

Interim report January – March 2018

AB | SAGAX

AB Sagax is a property company whose business concept is to invest in commercial properties, primarily in the warehouse and light industry segment.

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FIRST QUARTER OF 2018

- Rental revenue increased 19% to SEK 529 M (444 for the preceding year).
- Profit from property management increased 17% to SEK 354 M (302). Profit from property management per Class A and B share after dilution rose 19% to SEK 1.98 (1.66).
- In total, property revaluation affected profit by SEK 351 M (334), of which joint ventures and associated companies accounted for SEK 67 M (150).
- Revaluation of financial instruments positively impacted profit by SEK 125 M (51), of which joint ventures and associated companies accounted for SEK 13 M (20).
- Profit after tax for the period amounted to SEK 681 M (559).
- Cash flow from operating activities before changes in working capital amounted to SEK 278 M (221), corresponding to SEK 1.50 (1.15) per Class A and B share after dilution.
- During the period, Sagax invested SEK 1,365 M (215), of which properties accounted for SEK 1,342 M (131).

ADJUSTED FORECAST FOR 2018

Profit from property management for 2018, meaning profit before revaluations and tax, based on the current property portfolio as well as announced acquisitions and divestments, is expected to amount to SEK 1,530 M. The previously submitted forecast was for profit of SEK 1,490 M and was presented when the year-end report for 2017 was published.

RIGHTS ISSUE OF CLASS D SHARES

The Board has resolved to propose to the Annual General Meeting on 7 May 2018 an issue of new Class D common shares with preferential rights for the company's shareholders for a maximum of SEK 656 M. Every ten shares, regardless of class of share, provide entitlement to one new Class D common share for SEK 27.50 (1:10).

Selected key performance indicators

	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec
Profit from property management per Class A and B share after dilution, SEK	1.98	1.66	7.40	5.96	4.90	3.73	2.73
<i>Change compared with preceding year, %</i>	19	27	24	22	31	37	27
Earnings per Class A and B share after dilution, SEK	4.04	3.28	17.69	14.50	9.85	4.05	4.44
Dividend per Class A and B share, SEK	–	–	1.80 ¹⁾	1.45	1.15	0.80	0.55
Interest coverage ratio, multiple	3.5	3.2	3.7	3.4	2.9	2.6	2.4
Debt ratio, %	51	54	50	54	59	59	60
Properties' market value, SEK M	26,038	21,005	23,771	20,628	16,189	13,428	10,825
Property yield, %	6.8	6.9	6.9	7.1	7.4	7.6	7.7
Lease term, years	6.5	6.6	6.6	7.1	7.4	8.2	8.0

1) Proposed dividend



In April 2018, Sagax acquired the site leasehold for the Admiral de Ruyterstraat 2 property in Schiedam on the west side of Rotterdam. The property is strategically located in an industrial zone along the Meuse river, within the Rotterdam ring road and close to public transport. The property encompasses 10,700 square metres of lettable area.

Business concept, goals and strategies

BUSINESS CONCEPT

AB Sagax is a property company whose business concept is to invest in commercial properties, primarily in the warehouse and light industry segment.

COMPANY GOALS

The overriding objective is the long-term generation of the maximum possible risk-adjusted return to the company's owners. To achieve this objective, Sagax has set the following business targets:

- Operations must generate a long-term sustainable return and strong cash flows.
- The company is to continue to grow through property acquisitions after taking into account the risk-adjusted return.
- Cash flows from the existing property portfolio are to rise more than inflation.

FINANCIAL TARGETS

The table and charts below illustrates the outcome for the past five years in relation to the financial targets.

STRATEGIES

Investment strategy

Sagax invests primarily in warehouse and industrial properties. Properties designed as warehouses and for light industries are

attractive investment opportunities, since they generate a high yield combined with a low rate of new production and stable occupancy rates. Sagax invests in add-on acquisitions and in existing properties. Property acquisitions and investments in the existing portfolio aim to increase cash flow and diversify rental revenue, thereby reducing the company's operational and financial risks. The chart on page 3 illustrates the trend in the properties' market value and lettable area.

Financing strategy

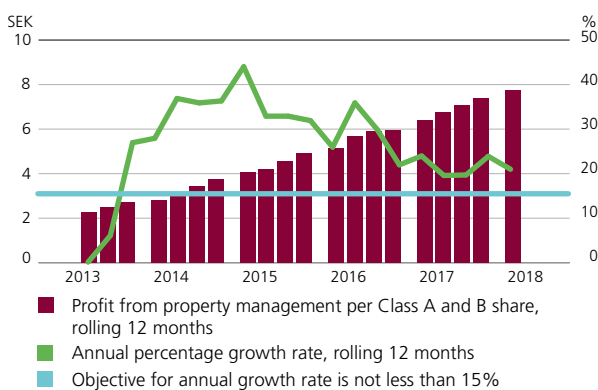
The financial structure of Sagax is designed with a clear focus on operating cash flow and the interest coverage ratio. This is expected to create both excellent prerequisites for expansion and an attractive return on equity. The charts on page 3 show Sagax's profit from property management and cash flow from operating activities. As illustrated, cash flow corresponds closely to profit from property management. The deviation is due mainly to profit from joint ventures, which is not recognised as cash flow. Dividends received from joint ventures are recognised as cash flow from operating activities.

Sagax endeavours to have well-balanced fixed-interest and capital maturity profiles to secure its operating cash flow. The average fixed-interest period was 2.0 years (2.5) at the end of the quarter. The average maturity period was 2.8 years (3.3) at the end of the quarter.

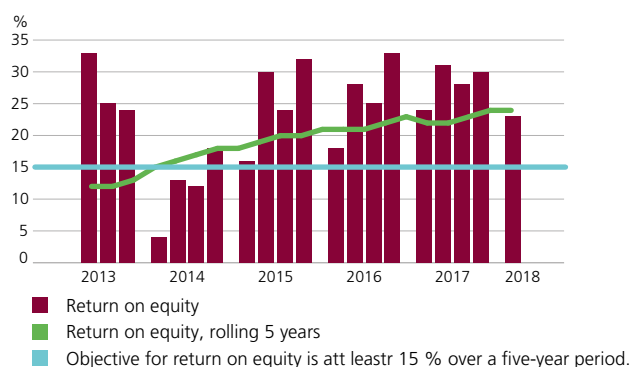
Financial targets

	Outcome Jan-Mar 2018	Five-year average
Return on equity, measured over a five-year period, should not fall below 15% per year	23%	24%
Profit from property management per Class A and B share should increase by a minimum of 15% per year	21%	27%

Profit from property management per Class A and B share



Return on equity



The company has four classes of shares: Class A, B and D common shares, and preference shares. The aim of the Class D shares, like the preference shares, is to attract investor categories that value steady ongoing dividends.

Management strategy

Sagax pursues efficiency and sustainability in its management strategy. The management strategy includes working actively to achieve long leases. This applies equally to new leases and to the management of existing leases. The company’s policy is to abstain from maximising rent levels at all points of time in favour of signing leases of a longer duration with solvent tenants. This is regarded as being advantageous since it reduces the risk of vacancies, while leading to lower costs for letting premises and adapting premises to tenant needs. On 31 March 2018, the average remaining term under the company’s leases was 6.5 years (6.9).

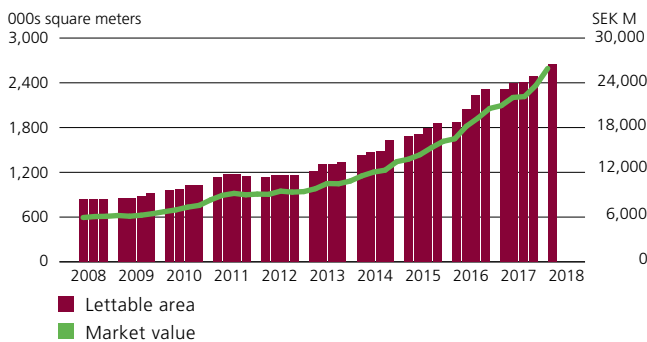
Strategy for tenants

Sagax endeavours to attract reputable and creditworthy tenants. The company mainly enters into leases that exclude the cost of heating and hot water and that are thus only affected to a limited extent by changes in consumption or changed rates for such utilities as heating, electricity, property tax, water and sewage.

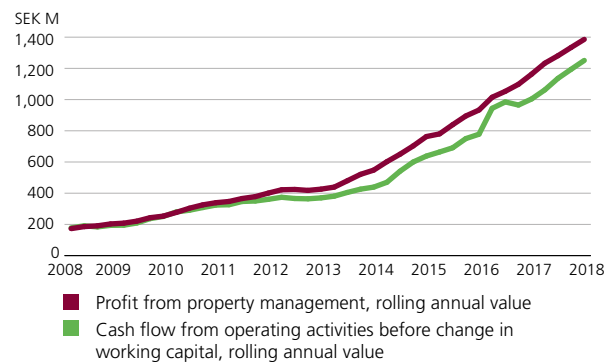
Strategy for the rental market

Sagax invests primarily in regions experiencing stable population growth and that have diversified business activities. Sagax’s greatest exposure to the rental market occurs in Stockholm and Helsinki, which are the markets in the Nordic region regarded as offering the best potential for long-term growth. The risk of a decline in the occupancy rate and rent levels due to a weaker rental market is regarded as low due to the stable demographic growth and the diversified business operations in these regions. Read more about this in the Sagax Annual Report for 2017.

Market value and area of properties



Profit from property management and cash flow



Earnings, revenue and expenses

The profit/loss and cash-flow items below refer to the January to March 2018 period. The comparative items refer to the year-earlier period. Amounts for the balance-sheet items and comparative figures refer to the position at the end of the current period and end of the year-earlier period.

EARNINGS

Profit from property management rose 17% to SEK 354 M (302), of which joint ventures and associated companies accounted for SEK 71 M (64). The increase was mainly attributable to property acquisitions. Profit from property management per Class A and B share after dilution rose 19% to SEK 1.98 (1.66).

Changes in the value of properties increased profit by SEK 351 M (334), of which the revaluation of joint ventures and associated companies accounted for SEK 67 M (150).

In total, revaluation of financial instruments had a positive earnings impact of SEK 125 M (51), of which revaluation of joint ventures and associated companies accounted for SEK 13 M (20). Fixed-income derivatives accounted for SEK 30 M (50), of which joint ventures accounted for SEK 13 M (20). The time factor is the main reason for the changes in the value of the fixed-income derivatives and the lower reserve for the deficit values of the fixed-income derivatives.

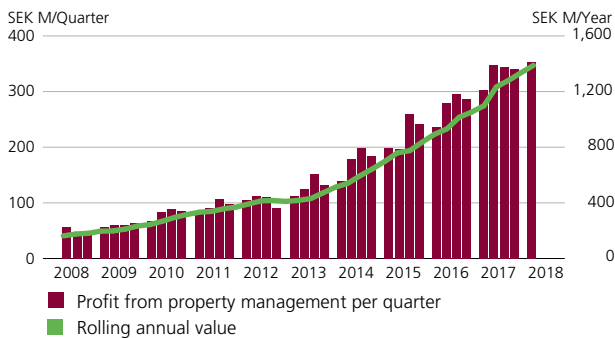
Profit after tax for the period amounted to SEK 681 M (559).

REVENUE

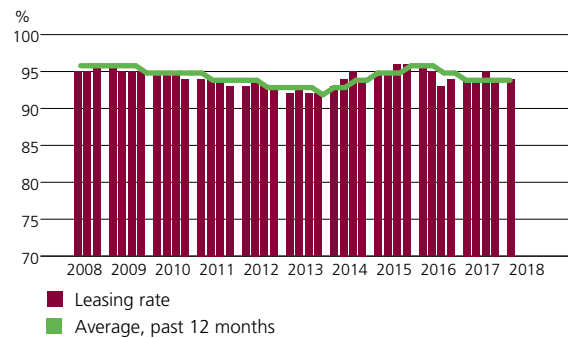
Rental revenue rose 19% to SEK 529 M (444). Revenue was positively affected primarily by property acquisitions.

Other revenue of SEK 4 M (3) primarily comprised compensation from a tenant who prematurely vacated premises.

