

INTERIM REPORT JANUARY – MARCH 2019

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.

Interim report January – March 2019

FIRST QUARTER OF 2019

- Rental revenue increased 18% to SEK 622 M (529 for the preceding year).
- Profit from property management increased 31% to SEK 464 M (354). Profit from property management per Class A and B share after dilution rose 29% to SEK 2.55 (1.98).
- In total, property revaluation affected profit by SEK 132 M (351), of which joint ventures accounted for SEK 48 M (67).
- Revaluation of financial instruments impacted profit by a total of SEK 378 M (125), of which joint ventures accounted for SEK –16 M (13).
- Profit after tax for the period amounted to SEK 854 M (681).
- Cash flow from operating activities before changes in working capital rose 16% to SEK 323 M (278), corresponding to SEK 1.66 (1.50) per Class A and B share after dilution.
- During the period, Sagax invested a net SEK 864 M (1,395), of which the property acquisitions accounted for SEK 679 M (1,342).
- Sagax issued an unsecured bond loan of EUR 300 M at a fixed interest rate of 2.25% and a maturity until 2025.

UNCHANGED FORECAST FOR 2019

Profit from property management for 2019, 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 1,900 M. The forecast was presented in the year-end report 2018.

Selected key performance indicators

	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec
Profit from property management per Class A and B share after dilution, SEK	2.55	1.98	8.61	7.40	5.96	4.90	3.73
<i>Change compared with preceding year, %</i>	29	19	16	24	22	31	37
Earnings per Class A and B share after dilution, SEK	5.01	4.04	18.47	17.69	14.50	9.85	4.05
Dividend per Class A and B share, SEK	–	–	2.00 ¹⁾	1.80	1.45	1.15	0.80
Net debt/EBITDA, multiple	7.5	8.6	7.4	8.1	8.7	9.3	8.8
Interest coverage ratio, multiple	4.5	3.5	4.2	3.7	3.4	2.9	2.6
Debt ratio, %	47	51	47	50	54	59	59
Properties' market value, SEK M	30,204	26,038	29,024	23,771	20,628	16,189	13,428
Property yield, %	6.8	6.8	6.8	6.9	7.1	7.4	7.6

1) Proposed dividend



The Elektra 11 property is located Västberga, Stockholm, and encompasses 12,000 square metres of lettable area. The property was acquired vacant in 2017. Sagax renovated and remodelled 7,800 square metres of the property in 2018, which has now been let.

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 illustrate 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

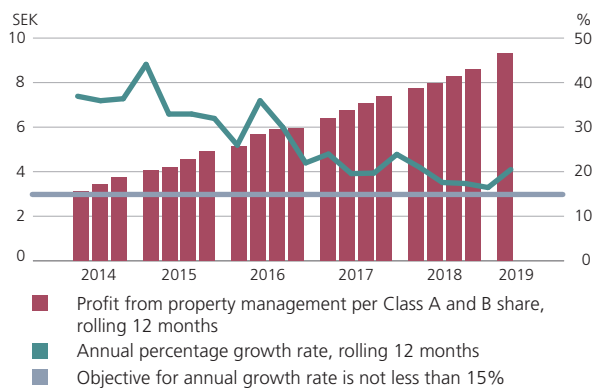
The financial structure of Sagax is designed with a clear focus on operating cash flow and the interest coverage ratio. This is expected to create both excellent prerequisites for expansion and an attractive return on equity. The charts on page 3 show Sagax's profit from property management and cash flow from operating activities. As illustrated, cash flow corresponds closely to profit from property management. The difference is due mainly to joint ventures where dividends rather than profit from property management are recognized as cash flow from operating activities.

Sagax endeavours to have well-balanced fixed-interest and debt maturity profiles to secure its operating cash flow. The average fixed-interest period was 3.6 years (2.0) at the end of the quarter. The average maturity period was 3.9 years (2.8) at the end of the quarter.

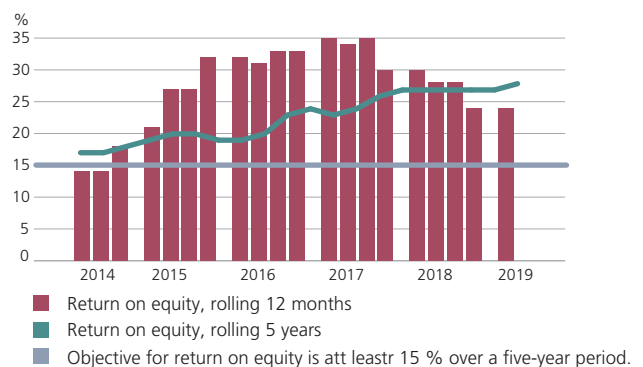
Financial targets

	Outcome Jan-Mar 2019	Five-year average
Return on equity, measured over a five-year period, should not fall below 15% per year	21%	28%
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.

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

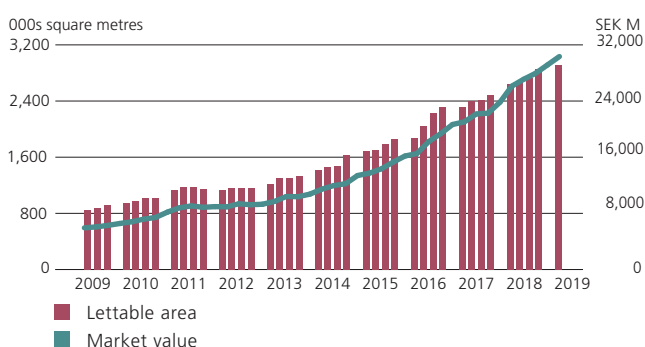
Sagax invests primarily in regions experiencing stable population growth and that have diversified business activities.

Sagax's largest markets are Stockholm and Helsinki, which regarded as offering the favourable conditions 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 relatively low due to the stable demographic growth and the diversified business operations in these markets.

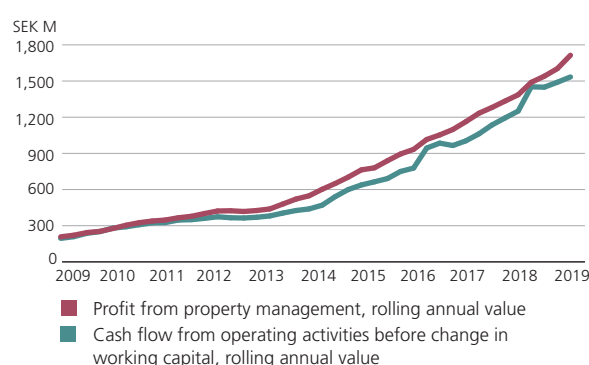
SUSTAINABILITY ACTIVITIES

The focus of Sagax's sustainability activities comprises avoiding short-term gains arising at the expense of negative longer-term consequences, such as in the form of externalities. The company's investing activities, management and funding are conducted to achieve the best possible long-term – meaning sustainable – outcome. The company's property management takes place exclusively in markets that have well-developed legal frameworks. The negative externalities of management primarily comprise the environmental impact from heating premises. As in previous years, it is intended that the carbon footprint of the Sagax organisation, calculated at 252 tonnes of carbon dioxide for 2018, will be compensated. A central theme of Sagax's sustainability activities is compliance with laws, regulations and conventions. Sagax conducts operations or has investments in Sweden, Finland, Denmark, Germany, the Netherlands, France and Spain. Accordingly, the Group is subject to both Swedish and foreign laws and regulations. Read more in Sagax's 2018 Sustainability Report.

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 2019 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 31% to SEK 464 M (354), of which joint ventures accounted for SEK 92 M (71). The increase in profit from property management was attributable to property acquisitions, higher profit from property management in joint ventures and lower financial expenses. Profit from property management per Class A and B share after dilution rose 29% to SEK 2.55 (1.98).

Changes in the value of properties increased profit by SEK 132 (351) M, of which the revaluation of joint ventures accounted for SEK 48 M (67).

The revaluation of financial instruments had an impact totaling SEK 378 M (125) on profit. The revaluation of listed shares

resulted in an unrealised change in value of SEK 212 M (84). The revaluation of financial instruments attributable to joint ventures amounted to SEK 206 M (12) pursuant to IFRS 9, while fixed-income derivatives accounted for SEK -40 M (30).

Profit after tax for the period amounted to SEK 854 M (681).

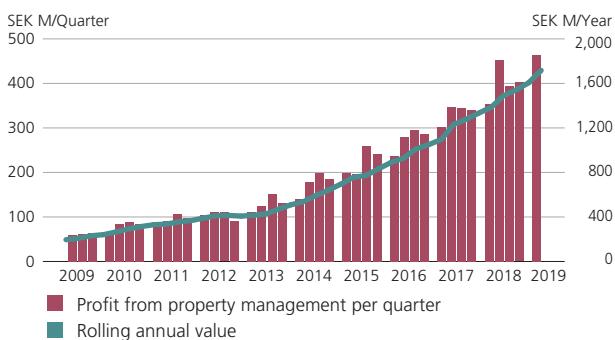
REVENUE

Rental revenue rose 18% to SEK 622 M (529). Revenue was primarily positively affected by property acquisitions.

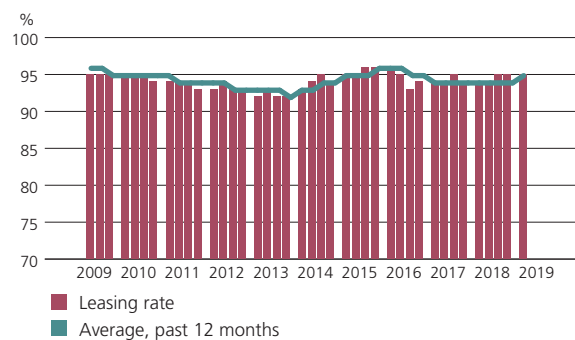
Other revenue of SEK 11 M (4) primarily comprised compensation from tenants who prematurely vacated premises, damages due to deficient maintenance and insurance compensation.

In the first quarter, rental revenue in comparable portfolios increased 3.3% excluding currency effects. The largest increase was found in the market segments of Stockholm (6.7%) and Paris (4.4%), mainly due to lower vacancies. Other market segments reported minor revenue increases (an average of 1.5%) in the existing portfolio.

