portfolio, 30 June 2023



- Helsinki Metropolitan Area 87.5%
- Tampere region 7.2%
- Turku region 5.3%

Total housing portfolio EUR million 4,811.1

Debt portfolio, Nominal values 30 June 2023, total EUR million 2,159.2



- Bank loans 1,157.1
 - Corporate bonds 750.0
 - Commercial papers 118.0
 - Interest subsidised 106.1
 - State subsidised (ARAVA) 28.0
- 87.9% of loans without asset based securities

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million	1 Apr–30 Jun 2023	1 Apr–30 Jun 2022	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Net sales	71.5	72.5	142.4	147.2	291.2
Property maintenance expenses	-18.9	-18.5	-49.0	-48.8	-90.8
Net rental income	52.5	54.0	93.4	98.4	200.4
Fair value change of investment properties, realised	-17.1	47.1	-17.1	47.2	53.1
Fair value change of investment properties, unrealised	-75.1	-42.3	-122.0	40.3	-14.9
Sales, marketing and administrative expenses	-11.3	-10.6	-21.8	-20.0	-40.7
Other operating income	0.3	1.0	0.4	1.7	2.7
Other operating expenses	-0.9	-0.4	-1.5	-0.8	-1.6
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
Operating profit	-51.5	48.8	-68.6	166.8	198.9
Financial income	5.6	0.1	7.3	0.2	0.6
Financial expenses	-23.2	-11.3	-39.9	-22.5	-47.6
Net financing expenses	-17.6	-11.2	-32.6	-22.3	-47.0
Profit before tax	-69.1	37.6	-101.2	144.5	151.9
Income tax expenses	9.6	-7.1	15.5	-28.8	-31.3
Profit for the period	-59.5	30.5	-85.7	115.7	120.6
Profit for the period attributable to					
Equity holders of the parent	-59.5	30.5	-85.7	115.7	120.6
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Total	-59.5	30.5	-85.7	115.7	120.6
Earnings per share attributable to equity holders of the parent					
Basic, EUR	-1.05	0.54	-1.51	2.04	2.13
Diluted, EUR	-1.05	0.54	-1.51	2.04	2.13
Average number of shares, million	56.6	56.6	56.6	56.6	56.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	1 Apr–30 Jun 2023	1 Apr–30 Jun 2022	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Other comprehensive income					
Items that may be reclassified to income statement					
Cash flow hedges	0.6	18.1	-3.3	39.3	60.2
Translation differences	6.3	0.0	8.4	-8.0	-10.9
Related tax	-0.1	-3.6	0.7	-7.9	-12.0
Items that may be reclassified to income statement total	6.8	14.5	5.7	23.5	37.2
Other comprehensive income, net of tax	6.8	14.5	5.7	23.5	37.2
Total comprehensive income	-52.7	45.1	-79.9	139.2	157.9
Comprehensive income attributable to					
Equity holders of the parent	-52.7	45.1	-79.9	139.2	157.9
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total	-52.7	45.1	-79.9	139.2	157.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
ASSETS			
Non-current assets			
Investment property	4,956.0	4,976.7	5,044.2
Tangible assets	3.2	3.0	3.3
Intangible assets	7.1	6.3	7.1
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	4.3	5.2	4.9
Derivative receivables	35.1	19.2	38.7
Non-current receivables	3.2	3.7	3.4
Deferred tax assets	6.1	2.3	6.0
Total	5,016.0	5,017.6	5,108.6
Current assets			
Account and other receivables	41.9	110.4	13.6
Current tax assets	10.7	0.6	2.0
Cash and cash equivalents	23.2	36.3	60.5
Total	75.9	147.3	76.1
TOTAL ASSETS	5,091.9	5,164.9	5,184.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	4.4	4.4	4.4
Fair value and other reserves	28.9	14.8	31.5
Reserve fund	43.7	43.7	43.7
Reserve for invested non-restricted equity	114.8	114.8	114.8
Retained earnings	2,209.2	2,284.6	2,286.6
Total	2,401.1	2,462.3	2,481.1
Non-controlling interests	-0.2	-0.2	-0.2
TOTAL SHAREHOLDERS' EQUITY	2,400.9	2,462.2	2,480.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	392.5	416.1	413.1
Provisions	1.5	1.5	1.5
Lease liabilities	51.5	52.0	53.0
Derivative liabilities	0.4	0.7	0.0
Long-term non-interest bearing liabilities	0.0	0.0	0.0
Long-term interest bearing liabilities	1,480.1	1,700.0	1,721.4
Total	1,926.0	2,170.3	2,189.1
Current liabilities			
Accounts payable and other liabilities	82.8	57.9	69.3
Provisions	0.6	0.8	0.5
Lease liabilities	4.9	4.9	4.9
Current tax liabilities	2.9	17.5	15.8
Short-term interest bearing liabilities	673.8	451.4	424.2
Total	764.9	532.5	514.8
TOTAL LIABILITIES	2,691.0	2,702.7	2,703.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,091.9	5,164.9	5,184.7