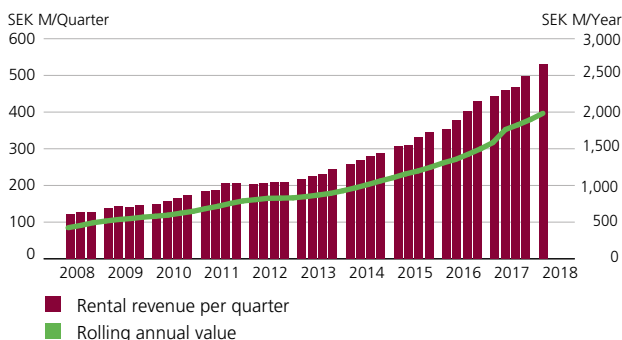
Profit from property management



Economic leasing rate



Rental revenue



CHANGE IN THE ECONOMIC OCCUPANCY RATE

The economic occupancy rate amounted to 94% (94), unchanged compared with year-end 2017. During the period, the vacancy value rose SEK 24 M (8) due to tenants vacating premises and declined SEK 24 M (14) due to new lettings. Discounts provided on a fixed-term basis amounted to SEK 22 M (12) on an annual basis at the end of the period, up SEK 6 M (1) during the period. The terms for the discounts are described in the table below. Stockholm and Helsinki accounted for 80% (79) of the vacancy value.

The vacancy value of acquired properties exceeds the vacancy value of divested properties by SEK 2 M. Consequently, the transaction activities increased the vacancy value by a net amount of SEK 2 M (decrease: 3). The closing vacancy value increased by SEK 11 M during the period to SEK 133 M (113).

FUTURE VACANCY CHANGES

Notice of termination had been served for leases with a rental value of SEK 63 M (54) at the end of the period, of which notice of vacating the premises accounted for SEK 61 M (50) and notice of renegotiation the premises for SEK 2 M (4). Of the leases for which notice had been received, vacancies corresponding to SEK 35 M will occur in 2018. The rate of vacating premises is described in the table below. New lettings that have not yet been occupied reduced the adjusted vacancy value by SEK 23 M (21).

The adjusted closing vacancy value was SEK 173 M (146), a net increase of SEK 19 M during the period. The increase was due to the closing vacancy value rising by SEK 11 M and the vacancy value for notices of vacating premises rising by SEK 22 M, while the vacancy value for new lettings that have not yet been occupied increased by SEK 14 M.

Vacancy changes

Amounts in SEK M	2018 Jan-Mar	2017 Jan-Dec
Opening vacancy for each year	122	121
Vacancies	24	60
Lettings	-24	-75
Change in discounts provided	6	5
Vacancy value, acquired properties	3	22
Vacancy value, sold properties	-1	-8
Demolition of buildings	-	-5
Change in exchange rates	4	2
Closing vacancy value	133	122
Terminated for renegotiation	2	0
Terminated lease, not vacated	61	41
New letting, not occupied	-23	-9
Adjusted closing vacancy value	173	154

Terms for discounts provided

Year of expiry	SEK M
2018	16
2019	3
2020	1
2021	0
2022	0
>2022	2
Total	22

Leases terminated for vacancy

Year of vacancy	No. of leases	Rental value, SEK M
2018	36	35
2019	10	9
2020	4	1
2021	1	16
Total	51	61

Vacancies, April 1, 2018

Area	Rental value, SEK M	Vacancy value, SEK M ¹⁾	Economic vacancy rate ¹⁾	Lettable area, sqm	Vacant area, sqm	Vacancy rate by area
Stockholm	654	49	8%	646,000	44,000	7%
Helsinki	557	57	10%	507,000	56,000	11%
Paris	172	6	3%	199,000	3,000	2%
Netherlands	115	4	4%	148,000	7,000	5%
Rest of Sweden	208	2	1%	407,000	2,000	0%
Rest of Finland	462	14	3%	604,000	24,000	4%
Rest of Europe	127	1	1%	137,000	2,000	2%
Total	2,295	133	6%	2,648,000	138,000	5%

1) The vacancy value and vacancy rate take into account both vacancies and discounts provided.

PROPERTY EXPENSES

Operating and maintenance costs rose to a total of SEK 73 M (58). Property tax and site leaseholds amounted to a cost of SEK 29 M (22). Costs for property administration increased to SEK 8 M (7). All of these cost increases were mainly attributable to property acquisitions.

CENTRAL ADMINISTRATION

Costs for the Group's central administration amounted to SEK 27 M (18) and consisted of costs for executive management, financial risk management and credit procurement. The Parent Company, AB Sagax, is responsible for stock market issues, such as financial reporting and stock market information. Services between Group companies are charged on commercial terms and conditions and in accordance with market-based pricing. Intra-Group services comprise management services and internal interest charging. The Parent Company's management fees from Group companies for the period amounted to SEK 11 M (9). The Parent Company's income statement and balance sheet are shown on page 21.

At the end of the period, the Group had 57 (43) employees, refer to the table below. Functions such as property care-taking and on-call operations are outsourced. The company has offices in Stockholm, Helsinki, Rotterdam, Paris and Jyväskylä.

Number of employees

Country	Men	Women	Total
Sweden	19	12	31
Finland	8	10	18
France	4	1	5
Netherlands	3	–	3
Total	34	23	57

PROFIT FROM JOINT VENTURES AND ASSOCIATED COMPANIES

Profit from joint ventures and associated companies pertained to Sagax's shares in the earnings of the company's joint ventures and associated companies; refer also to page 13 for more information.

Profit for the period amounted to SEK 127 M (206), of which profit from property management accounted for SEK 71 M (64) M, changes in the value of fixed-income derivatives for SEK 13 M (20) and changes in the value of properties for SEK 67 M (150). Profit was charged with deferred tax of SEK 24 M (28).

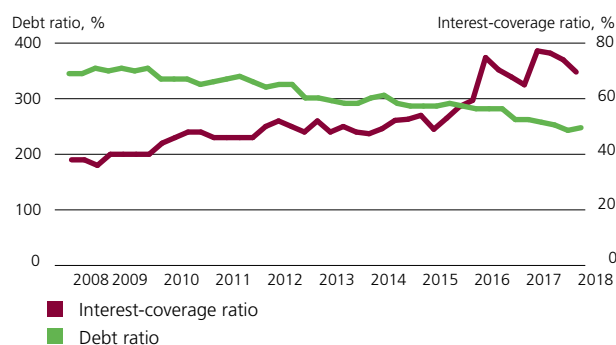
NET FINANCIAL ITEMS

Financial expenses amounted to SEK 114 M (105). The average interest rate was 2.8% (3.0) at 31 March 2018. Interest-bearing liabilities increased to SEK 15,238 M (12,790) due to financing of property acquisitions. For more information about financing at Sagax, see page 14.

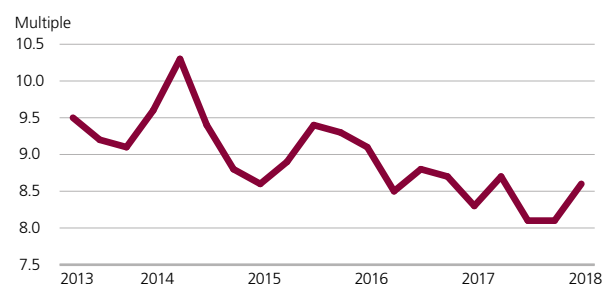
The chart shows how the debt ratio has decreased successively over time at the same time as financial expenses have declined in relation to Group revenues. The debt ratio at the end of the quarter amounted to 51% and the interest coverage ratio to 348%. Interest-bearing net debt for the past 12 months has averaged 8.6 (8.5) times EBITDA; see chart below.

Financial income of SEK 1 M (1) primarily pertained to dividends received for listed shares.

Debt ratio and interest-coverage ratio



Net debt/EBITDA, rolling 12 month



REVALUATION OF PROPERTIES

The value trend for properties in Sweden was an increase of SEK 127 M (51) and the value trend for properties abroad was an increase of SEK 167 M (134). A total of SEK 294 M (185) was recognised in unrealised changes in value for the period, excluding currency effects. The change in the market value of the property portfolio is also described on page 12.

New lettings and renegotiations of leases increased the market value of the properties by SEK 153 M (38). Vacancies and renegotiations reduced the value by SEK 87 M (33). The general change in market value for the company's properties amounted to SEK 229 M (180), primarily due to lower yield requirements. Of the unrealised change in value of SEK 167 M abroad, SEK 165 M was attributable to the operations in Finland.

Unrealised changes in value

Amounts in SEK M	Jan-Mar 2018
New lettings/Renegotiations	41
Vacancies/Renegotiations	-66
General change in market value	152
Sub-total, Sweden	127
New lettings/Renegotiations	112
Vacancies/Renegotiations	-21
General change in market value	77
Sub-total, International	167
Total unrealised changes in value	294

Realised changes in the value of properties amounted to a negative SEK 10 M (neg: 1) for the period, see also page 11.

The weighted yield requirement used in the valuations was 7.2% (7.4). The weighted cost of capital for the present value calculation of cash flows and residual values amounted to 8.1% (8.1) and 8.6% (8.7), respectively. See also the section on analysis and general conditions on page 12.

Earnings were also impacted by a revaluation of SEK 67 M (150) of properties in Sagax's joint ventures.

REVALUATION OF FINANCIAL INSTRUMENTS

Fixed-income derivatives, listed shares and financial instruments linked to holdings of joint ventures were revalued on 31 March 2018.

The fixed-income derivatives comprised interest-rate swaps and interest-rate caps. All fixed-income derivatives are recognised at market value and changes in market value are recognised in profit or loss. Changes in value for the period amounted to SEK 17 M (30), which comprised unrealised changes in value. The change in value was due primarily to the time factor. At the end of the period, the reserve for the deficit value of fixed-income derivatives was SEK 404 M (497); refer to the section on financing on page 15.

Earnings were also positively impacted by SEK 13 M (20) from the revaluation of fixed-income derivatives in joint ventures. In its consolidated financial statements, Sagax continuously recognises the company's share of deficit values of the fixed-income derivatives of its joint ventures.

Revaluation of listed shares resulted in an unrealised change in value of SEK 77 M (1). The divestment of shares resulted in a realised change in value of SEK 7 M (-) for the period.

Revaluation of financial instruments attributable to joint ventures amounted to SEK 12 M (-) pursuant to IAS 39 to a market value of SEK 385 M (-).

TAX

Sagax recognises a current tax expense of SEK 23 M (11). The deferred tax expense for the period amounted to SEK 103 M (89). The Group's deferred tax assets and tax liabilities at the end of the period amounted to SEK - M (1) and SEK 1,269 M (826), respectively.

Deferred tax liabilities by country

Amounts in SEK M	31 Mar 2018
Sweden	668
Finland	509
Germany	83
Denmark	1
France	-
Netherlands	7
Tax liabilities	1,269

CASH FLOW

Cash flow from operating activities before changes in working capital amounted to SEK 278 M (221). Changes in working capital had a negative impact of SEK 33 M (66) on cash flow. Investing activities had a negative impact of SEK 1,519 M (neg: 363) on cash flow, while cash flow from financing activities contributed SEK 1,242 M (200) to Sagax. In total, cash and cash equivalents rose SEK 34 M (123) during the period. See page 18 for the statement of cash flows.

Forecast and current earnings capacity

FORECAST FOR 2018

Profit from property management for 2018, meaning profit before revaluations and tax, based on the current property portfolio and announced acquisitions and divestments, is expected to amount to SEK 1,530 M. The previously submitted forecast was for profit of SEK 1,490 M and was presented when the Year-end report for 2017 was published.

CURRENT EARNINGS CAPACITY

Current earnings capacity is reported in conjunction with interim reports and year-end reports.

The table below shows the company's earnings capacity on a 12-month basis at 1 April 2018. It is important to note that this capacity cannot be compared with a forecast for the forthcoming 12 months because it does not contain assessments about, for example, future vacancies, the interest rate scenario, currency effects, rent trends or changes in value.

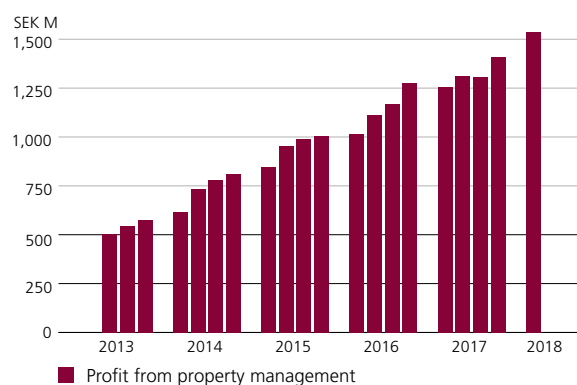
The rental value is based on contractual rental revenue on an annual basis, with supplements for estimated market rents for vacant premises. Property expenses are based on actual outcomes over the past 12 months adjusted for the holding period. Central administration costs are based on actual outcomes over the past 12 months. Net financial items are calculated based on interest-bearing liabilities and assets on the balance sheet date. Expenses for interest-bearing liabilities are based on the Group's estimated average interest rate, plus financing costs allocated over time. Dividends attributable to the company's holdings of listed shares were not taken into account in the earnings capacity. Tax is calculated at the standard tax rate of 22%.