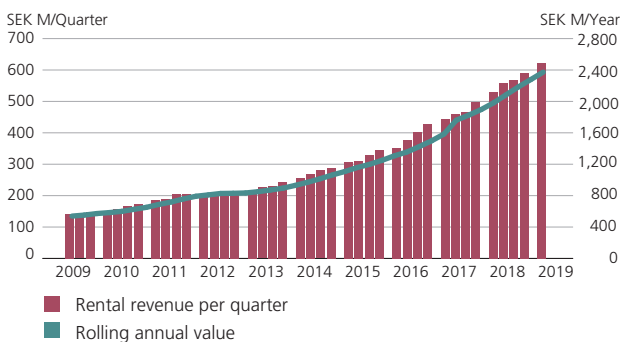
Profit from property management



Economic leasing rate



Rental revenue



CHANGE IN THE ECONOMIC OCCUPANCY RATE

The economic occupancy rate amounted to 95%, unchanged compared with year-end 2018. During the period, the vacancy value rose SEK 20 M (24) due to tenants vacating premises and declined SEK 23 M (24) due to new lettings. Discounts provided on a fixed-term basis amounted to SEK 19 M (22) on an annual basis at the end of the period, up SEK 1 M (6) during the period. The terms for the discounts are described in the table below. Exchange-rate fluctuations increased the vacancy value by SEK 1 M (4).

Overall, the closing vacancy value was unchanged for the period. The closing vacancy value increased SEK 11 M in the year-earlier period and was SEK 133 M at the end of the period. Stockholm and Helsinki accounted for 77% (80) of the vacancy value.

FUTURE VACANCY CHANGES

Notice of termination had been served for leases with a rental value of SEK 54 M (63) at the end of the period, of which notice of vacating the premises accounted for SEK 47 M (61) and notice of renegotiation of the premises for SEK 7 M (2). Of the leases for which notice had been received, vacancies corresponding to SEK 19 M will occur in 2019. 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 28 M (23).

The adjusted closing vacancy value was SEK 158 M (173), a net increase of SEK 6 M since year end. The change was due to the vacancy value for new lettings that have not yet been occupied declining SEK 1 M in parallel with the vacancy value for notices of vacating premises or renegotiated leases increasing SEK 5 M.

Vacancy changes

Amounts in SEK M	2019 Jan-Mar	2018 Jan-Dec
Opening vacancy for each year	132	122
Vacancies	20	89
New lettings	-23	-86
Change in discounts provided	1	2
Vacancy value, acquired properties	2	6
Vacancy value, sold properties	-1	-5
Change in exchange rates	1	4
Closing vacancy value	132	132
Terminated for renegotiation	7	5
Terminated lease, not vacated	47	44
New letting, not occupied	-28	-29
Adjusted closing vacancy value	158	152

Terms for discounts provided

Year of expiry	SEK M
2019	15
2020	1
2021	1
2022	0
2023	1
>2023	1
Total	19

Leases terminated for vacancy

Year of vacancy	No. of leases	Rental value, SEK M
2019	36	19
2020	12	6
2021	2	17
2022	1	5
2024	1	1
Total	52	47

Vacancies, 1 April 2019

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	696	38	5%	647,000	31,000	5%
Helsinki	615	63	10%	583,000	64,000	11%
Finland, university cities	315	11	3%	330,000	14,000	4%
Paris	227	7	3%	240,000	7,000	3%
Netherlands	193	8	4%	238,000	6,000	3%
Rest of Sweden	213	1	1%	407,000	2,000	0%
Rest of Finland	227	4	2%	333,000	11,000	3%
Rest of Europe	133	0	0%	140,000	0	0%
Total	2,618	132	5%	2,919,000	134,000	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 89 M (73). Expenses for property tax and site leasehold fees declined to SEK 27 M (29), due to site leasehold of SEK 6 M being recognised as a financial expense from 1 January 2019 in accordance with IFRS 16. Refer also to the heading Net financial items below. Other property expenses rose to SEK 11 M (8). All expense increases were primarily due to property acquisitions.

CENTRAL ADMINISTRATION

Costs for the Group's central administration amounted to SEK 27 M (27), corresponding to 4.3% (5.1) of the Group's rental revenue.

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 15 M (11). The Parent Company's income statement and balance sheet are shown on page 22.

At the end of the period, the Group had 64 (57) employees, of whom four work part-time and two are on parental leave. Functions such as property care-taking and on-call operations are outsourced. The company has offices in Stockholm, Helsinki, Rotterdam, Paris, Jyväskylä, Turku and Barcelona.

Number of employees

Country	Total
Sweden	30
Finland	22
France	7
Netherlands	5
Spain	1
Total	65

PROFIT FROM JOINT VENTURES

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

Profit for the period amounted to SEK 96 M (127), of which profit from property management accounted for SEK 92 M (71) M, changes in the value of fixed-income derivatives for SEK -16 M (13) and changes in the value of properties for SEK 48 M (67). Profit was charged with deferred tax of SEK 27 M (24).

NET FINANCIAL ITEMS

Interest-bearing liabilities increased to SEK 17,123 M (15,238) due to financing of property acquisitions.

Financial expenses declined to SEK 107 M (114) as a result of lower borrowing costs, despite higher interest-bearing

net debt and site leasehold fees of SEK 6 M being charged to net financial items according to IFRS 16. The average interest rate was 2.3% (2.8) at 31 March 2019. For more information about funding at Sagax, see page 14.

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

REVALUATION OF PROPERTIES

The value trend for the properties amounted to SEK 84 M (284), of which unrealised changes in value amounted to SEK 85 M (294) 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 117 M (153). Vacancies and renegotiations reduced the value by SEK 74 M (87). The general change in market value for the company's properties amounted to SEK 42 M (229), primarily due to lower yield requirements.

Unrealised changes in value

Amounts in SEK M	Jan-Mar 2019
New lettings/Renegotiations	117
Vacancies/Renegotiations	-74
General change in market value	42
Total	85

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

The weighted yield requirement used in the valuations was 7.1% (7.2). The weighted cost of capital for the present value calculation of cash flows and residual values amounted to 7.8% (8.1) and 8.4% (8.6), respectively. See also the section on analysis and general conditions on page 12.

REVALUATION OF FINANCIAL INSTRUMENTS

The change in the value of financial instruments amounted to SEK 378 M (125) for the period.

The changes in value attributable to fixed-income derivatives amounted to SEK -40 M (30), of which SEK -33 M (30) comprised unrealised changes in value and SEK -7 M (-) realised changes in value. The fixed-income derivatives comprised interest-rate swaps and interest-rate caps. The total market value of Sagax's fixed-income derivatives at the end of the period amounted to SEK -132 M (-404); refer to the section on funding on page 14.

Revaluation of listed shares resulted in an unrealised change in value of SEK 212 M (77). No shares were sold during the period. In the year-earlier period, divestment of shares resulted in a realised change in value of SEK 7 M.

The revaluation of financial instruments attributable to joint ventures amounted to SEK 206 M (12) in accordance with IFRS 9.

TAX

Sagax recognised a current tax expense of SEK 34 M (23). The deferred tax expense for the period amounted to SEK 59 M (103). The Group's deferred tax liabilities at the end of the period amounted to SEK 1,669 M (1,269).

Deferred tax liabilities by country

Amounts in SEK M	31 Mar 2019
Sweden	857
Finland	680
Germany	85
Denmark	4
France	–
Netherlands	43
Tax liabilities	1,669

CASH FLOW

Cash flow from operating activities before changes in working capital amounted to SEK 323 M (278). Changes in working capital had an impact of SEK 23 M (33) on cash flow. Investing activities had an impact of SEK –1,005 M (–1,519) on cash flow, while cash flow from financing activities contributed SEK 1,135 M (1,242) to Sagax. In total, cash and cash equivalents rose SEK 476 M (34) during the period. See page 19 for the statement of cash flows.

Forecast and current earnings capacity

UNCHANGED FORECAST FOR 2019

Profit from property management for 2019, meaning profit before revaluations and tax, based on the current property portfolio and announced acquisitions and divestments, is expected to amount to SEK 1,900 M. The forecast was presented in the Year-end report 2018.

CURRENT EARNINGS CAPACITY

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

The table below shows the earnings capacity on a 12-month basis at 1 April 2019. 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

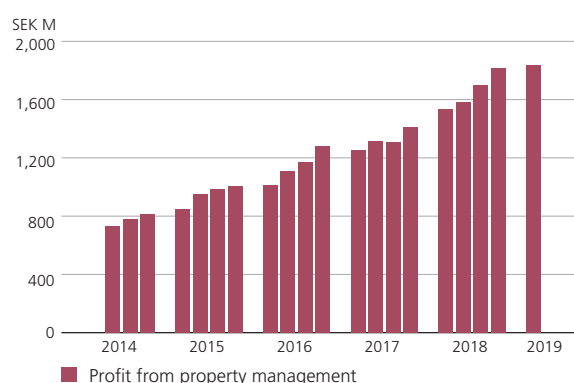
for vacant premises. Property expenses are based on actual outcomes over the past 12 months adjusted for the holding period, less expenses for site leasehold fees. Central administration costs are based on actual outcomes over the past 12 months. Net financial items are calculated based on interest-bearing 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 and costs attributable to credit facilities that were unutilised on the balance sheet date. Lease expenses essentially pertain to site leasehold fees that are based on actual outcomes over the past 12 months adjusted for the holding period. 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 19% (22).

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

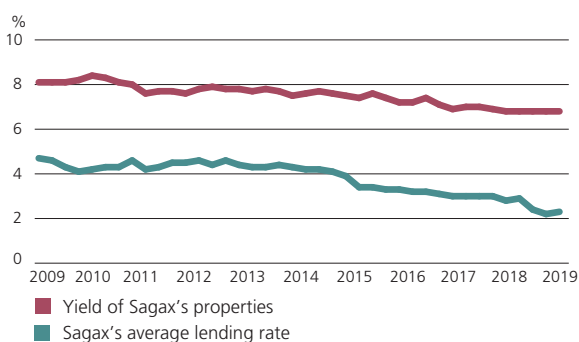
Current earnings capacity

Amounts in SEK M	1 Apr 2019	1 Jan 2019
Rental value	2,618	2,510
Vacancy	-132	-132
Rental revenue	2,486	2,378
Property expenses	-420	-415
Net operating income	2,067	1,963
Central administration	-132	-132
Joint ventures	381	372
Financial expenses	-460	-387
Lease expenses	-20	-
Profit from property management	1,837	1,816
Tax	-349	-400
Profit after tax	1,488	1,416
– of which, holders of preference shares	34	34
– of which, holders of Class D shares	204	204
– of which, holders of Class A and B shares	1,250	1,178

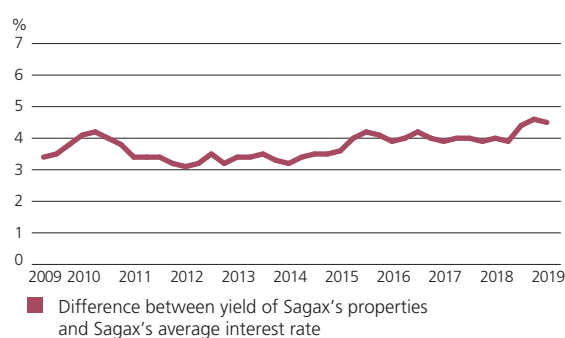
Current earnings capacity before tax



Yield and lending rate



Difference between yield and lending rate



Property portfolio

At 31 March 2019, the property portfolio comprised 530 (501) properties with a lettable area of 2,919,000 square metres (2,648,000). The two largest market areas are Stockholm and Helsinki, where 55% (56) of the market value and 50% (53) of the rental value is concentrated. At the end of the period, the total rental value and contractual annual rent amounted to SEK 2,618 M (2,295) and SEK 2,486 M (2,162), respectively. This corresponds to an economic occupancy rate of 95% (94).