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million	1 Apr–30 Jun 2023	1 Apr–30 Jun 2022	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Cash flow from operating activities					
Profit for the period	-59.5	30.5	-85.7	115.7	120.6
Adjustments:					
Non-cash items included in the profit	76.1	43.4	124.0	-38.2	18.7
Profit and loss on sales of investment properties and fixed assets	17.1	-47.1	17.0	-47.2	-53.1
Other adjustments	-0.2	-0.3	-0.2	-0.2	-0.3
Interest expenses and other financial expenses	23.2	11.3	39.9	22.5	47.6
Interest income	-5.6	-0.1	-7.3	-0.2	-0.6
Dividend income	0.0	0.0	0.0	0.0	0.0
Income taxes	-9.6	7.1	-15.5	28.8	31.3
Cash flow before change in net working capital	41.5	44.8	72.3	81.1	164.2
Change in net working capital:					
Changes in accounts receivable and other receivables	-9.5	-9.1	-19.0	-9.9	1.6
Change in accounts payable and other liabilities	13.2	13.7	22.8	7.3	6.2
Interest paid	-36.9	-21.4	-48.1	-31.3	-45.5
Interest received	1.7	-0.7	-1.1	-1.7	-0.8
Taxes paid	-5.4	-9.6	-25.5	-14.3	-30.0
Net cash flow from operating activities	4.7	17.7	1.3	31.1	95.8
Cash flow from investing activities					
Investments in investment properties	-47.2	-53.3	-93.6	-78.3	-209.8
Net investment in tangible and intangible assets	-0.6	-1.0	-1.3	-1.8	-3.9
Cash receipts from loans receivable and debt securities	0.0	12.3	0.0	12.3	37.4
Loans granted and investments in debt securities	0.0	-95.0	0.0	-95.0	-35.4
Disposals of investment property	51.3	208.8	51.8	212.9	225.4
Net cash flow from investing activities	3.4	71.8	-43.1	50.0	13.8
Cash flow from financing activities					
Repayments (-) / withdrawals (+) of current loans	73.8	-21.0	172.2	-5.0	9.8
Withdrawals of non-current loans	50.0	0.0	180.0	0.0	137.3
Repayments of non-current loans	-340.3	-9.5	-346.3	-17.3	-174.3
Repayments of lease liabilities	-1.1	-2.5	-1.5	-2.3	-1.6
Repayment of capital and dividends paid	0.0	-28.3	0.0	-28.3	-28.3
Net cash flow from financing activities	-217.6	-61.3	4.4	-52.9	-57.1
Change in cash and cash equivalents	-209.4	28.1	-37.3	28.2	52.5
Cash and cash equivalents at the beginning of period	232.6	8.2	60.5	8.5	8.5
Effect of exchange rate fluctuations on cash held	0.0	0.0	0.1	-0.5	-0.5
Cash and cash equivalents at the end of period	23.2	36.3	23.2	36.3	60.5

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

EUR million	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total		
Shareholders' equity 1 Jan 2023	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
Total comprehensive income	-	-2.6	-	-	-77.3	-79.9	0.0	-79.9
Transactions with shareholders:								
Dividend	-	-	-	-	-	-	-	-
Transaction with shareholders, total	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-
Total of equity movements	-	-2.6	-	-	-77.3	-79.9	0.0	-79.9
Shareholders' equity 30 Jun 2023	4.4	28.9	43.7	114.8	2,209.3	2,401.1	-0.2	2,400.9