Shares in profit in joint ventures and associated companies are calculated in accordance with the same assumptions as for Sagax, taking into account the size of the participations.

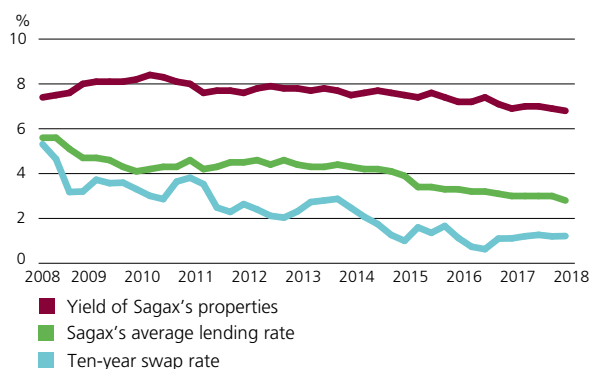
Current earnings capacity

Amounts in SEK M	1 Apr 2018	1 Jan 2018
Rental value	2,295	2,099
Vacancy	-133	-122
Rental revenue	2,162	1,977
Property expenses	-377	-333
Net operating income	1,784	1,644
Central administration	-86	-77
Joint ventures and associated companies	306	290
Financial expenses	-470	-448
Profit from property management	1,535	1,410
Tax	-338	-310
Profit after tax	1,197	1,100
– of which, holders of preference shares	34	34
– of which, holders of Class D shares	127	127
– of which, holders of Class A and B shares	1,037	939

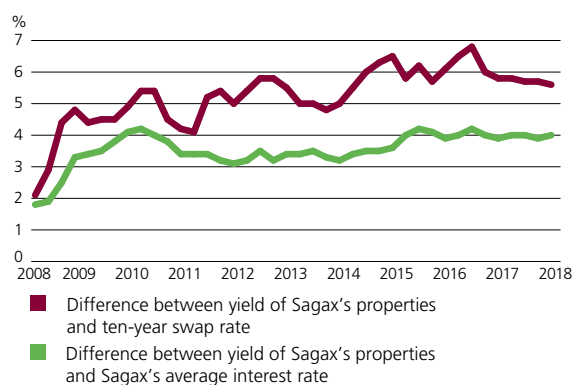
Current earnings capacity before tax



Yield and lending rate



Difference between yield and lending rate



Property portfolio

At 31 March 2018, the property portfolio comprised 501 (432) properties with a lettable area of 2,648,000 (2,315,000) square metres. The average remaining lease term was 6.5 years (6.9). The two largest market areas are Stockholm and Helsinki, where 56% (60) of the market value and 53% (58) of the rental value is concentrated. At the end of the period, the total rental value and contractual annual rent amounted to SEK 2,295 M (1,888) and SEK 2,162 M (1,775), respectively. This corresponds to an economic occupancy rate of 94% (94).

INVESTMENTS

During the period, Sagax invested SEK 1,395 M (223), of which property acquisitions accounted for SEK 1,342 M (131). A total of SEK 1,104 M was invested abroad, corresponding to 79% of total investments in during the period. Of the investments, Finland accounted for 30%, France for 26%, the Netherlands for 23% and Sweden for 21%.

A total of 19 properties were acquired with a total lettable area of 190,000 square metres. The largest investment was 63 grand rue Surveilliers in Paris with a lettable area of 39,800 square metres. Refer also to page 10.

A total of SEK 53 M (92) was invested in the existing property portfolio. SEK 10 M of the investments for the period were made against rent supplements, SEK 22 M was invested in

conjunction with new lettings, SEK 7 M in conjunction with new production and SEK 14 M pertained to property maintenance.

At the end of the period, the Group agreed to acquire eight properties for which possession will be taken in the second quarter. The total investment amounts to EUR 30 M.

DIVESTMENTS

During the period, 13 properties with a total lettable area of 30,200 square metres were divested for a total of SEK 42 M; see compilation on page 11. The largest divestment was Hillerstorp 3:106 in Gnosjö, with a lettable area of 23,400 square metres. Other divestments comprised smaller properties in Finland.

YIELD

The properties' yield is a yield measurement whereby the net operating income for the period, adjusted for holdings, is compared with the properties' carrying amounts at the end of the period. The yield provides an overview of earnings generation before financial expenses and central administration costs are taken into account. The yield reported by Sagax for the period was 6.8% (6.9).

Summary of property portfolio 1 April 2018

Segment	No. of properties	Lettable area, sqm	Vacant area, sqm	Market value		Rental value, SEK M	Percentage of rental value	Economic occupancy rate	Rental revenue	
				SEK M	SEK per sqm				SEK M	Share
Stockholm	81	646,000	44,000	9,098	14,100	654	29%	92%	605	28%
Helsinki	69	507,000	56,000	5,486	10,800	557	24%	90%	500	23%
Paris	41	199,000	3,000	1,740	8,700	172	7%	97%	167	8%
Netherlands	21	148,000	7,000	1,228	8,300	115	5%	96%	111	5%
Rest of Sweden	47	407,000	2,000	2,419	5,900	208	9%	99%	206	9%
Rest of Finland	223	604,000	24,000	4,558	7,500	462	20%	97%	447	21%
Rest of Europe	19	137,000	2,000	1,509	11,000	127	6%	99%	126	6%
Total	501	2,648,000	138,000	26,038	9,800	2,295	100%	94%	2,162	100%

Property investments January-March 2018

Amounts in SEK M	Property acquisitions	Existing portfolio	Total
Stockholm	269	20	289
Helsinki	94	29	122
Paris	274	2	276
Netherlands	325	–	325
Rest of Sweden	–	2	2
Rest of Finland	296	–	296
Rest of Europe	85	–	85
Total	1,342	53	1,395

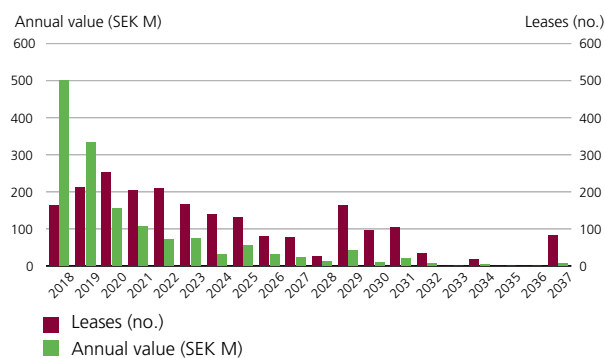
Property acquisitions 2018

Property/address	Municipality	Segment	Lettable area, sqm
Murmästare-Ämbetet 2	Stockholm	Stockholm	7,937
Konsumenten 1	Stockholm	Stockholm	7,896
Klingan 3	Huddinge	Stockholm	1,830
Råfilmen 1	Stockholm	Stockholm	1,410
Veddesta 2:42	Järfälla	Stockholm	4,380
Mänkimiehentie 4	Espoo	Helsinki	18,440
63 Grande rue	Surviliers	Paris	39,753
Rue de la Prairie	Villebon-Sur-Yvette	Paris	6,300
Chroomstraat 140	Zoetermeer	Netherlands	7,240
Huis ter Heideweg 18-56	Zeist	Netherlands	20,258
Innovatieweg 12	Terneuzen	Netherlands	2,626
Kwartelweg 1	Moerdijk	Netherlands	6,458
Innovatieweg 6	Terneuzen	Netherlands	6,425
Hallitie 2	Oulu	Rest of Finland	3,578
Lumijoentie 2	Oulu	Rest of Finland	6,778
Mittarikuja 5	Oulu	Rest of Finland	7,200
Moreenikuja 2	Oulu	Rest of Finland	6,018
Vihikari 10	Kempele	Rest of Finland	18,087
100 Rue de Reckem	Neuville-en-Ferrain	Rest of Europe	17,397
First quarter			190,011

Lease terms

Year of expiry	No. of leases	Area, sqm	Contractual annual rent	
			SEK M	Share
2018	501	166,000	164	8%
2019	334	207,000	211	10%
2020	155	291,000	253	12%
2021	106	250,000	204	9%
2022	71	218,000	210	10%
>2022	315	1,378,000	1,121	52%
Total	1,482	2,510,000	2,162	100%

Year of maturity of annual rent



Properties divested 2018

Property/address	Municipality	Segment	Lettable area, sqm
Hillerstorp 3:106	Gnosjö	Rest of Sweden	23,450
Pertuntie 1	Tuusula	Helsinki	210
Helsingintie 10	Karkkila	Rest of Finland	320
Helsingintie 25	Karkkila	Rest of Finland	588
Jousitie 29	Joutsa	Rest of Finland	846
Keskustie 7	Lohja	Rest of Finland	170
Naarkoskentie 1	Pukkila	Rest of Finland	235
Oklaholmankatu 1	Kemi	Rest of Finland	658
Perttulantie 5	Ypäjä	Rest of Finland	450
Savontie 21	Rautavaara	Rest of Finland	793
Turuntie 1	Aura	Rest of Finland	1,115
Hauhontie 11	Hämeenlinna	Rest of Finland	868
Kurkelankatu 2	Forssa	Rest of Finland	502
First quarter			30,205

Market value of property portfolio

Sagax prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The company has chosen to recognise its properties at fair value in accordance with the Fair Value Method.

At 31 March 2018, the total market value of Sagax's 501 (432) properties was SEK 26,038 M (21,005). The depreciation of the SEK against the EUR during the period led to property values abroad increasing SEK 607 M (decline: 22).

The total unrealised change in value during the period was SEK 294 M (185). Refer also to the table "Unrealised changes in value" on page 7.

VALUATION METHOD AND IMPLEMENTATION

The valuations were carried out in accordance with generally accepted international valuation methods. As of 31 March 2018, all valuation objects had been valued separately by authorised property appraisers from independent valuation agencies, except for the five German properties which, as a result of high valuation costs in Germany, were most recently valued externally at year-end.

The principle method of appraisal used was cash flow calculations in which the present value of net operating income, investments and residual values was calculated. The calculation period was adjusted to the remaining term of existing leases and varies between five and 20 years. As a rule, the cal-

ulation period is ten years. All properties have been inspected over the past three-year period. These inspections include public areas and a selection of premises with specific emphasis on major tenants and vacant premises. The purpose of the inspections is to assess the properties' overall standard, maintenance requirements, market position and the attractiveness of the premises.

ANALYSIS AND GENERAL CONDITIONS

The cost of capital for the present value calculation of cash flows (4.0–16.0%), the cost of capital for the present value calculation of residual values (4.0–16.0%) and the yield requirement for the residual value calculations (5.2–15.0%) are based on analyses of transactions carried out and on individual assessments of the risk level and market position of each property.

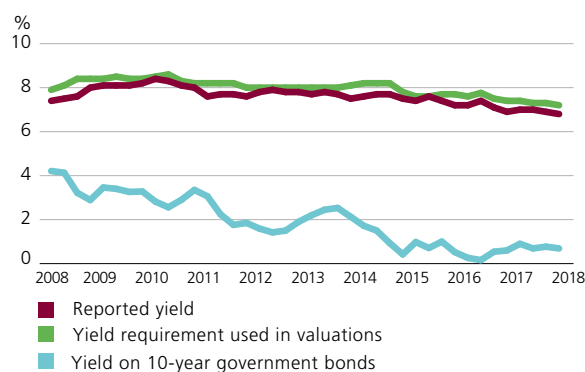
The weighted cost of capital for the present value calculation of cash flows and residual values for the property portfolio was 8.1% (8.1) and 8.6% (8.7), respectively. The weighted yield requirement was 7.2% (7.5) at 31 March 2018. By comparison, the yield reported by Sagax for the period was 6.8% (6.9). A comparison of the yield reported over time and the yield requirement used in valuations is provided below.

A sensitivity analysis for changes in assumptions in property valuations is presented on page 25.

