

INTERIM REPORT JANUARY – SEPTEMBER 2019

AB | SAGAX

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# Interim Report January – September 2019

## JANUARY-SEPTEMBER 2019

- Rental revenue increased 16% to SEK 1,917 M (SEK 1,656 M in the year-earlier period).
- Profit from property management increased 23% to SEK 1,483 M (1,201).
- Profit from property management per Class A and B share after dilution rose 26% to SEK 4.08 (3.25).
- In total, property revaluation affected profit by SEK 808 M (1,399).
- Revaluation of financial instruments impacted profit by a total of SEK 692 M (276).
- Profit after tax for the period was SEK 2,582 M (2,398).
- Cash flow from operating activities before changes in working capital rose 10% to SEK 1,423 M (1,298), corresponding to SEK 3.72 (3.17) per Class A and B share after dilution.
- Net investments amounted to SEK 1,497 M (2,442), of which property acquisitions accounted for SEK 1,916 M (2,250).
- Sagax completed a 1:1 bonus issue of Class A and Class B common shares.

## THIRD QUARTER OF 2019

- Rental revenue rose 16% to SEK 657 M (567).
- Profit from property management increased 32% to SEK 523 M (395).
- Profit from property management per Class A and B share after dilution rose 35% to SEK 1.44 (1.07).
- In total, property revaluation affected profit by SEK 175 M (340).
- Revaluation of financial instruments impacted profit by a total of SEK 249 M (161).
- Profit after tax amounted to SEK 812 M (732).
- Cash flow from operating activities before changes in working capital amounted to SEK 412 M (304), corresponding to SEK 1.10 (0.79) per Class A and B share after dilution.
- Net investments amounted to SEK 936 M (740), of which the acquisition of properties accounted for SEK 968 M (633).

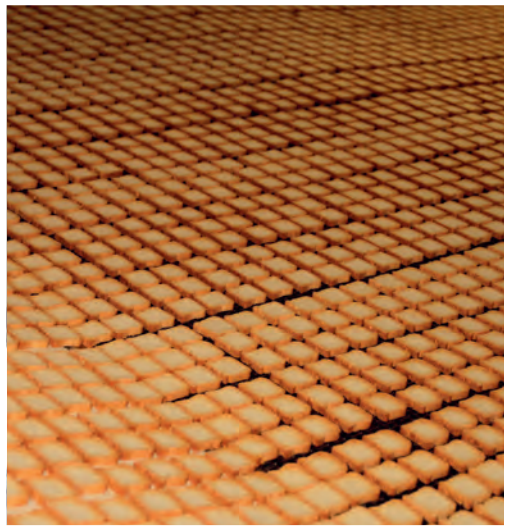
## ADJUSTED FORECAST FOR 2019

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 2,000 M. The previously submitted forecast was for profit of SEK 1,950 M and was presented when the January-June 2019 interim report was published.

## Selected key performance indicators

	2019 Jan-Sep	2018 Jan-Sep	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 <sup>1)</sup>	4.08	3.25	4.31	3.70	2.98	2.45	1.87
Change compared with preceding year, %	26	18	16	24	22	31	37
Earnings per Class A and B share after dilution, SEK <sup>1)</sup>	7.53	7.03	9.24	8.85	7.25	4.93	2.03
Dividend per Class A and B share, SEK <sup>1)</sup>	–	–	1.00	0.90	0.72	0.58	0.40
Net debt/EBITDA, multiple	6.9	7.3	7.4	8.1	8.7	9.3	8.8
Interest coverage ratio, multiple	4.9	4.3	4.2	3.7	3.4	2.9	2.6
Debt ratio, %	45	47	47	50	54	59	59
Properties' market value, SEK M	31,825	27,845	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) Comparative figures have been adjusted for the bonus issue of Class A and B shares in 2019, by multiplying the number of shares by 2. The terms of the bonus issue were 1 Class A and 1 Class B share for each Class A and Class B share. The record date for the bonus issue was 3 June 2019.



In the third quarter, Sagax signed an agreement to acquire a property close to Rotterdam in the Netherlands. The property encompasses 22,000 square metres of lettable area and is fully 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

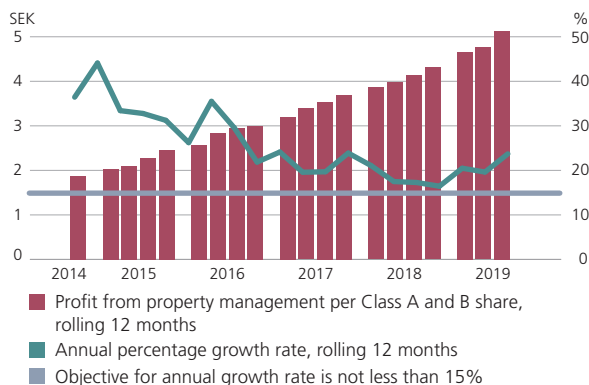
Sagax's financial structure is designed with a clear focus on operating cash flow and interest coverage ratio. This is expected to create both excellent prerequisites for expansion and an attractive return on equity. The charts on page 3 show Sagax's profit from property management and cash flow from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

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.

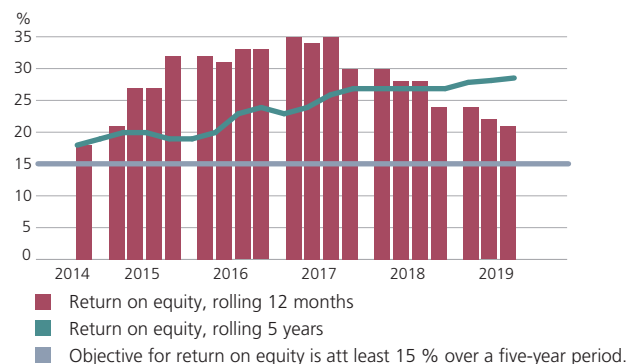
## Financial targets

	Outcome rolling 12 months	Five-year average
Return on equity, measured over a five-year period, should not fall below 15% per year	21%	29%
Profit from property management per Class A and B share should increase by a minimum of 15% per year	24%	26%

## Profit from property management per Class A and B share



## Return on equity



### Management strategy

Sagax pursues efficiency and sustainability in its management strategy. The management strategy includes clearly prioritising customers with high credit ratings and obtaining long 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 triple net leases and is 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 are regarded as offering 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.

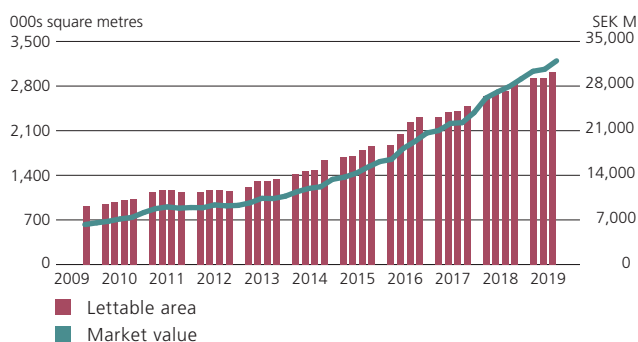
### SUSTAINABILITY ACTIVITIES

The focus of Sagax's sustainability activities comprises avoiding short-term gains arising at the expense of negative long-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.

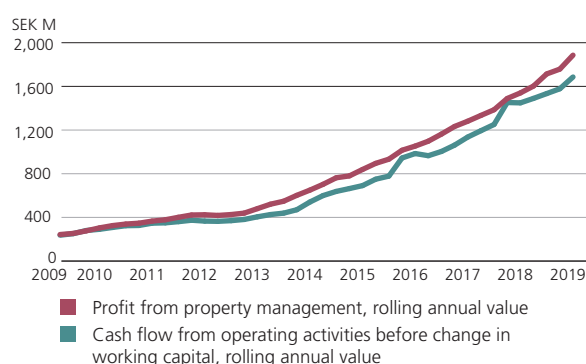
The negative externalities of management primarily comprise the environmental impact from heating premises. As in previous years, it is intended that the carbon footprint of the Sagax organisation, calculated at 252 tonnes of carbon dioxide for 2018, will be compensated.

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 September 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 23% to SEK 1,483 M (1,201), of which joint ventures and associated companies accounted for SEK 314 M (234). The increase in profit from property management was attributable to property acquisitions and higher profit from property management in joint ventures and associated companies. Profit from property management per Class A and B share after dilution rose 26% to SEK 4.08 (3.25).

Changes in the value of properties increased profit by SEK 808 M (1,399), of which the revaluation of joint ventures accounted for SEK 300 M (372).

The revaluation of financial instruments had an impact totalling SEK 692 M (276) on profit. The revaluation of listed

shares resulted in an unrealised change in value of SEK 525 M (131). The revaluation of financial instruments attributable to joint ventures amounted to SEK 269 M (33) pursuant to IFRS 9, while fixed-income derivatives accounted for SEK -103 M (112).