EUR million	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Fair value and other reserves	Reserve fund	Reserve for invested non-restricted equity	Retained earnings	Total		
Shareholders' equity 1 Jan 2022	4.4	-16.6	43.7	114.8	2,205.2	2,351.5	-0.2	2,351.3
Comprehensive income:								
Cash flow hedges, net of tax	-	31.4	-	-	-	31.4	-	31.4
Translation differences	-	-	-	-	-8.0	-8.0	-	-8.0
Profit for the period	-	-	-	-	115.7	115.7	0.0	115.7
Total comprehensive income	-	31.4	-	-	107.7	139.2	0.0	139.2
Transactions with shareholders:								
Dividend	-	-	-	-	-28.3	-28.3	-	-28.3
Transaction with shareholders, total	-	-	-	-	-28.3	-28.3	-	-28.3
Other adjustments	-	-	-	-	-	-	-	-
Total of equity movements	-	31.4	-	-	79.4	110.8	0.0	110.8
Shareholders' equity 30 Jun 2022	4.4	14.8	43.7	114.8	2,284.6	2,462.3	-0.2	2,462.2

NOTES TO THE HALF-YEAR REPORT

I. GENERAL INFORMATION

SATO Corporation is a Finnish public limited company domiciled in Helsinki, Finland. The registered address of the company is Panuntie 4, 00600 Helsinki. SATO Corporation and its subsidiaries together form the consolidated SATO Group ("SATO" or "the Group"). SATO provides housing solutions and its operations consists of investments in housing properties. The focus of the Group's operations is in the largest growth centers, and approximately 87.5% 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 2022 with the exception of new and amended standards applied to the annual periods beginning on 1 January 2023. New IFRS standards, amendments to standards and IFRIC interpretations which have entered into force at the beginning of the year 2023 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 housing 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	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Finland	71.3	71.3	141.0	144.8	286.5
Russia	0.2	1.2	1.3	2.4	4.7
Total	71.5	72.5	142.4	147.2	291.2

Non-current assets by geographical region

EUR million	30 Jun 2023			30 Jun 2022		
	Finland	Russia	Total	Finland	Russia	Total
Investment property	4,956.0	-	4,956.0	4,858.7	118.0	4,976.7
Tangible assets	3.2	-	3.2	3.0	0.0	3.0
Intangible assets	7.1	-	7.1	6.3	0.0	6.3
Other right-of-use assets	4.3	-	4.3	5.2	-	5.2
Investments in associated companies	0.1	-	0.1	0.1	-	0.1
Total	4,970.6	-	4,970.6	4,873.2	118.1	4,991.3

EUR million	31 Dec 2022		
	Finland	Russia	Total
Investment property	4,983.8	60.4	5,044.2
Tangible assets	3.2	0.0	3.3
Intangible assets	7.1	0.0	7.1
Other right-of-use assets	4.9	-	4.9
Investments in associated companies	0.1	-	0.1
Total	4,999.1	60.4	5,059.5

4. GAINS AND LOSSES ON DISPOSAL OF INVESTMENT PROPERTIES

EUR million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Sale of residential investment properties					
Proceeds from disposal of residential investment properties	51.3	207.7	51.8	210.4	211.7
Carrying value of investment properties sold	-62.1	-160.6	-62.6	-163.2	-163.8
Translation differences	-6.3	0.0	-6.3	0.0	0.0
Total	-17.1	47.1	-17.1	47.2	47.8
Sale of land plots					
Proceeds from disposal of land plots	-	-	-	0.0	9.5
Carrying value of land plots sold	-	-	-	-0.1	-4.3
Total	-	-	-	-0.1	5.2
Total	-17.1	47.1	-17.1	47.2	53.1

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 housing business in Russia on 14 April 2023. Translation differences related to the Russian business operations are presented separately.