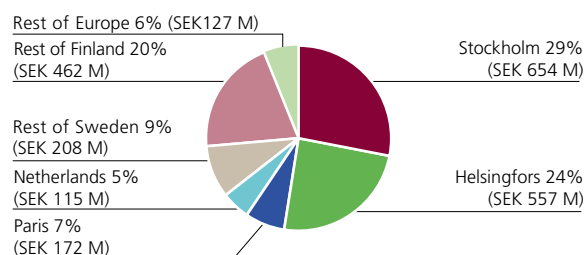
Change in carrying amount of properties

	SEK M	Number of shares
Property portfolio, 31 December 2017	23,771	495
Acquisition of properties	1,342	19
Investments in the current portfolio	53	
Property sales	-30	-13
Translation effect, currencies	607	
Unrealised changes in value	294	
Property portfolio, 31 March 2018	26,038	501

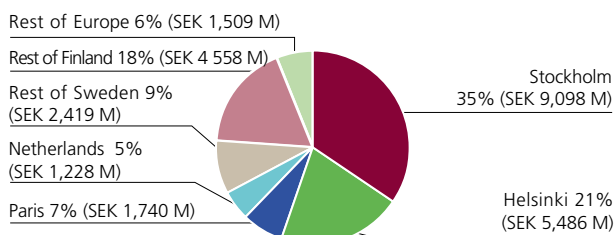
Yield compared with yield requirement



Group's rental value



Market value of properties



Joint ventures and associated companies

Sagax's joint ventures and associated companies contributed a total of SEK 71 M (64) to profit from property management during the period. Sagax's share of changes in the value of properties amounted to SEK 67 M (150) and the share of changes in the value of fixed-income derivatives was SEK 13 M (20) for the period. The total value of the commitment associated with ownership of joint ventures and associated companies amounted to SEK 2,776 M (1,873), of which SEK 2,391 M (1,873) was recognised as participations in accordance with the equity method and associated financial instruments were recognised at SEK 385 M (-) following market valuation according to IAS 39 Financial Instruments: Recognition and Measurement.

Sagax owns 50% of Söderport Holding AB, with the remaining share owned by Hemfosa Fastigheter AB. Via Hemsö Intressenter AB, Sagax indirectly owns 15% of Hemsö Fastighets AB, with the remaining share owned by the Third Swedish National Pension Fund.

SÖDERPORT HOLDING AB

On behalf of Söderport, Sagax handles the financial administration and most of the property management of the Söderport Group. Hemfosa is responsible for property management at certain locations.

A corresponding 68% of Söderport's rental value of SEK 606 M was located in Stockholm on 31 March 2018. Söderport's economic vacancies amounted to SEK 29 M (32)

at the end of the period, corresponding to a vacancy rate of 5% (6). Of the economic vacancies, SEK 8 M (6) comprised fixed-term rent discounts provided for new lettings. At the end of the period, Stockholm accounted for 91% of the economic vacancies.

One property in Gothenburg with a total lettable area of 8,300 square metres was acquired during the period.

HEMSÖ INTRESSETER AB

Hemsö Fastighets AB conducts operations in Sweden, Germany and Finland. Operations consist of owning, managing and developing public properties. The property portfolio encompasses 345 properties with a total property value of SEK 40 billion at 31 March 2018. Of the total property value, Sweden accounts for 75%, Germany 13% and Finland 12%. A corresponding 82% of the property value comprises properties located in metropolitan regions in Sweden, Germany and Finland.

Of Hemsö's properties, 168 are residences for the elderly, 103 school premises, 62 healthcare premises and 12 properties for the justice and legal sector. Of Hemsö's contractual rents, 59% derives from municipalities, county councils or the state. An average remaining lease term of 9.1 years (8.2) combined with financially stable tenants and a low vacancy rate ensure stable rental revenue. Approximately 94% of rental revenue derives from tax-financed operations. More information on Hemsö Fastighets AB is available on the company's website, hemso.se.

Sagax's joint ventures

	Söderport		Hemsö	
	2018 31 Mar	2017 31 Mar	2018 31 Mar	2017 31 Mar
Sagax's participating interest, %	50	50	15	15
Rental revenue, SEK M	141	144	636	583
Profit from property management, SEK M	60	61	350	303
Profit for the period, SEK M	122	263	518	600
Sagax's share of profit from property management, SEK M	30	31	41	34
No. of properties	70	70	345	362
Rental value, SEK M	606	555	2,602	2,422
Properties' market value, SEK M	6,870	5,887	40,152	35,003
Lettable area, sqm	658,000	633,000	1,658,000	1,633,000
Lease term, years	4.5	4.6	9.1	8.2
Economic vacancy rate, %	5	6	2	2
Interest-bearing liabilities, SEK M	3,451	3,074	26,380	23,436
Loan maturity, years	2.3	2.9	5.7	3.9
Fixed interest, years	2.5	3.4	5.4	4.3
Market value of fixed-income derivatives, SEK M	-320	-398	-515	-679

Financing

EQUITY

The Group's equity amounted to SEK 12,314 M (9,261) at 31 March 2018. Equity changed during the period only due to comprehensive income for the period. Refer also to page 19.

INTEREST-BEARING LIABILITIES

Sagax's interest-bearing liabilities at year-end amounted to SEK 15,238 M (12,790). An amount corresponding to SEK 6,886 M (5,853) of loans was recognised in EUR.

Interest-bearing net debt corresponded to SEK 14,473 M (11,985), or 56% (57) of the market value of the properties. Interest-bearing gross debt to banks of SEK 8,775 M corresponded to 34% (39) of the market value of the properties on 31 March 2018. The remaining gross debt corresponded to 25% (22) of the properties' market value and comprised listed bond loans of SEK 4,750 M (3,373) and commercial paper of SEK 1,713 M (1,250). Bond loans as at 31 March 2018, with the main covenants for loans raised in SEK and EUR are presented on page 15.

At 31 March 2018, secured liabilities as a percentage of total assets comprised 35% (40) of the total assets. Unsecured liabilities corresponded to 16% (14).

Following its application for an official rating, the company was awarded a rating of Ba1 with a positive outlook by Moody's Investors Service in August 2017. The received rating is only one grade below investment grade (Baa3). The Board has resolved on an issue of new Class D shares with preferential rights for the company's shareholders for a maximum of SEK 656 M. Every ten shares, regardless of class of share, provide entitlement to one new Class D share for SEK 27.50 (1:10). The Board's decision requires the approval of the Annual General Meeting to be held on 7 May 2018. Shareholders representing 38% of votes in the company have agreed to vote in favour of the Board's proposal. The proposed new share issue will help strengthen the company's credit profile.

A total of SEK 1,292 M (737) in new loans was raised, of which SEK 389 M (95) in the form of issued commercial paper. A total of SEK 30 M (502) was repaid during the period. Interest-bearing liabilities rose SEK 283 M (12) due to exchange-rate fluctuations.

Fixed-interest period and loan maturity, 31 March 2018

Year of expiry	Fixed interest			Loan maturity		Interest-rate swaps	
	SEK M	Interest rate	Share	SEK M	Share	SEK M	Interest rate
2018	7,669	2.0%	50%	176	1%	–	–
2019	1,021	2.9%	7%	4,375	29%	495	1.0%
2020	816	3.7%	5%	3,120	20%	508	3.6%
2021	2,467	3.6%	16%	2,854	19%	1,088	3.7%
2022	1,688	3.1%	11%	4,714	31%	888	1.3%
>2022	1,577	4.5%	10%	–	– %	1,577	2.4%
Total/average	15,238	2.8%	100%	15,238	100%	4,557	2.5%

Interest-bearing net debt

	31 Mar 2018	31 Mar 2017
Interest-bearing liabilities	15,238	12,790
Interest-bearing assets	–7	–4
Cash and cash equivalents	–94	–406
Listed shares	–664	–395
Net debt	14,473	11,985

In line with IAS 39, allocated borrowing costs of SEK 69 M (68) reduced interest-bearing liabilities in the balance sheet. Interest-bearing liabilities of SEK 15,168 M (12,722) were recognised. The average remaining fixed-interest and loan maturity terms were 2.0 years (2.5) and 2.8 years (3.3), respectively, at the end of the period. The average interest rate on the company's interest-bearing liabilities was 2.8% (3.0), including the effect of derivatives. The average interest rate decreased as a consequence of new borrowing at lower interest rates.

To limit interest-rate risk and increase the predictability of the company's profit from property management, interest-rate caps and interest-rate swaps are utilised with a total nominal value of SEK 7,429 M (7,178), of which interest-rate swaps with an average interest rate of 2.5% (2.5) accounted for SEK 4,557 M (4,467); see table on page 14.

The reserve for the negative market value of fixed-income derivatives declined by SEK 17 M (30) during the period. The total market value of Sagax's fixed-income derivatives had a deficit value of SEK 404 M (deficit: 497). The reserve will be gradually dissolved and recognised in profit and loss by the expiry date of the derivative contracts, regardless of the inter-

est rate scenario. All other things being equal, the time factor alone entails that reserves for the deficit value of fixed-income derivatives in Sagax will be dissolved in a total amount of SEK 104 M over the next year. Over a five-year period, based on the time factor alone and assuming unchanged market interest rates, a total of SEK 378 M would be recognised as revenue in the consolidated financial statements.

WORKING CAPITAL AND LIQUIDITY

Sagax's working capital, excluding current interest-bearing liabilities, amounted to SEK 389 M (454) at 31 March 2018. On the same date, Sagax's available access to funds was SEK 973 M (860), of which SEK 94 M (406) in the form of cash and cash equivalents and SEK 878 M (454) in the form of unutilised lines of credit. Lines of credit corresponding to outstanding commercial paper are not included in available liquidity. No additional collateral needs to be pledged to utilise these lines of credit.

In addition to the liquidity described above, Sagax has investments in listed shares totalling SEK 664 M (395), primarily shares in NP3 Fastigheter AB.

Listed bond loans, 31 March 2018

Maturity	SEK M	Current interest	Interest terms	Base interest rates floor ¹⁾	Maturity date	ISIN code
2014-2019	550	2.90%	Stibor 3M+2.90%	Yes	18 Jun 2019	SE0006027041
2015-2020	300	3.20%	Stibor 3M+3.20%	Yes	18 Jun 2020	SE0007186234
2016-2021	300	4.33%	Stibor 3M+4.75%	No	27 Apr 2021	SE0008294748
2017-2021	600	1.70%	Stibor 3M+2.25%	No	1 Feb 2021	SE0010636274
2017-2022	1,250	1.73%	Stibor 3M+2.15%	No	15 Feb 2022	SE0010324228
Total/average	3,000	2.34%				

Maturity	EUR M	Current interest	Interest terms	Base interest rates floor ¹⁾	Maturity date	ISIN code
2014-2019	60	3.20%	Euribor 6M+3.20%	Yes	11 Mar 2019	SE0005796398
2015-2020	80	3.50%	Euribor 6M+3.50%	Yes	9 Sep 2020	SE0007490883
2016-2021	30	4.43%	Euribor 6M+4.70%	No	15 Jun 2021	SE0008434401
Total/average	170	3.56%				

1) Stibor and Euribor are not to fall below 0% when calculating interest.