Profit after tax for the period was SEK 2,582 M (2,398).

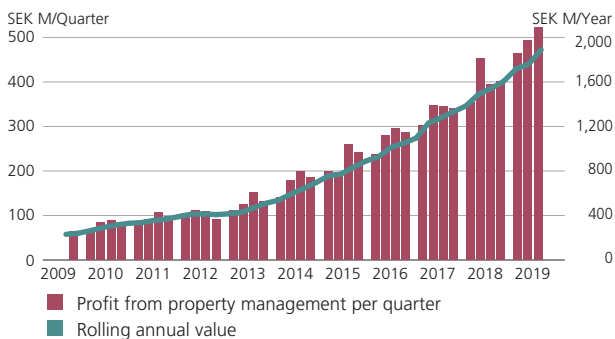
## REVENUE

Rental revenue rose 16% to SEK 1,917 M (1,656). Revenue was primarily positively affected by property acquisitions.

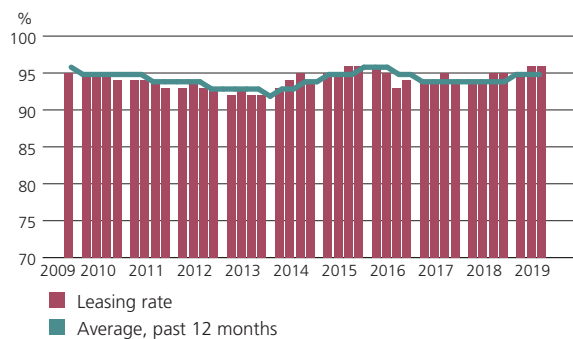
Other revenue of SEK 25 M (26) primarily comprised compensation from tenants who prematurely vacated premises, damages due to inadequate maintenance and insurance compensation.

During the period, rental revenue in comparable portfolios increased 2.7% excluding currency effects. The largest increase was found in the market segments of Stockholm (5.8%) and the Netherlands (5.1%), mainly due to lower vacancies. Other market segments reported minor revenue increases (an average of 1.0%) in the existing portfolio.

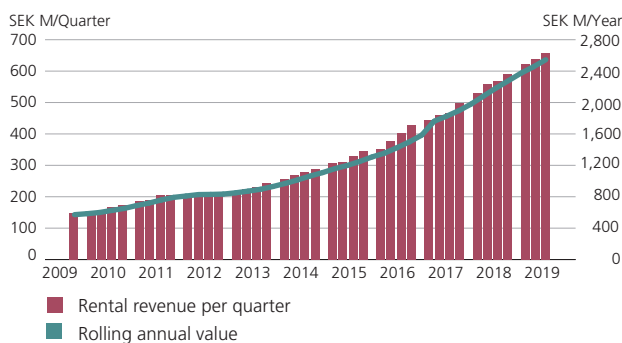
### Profit from property management



### Economic leasing rate



### Rental revenue



### CHANGE IN THE ECONOMIC OCCUPANCY RATE

The economic occupancy rate amounted to 96% (95), an increase since year end. During the period, the vacancy value rose SEK 54 M (59) due to tenants vacating premises and declined SEK 80 M (63) due to new lettings. Discounts provided on a fixed-term basis amounted to SEK 18 M (19) on an annual basis at the end of the period, down SEK 1 M (2) during the period. Exchange-rate fluctuations increased the vacancy value by SEK 4 M (4).

In total, the closing vacancy value declined SEK 9 M during the period to SEK 123 M. The closing vacancy value increased SEK 3 M in the year-earlier period and was SEK 125 M at the end of the period.

### FUTURE VACANCY CHANGES

Notice of termination had been served for leases with a rental value of SEK 87 M (64) at the end of the period, of which notice of vacating the premises accounted for SEK 77 M (60) and notice of renegotiation of the premises for SEK 10 M (4). Of the leases for which notice had been received, vacancies corresponding to SEK 6 M will occur in 2019. The rate of vacating premises is described in the table below. Leases that have not yet been occupied reduced the adjusted vacancy value by SEK 12 M (39).

The adjusted closing vacancy value was SEK 199 M (149), a net increase of SEK 47 M since year end. The change was due to the vacancy value for lettings that have not yet been occupied declining SEK 17 M in parallel with the vacancy value for terminated leases increasing SEK 38 M.

#### Vacancy changes

Amounts in SEK M	2019 Jan-Sep	2018 Jan-Dec
Opening vacancy for each year	132	122
Vacancies	54	89
New lettings	-80	-86
Change in discounts provided	-1	2
Vacancy value, acquired properties	15	6
Vacancy value, sold properties	-2	-5
Change in exchange rates	4	4
<b>Closing vacancy value</b>	<b>123</b>	<b>132</b>
Terminated for renegotiation	10	5
Terminated lease, not vacated	77	44
Letting, not occupied	-12	-29
<b>Adjusted closing vacancy value</b>	<b>199</b>	<b>152</b>

#### Leases terminated for vacancy

Year of vacancy	No. of leases	Rental value, SEK M
2019	15	6
2020	45	27
2021	3	30
2022	4	13
2024	1	1
<b>Total</b>	<b>68</b>	<b>77</b>

#### Vacancies on 1 October 2019

Area	Rental value, SEK M	Vacancy value, SEK M <sup>1)</sup>	Economic vacancy rate <sup>1)</sup>	Lettable area, sqm	Vacant area, sqm	Vacancy rate by area
Stockholm	675	26	4%	628,000	20,000	3%
Helsinki	634	54	9%	581,000	54,000	9%
Finland, university cities	329	11	3%	335,000	12,000	3%
Paris	284	13	5%	280,000	11,000	4%
Netherlands	248	11	4%	282,000	8,000	3%
Rest of Sweden	200	2	1%	389,000	3,000	1%
Rest of Finland	237	4	2%	334,000	10,000	3%
Rest of Europe	167	2	1%	192,000	5,000	3%
<b>Total</b>	<b>2,773</b>	<b>123</b>	<b>4%</b>	<b>3,021,000</b>	<b>124,000</b>	<b>4%</b>

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

## PROPERTY EXPENSES

Operating and maintenance costs rose to a total of SEK 223 M (187). Expenses for property tax and site leasehold fees increased to SEK 89 M (87). Site leasehold fees of SEK 18 M are 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 amounted to SEK 34 M (26). All expense increases were primarily due to property acquisitions.

## CENTRAL ADMINISTRATION

Costs for the Group's central administration amounted to SEK 78 M (78), corresponding to 4.1% (4.7) of the Group's rental revenue.

At the end of the period, the Group had 66 (58) employees. Functions such as property care-taking and on-call operations are outsourced. The company has offices in Stockholm, Helsinki, Rotterdam, Paris and Barcelona.

### Number of employees

Country	Total
Sweden	33
Finland	20
France	7
Netherlands	5
Spain	1
Total	66

## PROFIT FROM JOINT VENTURES AND ASSOCIATED COMPANIES

Profit for the period from joint ventures and associated companies amounted to SEK 455 M (557), of which profit from property management accounted for SEK 314 M (234), changes in the value of fixed-income derivatives for SEK -51 M (45) and changes in the value of properties for SEK 300 M (372). Profit was charged with deferred tax of SEK 109 M (94). See page 12 for more information.

## NET FINANCIAL ITEMS

Interest-bearing liabilities increased to SEK 17,288 M (15,231) due to financing of property acquisitions.

Financial expenses amounted to SEK 368 M (368), despite higher interest-bearing liabilities, nonrecurring expenses for premature redemption of bonds of SEK 21 M as well as site leasehold fees of SEK 18 M charged to net financial items from 2019 according to IFRS 16 as a result of a lower average interest rate. The average interest rate was 2.0% (2.4) at 30 September 2019. For more information about funding at Sagax, see page 13.

Financial income of SEK 18 M (31) primarily pertained to dividends received from listed shares. The decline was due to

NP3 Fastigheter AB, which represents Sagax's largest holding of listed shares, paying dividends on common shares on two occasions in 2019. NP3 Fastigheter AB became an associated company in September and is recognised using the equity method.

## REVALUATION OF PROPERTIES

The value growth for the properties amounted to SEK 508 M (1,027), of which unrealised changes in value amounted to SEK 526 M (1,046) excluding currency effects. The change in the market value of the property portfolio is also described on page 11.

New lettings and renegotiations of leases increased the market value of the properties by SEK 477 M (493). Vacancies and renegotiations reduced the value by SEK 292 M (151). The general change in market value for the company's properties amounted to SEK 341 M (704).

### Unrealised changes in value

Amounts in SEK M	Jan-Sep 2019
New lettings/Renegotiations	477
Vacancies/Renegotiations	-292
General change in market value	341
Total	526

Realised changes in the value of properties amounted to SEK -18 M (-19) for the period, see also page 11.