INVESTMENTS

During the period, Sagax invested SEK 863 M (1,395), of which property acquisitions accounted for SEK 679 M (1,342).

A total of 23 properties were acquired with a total lettable area of 72,000 square metres. The largest investment was Postikatu 3 in Turku with a lettable area of 14,300 square metres. Refer also to the list on page 11.

A total of SEK 185 M (53) was invested in the existing property portfolio. SEK 15 M of the investments for the period were made against rent supplements, SEK 26 M was invested in conjunction with new lettings, SEK 123 M in conjunction with new production and SEK 18 M pertained to property maintenance.

The Group has agreed to acquire five properties in Paris for which possession will be taken in the second quarter. The total investment will amount to SEK 210 M. In addition, the Group signed an agreement after the end of the period to acquire another property in Paris, with possession scheduled to be taken in the third quarter. Refer also to Significant events after the end of the period on page 28.

DIVESTMENTS

During the period, six properties with a total lettable area of 4,600 square metres were divested for a total of SEK 12 M; see compilation on page 11. The largest divestment was Seppälän puistotie 7 in Mänttä-Vilppula, with a lettable area of 2,100 square metres. Other divestments comprised smaller properties in Finland and land in France.

Agreements were signed for the sale of three properties in Sweden and France for a total of SEK 255 M which will be vacated after the end of the period.

PROPERTY PORTFOLIO YIELD

The yield for the period in relation to market value amounted to 6.8% (6.8).

Summary of property portfolio 1 April 2019

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	82	647,000	31,000	10,001	15,500	696	27%	95%	658	26%
Helsinki	72	583,000	64,000	6,483	11,100	615	23%	90%	552	22%
Finland, university cities	67	330,000	14,000	2,964	9,000	315	12%	97%	304	12%
Paris	54	240,000	7,000	2,290	9,500	227	9%	97%	220	9%
Netherlands	43	238,000	6,000	2,067	8,700	193	7%	96%	185	7%
Rest of Sweden	47	407,000	2,000	2,393	5,900	213	8%	99%	211	8%
Rest of Finland	145	333,000	11,000	2,457	7,400	227	9%	98%	223	9%
Rest of Europe	20	140,000	0	1,549	11,100	133	5%	100%	133	5%
Total	530	2,919,000	134,000	30,204	10,300	2,618	100%	95%	2,486	100%

Property investments January-March 2019

Amounts in SEK M	Property acquisitions	Existing portfolio	Total	Share of total investments	Divestments	Net investments
Stockholm	30	94	124	14%	–	124
Helsinki	52	25	77	9%	–	77
Finland, university cities	186	9	195	23%	–	195
Paris	209	44	253	29%	–	253
Netherlands	159	3	162	19%	–	162
Rest of Sweden	–	–	–	0%	–	–
Rest of Finland	43	10	53	6%	–2	51
Rest of Europe	–	–	–	0%	–10	–10
Total	679	185	864	100%	–12	852

LEASE STRUCTURE

Sagax has a diverse lease structure, which better allows the company to maintain an even occupancy rate. To further reduce the risk of lower rental revenue, Sagax endeavours to create long-term relationships with the company's existing tenants and to achieve favourable diversification in terms of the length and size of its leases.

Sagax's contractual annual rent at the end of the period was distributed between 1,644 leases, with about 1,100 tenants. The table below presents the size of Sagax's leases in relation to the Group's contractual annual rent at the end of the period. The table shows that 1,635 leases each had a rental value of less than 1% of the Group's contractual annual rent. The total rental value for these leases accounted for 83% of Sagax's contractual annual rent. In addition, Sagax is party to six leases with a rental value corresponding to 1–2% of the Group's contractual annual rent. Combined, these leases total 9% of Sagax's contractual annual rent. Only three of Sagax's leases had an annual rental value that accounted for more than 2% of the Group's rental revenue. These leases together represented 8% of the Group's contractual annual rent.

Distribution of leases

Share of contractual annual rent	Contractual annual rent		No. of leases	Average contractual annual rent, SEK M	Lease term, years
	SEK M	Share			
> 2%	202	8%	3	67	12
1–2 %	226	9%	6	38	6
< 1%	2,058	83%	1,635	1	5
Total	2,486	100%	1,644	2	6

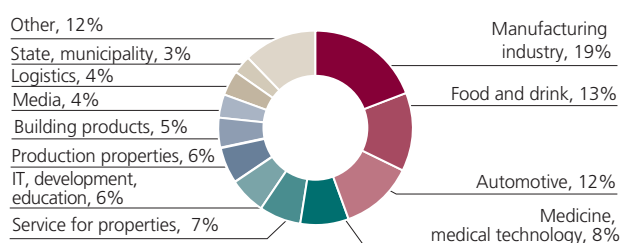
Lease terms

Year of expiry	Area, sqm	Contractual annual rent	
		SEK M	Share
2019	254,000	265	11%
2020	331,000	309	12%
2021	294,000	254	10%
2022	329,000	316	13%
2023	201,000	203	8%
> 2023	1,374,000	1,139	46%
Total	2,784,000	2,486	100%

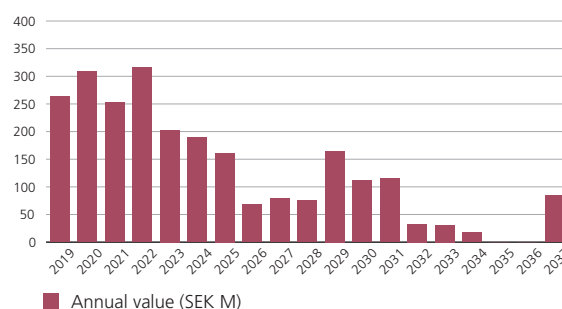
Sagax's tenants operate in a variety of industries. 19% of the contractual rental revenues come from tenants in the manufacturing industry, 13% in the automotive industry, including sales, service and manufacturing, and 12% from companies with food-related operations. Diverse tenant industries is considered to lower the risk of vacancies and rent losses. The main industries are presented in the pie chart below.

According to Sagax's management strategy, the company strives to secure long-term leases and an even distribution of contract maturities over the years. This is deemed to reduce the risk of significant variations in the Group's occupancy rate. Leases representing 54% of the contractual annual rent expire in or after 2023. 10–13% of contractual annual rent expires every year between 2019 and 2022. The average lease term at 31 March 2019 was 5.8 years (6.5).

Industry exposure



Year of maturity of annual rent



CHANGES IN THE PROPERTY PORTFOLIO

Property acquisitions January-March 2019

Property/address	Municipality	Segment	Lettable area, sqm
Grossisten 1	Stockholm	Stockholm	1,913
Pakkasraitti 14	Tuusula	Helsinki	5,149
Postikatu 3	Turku	Finland, university cities	14,263
Rydöntie 7	Turku	Finland, university cities	3,070
Uhrilähteenkatu 8	Turku	Finland, university cities	3,580
Vanha Vaasantie 3	Ylöjärvi	Finland, university cities	5,305
10 avenue des Tropiques	Les Ulis	Paris	2,112
14 rue des campanules	Lognes	Paris	3,100
16 bis, rue de Paris	Champlan	Paris	650
2 rue de la Borne Blanche	Combs-La-Ville	Paris	7,417
39 Boulevard Général Delambre	Bezons	Paris	1,350
7-12 Avenue des Tropiques	Les Ulis	Paris	5,956
Bijsterhuisen 2511	Wijchen	Netherlands	4,076
David Ricardostraat 5	Hengelo	Netherlands	915
De Witbogt 22	Eindhoven	Netherlands	1,923
Driemansteeweg 66	Rotterdam	Netherlands	1,296
Gotenburgweg 38	Groningen	Netherlands	1,270
Jan Frederik Vlekkeweg 10	Tilburg	Netherlands	695
Liebrugweg 1	Haarlemmermeer	Netherlands	1,410
Minervum 7147	Breda	Netherlands	1,249
Noorderpoort 4	Venlo	Netherlands	1,790
Roelofshoeweg 19	Duiven	Netherlands	2,195
Karhunkierros 1	Nurmijärvi	Rest of Finland	1,531
First quarter			72,215

Property sales January-March 2019

Property/address	Municipality	Segment	Lettable area, sqm
Keskustie 8	Hausjärvi	Rest of Finland	1,246
Pankakoskentie 3	Liekka	Rest of Finland	307
Savontie 42	Varkaus	Rest of Finland	302
Seppälän puistotie 7	Mänttä-Vilppula	Rest of Finland	2,135
Valtatie 23	Muhos	Rest of Finland	653
Rue de Vertuquet	Neuville-en-Ferrain	Rest of Europe	–
First quarter			4,643

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 2019, the total market value of Sagax's 530 (501) properties was SEK 30,204 M (26,038). The depreciation of the SEK against the EUR during the period led to property values abroad increasing SEK 243 M (607).

The total unrealised change in value during the period was SEK 85 M (294). Refer also to the table "Unrealised changes in value" on page 6.

VALUATION METHOD AND IMPLEMENTATION

The valuations were carried out in accordance with generally accepted international valuation methods. As of 31 March 2019, all valuation objects were valued separately by authorised property appraisers from independent valuation companies, except for the five German properties which, as a result of high valuation costs in Germany, are only valued at year end and two ongoing projects in France that were valued internally. Three properties, for which a divestment agreement has been signed, have been valued at an agreed sales price.

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 calculation period is ten years. All properties, except for two small properties in Denmark, 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 (4.5–15.0%) are based on analyses of transactions carried out and on individual assessments of the risk level and market position of each property.

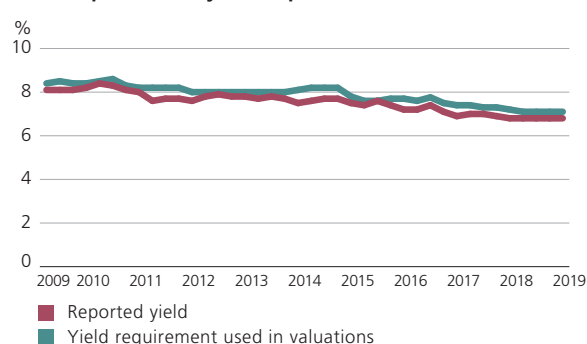
The weighted cost of capital for the present value calculation of cash flows and residual values for the property portfolio was 7.8% (8.1) and 8.4% (8.6), respectively. The weighted yield requirement was 7.1% (7.2) at 31 March 2019. By comparison, the yield reported by Sagax for the period was 6.8% (6.8). 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 26.