Derivative contracts, 31 March 2018

Amounts in SEK M	Nominal amount	Years to maturity	Market value 31 Mar 2018	Market value 31 Dec 2017	Change for the period
Nominal interest-rate swaps	4,557	4.2	-405	-422	17
Interest-rate caps	2,872	3.0	1	1	-
Total	7,429	3.8	-404	-421	17

Statement of comprehensive income

Amounts in SEK M	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec	Rolling 12 months
Rental revenue	529	444	1,870	1,954
Other revenue	5	3	4	5
Operating expenses	-59	-47	-147	-159
Maintenance costs	-14	-11	-43	-46
Site leaseholds	-5	-4	-19	-20
Property tax	-24	-18	-77	-83
Other property expenses	-8	-7	-29	-30
Net operating income	424	360	1,558	1,622
Central administration	-27	-18	-77	-86
Profit from joint ventures and associated companies	127	206	727	648
– of which, profit from property management	71	64	278	284
– of which, changes in value	80	170	606	517
– of which, tax	-24	-28	-157	-153
Financial income	1	1	19	19
Financial expenses	-114	-105	-444	-453
Profit including changes in value of joint ventures and associated companies	410	444	1,783	1,750
– of which, profit from property management	354	302	1,334	1,386
<i>Changes in value:</i>				
Properties, realised	-10	-1	1	-8
Properties, unrealised	294	185	1,113	1,222
Financial instruments, realised	7	-	3	10
Financial instruments, unrealised	106	31	504	579
Profit before tax	807	658	3,405	3,553
Deferred tax	-103	-89	-390	-405
Current tax	-23	-11	-49	-62
Profit for the period	680	559	2,965	3,087
<i>Other comprehensive income</i>				
– items that may be reversed to profit and loss:				
Translation differences for foreign operations	436	-8	254	700
Share of other comprehensive income for joint ventures	4	-	5	8
Translation differences pertaining to hedge accounting	-141	-	-84	-226
Tax on items that may be reversed to profit and loss	-21	1	-13	-35
Comprehensive income for the period	959	552	3,126	3,534
Earnings per Class A and B share, SEK	4.05	3.29	17.72	18.77
Earnings per Class A and B share after dilution, SEK	4.04	3.28	17.69	18.74
Earnings per Class D share, SEK	0.50	0.50	2.00	2.00
Average no. of Class A and B shares, millions	158.3	158.3	158.3	158.3
Average no. of Class A and B shares after dilution, millions	158.4	158.6	158.5	158.5
Average no. of Class D shares, millions	63.6	18.2	43.1	54.3

Condensed statement of financial position

Amounts in SEK M	2018 31 Mar	2017 31 Mar	2017 31 Dec
Investment properties	26,038	21,005	23,755
Investment properties for sale	–	–	16
Participations in joint ventures and associated companies	2,391	1,873	2,259
Deferred tax assets	–	1	–
Financial instruments	387	4	374
Other fixed assets	27	15	21
Total fixed assets	28,842	22,898	26,426
Cash and bank balances	94	406	60
Listed shares	664	395	442
Other current assets	298	204	312
Total current assets	1,056	1,005	814
Total assets	29,898	23,903	27,240
Equity	12,314	9,261	11,356
Non-current interest-bearing liabilities	12,618	11,097	11,937
Deferred tax liabilities	1,269	826	1,141
Fixed-income derivatives	406	501	422
Other non-current liabilities	73	42	53
Total non-current liabilities	14,366	12,466	13,553
Commercial paper	1,713	1,250	1,275
Other current interest-bearing liabilities	838	375	404
Other current liabilities	667	551	652
Total current liabilities	3,217	2,176	2,331
Total equity and liabilities	29,898	23,903	27,240

Statement of cash flows

Amounts in SEK M	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec	Rolling 12 months
Profit before tax	807	658	3,405	3,554
Change in value of financial instruments	-113	-31	-507	-589
Change in value of properties	-284	-184	-1,112	-1,212
Result from ownership of joint ventures and associated companies	-127	-206	-727	-648
Dividend from joint ventures and associated companies	-	-	139	139
Dissolution of allocated borrowing costs	7	7	28	28
Tax paid	-9	-19	-25	-15
Other items not included in cash flow	-3	-4	-7	-6
Cash flow from operating activities before changes in working capital	278	221	1,194	1,251
Cash flow from changes in current receivables	27	74	-43	-90
Cash flow from changes in current liabilities	6	-8	17	31
Cash flow from operating activities	311	286	1,168	1,192
Acquisition of properties	-1,342	-131	-1,382	-2,593
Property sales	20	8	41	53
Investments in existing properties	-53	-92	-341	-302
Acquisition of listed shares	-197	-147	-244	-294
Sales of listed shares	60	-	73	133
Increase in other fixed assets	-6	-2	-2	-6
Cash flow from investing activities	-1,519	-363	-1,855	-3,010
Redemption offer regarding preference shares	-	-	-66	-66
Dividend paid to shareholders	-40	-38	-386	-388
Incentive Plan	-	-	-23	-23
Borrowings	1,292	737	3,322	3,877
Repayment of loans	-30	-502	-2,395	-1,923
Deposits from tenants	20	3	12	29
Cash flow from financing activities	1,242	200	464	1,506
Cash flow for the period	34	123	-223	-312
Change in cash and cash equivalents	34	123	-223	-312
Cash and cash equivalents at beginning of period	60	283	283	406
Cash and cash equivalents at the end of period	94	406	60	94

Statement of changes in equity

Amounts in SEK M	Share capital	Other contributed capital	Reserves, translation differences	Profit earned incl. net profit for the period	Total equity ¹⁾
Equity, 31 December 2016	413	2,142	136	6,017	8,709
Comprehensive income, January-March 2017	–	–	–7	559	552
Equity, 31 March 2017	413	2,142	129	6,576	9,261
Dividends	–	–	–	–390	–390
Redemption of preference shares	–73	–1,280	–	–	–1,353
Offset issue of new Class D shares	79	1,210	–	–	1,289
Transaction costs	–	–3	–	–	–3
Redemption of Incentive Plan	–	–	–	–25	–25
Incentive Plan	–	–	–	2	2
Comprehensive income, April-December 2017	–	–	168	2,406	2,574
Equity, 31 December 2017	419	2,069	297	8,570	11,356
Comprehensive income, January-March 2018	–	–	278	681	959
Equity, 31 March 2018	419	2,069	575	9,251	12,314

1) Equity is attributable in its entirety to the Parent Company's shareholders.

Segment information

Profit items per segment	Rental revenue ¹⁾		Profit from property management		Changes in value, properties				Income before tax	
					Unrealised		Realised			
	2018 Jan-Mar	2017 Jan-Mar	2018 Jan-Mar	2017 Jan-Mar	2018 Jan-Mar	2017 Jan-Mar	2018 Jan-Mar	2017 Jan-Mar	2018 Jan-Mar	2017 Jan-Mar
Stockholm	159	139	79	77	139	41	–	–	218	118
Helsinki	120	110	71	65	117	19	2	–1	190	83
Paris	36	24	18	11	8	26	–	–	26	37
Netherlands	24	12	14	8	4	–	–	–	18	8
Rest of Sweden	52	51	40	30	–13	10	–1	–	27	40
Rest of Finland	110	79	69	53	47	91	–11	–	105	144
Rest of Europe	29	30	21	18	–9	–2	–	–	12	16
Sub-total	529	444	312	262	294	185	–10	–1	596	446
Financial instruments	–	–	–	–	–	–	–	–	113	31
Joint ventures	–	–	71	64	65	89	2	61	127	206
Other, non-specified	–	–	–29	–24	–	–	–	–	–29	–25
Total	529	444	354	302	359	274	–8	60	807	658

Asset items per segment	Market value properties		Investments properties		Acquisitions properties		Divestment properties	
	2018 31 Mar	2017 31 Mar	2018 Jan-Mar	2017 Jan-Mar	2018 Jan-Mar	2017 Jan-Mar	2018 Jan-Mar	2017 Jan-Mar
Stockholm	9,098	8,040	20	60	269	–	–	–
Helsinki	5,486	4,510	29	18	94	128	–	–4
Paris	1,740	1,012	2	13	274	1	–	–
Netherlands	1,228	499	–	–	325	2	–	–
Rest of Sweden	2,419	2,417	2	1	–	–	–16	–
Rest of Finland	4,558	3,253	–	–	296	–	–13	–5
Rest of Europe	1,509	1,275	–	–	85	–	–	–
Total	26,038	21,005	53	93	1,342	131	–30	–9

1) All rental revenue pertains to external tenants.

Key performance indicators

	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec
Property-related key figures							
Yield, %	6.8	6.9	6.9	7.1	7.4	7.6	7.7
Surplus ratio, %	80	81	83	85	86	86	87
Occupancy rate by area, %	95	94	95	93	97	95	93
Economic occupancy rate, %	94	94	94	94	96	94	92
Lease term, years	6.5	6.9	6.6	7.1	7.4	8.2	8.0
Lettable area, 000s of square metres	2,648	2,315	2,489	2,312	1,860	1,634	1,336
No. of properties	501	432	495	440	225	184	141
Financial key figures							
Return on total capital, %	7	8	7	7	8	8	8
Return on equity, %	23	25	30	33	32	18	24
Average interest rate, %	2.8	3.0	3.0	3.1	3.3	4.1	4.4
Fixed-interest period incl. derivatives, years	2.0	2.5	2.3	2.7	3.0	3.0	3.7
Loan maturity, years	2.8	3.3	3.1	3.6	4.2	3.2	3.5
Equity/assets ratio, %	41	39	42	38	34	32	32
Debt ratio, %	51	54	50	54	59	59	60
Net debt/EBITDA	8.6	8.3	8.1	8.7	9.3	8.8	9.1
Interest coverage ratio, multiple	3.5	3.2	3.7	3.4	2.9	2.6	2.4
Data per Class A and B share¹⁾							
Price of Class B share at the end of the period, SEK	99.60	85.75	98.20	81.75	71.75	44.00	24.20
EPRA NAV, SEK	76.95	59.04	70.07	53.78	35.52	27.23	19.05
Equity, SEK	60.30	42.51	54.30	39.21	26.01	17.49	13.41
Equity after dilution, SEK	60.25	42.42	54.26	39.14	25.93	17.44	13.40
Profit, SEK	4.05	3.29	17.72	14.53	9.88	4.06	4.44
Profit after dilution, SEK	4.04	3.28	17.69	14.50	9.85	4.05	4.44
Profit from property management, SEK	1.98	1.67	7.41	5.97	4.92	3.74	2.74
Profit from property management after dilution, SEK	1.98	1.66	7.40	5.96	4.90	3.73	2.73
Cash flow, SEK	1.50	1.15	6.53	5.13	4.00	3.00	2.12
Cash flow after dilution, SEK	1.50	1.15	6.52	5.12	3.99	2.99	2.12
Dividend per share, SEK (proposed for 2017)	–	–	1.80	1.45	1.15	0.80	0.55
No. at end of period, millions	158.3	158.3	158.3	158.3	158.3	158.3	158.3
No. at end of period after dilution, millions	158.4	158.6	158.4	158.6	158.8	158.7	158.4
Average no., millions	158.3	158.3	158.3	158.3	158.3	158.3	153.9
Average number after dilution, millions	158.4	158.6	158.5	158.6	158.8	158.6	154.0
Data per Class D share							
Share price at the end of period, SEK	32.10	28.05	29.92	28.30	–	–	–
Equity, SEK	35.00	35.00	35.00	35.00	–	–	–
Profit, SEK	0.50	0.50	2.00	2.00	–	–	–
Dividend per share, SEK (proposed for 2017)	–	–	2.00	2.00	–	–	–
No. at end of period, millions	63.6	18.2	63.6	18.2	–	–	–
Average no., millions	63.6	18.2	43.1	2.9	–	–	–
Data per preference share							
Share price at the end of period, SEK	35.00	30.59	33.40	30.40	31.30	36.00	31.50
Equity, SEK	32.50	32.50	32.00	32.00	32.00	32.00	32.00
Profit, SEK	0.50	0.50	2.00	2.00	2.00	2.00	2.00
Dividend per share, SEK (proposed for 2017)	–	–	2.00	2.00	2.00	2.00	2.00
No. at end of period, millions	16.8	58.2	16.8	58.2	58.2	55.5	50.0
Average no., millions	16.8	58.2	35.5	58.2	57.8	52.2	50.0

1) Excluding 1,000,000 Class B shares bought back by AB Sagax.

Parent Company Income Statement

Amounts in SEK M	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Net sales	15	13	55
Administration costs	-22	-18	-70
Loss before financial income and expenses	-7	-5	-15
Profit from participations in Group companies	-	-	-35
Profit from participations in joint ventures	-	-	39
Financial income	301	32	357
Financial expenses	-188	-35	-296
Profit/loss before tax and appropriations	106	-8	50
Tax allocation fund	-	-	-9
Tax	-23	1	-7
Profit/loss for the year	83	-7	34

Condensed Parent Company balance sheet

Amounts in SEK M	2018 31 Mar	2017 31 Mar	2017 31 Dec
Tangible fixed assets	2	1	2
Receivables from Group companies	3,315	2,047	2,022
Other financial fixed assets	1,897	3,627	3,592
Total fixed assets	5,213	5,675	5,616
Cash and bank balances	1	202	4
Receivables from Group companies	6,388	3,775	5,208
Other current assets	59	44	51
Total current assets	6,448	4,021	5,263
Total assets	11,662	9,696	10,879
Equity	3,113	3,472	3,031
Untaxed reserves	17	7	17
Non-current interest-bearing liabilities	4,968	3,463	4,674
Liabilities to Group companies	443	438	438
Deferred tax liabilities	3	2	3
Total non-current liabilities	5,414	3,903	5,115
Current interest-bearing liabilities	1,713	1,250	1,275
Liabilities to Group companies	1,266	959	1,220
Other current liabilities	139	105	221
Total current liabilities	3,118	2,314	2,716
Total equity, untaxed reserves and liabilities	11,662	9,696	10,879

The Sagax share and shareholders

At the end of the period, Sagax had 9,542 (9,025) shareholders. Sagax's market capitalisation amounted to SEK 18,397 M (15,923). Sagax has four classes of shares: Class A, B and D common shares, and preference shares. The shares are listed on Nasdaq Stockholm, Large Cap.