## REVALUATION OF FINANCIAL INSTRUMENTS

The change in the value of financial instruments amounted to SEK 692 M (277) for the period, of which SEK -51 M (45) referred to joint ventures.

The change in value attributable to fixed-income derivatives amounted to SEK -103 M (112), of which -51 M (45) referred to joint ventures. 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 -159 M (-113); refer to the section on funding on page 13.

Revaluation of listed shares resulted in an unrealised change in value of SEK 525 M (124). No shares were sold during the period.

The revaluation of financial instruments attributable to joint ventures amounted to SEK 269 M (33) in accordance with IFRS 9.

## TAX

Sagax recognised a current tax expense of SEK 174 M (64). The deferred tax expense for the period amounted to SEK 118 M (319). The Group's deferred tax liabilities at the end of the period amounted to SEK 1,752 M (1,485).



**CASH FLOW**

Cash flow from operating activities before changes in working capital amounted to SEK 1,370 M (1,174). Changes in working capital had a positive impact of SEK 51 M (125) on cash flow. Investing activities had an impact of SEK -1,736 M (-2,577) on cash flow, while cash flow from financing activities contributed SEK 708 M (1,528) to Sagax. In total, cash and cash equivalents rose SEK 395 M (248) during the period. See page 18 for the statement of cash flows.

**PARENT COMPANY**

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 40 M (35). The Parent Company's income statement and balance sheet are shown on page 22.

# Forecast and current earnings capacity

## ADJUSTED 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 2,000 M. The previously submitted forecast was for profit of SEK 1,950 M and was presented when the January-June 2019 interim report was published.

## CURRENT EARNINGS CAPACITY

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

The table below shows the company's earnings capacity on a 12-month basis at 1 October 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

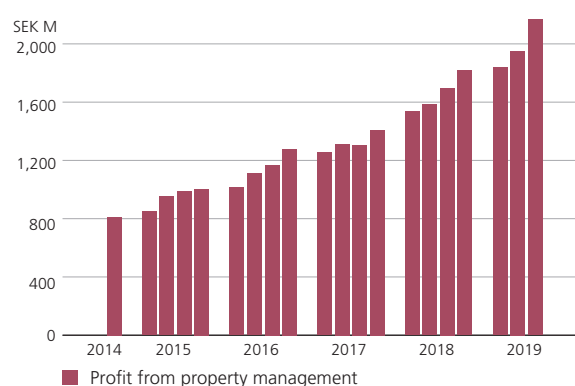
for vacant premises. Property expenses are based on actual outcomes over the past 12 months adjusted for the holding period, less expenses for site leasehold fees. Central administration costs are based on actual outcomes over the past 12 months. Net financial items are calculated based on interest-bearing 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 and associated companies are calculated in accordance with the same assumptions as for Sagax, taking into account the size of the participations.

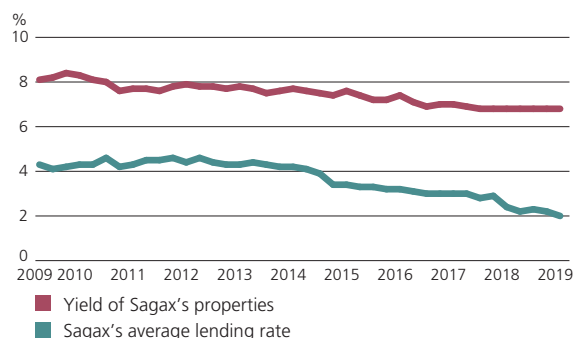
## Current earnings capacity

Amounts in SEK M	1 Oct 2019	1 Jan 2019
Rental value	2,773	2,510
Vacancy	-123	-132
<b>Rental revenue</b>	<b>2,650</b>	<b>2,378</b>
Property expenses	-464	-395
<b>Net operating income</b>	<b>2,186</b>	<b>1,983</b>
Central administration	-132	-132
Joint ventures and associated companies	520	372
Financial expenses	-386	-387
Lease expenses	-22	-20
<b>Profit from property management</b>	<b>2,166</b>	<b>1,816</b>
Tax	-412	-400
<b>Profit after tax</b>	<b>1,754</b>	<b>1,416</b>
– of which, holders of preference shares	34	34
– of which, holders of Class D shares	216	204
– of which, holders of Class A and B shares	1,505	1,178

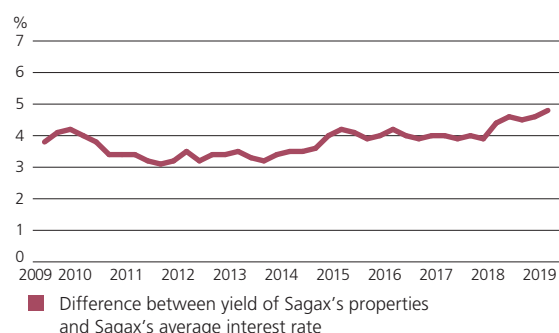
## Current earnings capacity before tax



## Yield and lending rate



## Difference between yield and lending rate



# Property portfolio

At 30 September 2019, the property portfolio comprised 539 (501) properties with a lettable area of 3,021,000 square metres (2,728,000). The two largest market areas are Stockholm and Helsinki, where 51% (55) of the market value and 47% (51) of the rental value is concentrated. At the end of the period, the total rental value and contractual annual rent amounted to SEK 2,773 M (2,427) and SEK 2,650 M (2,302), respectively. This corresponds to an economic occupancy rate of 96% (95).

## INVESTMENTS

During the period, Sagax invested SEK 2,439 M (2,484), of which property acquisitions accounted for SEK 1,916 M (2,250).

A total of 50 properties were acquired with a total lettable area of 208,000 square metres. The largest investment was Postikatu 3 in Turku with a lettable area of 14,300 square metres.

A total of SEK 523 M (234) was invested in the existing property portfolio. SEK 67 M of the investments for the period were made against rent supplements, SEK 60 M was invested in conjunction with new lettings, SEK 277 M in conjunction with new production and SEK 108 M pertained to property maintenance.

The Group has agreed to acquire a property in Finland, two properties in the Netherlands, one property in France and one property in Spain for which possession will be taken in the fourth quarter and 15 properties in Spain for which possession will be taken in the first quarter of 2020. The total investment will amount to SEK 510 M. Refer also to events after the end of the period on page 28.

## DIVESTMENTS

During the period, 24 properties with a total lettable area of 52,000 square metres were divested for a total of SEK 939 M, of which six properties to Sagax's joint venture Söderport for a total of SEK 668 M. Agreements were signed for the sale of a total of six properties in Sweden, Finland and France for a total of SEK 440 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 October 2019

Segment	No. of properties	Lettable area, sqm	Vacant area, sqm	Market value		Rental value		Economic occupancy rate	Contractual annual rent	
				SEK M	SEK per sqm	SEK M	Share		SEK M	Share
Stockholm	76	628,000	20,000	9,680	15,400	675	24%	96%	649	24%
Helsinki	72	581,000	54,000	6,768	11,600	634	23%	91%	580	23%
Finland, university cities	65	335,000	12,000	3,122	9,300	329	12%	97%	318	12%
Paris	59	280,000	11,000	2,786	10,000	284	10%	95%	271	10%
Netherlands	50	282,000	8,000	2,722	9,700	248	9%	96%	236	9%
Rest of Sweden	42	389,000	3,000	2,225	5,700	200	7%	99%	198	7%
Rest of Finland	143	334,000	10,000	2,610	7,800	237	9%	98%	233	9%
Rest of Europe	32	191,000	5,000	1,913	10,000	167	6%	99%	164	6%
<b>Total</b>	<b>539</b>	<b>3,021,000</b>	<b>124,000</b>	<b>31,825</b>	<b>10,500</b>	<b>2,773</b>	<b>100%</b>	<b>96%</b>	<b>2,650</b>	<b>100%</b>

## Property investments January-September 2019

Amounts in SEK M	Property acquisitions	Existing portfolio	Total	Share of total investments	Divestments	Net investments
Stockholm	27	247	274	11%	-672	-398
Helsinki	53	114	167	7%	-	167
Finland, university cities	228	19	247	10%	-4	243
Paris	612	102	714	29%	-54	660
Netherlands	615	11	626	26%	-	626
Rest of Sweden	-	1	1	0%	196	-195
Rest of Finland	43	26	69	3%	-4	65
Rest of Europe	337	2	339	14%	-10	329
<b>Total</b>	<b>1,916</b>	<b>523</b>	<b>2,439</b>	<b>100%</b>	<b>-939</b>	<b>1,497</b>

## LEASE STRUCTURE

Sagax has a diverse lease structure, which better allows the company to maintain an even occupancy rate. To 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 1,747 (1,533) leases, with about 1,200 (1,000) 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 1,738 leases (1,524) 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% (85) of Sagax's contractual annual rent. In addition, Sagax is party to six leases (seven) with a rental value corresponding to 1–2% of the Group's contractual annual rent. Combined, these leases total 9% (10) of Sagax's contractual annual rent. Only three (two) 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% (5) of the Group's contractual annual rent.