5. OTHER OPERATING INCOME

EUR million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Other operating income					
Sales income, new production	0.0	2.6	0.0	5.6	10.1
New production expenses	0.0	-1.8	0.0	-4.2	-8.1
Other income	0.3	0.2	0.4	0.3	0.7
Total	0.3	1.0	0.4	1.7	2.7

6. FINANCIAL INCOME AND EXPENSES

EUR million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Financial income					
Interest income on loans and other receivables	0.9	0.1	1.5	0.2	0.6
Interest income on effective cash flow hedges	4.7	-	5.8	-	-
Dividend income from other non-current investments	0.0	0.0	0.0	0.0	0.0
Foreign exchange gains	0.0	0.0	0.0	0.0	0.0
Total	5.6	0.1	7.3	0.2	0.6
Financial expenses					
Interest expense on financial liabilities measured at amortised cost	-18.1	-7.1	-31.8	-14.3	-32.1
Interest expense on effective cash flow hedges	-2.5	-2.1	-2.5	-4.2	-5.8
Interest expense on lease liabilities	-0.8	-0.8	-1.7	-1.7	-3.3
Foreign exchange losses	0.1	0.0	-0.1	-0.2	-0.2
Other financial expenses	-1.7	-1.2	-3.8	-2.1	-6.2
Total	-23.2	-11.3	-39.9	-22.5	-47.6
Financial income and expenses, net	-17.6	-11.2	-32.6	-22.3	-47.0

7. INVESTMENT PROPERTIES

EUR million	1-6/2023	1-6/2022	1-12/2022
Fair value of investment properties at start of period	5,044.2	5,032.8	5,032.8
Acquisitions of properties	-	7.7	12.9
New construction and other investments in properties	92.9	70.8	194.1
Disposals of investment properties	-62.6	-164.7	-169.9
Capitalised borrowing costs	1.2	0.8	1.9
Reclassified from other items	0.6	-2.6	-2.9
Gains and losses in profit and loss from changes in fair value*	-122.0	40.3	-14.9
Exchange rate differences, no P/L effect	1.7	-8.4	-10.9
Remeasurement of right-of-use investment properties, no P/L effect	-	0.0	1.1
Fair value of investment properties at end of period	4,956.0	4,976.7	5,044.2

* Gains and losses from changes in fair value include foreign exchange gains and losses of EUR 0.1 million (-0.7).

Significant acquisitions and disposals during the period

SATO completed the divestment of the housing business in Russia on 14 April 2023. SATO did not make significant acquisitions of land or completed investment properties during the period.

Investment property valuation principles

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

The housing properties are located in the largest growth centres, with approximately 87.5% of them located in the Helsinki region. The quality of investment properties is maintained by renovation and repair activities based on their lifecycle and repair plans. Change in the fair value of SATO's owned investment property was mainly due to market price levels, reclassifications from measurement group to another when legal restrictions have ended and changes in parameters used in valuation.

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

The valuation of investment properties in SATO's ownership is based on a method which has been prepared by SATO in co-operation with a third party expert (currently: JLL). The external expert semi-annually issues a statement on the applicability of SATO's valuation methods, the appropriateness of sources of information used and the credibility of the valuation. As part of the valuation process, the external expert also reviews each SATO's property on site every three years. 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 realization is uncertain, are valued at cost or probable value, whichever is lower, if their fair value cannot be determined reliably.

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

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Investment property classified by valuation method			
Income value	4,635.3	4,537.0	4,664.2
Sales comparison value	-	118.0	60.4
Acquisition cost	268.5	269.9	267.0
Owned investment property, total	4,903.7	4,924.9	4,991.6
Right-of-use investment properties	52.2	51.9	52.6
Total investment property	4,956.0	4,976.7	5,044.2

Sensitivity analysis of investment properties

Sensitivity analysis of investment properties has been presented in the 2022 consolidated financial statements. Quarterly changes are not significant. All SATOs investment properties are classified to hierarchy level 3 under IFRS 13. Items which are included in the hierarchy level 3 are measured using input data which is not based on observable market data.