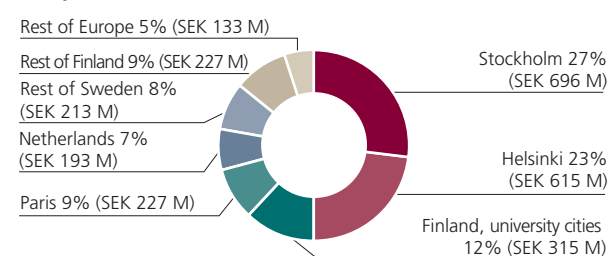
Change in carrying amount of properties

	SEK M	Number
Property portfolio, 31 December 2018	29,024	512
Acquisition of properties	679	23
Investments in the current portfolio	185	
Property sales	-12	-6
Subdivisions, property	-	1
Translation effect, currencies	243	
Unrealised changes in value	85	
Property portfolio, 31 March 2019	30,204	530

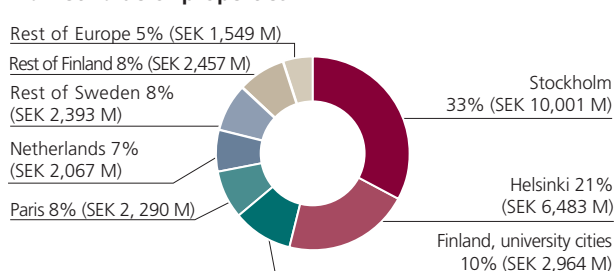
Yield compared with yield requirement



Group's rental value



Market value of properties



Joint ventures

Sagax's joint ventures contributed a total of SEK 92 M (71) to profit from property management during the period. Sagax's share of changes in the value of properties amounted to SEK 48 M (67) and the share of changes in the value of fixed-income derivatives was SEK -16 M (13) during the period. The total value of the commitment associated with ownership of joint ventures amounted to SEK 3,748 M (2,776).

Sagax owns 50% of Söderport Holding AB, with the remaining share owned by the Nyfosa Group. 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

Söderport's operations consist of owning, managing and developing properties in Sweden. On behalf of Söderport, Sagax handles the financial administration and most of the property management of the Söderport Group. Nyfosa is responsible for property management at certain locations.

A corresponding 65% of Söderport's rental value of SEK 683 M was located in Stockholm on 31 March 2019. Söderport's economic vacancies amounted to SEK 32 M (29) at the end of the period, corresponding to a vacancy rate of 5% (5). Of the economic vacancies, SEK 7 M (8) comprised fixed-term rent discounts provided for new lettings. At year end, Stockholm accounted for 93% of the economic vacancies.

HEMSÖ INTRESSEENTER AB

Hemsö Fastighets AB conducts operations in Sweden, Germany and Finland. Operations consist of owning, managing and developing public properties. The company's property portfolio encompasses 368 properties with a total property value of SEK 49.6 billion at 31 March 2019. Of the total property value, Sweden accounts for 70%, Germany 15% and Finland 15%. A corresponding 82% of the property value comprises properties located in metropolitan regions in Sweden, Germany and Finland.

Of Hemsö's properties, 180 are residences for the elderly, 109 school premises, 63 healthcare premises and 16 properties for the justice and legal sector. Of Hemsö's contractual rents, 60% derives from municipalities, county councils or the state. An average remaining lease term of 9.7 years (9.1) combined with financially stable tenants and a low vacancy rate ensure stable rental revenue. 96% 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	
	2019 31 Mar	2018 31 Mar	2019 31 Mar	2018 31 Mar
Sagax's participating interest, %	50	50	15	15
Rental revenue, SEK M	162	141	723	636
Profit from property management, SEK M	79	60	423	350
Profit for the period, SEK M	102	122	406	518
Sagax's share of profit from property management, SEK M	40	30	52	41
No. of properties	70	70	368	345
Rental value, SEK M	683	606	2,976	2,602
Carrying amount of properties	7,853	6,870	49,559	40,152
Lettable area, sqm	689,000	658,000	1,800,000	1,658,000
Lease term, years	4.9	4.5	9.7	9.1
Economic vacancy rate, %	5	5	2	2
Interest-bearing liabilities, SEK M	3,786	3,444	34,418	26,380
Loan maturity, years	1.3	2.3	7.4	5.7
Fixed interest, years	3.2	2.5	5.2	5.4
Market value of fixed-income derivatives, SEK M	-239	-320	-285	-515

Funding

EQUITY

Consolidated equity amounted to SEK 16,373 M (12,314) at 31 March 2019. Changes in equity during the period were attributable only to comprehensive income for the period of SEK 958 M.

INTEREST-BEARING LIABILITIES

Sagax's interest-bearing liabilities at the end of the period amounted to SEK 17,123 M (15,238). An amount corresponding to SEK 12,977 M (6,886) of liabilities was recognised in EUR.

Interest-bearing net debt amounted to SEK 15,484 M (14,473). Gross interest-bearing debt to banks amounted to SEK 4,197 M (8,775). The remaining gross interest-bearing debt comprised listed bond loans of SEK 11,934 M (4,750) and commercial paper of SEK 992 M (1,713). The main covenants for bond loans are presented on page 15.

At 31 March 2019, secured liabilities comprised 14% (35) of the total assets. Unsecured liabilities corresponded to 33% (16) of the total assets on the same date.

The chart below shows how the debt ratio has decreased successively over time at the same time as financial expenses have declined in relation to the Group's profit before financial items. The debt ratio at the end of the period amounted to 47% (51) and the interest coverage ratio to 447% (348). Interest-bearing net debt for the past 12 months has averaged 7.5 (8.6) times EBITDA; see chart below.

A total of SEK 3,188 M (1,292) in loans was raised, of which SEK 3,127 M in the form of issued bond loans under the framework of Sagax's EMTN programme. A total of SEK 1,975 M (30) was repaid during the period. Interest-bearing liabilities rose SEK 147 M (283) due to exchange-rate fluctuations.

In accordance with IFRS 9, allocated borrowing costs of SEK 96 M (69) reduced interest-bearing liabilities in the balance sheet. Interest-bearing liabilities of SEK 17,028 M (15,168) were recognised. The average remaining fixed-interest and debt maturity terms were 3.6 years (2.0) and 3.9 years (2.8), respectively, at the end of the period. The average interest rate on the company's interest-bearing liabilities was 2.3%

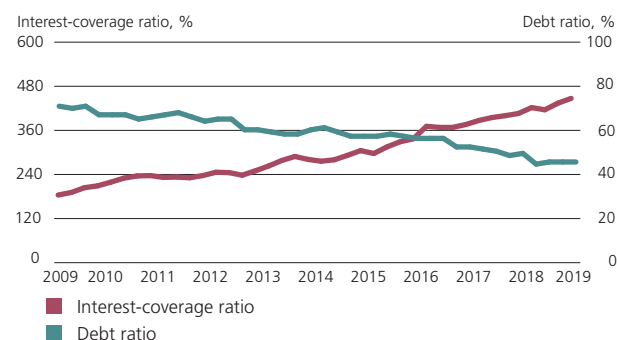
Fixed-interest period and debt maturity, 31 March 2019

Year of expiry	Fixed interest			Debt maturity		Interest-rate swaps	
	SEK M	Interest rate	Share	SEK M	Share	SEK M	Interest rate
2019	3,584	1.8%	21%	453	3%	657	0.5%
2020	604	3.7%	4%	2,339	14%	204	3.8%
2021	1,298	2.4%	8%	1,966	11%	–	–
2022	1,270	2.7%	7%	1,250	7%	470	0.7%
2023	1,125	2.5%	7%	2,777	16%	255	0.5%
> 2023	9,242	2.3%	54%	8,338	49%	904	2.3%
Total/average	17,123	2.3%	100%	17,123	100%	2,490	1.5%

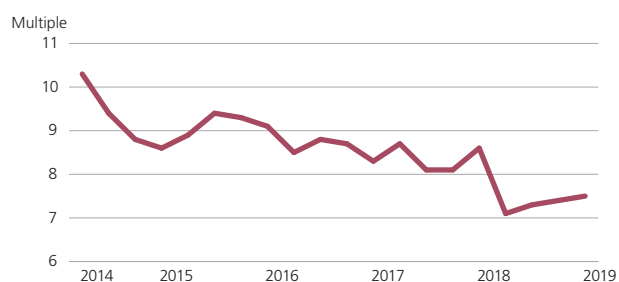
Net debt

	31 Mar 2019	31 Mar 2018
Interest-bearing liabilities	17,123	15,238
Interest-bearing assets	–6	–7
Cash and cash equivalents	–549	–94
Listed shares	–1,084	–664
Net debt	15,484	14,473

Debt ratio and interest-coverage ratio



Net debt/EBITDA, rolling 12 month



(2.8), including the effect of derivatives. The average interest rate decreased as a consequence of new borrowing at lower interest rates, repayment of loans with higher interest rates and early redemption of interest-rate swaps. Sagax has requested early redemption of some bond loans. Redemption costs and the costs for the temporary surplus liquidity are expected to amount to approximately SEK 30 M for 2019.

Sagax has SEK 8,338 M (–) in loans at fixed interest rates. To limit interest-rate risk of loans with floating interest rates

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 6,249 M (7,429), of which interest-rate swaps with an average interest rate of 1.5% (2.5) accounted for SEK 2,490 M (4,557); see table on page 14. In addition, the Group has an interest-rate cap of SEK 3,759 M (2,872) in an underlying nominal amount.

Listed bond loans, 31 March 2019

Maturity	SEK M	Current interest	Interest terms	Base interest rates floor ¹⁾	Maturity date	ISIN code
2015-2020	300	3.20%	Stibor 3M+3.20%	Yes	18 Jun 2020	SE0007186234 ³⁾
2016-2021	300	4.76%	Stibor 3M+4.75%	No	29 Apr 2019	SE0008294748 ²⁾
2017-2021	600	2.26%	Stibor 3M+2.25%	No	1 Feb 2021	SE0010636274
2017-2022	1,250	2.16%	Stibor 3M+2.15%	No	15 Feb 2022	SE0010324228
Total/average	2,450	2.63%				

Maturity	EUR M	Current interest	Interest terms	Base interest rates floor ¹⁾	Maturity date	ISIN code
2015-2020	80	3.50%	Euribor 6M+3.50%	Yes	9 Sep 2020	SE0007490883
2016-2021	30	4.47%	Euribor 6M+4.70%	No	15 Jun 2021	SE0008434401 ³⁾
2018-2024	500	2.00%	2.00%	N/A	17 Jan 2024	XS1877540465
2019-2025	300	2.25%	2.25%	N/A	13 Mar 2025	XS1962543820
Total/average	910	2.30%				

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

2) Redeemed at the end of the period.