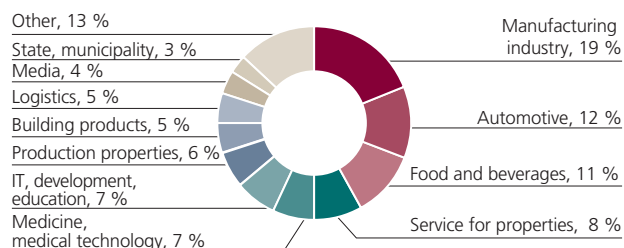
Sagax's tenants operate in a variety of industries. 19% (18) of the contractual rental revenue comes from tenants in the manufacturing industry, 12% (13) in the automotive industry, including sales, service and manufacturing, and 11% (12) from companies with food-related operations. Diverse tenant industries 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 56% of the contractual annual rent expire in or after 2023. 4–15% of contractual annual rent expires every year between 2019 and 2022. The average lease term at 30 September 2019 was 5.5 years (6.1).

### 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%	210	8%	3	70	12
1–2 %	229	9%	6	38	5
<1%	2,210	83%	1,738	1	5
<b>Total</b>	<b>2,650</b>	<b>100%</b>	<b>1,747</b>	<b>2</b>	<b>5</b>

### Industry exposure



### Lease terms

Year of expiry	Area, sqm	Contractual annual rent	
		SEK M	Share
2019	96,000	93	4%
2020	312,000	346	13%
2021	381,000	322	12%
2022	395,000	395	15%
2023	244,000	248	9%
>2023	1,469,000	1,246	47%
<b>Total</b>	<b>2,897,000</b>	<b>2,650</b>	<b>100%</b>

### Year of maturity of annual rent



# 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 30 September 2019, the total market value of Sagax's 539 (501) properties was SEK 31,825 M (27,845). The depreciation of the SEK against the EUR during the period led to property values abroad increasing SEK 777 M (586).

The total unrealised change in value during the period was SEK 526 M (1,046). 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 30 September 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, were most recently externally valued at year end and ten recently acquired properties in Spain that were recognised at the acquisition price. Six 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 (4.9–16.0%), the cost of capital for the present value calculation of residual values (4.9–16.0%) 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.

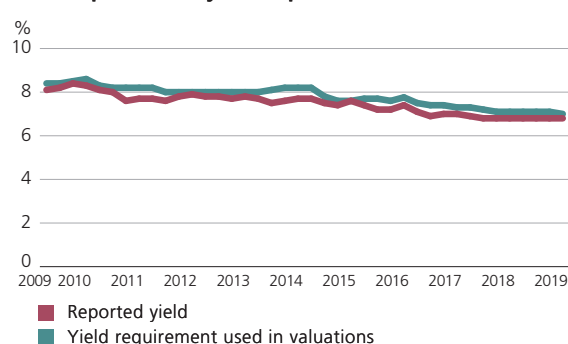
The weighted cost of capital for the present value calculation of cash flows and residual values for the property portfolio was 7.9% (7.9) and 8.3% (8.4), respectively. The weighted yield requirement was 7.0% (7.1) at 30 September 2019. By comparison, the yield reported by Sagax for the period was 6.8% (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.

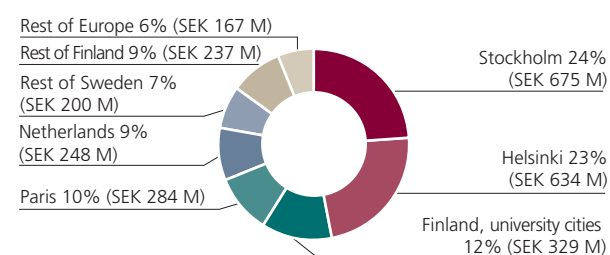
## Change in carrying amount of properties

	SEK M	Number
Property portfolio, 31 December 2018	29,024	512
Acquisition of properties	1,916	50
Investments in the current portfolio	523	
Property sales	-939	-24
Subdivisions, property	-	1
Translation effect, currencies	777	
Unrealised changes in value	524	
<b>Property portfolio, 30 September 2019</b>	<b>31,825</b>	<b>539</b>

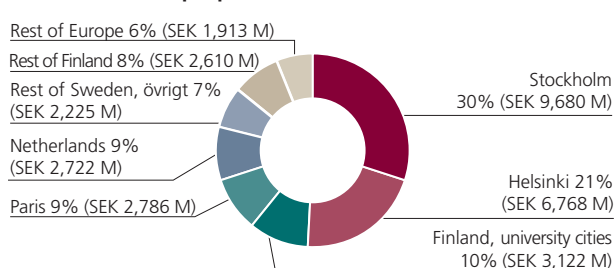
## Yield compared with yield requirement



## Group's rental value



## Market value of properties



## Joint ventures and associated companies

Sagax's joint ventures and associated companies contributed a total of SEK 314 M (234) to profit from property management during the period. Sagax's share of changes in the value of properties amounted to SEK 300 M (372) and the share of changes in the value of fixed-income derivatives was SEK -51 M (45) for the period. The total value of the commitment related to ownership of joint ventures and associated companies amounted to SEK 5,043 M (2,971).

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. In addition, Sagax acquired 20% of NP3 Fastigheter AB, which is thus recognised as an associated company. NP3 Fastigheter AB is listed on Nasdaq Stockholm, Mid Cap.

### 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 69% of Söderport's rental value of SEK 802 M was located in Stockholm on 30 September 2019. Söderport's economic vacancies amounted to SEK 37 M (26) at the end of the period, corresponding to a vacancy rate of 5% (4). Of the economic vacancies, SEK 9 M (5) comprised fixed-term rent discounts provided for new lettings. At the end of the period, Stockholm accounted for 91% of the economic vacancies.

During the period, 18 properties were acquired in Stockholm and one in Gothenburg for SEK 1,520 M, of which nine from Nyfosa and six from Sagax. The acquired properties have a total lettable area of 85,000 square metres and the rental value amounts to SEK 106 M.

During the period, Söderport agreed to divest six properties in Torslanda to Torslanda Property Investment AB (TPI). The properties primarily comprise office properties situated adjacent to TPI's existing property and encompass a lettable area of 145,000 square metres. The rental value is SEK 170 M. TPI is to pay SEK 965 M of the purchase consideration in the form of newly issued TPI shares. Based on the issue, Söderport's participating interest in TPI will increase from 28.6% to 78.4%. Transactions completed after the end of the period. In addition, Söderport divested 10 properties with a total lettable area of 64,600 square metres to Nyfosa after the end of the period.

### HEMSÖ INTRESSETER AB

Hemsö Fastighets AB conducts operations in Sweden, Germany and Finland. Operations consist of owning, managing and developing public properties. The property portfolio encompassed 364 properties with a total property value of SEK 53.2 billion at 30 September 2019. 94% of rental revenue derives from tax-financed operations. More information on Hemsö Fastighets AB is available on the company's website, hemso.se.

### NP3 FASTIGHETER AB

NP3 Fastigheter AB is a property company focusing on commercial investment properties with high yields mainly in northern Sweden. The company's property portfolio encompassed 344 properties with a total property value of SEK 10.7 billion and a rental value of SEK 1,082 M at 30 September 2019. More information on NP3 Fastigheter AB is available on the company's website, np3fastigheter.se.

### Sagax's joint ventures and associated companies

	Söderport		Hemsö		NP3
	2019 30 Sep	2018 30 Sep	2019 30 Sep	2018 30 Sep	2019 30 Sep
Sagax's participating interest, %	50	50	15	15	20
Rental revenue, SEK M	510	434	2,252	1,935	740
Profit from property management, SEK M	283	208	1,276	1,097	360
Profit for the period, SEK M	395	640	1,996	1,889	354
Sagax's share of profit from property management, SEK M	141	104	166	130	7
No. of properties	89	70	364	353	344
Rental value, SEK M	802	621	3,133	2,637	1,082
Carrying amount of properties, SEK M	9,768	7,472	53,218	42,573	10,661
Lettable area, sqm	777,000	660,000	1,833,000	1,679,000	1,309,000
Lease term, years	4.7	4.3	9.7	9.0	4.2
Economic vacancy rate, %	5	4	2	2	7
Interest-bearing liabilities, SEK M	5,712	3,914	36,008	28,738	6,767
Loan maturity, years	4.2	1.7	7.2	6.6	2.5
Fixed interest, years	2.3	1.9	6.4	5.1	2.5
Market value of fixed-income derivatives, SEK M	-272	-264	-366	-350	-102

# Funding

## EQUITY

Consolidated equity amounted to SEK 17,892 M (14,491) at 30 September 2019. Changes in equity during the period were attributable to comprehensive income for the period of SEK 2,837 M, a new issue of Class D common shares of SEK 198 M after transaction costs, a new issue of Class B common shares linked to the Incentive Plan of SEK 8 M and a share dividend of SEK 566 M.