A total of 239,622,149 shares were outstanding at the end of the period, of which 1,000,000 were bought back Class B shares held in treasury. Refer also to the table of voting rights and proportion of share capital for the different classes of shares on page 24.

The Board has resolved to propose to the Annual General Meeting on 7 May 2018 an issue of new Class D shares with

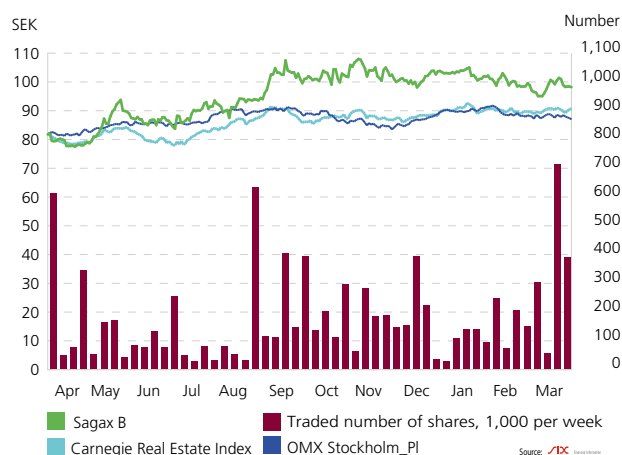
preferential rights for the company's shareholders. An issue of a maximum of 23,862,214 Class D shares will provide the company with proceeds of SEK 656 M in equity, which will aid the company in achieving a credit rating in the investment grade category.

According to the Articles of Association, each preference share confers a preferential right to SEK 2.00 in annual dividends. Class D shares are entitled to five times the dividend on Class A and B shares, although not more than SEK 2.00 per share. The share price trend and information about share trading are provided below.

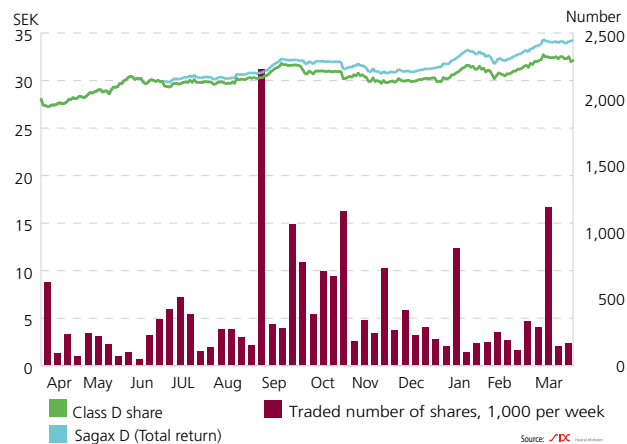
Trade in the shares on the Nasdaq Stockholm

	Price paid, SEK		Turnover rate on an annual basis, %		Average trading volume per trading day, SEK M	
	31 Mar 2018	31 Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017
Class A shares	100.00	90.00	1	1	0.1	0.1
Class B shares	99.60	85.75	7	13	4.1	6.4
Class D shares	32.10	28.05	26	33	2.0	0.7
Preference shares	35.00	30.59	34	16	0.8	1.1

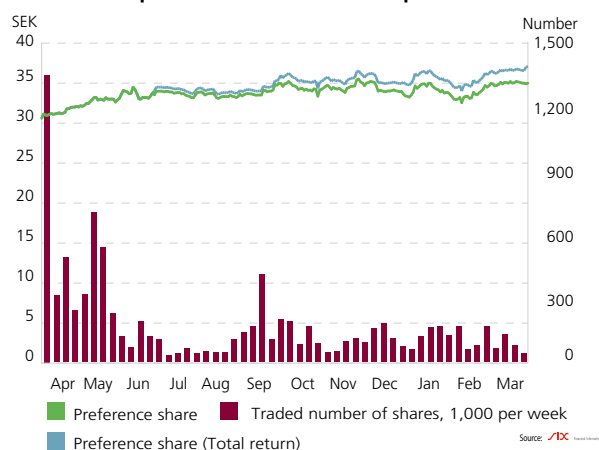
Price trend of Class B shares for the past 12 months



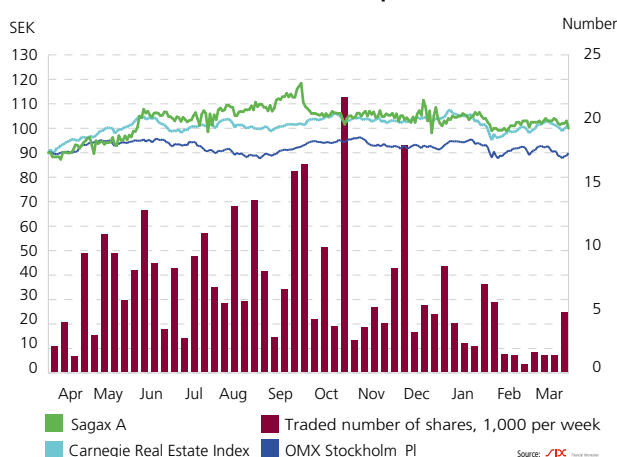
Price trend of Class D shares for the past 12 months



Price trend of preference shares for the past 12 months



Price trend of Class A shares for the past 12 months



WARRANTS

Sagax has three warrant plans for the company's employees. In total, Sagax's employees hold warrants corresponding to 0.5% of the number of Class A and B shares outstanding. The company's CEO and Board Members are not participating in the plans. These plans are valid for three years, encompassing the periods 2015-2018, 2016-2019 and 2017-2020. Warrants entitle the holder to subscribe for Class B shares in June 2018, June 2019 and June 2020, respectively. The subscription price corresponds to the price paid for the Class B share at the start of the warrant plan, converted using the average share price trend for the listed property companies in accordance with Carnegie's property index (CREX) during the corresponding period. Accordingly, the warrants will have a value on condition that the price performance of the Sagax share exceeds the average for the listed property companies during each three-year period.

PROFIT FROM PROPERTY MANAGEMENT

PER COMMON SHARE

Profit from property management per Class A and B share after dilution on a rolling 12-month basis amounted to SEK 7.73 (6.38) which, compared with the share price of Class A and B common shares at period-end, corresponded to a multiple of 12.9 (13.5).

EQUITY PER CLASS A AND B SHARE

Equity per Class A and B share after dilution amounted to SEK 60.25 (42.42). EPRA NAV per Class A and B share amounted to SEK 76.95 (59.04). For definitions of key performance indicators; see page 29. The share price for the Class B share at the end of the period was 165% (202) of equity per Class B share and 129% (145) of EPRA NAV per Class B share.

Key performance indicators per Class B share

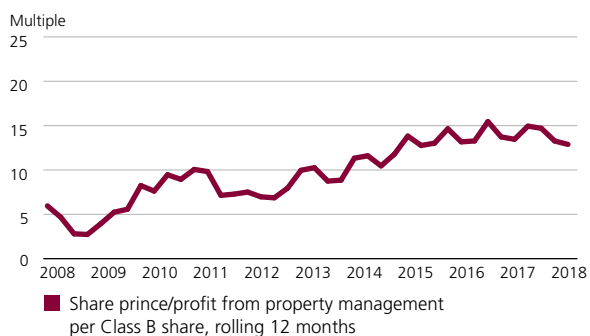
	2018 31 Mar	2017 31 Mar	2017 31 Dec	2016 31 Dec	2015 31 Dec	2014 31 Dec	2013 31 Dec
Price of Class B share at the end of the period, SEK	99.60	85.75	98.20	81.75	71.75	44.00	24.20
Profit from property management after dilution, SEK ¹⁾	7.73	6.38	7.40	5.96	4.90	3.73	2.73
Cash flow after dilution, SEK ¹⁾²⁾	6.88	5.37	6.52	5.12	3.99	2.99	2.12
Equity after dilution, SEK	60.25	42.42	54.26	39.14	25.93	17.44	13.40
EPRA NAV, SEK ³⁾	76.95	59.04	70.07	53.78	35.52	27.23	19.05
Price of Class B share/Profit from property management, multiple ¹⁾	12.9	13.5	13.3	13.7	14.6	11.8	8.9
Price of Class B share/Cash flow, multiple ¹⁾²⁾	14.5	16.0	15.1	16.0	18.0	14.7	11.4
Price of Class B share/Equity, %	165	202	181	209	277	252	181
Price of Class B share/EPRA NAV, %	129	145	140	152	202	162	127

1) Profit from property management and cash flow pertain to a rolling 12 months.

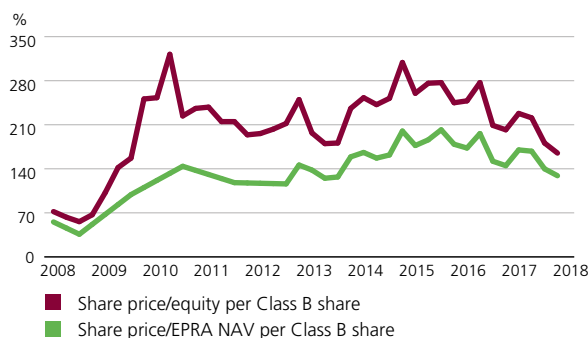
2) Cash flow pertains to cash flow from operating activities before changes in working capital.

3) See page 29 for definition.

Share price/profit from property management per common share



Share price in relation to equity and EPRA NAV



Ownership structure, 31 March 2018¹⁾

No. of shares	No. of shareholders	Shareholder category	Number of shares	Share of voting power	Shareholders by country	Number of shares	Share of voting power
1–500	5,110	Private individuals residing in Sweden	8,333	10%	Sweden	8,989	91%
501–1,000	928				Luxembourg	23	4%
1,001–2,000	866	Private individuals residing abroad	71	1%	UK	49	2%
2,001–5,000	1,125				Norway	32	1%
5,001–10,000	568	Companies/institutions in Sweden	656	81%	Finland	38	1%
10,001–50,000	685				Other countries	411	1%
50,001–	260	Companies/institutions abroad	482	8%			
Total	9,542	Total	9,542	100%	Total	9,542	100%

1) Including shares held by AB Sagax.

Largest shareholders, 31 March 2018¹⁾

	No. of shares				Percentage of	
	Class A shares	Class B shares	Class D shares	Preference shares	Share capital	Votes ²⁾
David Mindus and companies	5,137,400	37,693,025	1,886,745	775	18.7%	25.3%
Rutger Arnhult and companies	2,834,659	17,272,079	1,689,658	3,017	9.1%	13.2%
Salén family and companies	1,998,733	17,485,330	467,742	–	8.3%	10.6%
Third Swedish National Pension Fund	–	12,113,829	–	–	5.1%	3.4%
Länsförsäkringar Fonder	–	9,893,159	–	–	4.1%	2.8%
Fourth Swedish National Pension Fund	2,858	4,102,124	3,015,630	–	3.0%	2.0%
Avanza Pension	26,503	425,615	4,717,525	1,616,210	2.8%	2.0%
Swedish Foundation for Strategic Research	–	–	5,069,433	–	2.1%	1.4%
Handelsbanken Fonder	–	4,200,000	–	–	1.8%	1.2%
Erik Selin and companies	550,420	2,210,000	1,139,881	–	1.6%	2.5%
SEB Fonder	–	3,881,559	–	–	1.6%	1.1%
Swedbank Robur Fonder	383,731	3,462,416	–	–	1.6%	2.0%
Patrik Brummer and companies	–	–	166,666	3,500,000	1.5%	1.0%
ICA-Handlarnas Förbund	–	–	3,295,823	–	1.4%	0.9%
Volvo Pensions Foundation	–	–	3,136,000	–	1.3%	0.9%
Lars Ingvarsson and companies	130,000	1,673,205	131,264	–	0.8%	0.9%
Stiftelsen Stockholms Sjukhem	–	–	1,800,000	–	0.8%	0.5%
Norron Fonder	–	–	1,780,000	–	0.7%	0.5%
Nordnet Pensionsförsäkring	31,380	419,185	1,016,592	262,041	0.7%	0.6%
Skandia Liv	129,921	1,454,100	38,065	48,843	0.7%	0.8%
Total 20 largest shareholders	11,225,605	116,285,626	29,351,024	5,430,886	67.7%	73.3%
Other shareholders	2,191,217	28,572,504	34,212,145	11,353,142	31.9%	26.7%
Sub-total	13,416,822	144,858,130	63,563,169	16,784,028	99.6%	100.0%
Treasury shares held by AB Sagax	–	1,000,000	–	–	0.4%	0.0%
Total	13,416,822	145,858,130	63,563,169	16,784,028	100.0%	100.0%
– of which, Board and employees	7,466,274	59,225,886	3,404,351	3,267	29.3%	38.2%

1) Ownership structure at 31 March 2018 is based on information from Monitor and Euroclear Sweden.