3) Early redemption requested after the end of the period.

Derivative contracts, 31 March 2019

Amounts in SEK M	Nominal amount	Years to maturity	Market value 31 Mar 2019	Market value 31 Dec 2018	Change for the period
Nominal interest-rate swaps	2,490	3.5	–132	–122	–11
Interest-rate caps	3,759	2.5	1	4	–3
Total	6,249	2.9	–132	–117	–14

The reserve for the market value of fixed-income derivatives rose by SEK 14 M (17) during the period. The total market value of Sagax's fixed-income derivatives was SEK –132 M (–404). The reserve will be gradually dissolved and recognised in profit and loss by the expiry date of the derivative contracts, regardless of the interest rate scenario.

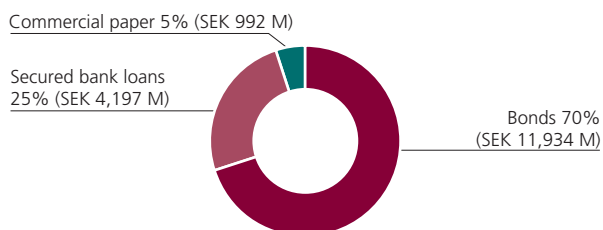
WORKING CAPITAL AND LIQUIDITY

Sagax's working capital, excluding prepaid rental revenue, amounted to SEK 80 M (–1,959) at 31 March 2019. At the same date, unutilised credit facilities amounted to SEK 5,401 M (3,040). No additional collateral needs to be pledged to utilise these credit facilities.

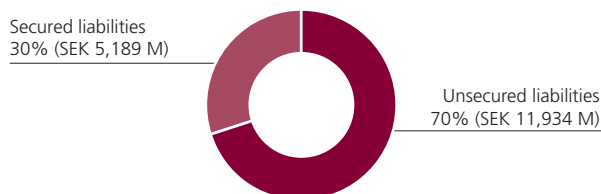
Key performance indicators according to EMTN programme

	Financial covenant in EMTN programme	2019 31 Mar	2018 31 Mar	2018 31 Dec
Net debt/Total assets	< 65%	42%	48%	44%
Interest coverage ratio	>1.8 x	5.3 x	4.1 x	4.3 x
Secured liabilities/total assets	< 45%	14%	35%	21%
Rating according to Moody's Investor Services		Baa3, Stable outlook	Ba1, Positive outlook	Baa3, Stable outlook

Sources of financing



Distribution between secured and unsecured liabilities



Statement of comprehensive income

Amounts in SEK M	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec	Rolling 12 months
Rental revenue	622	529	2,247	2,340
Other revenue	11	5	30	36
Operating expenses	-70	-59	-197	-208
Maintenance costs	-19	-14	-59	-64
Site leasehold fees	-	-5	-22	-17
Property tax	-27	-24	-93	-96
Other property expenses	-11	-8	-37	-40
Net operating income	506	424	1,869	1,951
Central administration	-27	-27	-132	-132
Profit from joint ventures	96	127	830	799
– of which, profit from property management	92	71	312	333
– of which, changes in value	31	80	677	629
– of which, tax	-27	-24	-160	-163
Financial income	1	1	35	35
Financial expenses	-107	-114	-481	-474
Profit including changes in value of joint ventures	469	410	2,121	2,179
– of which, profit from property management	464	354	1,603	1,714
<i>Changes in value:</i>				
Properties, realised	-1	-10	-22	-12
Properties, unrealised	85	294	1,265	1,056
Financial instruments, realised	-	7	36	29
Financial instruments, unrealised	394	106	211	499
Profit before tax	947	807	3,611	3,751
Deferred tax	-59	-103	-435	-391
Current tax	-34	-23	-10	-21
Profit for the period	854	681	3,166	3,338
<i>Other comprehensive income</i>				
– items that may be reversed to profit or loss:				
Translation differences for foreign operations	175	436	363	102
Share of other comprehensive income for joint ventures	9	4	3	9
Translation differences pertaining to hedge accounting	-77	-141	-49	15
Tax on items that may be reversed to profit or loss	-3	-21	-29	-11
Comprehensive income for the period	958	959	3,454	3,453
Earnings per Class A and B share, SEK	5.01	4.05	18.48	19.58
Earnings per Class A and B share after dilution, SEK	5.01	4.04	18.47	19.57
Earnings per Class D share, SEK	0.50	0.50	2.00	2.00
Average no. of Class A and B shares, millions	158.4	158.3	158.4	158.4
Average no. of Class A and B shares after dilution, millions	158.6	158.4	158.5	158.5
Average number of Class D shares, millions	101.9	63.6	83.0	92.4

Condensed statement of financial position

Amounts in SEK M	2019 31 Mar	2018 31 Mar	2018 31 Dec
Investment properties	29,947	26,038	28,769
Investment properties for sale	256	–	255
Leases, right-of-use assets	339	–	–
Joint ventures	3,748	2,776	3,286
Fixed-income derivatives	1	2	4
Other fixed assets	34	27	14
Total fixed assets	34,325	28,842	32,328
Cash and bank balances	544	94	73
Listed shares	1,084	664	872
Other current assets	549	298	417
Total current assets	2,176	1,056	1,362
Total assets	36,501	29,898	33,690
Equity	16,373	12,314	15,416
Non-current interest-bearing liabilities	15,571	12,618	13,866
Deferred tax liabilities	1,669	1,269	1,599
Fixed-income derivatives	132	406	122
Other non-current liabilities	431	73	67
Total non-current liabilities	17,804	14,366	15,654
Commercial paper	992	1,713	1,505
Other current interest-bearing liabilities	464	838	312
Other current liabilities	867	667	803
Total current liabilities	2,324	3,217	2,620
Total equity and liabilities	36,501	29,898	33,690

Statement of cash flows

Amounts in SEK M	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec	Rolling 12 months
Profit before tax	947	807	3,611	3,750
Changes in value of financial instruments	-394	-113	-247	-527
Change in value of properties	-84	-284	-1,244	-1,044
Result from ownership of joint ventures	-96	-127	-830	-798
Dividend from joint ventures	-	-	254	254
Dissolution of allocated borrowing costs	8	7	46	46
Tax paid	-40	-9	-87	-118
Other items not included in cash flow	-18	-3	-15	-29
Cash flow from operating activities before changes in working capital	323	278	1,490	1,534
Cash flow from changes in current receivables	-29	27	-88	-144
Cash flow from changes in current liabilities	52	6	188	233
Cash flow from operating activities	345	311	1,590	1,624
Acquisition of properties	-679	-1,342	-3,026	-2,363
Property sales	11	20	24	15
Investments in existing properties	-185	-53	-456	-587
Acquisition of listed shares	-	-197	-450	-253
Sales of listed shares	-	60	129	70
Capital contribution to joint ventures	-150	-	-	-150
Change in other fixed assets	-2	-6	8	12
Cash flow from investing activities	-1,005	-1,519	-3,771	-3,257
Issue of Class D and B shares	-	-	1,125	1,125
Dividend paid to shareholders	-59	-40	-479	-498
Incentive Plan	-	-	-2	-2
Borrowings	3,164	1,292	8,487	10,359
Repayment of loans	-1,975	-30	-6,707	-8,652
Early redemption of financial derivatives	-	-	-242	-242
Deposits from tenants	8	20	14	2
Change in other non-current liabilities	-3	-	-2	-4
Cash flow from financing activities	1,135	1,242	2,195	2,088
Cash flow for the period	475	34	14	454
Exchange rate differences in cash and cash equivalents	1	-	-1	-
Change in cash and cash equivalents	476	34	13	454
Cash and cash equivalents at beginning of period	73	60	60	94
Cash and cash equivalents at end of period	549	94	73	549

Statement of changes in equity

Amounts in SEK M	Share capital	contributed	Other capital	Reserves, translation differences	Profit earned incl. net profit for the period	Total equity ¹⁾
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
Issue of Class D shares	68		1,055	–	–	1,123
Transaction costs	–		–8	–	–	–8
Issue of Class B shares, Incentive Plan	–		10	–	–	10
Dividends	–		–	–	–517	–517
Redemption of Incentive Plan	–		–	–	–4	–4
Incentive Plan	–		–	–	3	3
Comprehensive income, April-December 2018	–		–	10	2,485	2,495
Equity, 31 December 2018	487		3,126	585	11,218	15,416
Comprehensive income, January-March 2019	–		–	104	854	958
Equity, 31 March 2019	487		3,126	689	12,072	16,373

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			
	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar
Stockholm	170	159	102	79	56	139	–	–	158	218
Helsinki	139	120	83	71	–19	117	–	2	64	190
Finland, university cities	74	55	41	32	–3	8	–	–	38	40
Paris	52	36	27	18	13	8	–	–	41	26
Netherlands	44	24	25	14	62	4	–	–	87	18
Rest of Sweden	53	52	36	40	1	–13	–	–1	36	27
Rest of Finland	57	54	36	37	–	39	–2	–11	33	65
Rest of Europe	33	29	24	21	–24	–9	1	0	1	12
Sub-total	622	529	374	312	85	294	–1	–10	458	596
Financial instruments	–	–	–	–	–	–	–	–	394	113
Joint ventures	–	–	92	71	48	65	–	2	96	127
Other, non-specified	–	–	–1	–29	–	–	–	–	–1	–29
Total	622	529	465	354	133	359	–1	–8	947	807
Asset items per segment	Market value properties		Investment properties		Acquisition properties		Divestment properties			
					2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar
	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar	2019 Jan-Mar	2018 Jan-Mar
Stockholm	10,001	9,098	93	20	30	269	–	–	–	–
Helsinki	6,482	5,486	25	29	52	94	–	–	–	–
Finland, university cities	2,964	2,222	9	–	186	296	–	–	–	–
Paris	2,290	1,740	44	2	209	274	–	–	–	–
Netherlands	2,067	1,228	3	–	159	325	–	–	–	–
Rest of Sweden	2,393	2,419	–	2	–	–	–	–	–16	–
Rest of Finland	2,457	2,335	10	–	43	–	–2	–14	–	–
Rest of Europe	1,549	1,509	–	–	–	85	–10	–	–	–
Total	30,204	26,038	184	53	679	1,342	–12	–30		

1) All rental revenue pertains to external tenants.