## INTEREST-BEARING LIABILITIES

Sagax's interest-bearing liabilities at the end of the period amounted to SEK 17,288 M (15,231). An amount corresponding to SEK 13,981 M (10,156) of liabilities was recognised in EUR.

Net debt amounted to SEK 15,351 M (14,217). Gross interest-bearing debt to banks totalled SEK 4,338 M (3,829). The remaining gross interest-bearing debt comprised listed bond loans of SEK 11,591 M (9,897) and commercial paper

of SEK 1,358 M (1,505). The main covenants for bond loans are presented on page 14.

At 30 September 2019, secured liabilities comprised 15% (17) of the total assets. Unsecured liabilities corresponded to 30% (31) 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 45% (47) and the interest coverage ratio to 489% (426). Interest-bearing net debt for the past 12 months has averaged 6.9 (7.3) times EBITDA; see chart below.

A total of SEK 6,235 M (6,657) in loans was raised, of which SEK 4,281 M in the form of bond loans under the framework of Sagax's EMTN programme. A total of SEK 5,252 M (5,434) was repaid during the period. Exchange-rate fluctuations increased interest-bearing liabilities by SEK 504 M (273).

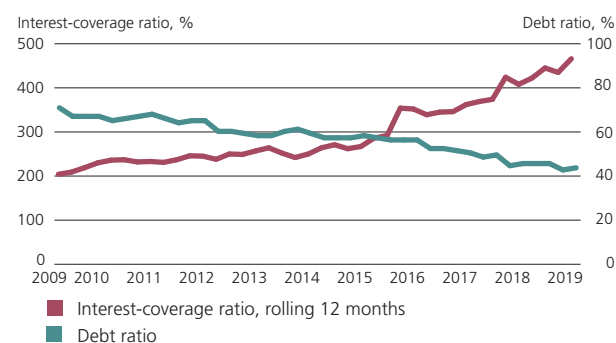
## Fixed-interest period and debt maturity, 30 September 2019

Year of expiry	Fixed interest			Debt maturity		Interest-rate swaps	
	SEK M	Interest rate	Share	SEK M	Share	SEK M	Interest rate
2019	1,188	0.7%	7%	87	1%	–	–
2020	400	1.8%	2%	–	–	–	–
2021	1,325	1.8%	8%	1,705	10%	–	–
2022	1,284	2.1%	7%	1,250	7%	484	0.7%
2023	2,288	2.1%	13%	4,505	26%	717	0.9%
>2023	10,804	2.1%	62%	9,742	57%	829	2.2%
<b>Total/average</b>	<b>17,288</b>	<b>2.0%</b>	<b>100%</b>	<b>17,288</b>	<b>100%</b>	<b>2,030</b>	<b>1.4%</b>

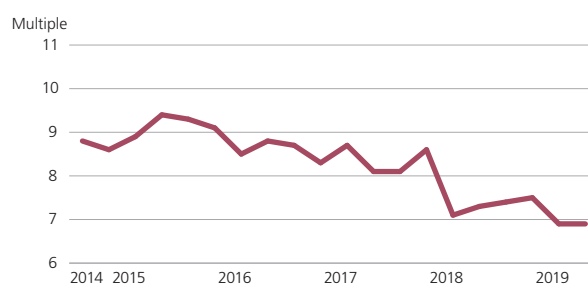
## Net debt

Amounts in SEK M	30 Sep 2019	30 Sep 2018
Interest-bearing liabilities	17,288	15,231
Interest-bearing assets	–9	–7
Cash and cash equivalents	–467	–307
Listed shares	–1,461	–700
<b>Net debt</b>	<b>15,351</b>	<b>14,217</b>

## Debt ratio and interest-coverage ratio



## Net debt/EBITDA, rolling 12 month



Allocated borrowing costs of SEK 84 M (87) reduced interest-bearing liabilities in the balance sheet. Interest-bearing liabilities of SEK 17,205 M (15,144) were recognised. The average remaining fixed-interest and loan maturity terms were 4.0 years (3.0) and 3.9 years (3.5), respectively, at the end of the period. The average interest rate on the company's interest-bearing liabilities was 2.0% (2.4), 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 prematurely redeemed four bond loans during the period. Redemption costs and the costs for

the temporary surplus liquidity are expected to amount to approximately SEK 40 M for 2019.

Sagax has SEK 9,742 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 6,507 M (6,066), of which interest-rate swaps with an average interest rate of 1.4% (1.8) accounted for SEK 2,030 M (2,473); see table on page 13. In addition, the Group has interest-rate caps of SEK 4,477 M (3,593) in underlying nominal amounts.

#### Listed bond loans 30 September 2019

Maturity	SEK M	Current interest	Interest terms	Maturity date	ISIN code
2017–2021	600	2.16%	Stibor 3M+2.25%	1 Feb 2021	SE0010636274
2017–2022	1,250	2.01%	Stibor 3M+2.15%	15 Feb 2022	SE0010324228
<b>Total/average</b>	<b>1,850</b>	<b>2.08%</b>			

Maturity	EUR M	Current interest	Interest terms	Maturity date	ISIN code
2018–2024	500	2.00%	2.00%	17 Jan 2024	XS1877540465
2019–2025	300	2.25%	2.25%	13 Mar 2025	XS1962543820
2019–2025	108 <sup>1)</sup>	0.87%	2.25% <sup>2)</sup>	13 Mar 2025	XS1962543820
<b>Total/average</b>	<b>908</b>	<b>2.11%</b>			

1) The nominal value is EUR 100 M.

2) Coupon rate.

#### Derivative contracts, 30 September 2019

Amounts in SEK M	Nominal amount	Years to maturity	Market value 30 Sep 2019	Market value 31 Dec 2018	Change for the period
Nominal interest-rate swaps	2,030	4.4	–160	–122	–38
Interest-rate caps	4,477	2.6	0	4	–4
<b>Total</b>	<b>6,507</b>	<b>3.1</b>	<b>–159</b>	<b>–117</b>	<b>–42</b>



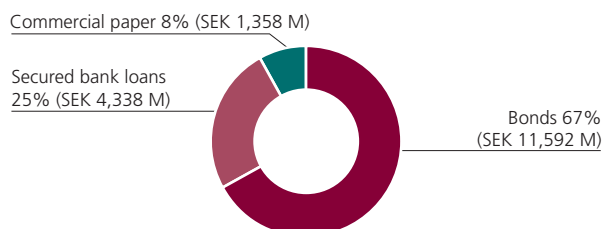
### WORKING CAPITAL AND LIQUIDITY

Sagax's working capital, excluding prepaid rental revenue and including the market value of listed shares, amounted to SEK 52 M (-2,059) at 30 September 2019. At the same date, un-utilised credit facilities amounted to SEK 3,817 M (3,716). No additional collateral needs to be pledged to utilise these credit facilities.

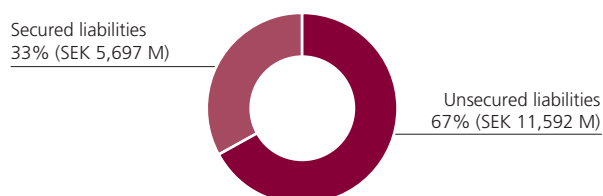
### Rating and key performance indicators according to EMTN programme

	Financial covenant in EMTN programme	2019 30 Sep	2018 30 Sep	2018 31 Dec
Rating according to Moody's Investor Services		Baa3, Stable outlook	Baa3, Stable outlook	Baa3, Stable outlook
Net debt/Total assets	<65%	40%	44%	44%
Interest coverage ratio	>1.8 x	5.0x	4.3x	4.3x
Secured liabilities/total assets	<45%	15%	17%	21%