8. TANGIBLE ASSETS

EUR million	1-6/2023	1-6/2022	1-12/2022
Carrying value, beginning of period	3.3	3.2	3.2
Additions	0.6	0.4	1.0
Disposals	-0.2	-0.1	-0.2
Accumulated depreciation of disposals	0.1	0.1	0.1
Transfers between items	0.0	-	0.3
Depreciations and impairments	-0.5	-0.6	-1.1
Carrying value, end of period	3.2	3.0	3.3

9. INTANGIBLE ASSETS

EUR million	1-6/2023	1-6/2022	1-12/2022
Carrying value, beginning of period	7.1	5.7	5.7
Additions	0.8	1.6	3.2
Disposals	-0.1	-0.2	-0.2
Accumulated depreciation of disposals	-	-	-
Transfers between items	0.1	-0.1	0.0
Depreciation	-0.9	-0.7	-1.5
Carrying value, end of period	7.1	6.3	7.1

10. LEASES

Right-of-use assets

EUR million	1-6/2023	1-6/2022	1-12/2022
Right-of-use investment properties			
Carrying value, beginning of period	52.6	52.9	52.9
Additions	-	0.6	0.6
Disposals	-	-1.4	-1.4
Remeasurement of lease agreements	-	0.0	1.1
Changes of fair value in profit and loss	-0.4	-0.2	-0.6
Carrying value, end of period	52.2	51.9	52.6
Other right-of-use assets			
Carrying value, beginning of period	4.9	5.8	5.8
Additions	-	-	-
Remeasurement of lease agreements	-	-	0.3
Depreciation for the period	-0.5	-0.6	-1.3
Carrying value, end of period	4.3	5.2	4.9
Total carrying value, beginning of period	57.5	58.7	58.7
Total carrying value, end of period	56.6	57.0	57.5

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 2023	30 Jun 2022	31 Dec 2022
Non-current			
From land lease agreements	48.1	47.8	49.0
From other lease agreements	3.5	4.2	4.0
Total	51.5	52.0	53.0
Current			
From land lease agreements	3.8	3.7	3.8
From other lease agreements	1.1	1.2	1.1
Total	4.9	4.9	4.9
Total lease liabilities	56.4	56.8	57.9

II. SHAREHOLDERS' EQUITY

The total number of SATO's shares as at 30 June 2023 was 56,783,067 (56,783,067) and the number of own shares held was 166,000 (166,000). The following dividends were distributed by the company during the period:

EUR million	1-6/2023	1-6/2022	1-12/2022
The following dividend was declared by the company:			
Dividend 0.00 (0.50) per share, EUR	-	-28.3	-28.3
Total	-	-28.3	-28.3

The Annual General Meeting of SATO Corporation resolved on 23 March 2023 that dividends shall not be distributed for the 2022 financial period.

12. FINANCIAL LIABILITIES

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Financial liabilities			
Commercial papers	117.0	-	14.8
Corporate bonds	748.2	1,096.0	1,071.7
Bank loans	1,154.7	894.8	904.8
Interest-subsidised loans	106.1	127.2	123.7
State-subsidised ARAVA loans	28.0	33.4	30.7
Total	2,153.9	2,151.4	2,145.7

On the reporting date, the average interest of SATO's debt portfolio was 3.2% (1.8) and the average maturity was 3.1 years (3.5).

For purposes of short-term financing, SATO has a commercial paper program of EUR 400.0 million (400.0) of which EUR 282.0 million (400.0) were unused, committed credit limits of EUR 700.0 million (700.0), of which EUR 630.0 million (700.0) 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 2023			30 Jun 2022	31 Dec 2022
	Positive	Negative	Net	Net	Net
Fair values of derivative instruments					
Interest rate swaps, cash flow hedging	36.0	-0.4	35.6	18.0	38.8
Total	36.0	-0.4	35.6	18.0	38.8

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Nominal values of derivative instruments			
Interest rate swaps, cash flow hedging	447.4	500.8	447.5
Total	447.4	500.8	447.5

Change in fair value of designated interest rate hedges, booked to fair value reserve, totalled EUR -2.6 million (31.4). Interest rate swaps are used to hedge interest cash flows against fluctuation 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 period.

14. FAIR VALUES OF FINANCIAL INSTRUMENTS

EUR million	30 Jun 2023			30 Jun 2022		
	Level 1:	Level 2:	Level 3:	Level 1:	Level 2:	Level 3:
Assets						
Other non-current investments	-	1.0	-	-	1.0	-
Loans receivable	-	-	-	-	35.1	-
Commercial paper	-	-	-	-	50.0	-
Derivative assets	-	36.0	-	-	19.2	-
Accounts receivable and other non-interest-bearing receivables	-	27.9	-	-	17.4	-
Cash and cash equivalents	-	23.2	-	-	36.3	-
Liabilities						
Corporate bonds	645.7	-	-	984.3	24.0	-
Other loans	-	1,408.2	-	-	1,047.9	-
Derivative liabilities	-	0.4	-	-	1.2	-
Accounts payable and other non-interest-bearing payables	-	13.4	-	-	15.6	-