Key performance indicators

	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec
Property-related key figures							
Yield, %	6.8	6.8	6.8	6.9	7.1	7.4	7.6
Surplus ratio, %	83	80	83	83	85	86	86
Occupancy rate by area, %	95	95	95	95	93	97	95
Economic occupancy rate, %	95	94	95	94	94	96	94
Lease term at the end of the period, years	5.8	6.5	6.0	6.6	7.1	7.4	8.2
Lettable area at the end of the period, 000 sqm	2,919	2,648	2,850	2,489	2,312	1,860	1,634
No. of properties at the end of the period	530	501	512	495	440	225	184
Financial key figures							
Return on total capital, %	7	7	7	7	7	8	8
Return on equity, %	21	23	24	30	33	32	18
Average interest rate, %	2.3	2.8	2.2	3.0	3.1	3.3	4.1
Fixed-interest period incl. derivatives, years	3.6	2.0	3.0	2.1	2.7	3.0	3.0
Loan maturity, years	3.9	2.8	3.6	3.1	3.6	4.2	3.2
Equity/assets ratio, %	45	41	46	42	38	34	32
Debt ratio, %	47	51	47	50	54	59	59
Net debt/EBITDA, multiple	7.5	8.6	7.4	8.1	8.7	9.3	8.8
Interest coverage ratio, covenant in EMTN programme, multiple	5.3	4.1	4.3	4.0	3.7	3.3	2.9
Data per Class A and B share¹⁾							
Price of Class B share at the end of the period, SEK	175.60	99.60	129.60	98.20	81.75	71.75	44.00
Net asset value, SEK	94.89	76.95	88.45	70.07	53.78	35.52	27.23
Equity, SEK	77.41	60.30	71.40	54.30	39.21	26.01	17.49
Equity after dilution, SEK	77.30	60.25	71.34	54.26	39.14	25.93	17.44
Earnings, SEK	5.01	4.05	18.48	17.72	14.53	9.88	4.06
Profit after dilution, SEK	5.01	4.04	18.47	17.69	14.50	9.85	4.05
Profit from property management, SEK	2.56	1.98	8.62	7.41	5.97	4.92	3.74
Profit from property management after dilution, SEK	2.55	1.98	8.61	7.40	5.96	4.90	3.73
Cash flow, SEK	1.66	1.50	7.90	6.53	5.13	4.00	3.00
Cash flow after dilution, SEK	1.66	1.50	7.89	6.52	5.12	3.99	2.99
Dividend per share, SEK (proposed for 2018)	–	–	2.00	1.80	1.45	1.15	0.80
No. at end of period, millions	158.4	158.3	158.4	158.3	158.3	158.3	158.3
No. at end of period after dilution, millions	158.6	158.4	158.5	158.4	158.6	158.8	158.7
Average no., millions	158.4	158.3	158.3	158.3	158.3	158.3	158.3
Average no. after dilution, millions	158.5	158.4	158.4	158.5	158.6	158.8	158.6
Data per Class D share							
Share price at the end of period, SEK	34.70	32.10	31.70	29.92	28.30	–	–
Equity, SEK	35.00	35.00	35.00	35.00	35.00	–	–
Earnings, SEK	0.50	0.50	2.00	2.00	2.00	–	–
Dividend per share, SEK (proposed for 2018)	–	–	2.00	2.00	2.00	–	–
No. at end of period, millions	101.9	63.6	101.9	63.6	18.2	–	–
Average no., millions	101.9	63.6	83.0	43.1	2.9	–	–
Data per preference share							
Share price at the end of period, SEK	36.25	35.00	34.85	33.40	30.40	31.30	36.00
Equity, SEK	32.50	32.50	32.00	32.00	32.00	32.00	32.00
Earnings, SEK	0.50	0.50	2.00	2.00	2.00	2.00	2.00
Dividend per share, SEK (proposed for 2018)	–	–	2.00	2.00	2.00	2.00	2.00
No. at end of period, millions	16.8	16.8	16.8	16.8	58.2	58.2	55.5
Average no., millions	16.8	16.8	16.8	35.5	58.2	57.8	52.2

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

Parent Company income statement

Amounts in SEK M	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Net sales	19	15	62
Administration costs	-23	-22	-107
Loss before financial income and expenses	-4	-7	-45
Profit from participations in Group companies	-	-	145
Profit from participations in joint ventures	-	-	54
Financial income	170	301	460
Financial expenses	-152	-188	-395
Profit before tax and appropriations	14	106	219
Tax allocation fund	-	-	-6
Tax	-3	-23	-5
Profit for the period	11	83	208

Condensed Parent Company balance sheet

Amounts in SEK M	2019 31 Mar	2018 31 Mar	2018 31 Dec
Tangible fixed assets	2	2	2
Receivables from Group companies	2,155	1,607	2,144
Other financial fixed assets	6,131	3,605	5,919
Total fixed assets	8,288	5,214	8,065
Cash and bank balances	270	1	2
Receivables from Group companies	10,701	6,388	9,630
Other current assets	93	59	69
Total current assets	11,064	6,448	9,701
Total assets	19,352	11,662	17,766
Equity	3,856	3,113	3,842
Untaxed reserves	23	17	23
Non-current interest-bearing liabilities	11,991	4,968	9,311
Liabilities to Group companies	261	443	257
Deferred tax liabilities	3	3	3
Total non-current liabilities	12,255	5,414	9,571
Current interest-bearing liabilities	992	1,713	1,505
Liabilities to Group companies	2,039	1,266	2,481
Other current liabilities	188	139	343
Total current liabilities	3,219	3,118	4,330
Total equity, untaxed reserves and liabilities	19,352	11,662	17,766

The Sagax share and shareholders

At the end of the period, Sagax had 12,101 (9,542) shareholders. Sagax's market capitalisation amounted to SEK 30,680 M (18,397). 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 278,080,255 shares were outstanding at the end of the period, of which 1,000,000 were Class B treasury shares. Refer also to the table of voting rights and proportion

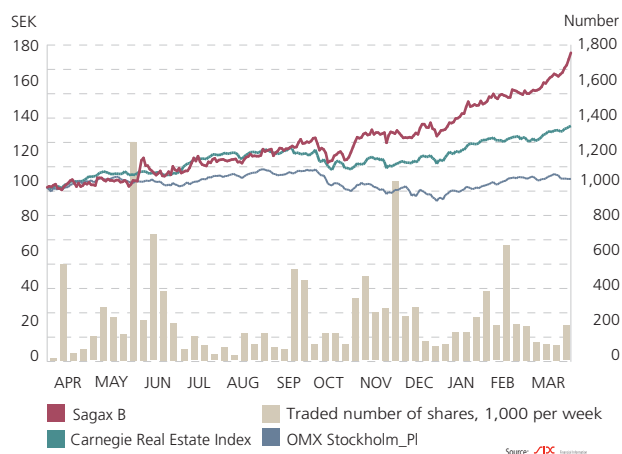
of share capital for the different classes of shares on page 25.

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 total 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.

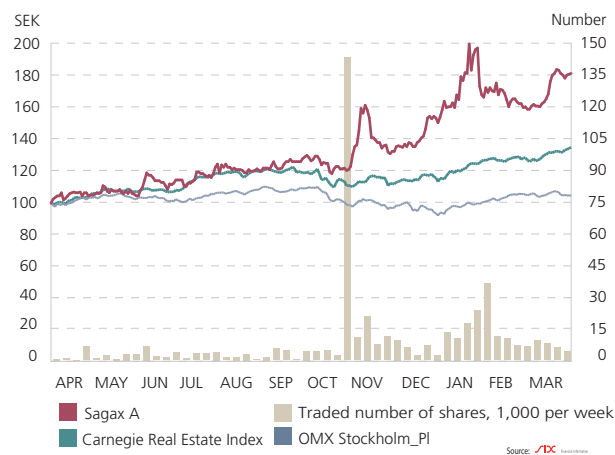
Trade in the shares on the Nasdaq Stockholm

	Price paid, SEK		Turnover rate on an annual basis, %		Average trading volume per trading day, SEK M	
	31 Mar 2019	31 Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018
Class A shares	181.00	100.00	5	1	0.4	0.1
Class B shares	175.60	99.60	8	7	6.7	4.1
Class D shares	34.70	32.10	59	26	8.5	2.0
Preference shares	36.25	35.00	42	34	1.0	0.8

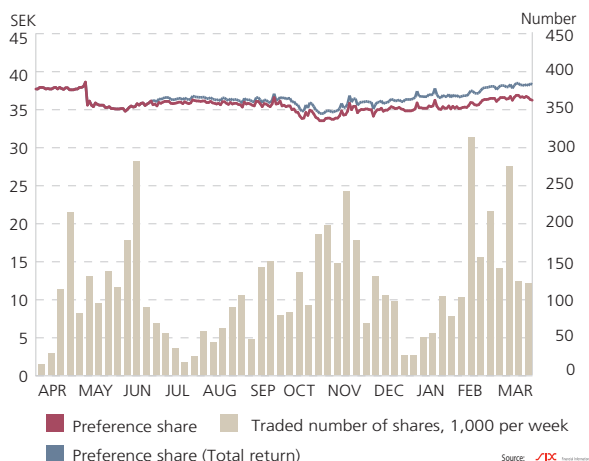
Price trend of Class B shares for the past 12 months



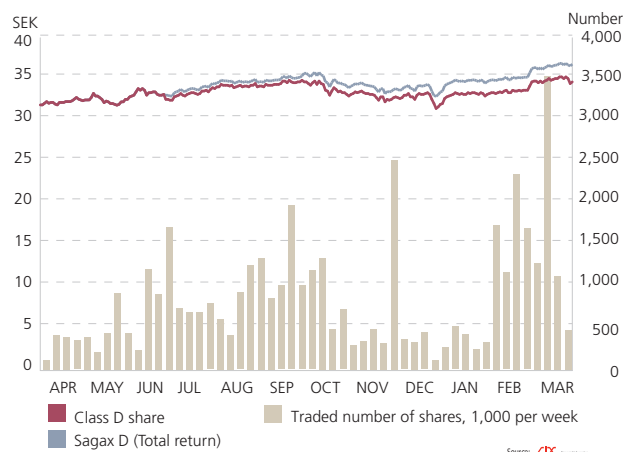
Price trend of Class A shares for the past 12 months



Price trend of preference shares for the past 12 months



Price trend of Class D 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 do not participate in the plans. These plans are valid for three years, and encompass the periods 2016-2019, 2017-2020 and 2018-2021. Warrants entitle the holder to subscribe for Class B shares in June 2019, June 2020 and June 2021, 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 B share after dilution on a rolling 12-month basis amounted to SEK 9.31 (7.73), which, compared with the share price of the Class B share at the end of the period, corresponded to a multiple of 18.9 (12.9).

EQUITY PER CLASS A AND B SHARE

Equity per Class A and B share after dilution amounted to SEK 77.30 (60.25). Net asset value per Class A and B share amounted to SEK 94.89 (76.95). For definitions of key performance indicators, see page 31. The share price for the Class B share at the end of the period was 227% (165) of equity per Class B share and 185% (129) of Net asset value per Class B share.