2) Voting rights for treasury shares held by AB Sagax have been excluded.

Voting rights and proportion of share capital

Class of share	Number of shares	Voting rights per share	Number of votes	Proportion of votes	Proportion of votes
Class A shares	13,416,822	1.00	13,416,822	37%	6%
Class B shares	145,858,130	0.10	14,585,813	40%	61%
Class D shares	63,563,169	0.10	6,356,317	18%	27%
Preference shares	16,784,028	0.10	1,678,403	5%	7%
Total	239,622,149		36,037,355	100%	100%

Risks and uncertainties

To prepare the accounts based on generally accepted accounting policies, company management must make judgements and assumptions that affect asset and liability items, revenue and expense items recognised in the accounts and other information provided. The actual outcome may differ from these judgements.

PROPERTY-RELATED RISKS

The valuation of investment properties can be significantly affected by the judgements and assumptions made by company management. To reduce the risk of incorrect valuations, Sagax has engaged authorised external appraisers to assess the market value of all of the properties at 31 March 2018, except the five German properties that will only be valued externally at year-end due to the high costs of valuations in Germany. When valuing properties, the constant existence of uncertainties regarding the assumptions made must be taken into account. A sensitivity analysis for property values for to assumptions on yield requirements, cost of capital, rental revenue and property expenses is presented below.

Sagax prioritises leasing to tenants with a high credit rating and long-term leases, despite these entailing slightly lower immediate earnings. The intention is to reduce the risk of rent losses and the risk of vacancies.

FINANCIAL RISKS

Sagax's financial expenses comprise the single largest expense for the Group. To reduce Sagax's exposure to rising interest rates, the Group has a significant number of its interest expenses hedged using such derivatives as interest-rate swaps and interest-rate caps. Sagax values all of its fixed-income derivatives externally every quarter. All other things being equal, a simulated parallel upward shift of 1 percentage point in the

underlying swap curve would entail a positive revaluation of Sagax's fixed-income derivatives by SEK 193 M. The corresponding downward shift of 1 percentage point would entail a negative revaluation of SEK 198 M.

Calculated on the existing financing terms for the Group's interest-bearing liabilities on 31 March 2018, a rise in market interest rates of 1 percentage point would have increased Sagax's annualised interest expenses by SEK 69 M (45). A reduction in market interest rates of 1 percentage point would increase Sagax's interest expenses by SEK 12 M (19) on an annual basis, since a number of Sagax's contractual loan facilities include base-rate clauses that do not permit base-rates to drop below zero when setting interest rates for the interest period.

Sagax's financing primarily comprises equity and interest-bearing liabilities. Sagax endeavours to secure a long, average remaining term of interest-bearing liabilities in a bid to limit its refinancing risk, defined as the risk that refinancing existing debt cannot take place on reasonable terms. The company's long-term financing comprises credit facilities and listed bond loans. Counterparties in these credit facilities are usually Swedish and foreign commercial banks. In certain cases, the facilities are subject to covenants, for example, on maintaining a certain interest coverage ratio. This means that creditors may be entitled to demand repayment of granted credit lines prematurely or request changed conditions if these covenants are not met by the borrower. Sagax's listed bond loans have been raised on standard terms and conditions. The complete terms and conditions for the bond loans are available at www.sagax.se. A sensitivity analysis is presented below, showing the effects of a change in properties' occupancy rate on Sagax's interest coverage ratio. A sensitivity analysis is presented below, showing the effects of a change in the properties' market value on Sagax's debt ratio.

Sensitivity analysis for property values

	-20%	-10%	0%	+10%	+20%
Value change, SEK M	-4,754	-2,377	-	2,377	4,754
Debt ratio, %	62	56	51	47	43

Sensitivity analysis for changes in the occupancy rate

	-10%	-5%	0%	+5%	+10%
Occupancy rate, %	85	89	94	99	N/A
Interest coverage ratio, %	301	325	348	371	N/A

Sensitivity analysis for property values

Amounts in SEK M	Change	Change in value
Yield requirement	+/- 0.25% points	-658/+712
Cost of capital	+/- 0.25% points	-566/+569
Rental revenue	+/- 5%	+970/-944
Property expenses	+/- 5%	-174/+179

CURRENCY RISKS

The amounts in the consolidated balance sheet are partly exposed to exchange-rate fluctuations, particularly for the EUR. Net exposure on 31 March 2018, assets less liabilities in EUR, amounted to SEK 6,808 M (4,226). In accordance with IAS 21, most of the currency effects are recognised in Other comprehensive income on consolidation. Only a small portion of currency effects are recognised in profit or loss.

OTHER RISKS

In a decision of 20 December 2016 pertaining to the 2014 income year, the Swedish Tax Agency denied the group com-

pany Sagax Bruket Fastigheter AB deductions for loss carryforwards of SEK 277 M and imposed additional tax of SEK 28 M. In a decision of 7 December 2017 pertaining to the 2015 income year, the Tax Agency also denied the group company Firethorne AB deductions for loss carryforwards of SEK 1,166 M. Sagax is of the opinion that the Tax Agency's decisions are incorrect and the companies concerned have appealed the decision. If the Tax Agency's decisions were to be upheld, Sagax estimates that the recognised earnings effect for the Group would be SEK 89 M and SEK 171 M, respectively.

Sagax's other risks are described in the 2017 Annual Report, on pages 46-49.

SENSITIVITY ANALYSIS

Sagax's exposure to material risks in the company's operations is presented below.

Sensitivity analysis at 31 March 2018¹⁾

Amounts in SEK M	Change	Effect on profit from property management, annual basis	Effect on profit after tax, annual basis ³⁾	Effect on equity ³⁾
Economic occupancy rate	+/-1%	+/-23	+/-18	+/-18
Rental revenue	+/-1%	+/-22	+/-17	+/-17
Property expenses	+/-1%	-/+4	+/-3	-/+3
Interest expenses including fixed-income derivatives	+/-1% point	-69/-12	-54/-9	-54/-9
Interest expenses excluding fixed-income derivatives	+/-1% point	-115/+33	-90/+26	-90/+26
Revaluation of fixed-income derivatives due to shift in interest rate curves	+/-1% point	N/A	+151/-154	+151/-154
Change in SEK/EUR exchange rate ²⁾	+/-10%	+/-92	+/-69	+/-681
Changed rent level for contract maturity in 2018	+/-10%	+/-16	+/-12	+/-12

1) Excluding share in profit of joint ventures and associated companies.

2) Sagax's net exposure to the SEK/EUR exchange rate comprises assets and liabilities recognised in EUR, in addition to revenue and expenses in EUR.

3) Including standard tax at 22%.

Significant events after the end of the period

On 5 April 2018, Sagax announced in a press release that the Board had resolved to issue new Class D common shares with preferential rights for the company's shareholders. The Board's resolution is conditional on the approval of the AGM on 7 May 2018. The decision will mean that the company's share capital on full subscription will increase by not more than SEK 41,758,874.50, from SEK 419,338,760.75 to at most SEK 461,097,635.25, through a new share issue of a maximum of 23,862,214 Class D common shares, which entails a maximum dilution for shareholders who choose not to participate in the rights issue of 9% of capital and 6% of votes. A holding of ten existing shares, regardless of class of share, provides entitlement to subscribe to one new Class D common share at SEK 27.50 per share. The record date for the adoption of which shareholders are entitled to receive subscription rights to subscribe for Class D common shares in the rights issue shall be 11 May 2018. Subscription is to take place during the period from 15 May up to and including 29

May 2018. The Board and management of Sagax have committed themselves to subscribe to their pro rata share of the rights issue corresponding to SEK 192 M and in addition have provided subscription commitments of SEK 14 M. In total, subscription commitments from the Board and management amount to SEK 205 M, corresponding to 31% of the rights issue. Shareholders representing 38% of votes in the company have agreed to vote in favour of the Board's proposal.

On 4 May 2018, Sagax announced in a press release that it had acquired and taken possession of four properties for a total of SEK 131 M based on four separate transactions. Three of these properties are situated in the Netherlands and one property is located in Finland. The properties comprise a lettable area of 18,800 square metres, primarily comprising industrial and warehouse premises. The annual rental value is SEK 12.8 M. The occupancy rate is 100% and the remaining average lease term is 9.3 years.

Accounting policies

Sagax complies with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In addition, the consolidated financial statements have been prepared in accordance with Swedish law applying Recommendation RFR 1 Supplementary Accounting Rules for Corporate Groups of the Swedish Financial Reporting Board.

This interim report has been prepared in accordance with International Accounting Standards (IAS) 34. The accounting policies and calculation methods applied in this report are unchanged compared with those applied in the 2017 Annual Report, except for the calculation of the key performance indicators of "Return on total capital," which has been changed to include profit from property management from joint ventures. Rounding-off differences may occur in this report.

The International Accounting Standard Board (IASB) has issued a new standard, IFRS 15 Revenue from Contracts with

Customers, which will become effective from 2018. Sagax's revenue primarily comprises rental revenue, which is not encompassed by this standard. Accordingly, the standard has no material impact on its financial reporting; refer also to Note 1 in the 2017 Annual Report.

IFRS 9 Financial instruments will replace IAS 39 Financial instruments: Recognition and Measurement from 2018. This standard has no material impact on Sagax's financial reporting. Refer also to Note 1 in the 2017 Annual Report.

The properties were valued in accordance with level 3 of the IFRS fair value hierarchy. The fair value of financial instruments essentially corresponds with the carrying amounts. No changes to the categorisation of financial instruments were made during the period. The derivatives were measured in accordance with level 2 of the fair value hierarchy.

The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities.

The Board of Directors and CEO give their assurance that this interim report provides a fair overview of the company's and the Group's operations, financial position and earnings and describes significant risks and uncertainties faced by the company and the companies included in the Group.

Stockholm, 7 May 2018
AB SAGAX (publ)
Corporate Registration Number 556520-0028

Staffan Salén
Chairman of the Board

Johan Cederlund
Board member

Filip Engelbert
Board member

David Mindus
CEO and Board member

Johan Thorell
Board member

Ulrika Werdelin
Board member

This constitutes information that AB Sagax (publ) is legally obliged to publish under the EU's Market Abuse Regulation. The information was released for publication on 7 May 2018 at 3:00 p.m. (CET)

Financial calendar

Interim Report January-June 2018	13 July 2018
Interim Report January-September 2018	25 October 2018
Year-end Report 2018	7 February 2019

SCHEDULE OF DIVIDEND PAYMENTS TO HOLDERS OF CLASS D SHARES AND PREFERENCE SHARES

June 2018

■ Final day for trading including dividend rights	27 June 2018
■ First day for trading excluding dividend rights	28 June 2018
■ Record date for dividend payment	29 June 2018
■ Expected payment date by Euroclear ¹⁾	4 July 2018

September 2018

■ Final day for trading including dividend rights	26 September 2018
■ First day for trading excluding dividend rights	27 September 2018
■ Record date for dividend payment	28 September 2018
■ Expected payment date by Euroclear ¹⁾	3 October 2018

December 2018

■ Final day for trading including dividend rights	21 December 2018
■ First day for trading excluding dividend rights	27 December 2018
■ Record date for dividend payment	28 December 2018
■ Expected payment date by Euroclear ¹⁾	4 January 2019

March 2019

■ Final day for trading including dividend rights	27 March 2019
■ First day for trading excluding dividend rights	28 March 2019
■ Record date for dividend payment	29 March 2019
■ Expected payment date by Euroclear ¹⁾	3 April 2019

1) Payment is made on the third bank day following the record date for Swedish issuers. Sagax is unable to affect this date.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Visit us at www.sagax.se.

Definitions

Sagax applies the ESMA's Guidelines on the Alternative Performance Measures. Alternative performance measures refer to financial measures of historical or future earnings trends, financial position, financial results or cash flows that are not defined or stated in the applicable rules for financial reporting, which in Sagax's case is IFRS. The basis of the alternative performance measures provided is that they are used by company management to assess the financial performance and thus are considered to provide valuable information to analysts and other stakeholders.