### Sources of financing



### Distribution between secured and unsecured liabilities



# Statement of comprehensive income

Amounts in SEK M	2019 Jan-Sep	2018 Jan-Sep	2019 Jul-Sep	2018 Jul-Sep	2018 Jan-Dec	Rolling 12 months
Rental revenue	1,917	1,656	657	567	2,247	2,509
Other revenue	25	26	2	2	30	29
Operating expenses	-164	-141	-43	-40	-197	-220
Maintenance costs	-59	-46	-21	-15	-59	-72
Site leasehold fees	-	-16	-	-5	-22	-6
Property tax	-89	-70	-32	-22	-93	-112
Other property expenses	-34	-26	-13	-9	-37	-44
<b>Net operating income</b>	<b>1,597</b>	<b>1,382</b>	<b>550</b>	<b>478</b>	<b>1,869</b>	<b>2,084</b>
Central administration	-78	-78	-28	-29	-132	-132
Profit from joint ventures and associated companies	455	557	182	124	830	727
– of which, profit from property management	314	234	120	83	312	393
– of which, changes in value	249	417	112	77	677	509
– of which, tax	-109	-94	-50	-36	-160	-175
Financial income	18	31	1	1	35	22
Financial expenses	-350	-368	-113	-137	-481	-462
Financial expense, interest component of leases	-18	-	-6	-	-	-18
<b>Profit including changes in value of joint ventures and associated companies</b>	<b>1,623</b>	<b>1,524</b>	<b>584</b>	<b>436</b>	<b>2,121</b>	<b>2,220</b>
– of which, profit from property management	<b>1,483</b>	<b>1,201</b>	<b>523</b>	<b>395</b>	<b>1,603</b>	<b>1,886</b>
<i>Changes in value:</i>						
Properties, realised	-18	-19	-15	-2	-22	-21
Properties, unrealised	526	1,046	63	290	1,265	744
Financial instruments, realised	-	31	-	24	36	5
Financial instruments, unrealised	743	201	263	113	211	753
<b>Profit before tax</b>	<b>2,874</b>	<b>2,782</b>	<b>896</b>	<b>861</b>	<b>3,611</b>	<b>3,702</b>
Deferred tax	-118	-319	28	-132	-435	-234
Current tax	-174	-64	-112	3	-10	-120
<b>Profit for the period</b>	<b>2,582</b>	<b>2,398</b>	<b>812</b>	<b>732</b>	<b>3,166</b>	<b>3,349</b>
<i>Other comprehensive income</i>						
<i>– items that may be reversed to profit or loss:</i>						
Translation differences for foreign operations	560	355	190	-216	363	568
Share of other comprehensive income for joint ventures	23	4	2	-1	3	22
Translation differences pertaining to hedge accounting	-324	-33	-112	146	-49	-340
Tax on items that may be reversed to profit or loss	-4	-35	-5	-16	-29	2
<b>Comprehensive income for the period</b>	<b>2,837</b>	<b>2,688</b>	<b>887</b>	<b>646</b>	<b>3,454</b>	<b>3,601</b>
Earnings per Class A and B share, SEK <sup>1)</sup>	7.54	7.04	2.35	2.13	9.24	9.79
Earnings per Class A and B share after dilution, SEK <sup>1)</sup>	7.53	7.03	2.35	2.13	9.24	9.78
Earnings per Class D share, SEK	1.50	1.50	0.50	0.50	2.00	2.00
Average no. of Class A and B shares, millions <sup>1)</sup>	317.5	316.6	319.0	316.8	316.7	317.3
Average no. of Class A and B shares after dilution, millions <sup>1)</sup>	317.9	316.8	319.3	317.0	316.9	317.7
Average number of Class D shares, millions	105.0	77.0	107.8	97.0	83.0	103.8

1) Comparative figures have been adjusted for the bonus issue of Class A and B shares in 2019, by multiplying the number of shares by 2. The terms of the bonus issue were 1 Class A and 1 Class B share for each Class A and Class B share. The record date for the bonus issue was 3 June 2019.

## Condensed statement of financial position

Amounts in SEK M	2019 30 Sep	2018 30 Sep	2018 31 Dec
Investment properties	31,385	27,642	28,769
Investment properties for sale	440	203	255
Leases, right-of-use assets	352	–	–
Joint ventures and associated companies	5,043	2,971	3,286
Fixed-income derivatives	0	3	4
Other fixed assets	42	14	14
<b>Total fixed assets</b>	<b>37,262</b>	<b>30,833</b>	<b>32,328</b>
Cash and bank balances	467	307	73
Listed shares	338	700	872
Other current assets	581	419	417
<b>Total current assets</b>	<b>1,387</b>	<b>1,426</b>	<b>1,362</b>
<b>Total assets</b>	<b>38,649</b>	<b>32,259</b>	<b>33,690</b>
<b>Equity</b>	<b>17,892</b>	<b>14,491</b>	<b>15,416</b>
Non-current interest-bearing liabilities	15,701	12,383	13,866
Deferred tax liabilities	1,752	1,485	1,599
Fixed-income derivatives	160	116	122
Other non-current liabilities	464	65	67
<b>Total non-current liabilities</b>	<b>18,076</b>	<b>14,049</b>	<b>15,654</b>
Commercial paper	1,358	1,505	1,505
Other current interest-bearing liabilities	144	1,256	312
Other current liabilities	1,178	958	803
<b>Total current liabilities</b>	<b>2,681</b>	<b>3,719</b>	<b>2,620</b>
<b>Total equity and liabilities</b>	<b>38,649</b>	<b>32,259</b>	<b>33,690</b>

## Statement of cash flows

Amounts in SEK M	2019 Jan-Sep	2018 Jan-Sep	2019 Jul-Sep	2018 Jul-Sep	2018 Jan-Dec	Rolling 12 months
<b>Profit before tax</b>	<b>2,874</b>	<b>2,782</b>	<b>896</b>	<b>861</b>	<b>3,611</b>	<b>3,702</b>
Changes in value of financial instruments	-743	-231	-263	-137	-247	-759
Change in value of properties	-506	-1,027	-47	-288	-1,244	-722
Result from ownership of joint ventures and associated companies	-455	-557	-182	-124	-830	-727
Dividend from joint ventures and associated companies	264	254	-	-	254	264
Dissolution of allocated borrowing costs	34	32	12	17	46	48
Tax paid	-72	-66	-1	-21	-87	-93
Other items not included in cash flow	-27	-13	-3	-4	-15	-28
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,370</b>	<b>1,174</b>	<b>412</b>	<b>304</b>	<b>1,490</b>	<b>1,686</b>
Cash flow from changes in current receivables	-111	-91	-45	-72	-88	-108
Cash flow from changes in current liabilities	162	216	65	139	188	134
<b>Cash flow from operating activities</b>	<b>1,421</b>	<b>1,298</b>	<b>432</b>	<b>371</b>	<b>1,590</b>	<b>1,712</b>
Acquisition of properties	-1,916	-2,250	-968	-633	-3,026	-2,692
Property sales	921	23	190	1	24	923
Investments in existing properties	-523	-234	-175	-111	-456	-744
Acquisition of listed shares	-64	-197	-41	-	-450	-317
Sales of listed shares	-	73	-	-	129	57
Capital contribution to joint ventures and associated companies	-150	-	-	-	-	-150
Change in other fixed assets	-4	8	2	-	8	-4
<b>Cash flow from investing activities</b>	<b>-1,736</b>	<b>-2,577</b>	<b>-992</b>	<b>-744</b>	<b>-3,771</b>	<b>-2,928</b>
Issue of Class D and B shares	198	960	-	-1	1,125	362
Dividend paid to shareholders	-498	-422	-62	-57	-479	-555
Incentive Plan	9	-2	-	-	-2	9
Borrowings	6,235	6,657	1,890	5,170	8,487	8,065
Repayment of loans	-5,252	-5,434	-919	-4,225	-6,707	-6,526
Early redemption of financial derivatives	-	-242	-	-242	-242	-
Deposits from tenants	24	12	11	-1	14	26
Change in other non-current liabilities	-7	-2	-5	-1	-2	-7
<b>Cash flow from financing activities</b>	<b>708</b>	<b>1,528</b>	<b>915</b>	<b>643</b>	<b>2,195</b>	<b>1,375</b>
<b>Cash flow for the period</b>	<b>393</b>	<b>248</b>	<b>355</b>	<b>270</b>	<b>14</b>	<b>159</b>
Exchange rate differences in cash and cash equivalents	2	-1	1	-1	-1	2
Change in cash and cash equivalents	395	247	356	269	13	161
Cash and cash equivalents at beginning of period	73	60	112	37	60	307
Cash and cash equivalents at end of period	467	307	467	307	73	467

## Statement of changes in equity

Amounts in SEK M	Share capital	Other contributed capital	Reserves, translation differences	Profit earned incl. net profit for the period	Total equity <sup>1)</sup>
<b>Equity, 31 December 2017</b>	<b>419</b>	<b>2,069</b>	<b>297</b>	<b>8,570</b>	<b>11,356</b>
Issue of Class D shares	59	899	–	–	958
Transaction costs	–	–8	–	–	–8
Issue of Class B shares, Incentive Plan	0	10	–	–	10
Dividends	–	–	–	–512	–512
Redemption of Incentive Plan	–	–	–	–4	–4
Incentive Plan	–	–	–	3	3
Comprehensive income, January-September 2018	–	–	290	2,398	2,688
<b>Equity, 30 September 2018</b>	<b>478</b>	<b>2,970</b>	<b>587</b>	<b>10,455</b>	<b>14,491</b>
Issue of Class D shares	9	156	–	–	165
Dividends	–	–	–	–5	–5
Comprehensive income, October-December 2018	–	–	–2	768	766
<b>Equity, 31 December 2018</b>	<b>487</b>	<b>3,126</b>	<b>585</b>	<b>11,218</b>	<b>15,416</b>
Issue of Class D shares	10	191	–	–	201
Transaction costs	–	–3	–	–	–3
Bonus issue	279	–279	–	–	–
Issue of Class B shares, Incentive Plan	0	11	–	–	11
Dividends	–	–	–	–566	–566
Redemption of Incentive Plan	–	–	–	–7	–7
Incentive Plan	–	–	–	4	4
Comprehensive income, January-September 2019	–	–	254	2,582	2,837
<b>Equity, 30 September 2019</b>	<b>776</b>	<b>3,046</b>	<b>839</b>	<b>13,231</b>	<b>17,893</b>