EUR million	31 Dec 2022		
	Level 1:	Level 2:	Level 3:
Assets			
Other non-current investments	-	1.0	-
Loans receivable	-	-	-
Commercial paper	-	-	-
Derivative assets	-	38.9	-
Accounts receivable and other non-interest-bearing receivables	-	9.6	-
Cash and cash equivalents	-	60.5	-
Liabilities			
Corporate bonds	920.3	24.0	-
Other loans	-	1,053.5	-
Derivative liabilities	-	0.0	-
Accounts payable and other non-interest-bearing payables	-	21.3	-

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

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

15. PROVISIONS

EUR million	2023	2022
Provision for refund claim at the beginning of the period 1 Jan	2.0	2.2
Increases	0.2	0.3
Provisions used	-0.1	0.0
Reversals	-0.1	-0.1
Provision for refund claim at the end of the period 30 Jun	2.0	2.3

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Non-current provisions	1.5	1.5	1.5
Current provisions	0.6	0.8	0.5
Total	2.0	2.3	2.0

The provision for refund claim includes guarantees related to new construction business and 10 year warranty period after completion of the work. Provision for refund claim is measured based on previous claims and assessment of previous experience. The provision for refund claim will be used, if applicable, within ten years from the reporting date. SATO has no other provisions on 30 June 2023.

16. NOTES TO THE CASH FLOW STATEMENT

EUR million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Non-cash items included in the profit					
Depreciation and amortization	1.0	1.0	2.0	1.9	3.9
Gains and losses from changes in fair value of investment properties	75.1	42.3	122.0	-40.3	14.9
Changes in provisions	0.0	0.1	0.0	0.1	-0.2
Share of profit of associated companies and joint ventures	0.0	0.0	0.0	0.0	0.0
Total	76.1	43.4	124.0	-38.2	18.7

EUR million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Changes in interest-bearing debt during the period					
Interest-bearing debt, beginning of period	2,368.8	2,176.6	2,145.7	2,169.5	2,169.5
Cash changes in interest-bearing debt during the period, total	-216.5	-30.5	5.9	-22.3	-27.1
Non-cash changes:					
Change in foreign exchange rates	0.0	0.0	0.0	0.0	0.0
Interest accrued by the effective interest rate method	0.7	0.7	1.4	1.3	2.7
Transfer of debt to buyers upon disposal of investment property and other adjustments	1.0	4.6	1.0	2.9	0.6
Interest-bearing debt, end of period	2,153.9	2,151.4	2,153.9	2,151.4	2,145.7

17. COLLATERAL, COMMITMENTS AND CONTINGENCIES

EUR million	30 Jun 2023	30 Jun 2022	31 Dec 2022
Mortgages and pledges for secured borrowings			
Secured borrowings	259.8	352.7	254.0
Pledges and mortgages provided, fair value	518.7	576.4	557.5
Guarantees for others			
Rs-guarantees	1.9	1.8	1.9
Other collateral provided			
Mortgages provided to secure payment of rent and street maintenance	6.4	6.6	6.4
Guarantees and mortgages provided to secure payments of land use contracts	2.2	8.4	1.9
Binding purchase agreements			
For acquisitions of investment properties	57.7	133.8	114.3
Pledges for land use payments on zoned plots	0.8	0.7	0.6
Letters of intent on properties under development for which there is a zoning or other condition	70.5	58.8	70.5

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 2023 are Balder Finska Otas AB, other Balder-group companies (parent company: Fastighets AB Balder), Erik Selin Fastigheter AB, Stichting Depositary APG Strategic Real Estate Pool together with its parent company and asset manager (parent company: Stichting Pensioenfonds ABP, >95%; asset manager: APG Asset Management NV) and Elo Mutual Pension Insurance Company.

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

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

On 30 March 2022, SATO Corporation has received an unsecured revolving credit facility from Fastighets AB Balder in the amount of EUR 350.0 million, with the maturity at 31.3.2025. No withdrawals from the facility were made during the period.