Key performance indicators per Class B share

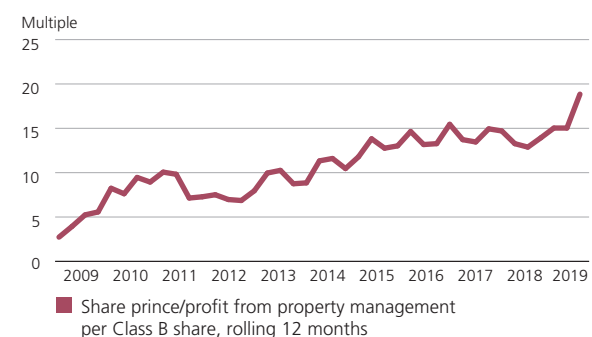
	2019 31 Mar	2018 31 Mar	2018 31 Dec	2017 31 Dec	2016 31 Dec	2015 31 Dec	2014 31 Dec
Price of Class B share at the end of the period, SEK	175.60	99.60	129.60	98.20	81.75	71.75	44.00
Profit from property management after dilution, SEK ¹⁾	9.31	7.73	8.61	7.40	5.96	4.90	3.73
Cash flow after dilution, SEK ¹⁾²⁾	8.18	6.88	7.89	6.52	5.12	3.99	2.99
Equity after dilution, SEK	77.30	60.25	71.34	54.26	39.14	25.93	17.44
Net asset value, SEK ³⁾	94.89	76.95	88.45	70.07	53.78	35.52	27.23
Price of Class B share/Profit from property management, multiple ¹⁾	18.9	12.9	15.0	13.3	13.7	14.6	11.8
Price of Class B share/Cash flow, multiple ¹⁾²⁾	21.5	14.5	16.4	15.1	16.0	18.0	14.7
Price of Class B share/Equity, %	227	165	182	181	209	277	252
Price of Class B share/Net asset value, %	185	129	147	140	152	202	162

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

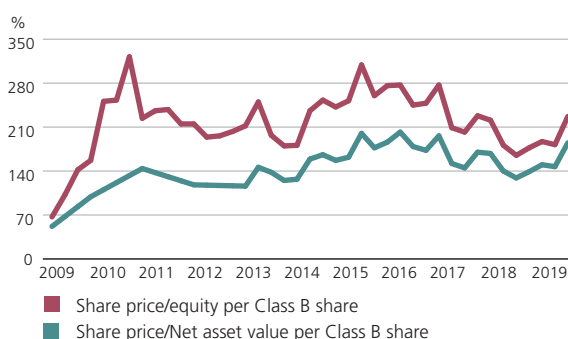
2) Cash flow pertains to cash flow from operating activities before changes in working capital.

3) See page 32 for definition.

Share price/profit from property management per common share



Share price in relation to equity and Net asset value



Ownership structure, 31 March 2019¹⁾

No. of shares	No. of shareholders	Shareholder category	No. of shareholders	Share of voting power	Shareholders by country	No. of shareholders	Share of voting power
1–500	6,954	Private individuals residing in Sweden	10,558	10%	Sweden	11,265	88%
501–1,000	1,151				Luxembourg	27	4%
1,001–2,000	1,056	Private individuals residing abroad	76	0%	Switzerland	16	2%
2,001–5,000	1,223				USA	54	2%
5,001–10,000	646	Companies/institutions in Sweden	707	78%	UK	56	2%
10,001–50,000	762				Other	683	4%
50,001–	309	Companies/institutions abroad	760	11%			
Total	12,101	Total	12,101	100%	Total	12,101	100%

1) Including shares held by AB Sagax.

Largest shareholders, 31 March 2019¹⁾

	No. of shares				Percentage of	
	Class A shares	Class B shares	Class D shares	Preference shares	Share capital	Votes ²⁾
David Mindus and companies	5,224,400	38,201,025	4,358,539	775	17.2%	23.8%
Rutger Arnhult and companies	2,861,585	17,381,597	4,401,254	3,017	8.9%	12.7%
Staffan Salén and companies	2,132,464	17,485,330	1,962,922	–	7.8%	10.2%
Third Swedish National Pension Fund	–	12,113,829	–	–	4.4%	3.0%
Fourth Swedish National Pension Fund	2,858	5,842,953	5,214,366	–	4.0%	2.8%
Avanza Pension	25,655	558,098	8,339,169	1,613,315	3.8%	2.7%
Länsförsäkringar Fonder	–	8,511,990	–	–	3.1%	2.1%
SEB Fonder	–	5,749,034	23,286	–	2.1%	1.5%
Swedish Foundation for Strategic Research	–	–	5,576,376	–	2.0%	1.4%
Erik Selin and companies	563,873	2,269,107	2,148,868	–	1.8%	2.5%
Ilmarinen Mutual Pension Insurance Company	–	–	4,900,000	–	1.8%	1.2%
ICA-Handlarnas Förbund	–	–	3,936,748	–	1.4%	1.0%
Swedbank Robur Fonder	250,000	3,266,389	190,216	–	1.3%	1.5%
Patrik Brummer	–	–	166,666	3,500,000	1.3%	0.9%
Vanguard	–	–	2,698,663	549,826	1.2%	0.8%
Handelsbanken Fonder	–	3,200,000	–	–	1.2%	0.8%
Volvo Pensions Foundation	–	–	3,132,243	–	1.1%	0.8%
Norron Fonder	–	–	2,047,871	–	0.7%	0.5%
Lars Ingvarsson and companies	100,000	1,673,205	304,710	–	0.7%	0.7%
Norges Bank	–	23,690	2,021,329	–	0.7%	0.5%
Total 20 largest shareholders	11,160,835	116,276,247	51,423,226	5,666,933	66.4%	71.6%
Other shareholders	2,255,987	28,703,158	50,476,774	11,117,095	33.3%	28.4%
Sub-total	13,416,822	144,979,405	101,900,000	16,784,028	99.6%	100.0%
Treasury shares held by AB Sagax	–	1,000,000	–	–	0.4%	0.0%
Total	13,416,822	145,979,405	101,900,000	16,784,028	100.0%	100.0%
– of which, Board and employees	7,677,419	59,731,391	7,559,193	923	27.0%	36.2%

1) Ownership structure at 31 March 2019 is based on information from Euroclear Sweden and Modular Finance.

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

Voting rights and proportion of share capital

Class of share	No. of shares	Voting rights per share	No. of votes	Proportion of votes	Proportion of votes
Class A shares	13,416,822	1.00	13,416,822	34%	5%
Class B shares	145,979,405	0.10	14,597,940	37%	52%
Class D shares	101,900,000	0.10	10,190,000	25%	37%
Preference shares	16,784,028	0.10	1,678,403	4%	6%
Total	278,080,255		39,883,165	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 judgments and assumptions made by company management. To reduce the risk of incorrect valuations, Sagax has engaged authorized external appraisers to assess the market value of the majority of the properties as of 31 March 2019, see page 12. When valuing properties, the constant existence of uncertainties regarding the assumptions made must be taken into account. A sensitivity analysis for property values in relation to changes in the 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.

The geographic distribution of Sagax's property portfolio and the industries of its tenants are highly diversified. Sagax's lease structure of many small leases help reduce the risks of vacancies and rent losses.

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 ex-

penses from fixed-rate loans. To limit interest-rate risk for loans at floating interest rates, interest-rate swaps and interest-rate caps are used. 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 91 M. A corresponding downward shift of 1 percentage point would entail a revaluation of SEK -91 M.

Calculated on the existing funding terms for the Group's interest-bearing liabilities on 31 March 2019, a rise in market interest rates of 1 percentage point would have increased Sagax's annualised interest expenses by SEK 55 M (69). A reduction in market interest rates of 1 percentage point would have lowered Sagax's interest expenses by SEK 2 M (-12) on an annual basis.

Sagax's funding 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 funding comprises listed bond loans and bank loans. Both the bond loans and bank loans are subject to covenants, for example, with respect to debt ratio and maintaining an 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. 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

Sensitivity analysis for property values

	-20%	-10%	0%	+10%	+20%
Value change, SEK M	-6,041	-3,020	-	3,020	6,041
Debt ratio, %	56	51	47	43	40

Sensitivity analysis for changes in the occupancy rate

	-10%	-5%	0%	+5%	+10%
Occupancy rate, %	85	90	95	99	N/A
Interest coverage ratio, %	389	418	447	476	N/A

Sensitivity analysis for property values

	Change	Value change, SEK M
Yield requirement	+/- 0.25% points	-781/+840
Cost of capital	+/- 0.25% points	-691/+730
Rental revenue	+/- 5%	+1,073/-1,077
Property expenses	+/- 5%	-206/+206

effects of a change in the properties' market value on Sagax's debt ratio.

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 2019, assets less liabilities in EUR, amounted to SEK 4,182 M (6,808). In accordance with IAS 21, the currency effects for foreign operations and hedge accounting are recognised in Other comprehensive income. Other 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 company Sagax Bruket Fastigheter AB deductions for loss carry-

forwards of SEK 277 M and imposed additional tax of SEK 28 M. In a ruling on 27 February 2018, the Administrative Court upheld the Swedish Tax Agency's claim. 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. In a ruling on 7 February 2019, the Administrative Court upheld the Tax Agency's decision. Sagax is of the opinion that the Tax Agency's decisions are incorrect and the companies concerned have appealed the decisions. If the Tax Agency's decisions were to be upheld, Sagax estimates that the negative effect recognised in earnings for the Group would be SEK 85 M and SEK 156 M, respectively.

Sagax's other risks are described in the 2018 Annual Report, on pages 50-53.

SENSITIVITY ANALYSIS

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

Sensitivity analysis at 31 March 2019¹⁾

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%	+/-25	+/-20	+/-20
Rental revenue	+/-1%	+/-25	+/-20	+/-20
Property expenses	+/-1%	-/+4	-/+3	-/+3
Interest expenses for liabilities in SEK including fixed-income derivatives	+/-1% point	-33/+11	-26/+9	-26/+9
Interest expenses for liabilities in EUR including fixed-income derivatives	+/-1% point	-22/-9	-18/-7	-18/-7
Interest expenses for liabilities in SEK excluding fixed-income derivatives	+/-1% point	-44/+22	-35/+18	-35/+18
Interest expenses for liabilities in EUR excluding fixed-income derivatives	+/-1% point	-36/+5	-29/+4	-29/+4
Revaluation of fixed-income derivatives in SEK due to shift in interest rate curves	+/-1% point	N/A	+50/-53	+50/-53
Revaluation of fixed-income derivatives in EUR due to shift in interest rate curves	+/-1% point	N/A	+24/-20	+24/-20
Change in SEK/EUR exchange rate ²⁾	+/-10%	+/-98	+/-76	+/-418
Changed rent level for contract maturity in 2019	+/-10%	+/-26	+/-21	+/-21

1) Excluding share in profit of joint ventures.

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

3) Including standard tax at 19%.

Events after the end of the period

On 29 April, Sagax announced the acquisition of one property in Paris in a press release. The investment corresponds to SEK 123 M. The property encompasses 9,400 square metres of lettable area, comprising warehouse and light industry buildings.