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

## Segment information

Profit items per segment	Rental revenue <sup>1)</sup>		Profit from property management		Changes in value, properties				Profit before tax	
					Unrealised		Realised			
	2019 Jan-Sep	2018 Jan-Sep	2019 Jan-Sep	2018 Jan-Sep	2019 Jan-Sep	2018 Jan-Sep	2019 Jan-Sep	2018 Jan-Sep	2019 Jan-Sep	2018 Jan-Sep
Amounts in SEK M										
Stockholm	496	476	396	237	260	468	–	–	657	704
Helsinki	429	376	320	235	–15	329	–	2	306	566
Finland, university cities	234	178	181	107	22	110	–1	–	201	217
Paris	175	122	119	69	32	39	–1	–	150	108
Netherlands	150	87	131	55	187	25	–	–	318	80
Rest of Sweden	157	155	124	114	27	11	–14	–1	137	125
Rest of Finland	173	170	142	124	63	80	–3	–20	202	184
Rest of Europe	103	91	94	69	–50	–17	1	–	44	52
<b>Sub-total</b>	<b>1,917</b>	<b>1,656</b>	<b>1,507</b>	<b>1,010</b>	<b>526</b>	<b>1,046</b>	<b>–18</b>	<b>–19</b>	<b>2,015</b>	<b>2,036</b>
Financial instruments	–	–	–	–	–	–	–	–	743	231
Joint ventures	–	–	314	234	295	376	6	–4	455	557
Other, non-specified	–	–	–338	–43	–	–	–	–	–338	–42
<b>Total</b>	<b>1,917</b>	<b>1,656</b>	<b>1,483</b>	<b>1,201</b>	<b>819</b>	<b>1,422</b>	<b>–12</b>	<b>–23</b>	<b>2,874</b>	<b>2,782</b>

Asset items per segment	Market value properties		Investment properties		Acquisition properties		Divestment properties	
	2019 30 Sep	2018 30 Sep	2019 Jan-Sep	2018 Jan-Sep	2019 Jan-Sep	2018 Jan-Sep	2019 Jan-Sep	2018 Jan-Sep
	Amounts in SEK M							
Stockholm	9,680	9,540	247	112	27	290	–672	–
Helsinki	6,768	5,882	114	104	53	205	–	–
Finland, university cities	3,122	2,627	19	7	228	597	–4	–
Paris	2,786	1,925	102	5	612	431	–54	–
Netherlands	2,722	1,539	11	–	615	622	–	–
Rest of Sweden	2,225	2,444	–	2	–	–	–196	–16
Rest of Finland	2,610	2,368	26	3	43	–	–4	–25
Rest of Europe	1,913	1,522	2	1	337	105	–10	–
<b>Total</b>	<b>31,825</b>	<b>27,845</b>	<b>523</b>	<b>234</b>	<b>1,915</b>	<b>2,250</b>	<b>–939</b>	<b>–42</b>

1) All rental revenue pertains to external tenants.

# Key performance indicators

	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec
<b>Property-related key figures</b>							
Yield, %	6.8	6.8	6.8	6.9	7.1	7.4	7.6
Surplus ratio, %	83	83	83	83	85	86	86
Occupancy rate by area, %	96	95	95	95	93	97	95
Economic occupancy rate, %	96	95	95	94	94	96	94
Lease term at the end of the period, years	5.5	6.1	6.0	6.6	7.1	7.4	8.2
Lettable area at the end of the period, 000 sqm	3,021	2,728	2,850	2,489	2,312	1,860	1,634
No. of properties at the end of the period	539	501	512	495	440	225	184
<b>Financial key figures</b>							
Return on total capital, %	7	7	7	7	7	8	8
Return on equity, %	21	25	24	30	33	32	18
Average interest rate, %	2.0	2.4	2.2	3.0	3.1	3.3	4.1
Fixed-interest period incl. derivatives, years	4.0	3.0	3.0	2.1	2.7	3.0	3.0
Loan maturity, years	3.9	3.5	3.6	3.1	3.6	4.2	3.2
Equity/assets ratio, %	46	45	46	42	38	34	32
Debt ratio, %	45	47	47	50	54	59	59
Net debt/EBITDA, multiple	6.9	7.3	7.4	8.1	8.7	9.3	8.8
Interest coverage ratio, multiple	4.9	4.3	4.2	3.7	3.4	2.9	2.6
Interest coverage ratio, EMTN programme, multiple	5.0	4.3	4.3	4.0	3.7	3.3	2.9
<b>Data per Class A and B share<sup>2)</sup></b>							
Price of Class B share at the end of the period, SEK	113.00	62.30	65.70	49.10	40.87	35.87	22.00
Net asset value, SEK	51.80	41.44	44.22	35.04	26.89	17.76	13.62
Equity, SEK	42.61	33.36	35.70	27.15	19.61	13.01	8.75
Equity after dilution, SEK	42.55	33.34	35.67	27.13	19.57	12.96	8.72
Earnings, SEK	7.54	7.04	9.24	8.86	7.27	4.94	2.03
Earnings after dilution, SEK	7.53	7.03	9.24	8.85	7.25	4.93	2.03
Profit from property management, SEK	4.08	3.26	4.31	3.71	2.99	2.46	1.87
Profit from property management after dilution, SEK	4.08	3.25	4.31	3.70	2.98	2.45	1.87
Cash flow, SEK	3.73	3.17	3.95	3.27	2.57	2.00	1.50
Cash flow after dilution, SEK	3.72	3.17	3.95	3.26	2.56	2.00	1.50
Dividend per share, SEK	–	–	1.00	0.90	0.72	0.58	0.40
No. at end of period, millions	319.0	316.8	316.8	316.5	316.5	316.5	316.5
No. at end of period after dilution, millions	319.4	317.0	317.1	316.7	317.1	317.5	317.4
Average no., millions	317.5	316.6	316.7	316.5	316.5	316.5	316.5
Average no. after dilution, millions	317.9	316.8	316.9	317.0	317.2	317.6	317.3
<b>Data per Class D share</b>							
Share price at the end of period, SEK	37.70	34.70	31.70	29.92	28.30	–	–
Equity, SEK	35.00	35.00	35.00	35.00	35.00	–	–
Earnings, SEK	1.50	1.50	2.00	2.00	2.00	–	–
Dividend per share, SEK	–	–	2.00	2.00	2.00	–	–
No. at end of period, millions	107.8	97.0	101.9	63.6	18.2	–	–
Average no., millions	105.0	77.0	83.0	43.1	2.9	–	–
<b>Data per preference share</b>							
Share price at the end of period, SEK	38.30	35.60	34.85	33.40	30.40	31.30	36.00
Equity, SEK	31.50	31.50	32.00	32.00	32.00	32.00	32.00
Earnings, SEK	1.50	1.50	2.00	2.00	2.00	2.00	2.00
Dividend per share, SEK	–	–	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 2,000,000 Class B shares bought back by AB Sagax.

2) Comparative figures have been adjusted for the bonus issue of Class A and B shares in 2019, by multiplying the number of shares by 2.

The terms of the bonus issue were 1 Class A and 1 Class B share for each Class A and Class B share. The record date for the bonus issue was 3 June 2019.