EUR million	1-6/2023	1-6/2022	1-12/2022
Extended Management Group employee benefits			
Salaries and other employee benefits	1.2	1.1	1.7
Total	1.2	1.1	1.7

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	1-6/2023	1-6/2022	2022	2021	2020	2019	2018*
Net sales, EUR million	142.4	147.2	291.2	298.3	303.4	295.6	290.4
Net rental income, EUR million	93.4	98.4	200.4	210.6	220.3	207.1	198.5
Operating profit, EUR million	-68.6	166.8	198.9	304.5	179.6	725.6	273.3
Net financing expenses, EUR million	-32.6	-22.3	-47.0	-45.1	-50.0	-55.1	-42.5
Profit before taxes, EUR million	-101.2	144.5	151.9	259.4	129.5	670.5	230.8
Balance sheet total, EUR million	5,091.9	5,164.9	5,184.7	5,091.4	5,104.7	4,718.2	3,922.4
Shareholders' equity, EUR million	2,400.9	2,462.2	2,480.9	2,351.3	2,155.7	2,055.8	1,554.5
Interest bearing liabilities, EUR million	2,153.9	2,151.4	2,145.7	2,169.5	2,381.5	2,098.4	1,982.2
Return on invested capital, % (ROIC)	-3.0%	7.3%	4.3%	6.7%	4.1%	18.9%	7.9%
Return on equity, % (ROE)	-7.0%	9.6%	5.0%	9.1%	4.8%	29.6%	12.4%
Equity ratio, %	47.2%	47.7%	47.8%	46.2%	42.2%	43.6%	39.6%
Personnel, average**	332	329	328	276	229	223	215
Personnel at the end of period	358	342	325	313	242	229	218
Key indicators per share							
Earnings per share, EUR	-1.51	2.04	2.13	3.64	1.80	9.45	3.26
Equity per share, EUR***	42.41	43.49	43.82	41.53	38.07	36.31	27.46
Number of shares, million pcs	56.6	56.6	56.6	56.6	56.6	56.6	56.6
Operational key figures and net asset value							
Operational earnings, EUR million	25.6	44.6	88.5	101.6	109.0	91.4	98.7
Operational earnings per share, EUR	0.45	0.79	1.56	1.79	1.92	1.61	1.74
Net asset value, EUR million	2,752.0	2,858.1	2,849.4	2,779.3	2,577.2	2,477.7	1,855.7
Net asset value per share, EUR	48.61	50.48	50.33	49.09	45.52	43.76	32.77
Cash earnings, EUR million	-9.6	84.6	141.3	107.9	132.1	91.2	97.9
Cash earnings per share, EUR	-0.17	1.49	2.50	1.91	2.33	1.61	1.73
Quarterly key financial indicators							
	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	
Net sales, EUR million	71.5	70.9	71.4	72.6	72.5	74.7	
Net rental income, EUR million	52.5	40.8	48.0	54.0	54.0	44.4	
Operating profit, EUR million	-51.5	-17.1	-18.1	50.2	48.8	117.9	
Profit and losses from changes of fair value	-75.1	-46.9	-58.1	2.9	-42.3	82.6	
Net financing expenses, EUR million	-17.6	-15.0	-12.9	-11.8	-11.2	-11.1	
Profit before taxes, EUR million	-69.1	-32.1	-31.0	38.4	37.6	106.8	
Earnings per share, EUR	-1.05	-0.46	-0.45	0.54	0.54	1.50	
Average number of shares, million	56.6	56.6	56.6	56.6	56.6	56.6	
Housing investments, EUR million	46.5	46.2	68.4	53.6	44.7	23.7	
as percentage of net sales	65.0%	65.2%	95.8%	73.8%	61.7%	31.8%	
Operational key figures							
Operational earnings, EUR million	14.3	11.3	17.9	25.9	26.1	18.5	
Operational earnings per share, EUR	0.25	0.20	0.32	0.46	0.46	0.33	
Cash earnings, EUR million	-11.3	1.7	25.0	31.7	58.8	25.8	
Cash earnings per share, EUR	-0.20	0.03	0.44	0.56	1.04	0.46	

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

** Including seasonal employees.

*** Equity excluding non-controlling interests.

FORMULAS USED IN CALCULATION

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

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