The table below presents definitions of AB Sagax's key performance indicators. The calculation of alternative performance measures is described separately below.

Key performance indicators	Description	Reason for alternative performance measure
Return on equity	Profit for the period, recalculated to 12 months, as a percentage of average equity (opening and closing balances)/2 for the period.	This key performance indicator shows how shareholders' capital yields interest during the period.
Return on total capital	Profit for the period, recalculated at 12 months, after net financial items after reversal of financial expenses as a percentage of average total assets for the period.	This key performance indicator shows the ability to generate earnings on the Group's assets, excluding financing costs.
Occupancy rate by area	Contracted area at the end of the period as a percentage of total lettable area at the end of the period.	This key performance indicator shows the occupancy situation.
Debt ratio	Interest-bearing liabilities at the end of the period as a percentage of total assets at the end of the period.	This key performance indicator shows financial risk.
Yield	Net operating income for the period (including property administration), recalculated at 12 months, adjusted for the holding periods of the properties during the period as a percentage of the carrying amounts of the properties at the end of the period.	The key performance indicator shows the earnings generation of the operations before financial expenses and central administration costs are taken into account.
EBITDA	Net operating income less central administration costs plus dividends received from joint ventures and associated companies.	Sagax uses EBITDA so that the EBITDA/Net debt key performance indicator shows financial risk.
Equity per Class A and B share	Equity at the end of the period in relation to the number of Class A and B shares at the end of the period after taking into account equity attributable to Class D shares and preference shares.	The key performance indicator shows the owner's share of equity.
Equity per Class D share	Equity at the end of the period in relation to the number of common shares at the end of the period after taking into account equity attributable to preference shares. Equity is restricted to SEK 35.00 per Class D share.	The key performance indicator shows the owner's share of equity.
Equity per preference share	Equity per preference share corresponds to the preferential right of the preference share on liquidation of the company (SEK 30 per preference share) and the share's accumulated preferential right to dividends (SEK 2 per year).	The key performance indicator shows the owner's share of equity.
Economic occupancy rate	Contractual annual rent at the end of the period as a percentage of rental value at the end of the period.	The key performance indicator shows the economic degree of utilisation of the Group's properties.
EURIBOR	EURIBOR, or the Euro Interbank Offered Rate, is a daily reference rate based on the average of the interest rates at which euro interbank term deposits are being offered by one prime bank to another within the EMU zone.	Not an alternative performance measure.
EPRA NAV	Recognised equity according to the balance sheet with reversal of reserves for fixed-income derivatives, deferred tax on temporary differences on property values and deferred tax on reserves for fixed-income derivatives. EPRA NAV is a key performance indicator defined by the European Public Real Estate Association.	An established indicator of the Group's net asset value that facilitates analyses and comparisons.
Property	Pertains to properties held under title or site leasehold.	Not an alternative performance measure.
Financial derivatives	Agreements on lending rates that may include the factors of time, inflation and/or maximum interest rates. Usually signed to hedge interest rates for interest-bearing loans.	Not an alternative performance measure.
Profit from property management	Profit excluding changes in value and tax.	An indicator of the earnings generation in the operations, excluding changes in value.
Profit from property management per Class A and B share after dilution	Profit from property management for the period reduced by dividends on Class D shares and preference shares, divided by the average number of Class A and B shares after dilution.	An indicator of the earnings generation of the assets, excluding the changes in value accruing to holders of Class A and B shares.
Lease term	Remaining term of a lease.	The key performance indicator shows the risk of future vacancies.
Rental value	The contractual annual rent applicable at the end of the period, with supplements for estimated market rents for vacant premises.	The key performance indicator shows the Group's income potential.
IFRS	International Financial Reporting Standards. International Financial Reporting Standards (IFRS), to be applied for consolidated financial statements by listed companies within the EU.	Not an alternative performance measure.
Joint venture	Partnership form whereby several owners have a shared controlling influence.	Not an alternative performance measure.
Cash flow per Class A and B share	Profit before tax adjusted for items not included in cash flow less tax paid in relation to the average number of Class A and B shares. Dividends on Class D shares and preference shares for the period have also been deducted from profit before tax. Dividends received from joint ventures have been added to profit before tax.	The key performance indicator shows the amount of cash flow for the period that can be considered to be attributable to owners of Class A and Class B shares.
Net debt	Interest-bearing liabilities less interest-bearing assets, cash and cash equivalents, and listed shares.	The key performance indicator shows the Group's indebtedness.

Key performance indicators	Description	Reason for alternative performance measure
Preference equity	Equity per preference share multiplied by the number of preference shares outstanding.	The key performance indicator shows equity attributable to preference shareholders.
Earnings per Class A and B share	Profit in relation to the average number of Class A and B shares after taking into account the portion of profit for the period represented by dividends on Class D shares and preference shares.	Not an alternative performance measure.
Earnings per Class D share	Class D shares are entitled to five times the dividend on Class A and B shares, although not more than SEK 2.00 per share.	The key performance indicator shows the shareholders' share of profit.
Earnings per preference share	Each preference share entails a preferential right to SEK 2.00 in annual dividends.	The key performance indicator shows the preference shareholders' share of profit.
Interest-rate swaps	An agreement between two parties to swap interest rate conditions on loans in the same currency. The swap entails that one party exchanges its floating interest rate for a fixed rate, while the other party receives a fixed rate in exchange for a floating rate. The purpose of an interest-rate swap is to reduce interest-rate risk.	Not an alternative performance measure.
Interest coverage ratio	Profit from property management, excluding profit from joint ventures and associated companies but including dividends from joint ventures and associated companies, after reversal of financial expenses in relation to financial expenses.	The key performance indicator shows financial risk.
Equity/assets ratio	Equity in relation to total assets.	This key performance indicator shows financial risk.
STIBOR	STIBOR, or Stockholm Interbank Offered Rate, a daily reference rate based on the average of the interest rates at which banks offer to lend unsecured funds to other banks in SEK in the Swedish wholesale money market.	Not an alternative performance measure.
Total return on shares	Total of the change in the share price during the period and the dividend paid during the period as a percentage of the share price at the end of the preceding year.	The key performance indicator shows the total return that accrues to shareholders.
Total yield on property	Total of EBITDA and property revaluations during the period as a percentage of the average property value adjusted for revaluations for the period.	The key performance indicator shows earnings generation and value growth for the properties for a period.
Triple net lease	A type of lease whereby the tenant pays, in addition to the rent, all costs incurred on the property that would normally have been paid by the property owner. These include operating expenses, maintenance, property tax, site leasehold fees, insurance, property care-taking, etc.	Not an alternative performance measure.
Dilution	Dilution due to outstanding warrants has been calculated, in line with IAS 33, as the number of Class A and B shares to be issued to cover the difference between the strike price and share price for all potential Class A and B shares (warrants) outstanding, insofar as it is probable that they will be utilised.	Not an alternative performance measure.
Surplus ratio	Net operating income for the period as a percentage of rental revenue for the period.	The key performance indicator shows the profitability of the properties.

Calculation of alternative performance measures is presented in the tables below.

Amounts in SEK M unless otherwise stated	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec	Amounts in SEK M unless otherwise stated	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Return on equity				Yield			
Profit after tax	680	559	2,965	Net operating income	424	360	1,558
Average equity	11,835	8,985	10,033	Addition for translation to annual value	1,272	1,079	–
Return on equity	23%	25%	30%	Holding adjustment, acquisitions/divestments	38	5	62
Return on total capital				Currency translation to closing rate	32	1	21
Profit from property management	354	302	1,334	Adjusted net operating income	1,766	1,445	1,641
Financial expenses	114	105	444	Carrying amount of properties	26,038	21,105	23,755
Profit before financial expenses	468	407	1,778	Yield	6.8%	6.9%	6.9%
Average total capital	28,569	21,162	25,172	EBITDA rolling 12 months			
Return on total capital	7%	8%	7%	Net operating income	1,622	1,393	1,558
Occupancy rate by area				Central administration	–86	–69	–77
Contracted area, 000s of square metres	2,510	2,177	2,359	Dividends from joint ventures and associated companies	139	128	139
Total lettable area, 000s of square metres	2,648	2,315	2,489	EBITDA	1,675	1,452	1,620
Occupancy rate by area	95%	94%	95%	Debt ratio			
Debt ratio				Interest-bearing liabilities	15,238	12,790	13,616
Total assets	29,898	23,903	27,240	Total assets	29,898	23,903	27,240
Debt ratio	51%	54%	50%	Debt ratio	51%	54%	50%

Calculation of alternative performance measures is presented in the tables below, cont'd.

Amounts in SEK M unless otherwise stated	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec	Amounts in SEK M unless otherwise stated	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Equity per Class A and B share				Cash flow per Class A and B share			
Equity	12,314	9,261	11,356	Profit before tax	807	658	3,405
Equity attributable to preference and Class D shares	2,770	2,532	2,762	Items not affecting cash flow	-520	-418	-2,185
Corrected equity	9,544	6,729	8,594	Tax paid	-9	-19	-25
No. of shares	158,274,952	158,274,952	158,274,952	Dividends attributable to preference and Class D shares	-40	-38	-161
Number of shares after dilution	158,398,840	158,634,678	158,372,099	Cash flow	238	183	1,034
Equity per Class A and B share, SEK	60.30	42.51	54.30	Cash flow per Class A and B share after dilution, SEK	1.50	1.15	6.52
Equity per Class A and B share after dilution, SEK	60.25	42.42	54.26	Net debt			
Economic occupancy rate				Interest-bearing liabilities	15,238	12,790	13,691
Contractual annual rent	2,162	1,775	1,974	Interest-bearing assets	-7	-4	-7
Rental value	2,295	1,888	2,099	Cash and cash equivalents and listed shares	-758	-801	-502
Economic occupancy rate	94%	94%	94%	Net debt	14,473	11,985	13,182
EPRA NAV				Net debt/EBITDA			
Equity	12,314	9,261	11,356	Net debt	14,473	11,985	13,182
Equity attributable to preference and Class D shares	-2,770	-2,532	-2,762	EBITDA rolling 12 months	1,675	1,451	1,620
Reversal of derivatives	404	497	422	Net debt/EBITDA	8.6	8.3	8.1
Reversal of deferred tax, other temporary differences	1,629	1,177	1,472	Preference equity			
Reversals due to joint ventures	611	963	610	Equity per preference share	32.50	32.50	32.00
EPRA NAV	12,188	9,366	11,098	Number of preference shares outstanding	16,784,028	58,250,000	16,784,028
EPRA NAV per Class A and B share after dilution, SEK	76.95	59.04	70.07	Preference equity	545	1,893	537
Profit from property management				Earnings per Class A and B share			
Profit after tax	680	559	2,965	Profit after tax	680	559	2,965
Tax	150	128	596	Dividends attributable to preference and Class D shares	-40	-38	-161
Changes in value	-477	-385	-2,227	Corrected profit after tax	641	521	2,804
Profit from property management	354	302	1,334	Earnings per Class A and B share, SEK	4.05	3.29	17.72
Profit from property management per Class A and B share after dilution				Interest coverage ratio			
Profit from property management	354	302	1,334	Profit from property management excl. profit from property management JV	283	238	1,056
Dividends attributable to preference and Class D shares	-40	-38	-161	Dividends from JV and associated companies	-	-	139
Adjusted profit from property management	314	264	1,173	Financial expenses	114	105	444
Profit from property management per Class A and B share after dilution, SEK	1.98	1.66	7.40	Corrected profit from property management	397	343	1,639
Lease term				Interest coverage ratio	3.5	3.2	3.7
Contractual future rental revenue	13,991	12,245	13,070	Equity/assets ratio			
Contractual annual rent	2,159	1,772	1,974	Equity	12,314	9,261	11,356
Lease term, years	6.5	6.9	6.6	Total assets	29,898	23,903	27,240
				Equity/assets ratio	41%	39%	42%
				Surplus ratio			
				Net operating income	424	360	1,558
				Rental revenue	529	444	1,870
				Surplus ratio	80%	81%	83%

AB Sagax is a property company whose business concept is to invest in commercial properties, primarily in the warehouse and light industry segment. Sagax's property holdings at 31 March 2018 amounted to 2,648,000 square metres, distributed over 501 properties.
AB Sagax (publ) is listed on Nasdaq Stockholm, Large Cap.
More information is available at www.sagax.se.

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