The property is fully let with an annual rental value corresponding to SEK 7.1 M. The average remaining lease term is four 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.

IFRS 16 Leases entered force on 1 January 2019 and has been applied by Sagax from that date without retrospective restatement. Accounting for lessors is essentially unchanged. Under the new standard, lessees recognise leases in the balance sheet as a right-of-use asset. Sagax analysed the Group's leases and identified site leasehold agreements as the most material. Sagax also has other leases pertaining to offices, vehicles, office equipment and land leases. According to the new standard, site leasehold fees will no longer be recognised as a property expenses but instead as a financial expense. Lease expenses for

other leases are distributed between depreciation and financial expense. At 31 March 2019, right-of-use assets and the corresponding lease liability amounted to SEK 357 M. The change in recognition has a limited impact on a few KPIs, such as return on total capital, net debt/total assets and the interest coverage ratio.

Aside from the adjustments to IFRS 16, the accounting policies and calculation methods applied in this report are essentially unchanged compared with those applied in the 2018 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.

Rounding-off differences may occur in this report.

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 2019
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 interim report has not been reviewed by the company's auditors.

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 2019 at 2:30 p.m. (CEST).

Financial calendar

Interim Report January-June 2019	12 July 2019
Interim Report January-September 2019	24 October 2019
Year-end Report 2019	7 February 2020

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

June 2019

■ Final day for trading including dividend rights	26 June 2019
■ First day for trading excluding dividend rights	27 June 2019
■ Record date for dividend payment	28 June 2019
■ Expected payment date by Euroclear ¹⁾	3 July 2019

September 2019

■ Final day for trading including dividend rights	26 September 2019
■ First day for trading excluding dividend rights	27 September 2019
■ Record date for dividend payment	30 September 2019
■ Expected payment date by Euroclear ¹⁾	3 October 2019

December 2019

■ Final day for trading including dividend rights	23 December 2019
■ First day for trading excluding dividend rights	27 December 2019
■ Record date for dividend payment	30 December 2019
■ Expected payment date by Euroclear ¹⁾	7 January 2020

March 2020

■ Final day for trading including dividend rights	27 March 2020
■ First day for trading excluding dividend rights	30 March 2020
■ Record date for dividend payment	31 March 2020
■ Expected payment date by Euroclear ¹⁾	3 April 2020

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

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Definitions

Sagax applies the European Securities and Market Authority's (ESMA) 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 shareholders and other stakeholders.

The table below presents definitions of Sagax's key performance indicators. The calculation of alternative performance measures is described separately on the following pages.

Key performance indicators	Description	Reason for 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.
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.
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 market 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.
EBITDA	Net operating income less central administration costs plus dividends received from joint ventures.	Sagax uses EBITDA so that the EBITDA/Net debt key performance indicator shows financial risk.
Economic occupancy rate	Contractual annual rent directly after the end of the period as a percentage of rental value directly after the end of the period.	The key performance indicator shows the economic degree of utilisation of the Group's properties.
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 total 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.
Equity/assets ratio	Equity in relation to total assets.	This 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.
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.
Fixed-income 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.
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.
Interest coverage ratio	Profit from property management, excluding profit from joint ventures but including dividends from joint ventures, after reversal of financial expenses in relation to financial expenses.	The key performance indicator shows financial risk.
Interest coverage ratio, covenant in EMTN programme	Profit from property management after reversal of financial expenses as a percentage of financial expenses.	The key performance indicator shows financial risk.

Key performance indicators	Description	Reason for alternative performance measure
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.
Joint venture	Partnership form whereby several owners have a shared controlling influence.	Not an alternative performance measure.
Lease term	Remaining term of a lease.	The key performance indicator shows the risk of future vacancies.
Net asset value	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.	An established indicator of the Group's net asset value that facilitates analyses and comparisons.
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.
Net debt/Total assets	Interest-bearing liabilities less interest-bearing assets, cash and cash equivalents, and listed shares as a percentage of total assets.	This key performance indicator shows financial risk.
Occupancy rate by area	Contracted area directly after the end of the period as a percentage of total lettable area directly after the end of the period.	This key performance indicator shows the occupancy situation.
Preference equity	Equity per preference share multiplied by the number of preference shares outstanding.	The key performance indicator shows equity attributable to preference shareholders.
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.
Property	Pertains to properties held under title or site leasehold.	Not an alternative performance measure.
Rental value	The contractual annual rent applicable directly after the end of the period, with supplements for estimated market rents for vacant premises.	The key performance indicator shows the Group's income potential.
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 to 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.
Secured liabilities/total assets	Liabilities secured with pledged assets as a percentage of total assets.	This key performance indicator shows financial risk for bond holders.
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.
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.
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 yield and property revaluations during the period as a percentage of the closing 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.
Yield	Net operating income for the period (including property administration) with add-back of site leasehold fees, recalculated to 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.

The calculation of alternative performance measures is presented in the tables below.

Amounts in SEK M unless otherwise stated	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec	Amounts in SEK M unless otherwise stated	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Cash flow per Class A and B share				Interest coverage ratio			
Profit before tax	947	807	3,611	Profit from property management	464	354	1,603
Items not affecting cash flow	-584	-520	-2,035	Add-back of profit from property management JV	-92	-71	-312
Tax paid	-40	-9	-87	Dividends from JV	-	-	254
Dividends attributable to preference and Class D shares	-59	-40	-237	Financial expenses	107	114	481
Cash flow	264	238	1,252	Corrected profit from property management before financial expenses	479	397	2,026
Cash flow per Class A and B share after dilution, SEK	1.66	1.50	7.89	Interest coverage ratio	4.5 x	3.5 x	4.2 x
Debt ratio				Interest coverage ratio, covenant in EMTN programme			
Interest-bearing liabilities	17,123	15,238	15,763	Profit from property management	464	354	1,603
Total assets	36,501	29,898	33,690	Financial expenses	107	114	481
Debt ratio	47%	51%	47%	Profit from property management before financial expenses	571	468	2,084
Earnings per Class A and B share¹⁾				Interest coverage ratio	5.3x	4.1x	4.3x
Profit after tax	854	680	3,166	Lease term			
Dividends attributable to preference and Class D shares	-59	-40	-237	Contractual future rental revenue	14,391	13,991	14,251
Adjusted profit after tax	795	641	2,929	Contractual annual rent	2,486	2,162	2,374
Earnings per Class A and B share after dilution, SEK	5.01	4.05	18.47	Lease term, years	5.8	6.5	6.0
EBITDA rolling 12 months				Net asset value			
Net operating income	1,951	1,622	1,869	Equity	16,373	12,314	15,416
Central administration	-132	-86	-132	Equity attributable to preference and Class D shares	-4,112	-2,770	-4,104
Dividends from joint ventures	254	139	254	Reversal of derivatives	131	404	117
EBITDA	2,072	1,675	1,991	Reversal of deferred tax, other temporary differences	2,019	1,629	1,967
Economic occupancy rate				Reversals due to joint ventures	641	611	627
Contractual annual rent	2,486	2,162	2,374	Net asset value	15,052	12,188	14,023
Rental value	2,618	2,295	2,510	Net asset value per Class A and B share after dilution, SEK	94.89	76.95	88.45
Economic occupancy rate	95%	94%	95%	Net debt			
Equity/assets ratio				Interest-bearing liabilities	17,123	15,238	15,763
Equity	16,373	12,314	15,416	Interest-bearing assets	-6	-7	-6
Total assets	36,501	29,898	33,690	Cash and cash equivalents and listed shares	-1,633	-758	-945
Equity/assets ratio	45%	41%	46%	Net debt	15,484	14,473	14,812
Equity per Class A and B share				Net debt/EBITDA			
Equity	16,373	12,314	15,416	Net debt	15,484	14,473	14,812
Equity attributable to preference and Class D shares	-4,112	-2,770	-4,104	EBITDA rolling 12 months	2,072	1,675	1,991
Adjusted equity attributable to Class A and B shares	12,261	9,544	11,312	Net debt/EBITDA	7.5x	8.6x	7.4x
No. of shares	158,396,227	158,274,952	158,396,227				
No. of shares after dilution	158,631,433	158,398,840	158,541,894				
Equity per Class A and B share, SEK	77.41	60.30	71.40				
Equity per Class A and B share after dilution, SEK	77.30	60.25	71.34				

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

Amounts in SEK M unless otherwise stated	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec	Amounts in SEK M unless otherwise stated	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Net debt/Total assets				Return on total capital			
Net debt	15,484	14,473	14,812	Profit from property management	464	354	1,603
Total assets	36,501	29,898	33,690	Addition for translation to annual value	1,392	1,062	–
Net debt/Total assets	42%	48%	44%	Financial expenses	107	114	481
Occupancy rate by area				Addition for translation to annual value	321	342	–
Contracted area, 000s of square metres	2,784	2,510	2,708	Profit before financial expenses	2,284	1,872	2,084
Total lettable area, 000s of square metres	2,919	2,648	2,850	Average total capital	35,096	28,569	30,465
Occupancy rate by area	95%	95%	95%	Return on total capital	7%	7%	7%
Preference equity				Secured liabilities/total assets			
Equity per preference share, SEK	32.50	32.50	32.00	Secured liabilities	5,189	10,310	7,045
Number of preference shares outstanding	16,784,028	16,784,028	16,784,028	Total assets	36,501	29,898	33,690
Preference equity	545	545	537	Secured liabilities/total assets	14%	35%	21%
Profit from property management				Surplus ratio			
Profit after tax	854	680	3,166	Net operating income	1,951	1,622	1,869
Tax	120	150	605	Rental revenue	2,340	1,954	2,247
Changes in value	–509	–477	–2,168	Surplus ratio	83%	83%	83%
Profit from property management	464	354	1,603	Yield			
Profit from property management per Class A and B share after dilution				Net operating income	506	424	1,869
Profit from property management	464	354	1,603	Add-back of site leasehold fees	–6	–	–
Dividends attributable to preference and Class D shares	–59	–40	–237	Addition for translation to annual value	1,499	1,272	–
Adjusted profit from property management	405	314	1,367	Holding adjustment, acquisitions/divestments	43	38	91
Profit from property management per Class A and B share after dilution, SEK	2.55	1.98	8.61	Currency translation to closing rate	3	32	2
Return on equity				Adjusted net operating income	2,045	1,766	1,962
Profit after tax	854	680	3,166	Carrying amount of properties	30,204	26,038	29,024
Addition for translation to annual value	2,562	2,040	–	Yield	6.8%	6.8%	6.8%
Average equity	15,895	11,835	13,386	1) Not an alternative performance measure.			
Return on equity	21%	23%	24%				

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 2019 amounted to 2,919,000 square metres, distributed over 530 properties.

AB Sagax (publ) is listed on Nasdaq Stockholm, Large Cap.

More information is available at www.sagax.se.

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