## Parent Company income statement

Amounts in SEK M	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Net sales	53	47	62
Administration costs	-62	-69	-107
<b>Loss before financial income and expenses</b>	<b>-9</b>	<b>-22</b>	<b>-45</b>
Profit from participations in Group companies	254	-	145
Profit from participations in joint ventures	64	54	54
Financial income	576	352	460
Financial expenses	-603	-238	-395
<b>Profit before tax and appropriations</b>	<b>282</b>	<b>146</b>	<b>219</b>
Tax allocation fund	4	-	-6
Tax	-61	-20	-5
<b>Profit for the period</b>	<b>225</b>	<b>126</b>	<b>208</b>

## Condensed Parent Company balance sheet

Amounts in SEK M	2019 30 Sep	2018 30 Sep	2018 31 Dec
Tangible fixed assets	2	2	2
Receivables from Group companies	1,665	1,995	2,144
Other financial fixed assets	6,407	4,252	5,919
<b>Total fixed assets</b>	<b>8,074</b>	<b>6,249</b>	<b>8,065</b>
Cash and bank balances	186	99	2
Receivables from Group companies	11,905	9,889	9,630
Other current assets	62	76	69
<b>Total current assets</b>	<b>12,154</b>	<b>10,064</b>	<b>9,701</b>
<b>Total assets</b>	<b>20,228</b>	<b>16,312</b>	<b>17,766</b>
<b>Equity</b>	<b>3,764</b>	<b>3,603</b>	<b>3,842</b>
Untaxed reserves	19	17	23
Non-current interest-bearing liabilities	7,267	9,897	9,311
Liabilities to Group companies	3,430	-	257
Deferred tax liabilities	3	3	3
<b>Total non-current liabilities</b>	<b>10,700</b>	<b>9,900</b>	<b>9,571</b>
Current interest-bearing liabilities	1,358	1,506	1,505
Liabilities to Group companies	4,068	934	2,481
Other current liabilities	319	353	343
<b>Total current liabilities</b>	<b>5,745</b>	<b>2,792</b>	<b>4,330</b>
<b>Total equity, untaxed reserves and liabilities</b>	<b>20,228</b>	<b>16,312</b>	<b>17,766</b>



# The Sagax share and shareholders

At the end of the period, Sagax had 13,786 (10,533) shareholders. Sagax's market capitalisation amounted to SEK 40,822 M (23,718). 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.

On 3 June, Sagax implemented a 1:1 bonus issue with the issue of new Class A and Class B common shares. The bonus issue reduced the share price of the relevant shares and increased the number of shares outstanding.

A total of 443,575,439 shares were outstanding at the end of the period, of which 2,000,000 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 and year.

## WARRANTS

Sagax has three warrant plans for the company's employees. In total, Sagax's employees hold warrants corresponding to 0.6% 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 2017-2020, 2018-2021 and 2019-2022. Warrants entitle the holder to subscribe for Class B shares in June 2020, June 2021 and June 2022, 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.

## 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	
	30 Sep 2019	30 Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Class A shares	124.00	63.00	4	1	0.4	0.1
Class B shares	113.00	62.30	10	8	8.4	5.2
Class D shares	37.70	34.70	57	45	8.4	4.5
Preference shares	38.30	35.60	37	31	0.9	0.8

## 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 5.15 (4.15), which, compared with the share price of the Class B share at the end of the period, corresponded to a multiple of 21.9 (15.0).

## EQUITY PER CLASS A AND B SHARE

Equity per Class A and B share after dilution amounted to SEK 42.55 (33.34). Net asset value per Class A and B share amounted to SEK 51.80 (41.44). The share price for the Class B share at the end of the period was 266% (187) of equity per Class B share and 218% (150) of net asset value per Class B share.

### Key performance indicators per Class B share<sup>4)</sup>

	2019 30 Sep	2018 30 Sep	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	113.00	62.30	64.70	49.10	40.87	35.87	22.00
Profit from property management after dilution, SEK <sup>1)</sup>	5.15	4.15	4.30	3.70	2.98	2.45	1.86
Cash flow after dilution, SEK <sup>1)2)</sup>	4.52	3.86	3.94	3.26	2.56	2.00	1.50
Equity after dilution, SEK	42.55	33.34	35.67	27.13	19.57	12.96	8.72
Net asset value, SEK <sup>3)</sup>	51.80	41.44	44.22	35.04	26.89	17.76	13.62
Price of Class B share/Profit from property management, multiple <sup>1)</sup>	21.9	15.0	15.0	13.3	13.7	14.6	11.8
Price of Class B share/Cash flow, multiple <sup>1)2)</sup>	25.0	16.2	16.4	15.1	16.0	18.0	14.7
Price of Class B share/Equity, %	266	187	182	181	209	277	252
Price of Class B share/Net asset value, %	218	150	147	140	152	202	162

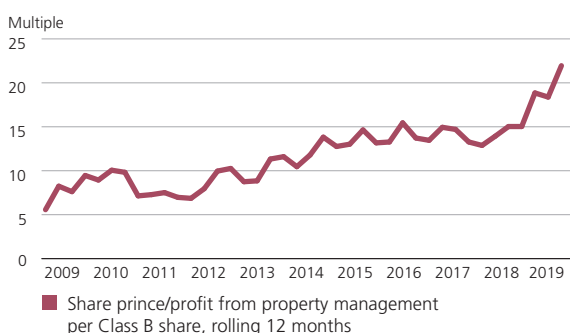
1) Profit from property management and cash flow pertain to a rolling 12 months.

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

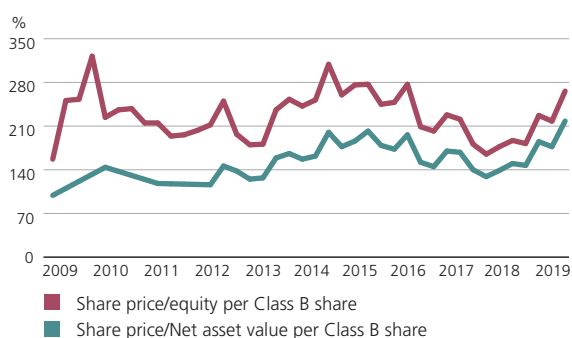
3) See page 33 for definition.

4) Comparative figures have been adjusted for the bonus issue of Class A and B shares in 2019, by multiplying the number of shares by 2. The terms of the bonus issue were 1 Class A and 1 Class B share for each Class A and Class B share. The record date for the bonus issue was 3 June 2019.

### Share price/profit from property management per common share



### Share price in relation to equity and Net asset value



## Ownership structure 30 Sep 2019<sup>1)</sup>

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	7,903	Private individuals residing in Sweden	12,115	9%	Sweden	12,854	89%
501–1,000	1,335				Switzerland	19	3%
1,001–2,000	1,180	Private individuals residing abroad	87	0%	USA	52	2%
2,001–5,000	1,381				UK	63	2%
5,001–10,000	721	Companies/institutions in Sweden	739	81%	Luxembourg	29	2%
10,001–50,000	866				Other	769	3%
50,001–	400	Companies/institutions abroad	845	10%			
<b>Total</b>	<b>13,786</b>	<b>Total</b>	<b>13,786</b>	<b>100%</b>	<b>Total</b>	<b>13,786</b>	<b>100%</b>

1) Including shares held by AB Sagax.

## Largest shareholders, 30 Sep 2019<sup>1)</sup>

	No. of shares				Percentage of	
	Class A shares	Class B shares	Class D shares	Preference shares	Share capital	Votes <sup>2)</sup>
David Mindus and companies	10,548,800	76,402,050	262,228	775	19.7%	26.7%
Rutger Arnhult and companies	5,723,170	34,763,194	4,401,254	3,017	10.1%	14.1%
Staffan Salén and companies	4,264,928	34,970,660	50,600	–	8.9%	11.4%
Third Swedish National Pension Fund	–	24,227,658	–	–	5.5%	3.5%
Länsförsäkringar Fonder	–	17,782,349	–	–	4.0%	2.6%
Fourth Swedish National Pension Fund	5,716	11,935,906	5,738,838	–	4.0%	2.6%
Avanza Pension	50,142	1,121,410	9,483,152	1,457,110	2.7%	1.8%
SEB Fonder	–	12,002,790	51,753	–	2.7%	1.8%
Erik Selin and companies	1,148,760	4,514,079	2,142,874	–	1.8%	2.7%
Swedbank Robur Fonder	500,000	6,750,301	190,216	–	1.7%	1.7%
Swedish Foundation for Strategic Research	–	–	5,576,376	–	1.3%	0.8%
Ilmarinen Mutual Pension Insurance Company	–	–	4,900,000	–	1.1%	0.7%
ICA-Handlarnas Förbund	–	–	4,505,000	–	1.0%	0.7%
Patrik Brummer and companies	–	–	166,666	3,500,000	0.8%	0.5%
Lars Ingvarsson and companies	100,000	3,346,410	200,000	–	0.8%	0.7%
Vanguard	–	–	2,925,680	506,465	0.8%	0.5%
Handelsbanken Fonder	–	3,371,924	–	–	0.8%	0.5%
Volvo Pensions Foundation	–	–	3,132,243	–	0.7%	0.5%
Second Swedish National Pension Fund	–	2,952,050	645	–	0.7%	0.4%
Filip Engelbert and companies	241,000	2,119,784	–	–	0.5%	0.7%
<b>Total 20 largest shareholders</b>	<b>22,582,516</b>	<b>236,260,565</b>	<b>43,727,525</b>	<b>5,467,367</b>	<b>69.4%</b>	<b>74.8%</b>
Other shareholders	4,251,028	53,897,302	64,072,475	11,316,661	30.1%	25.2%
<b>Sub-total</b>	<b>26,833,544</b>	<b>290,157,867</b>	<b>107,800,000</b>	<b>16,784,028</b>	<b>99.5%</b>	<b>100.0%</b>
Shares held by AB Sagax	–	2,000,000	–	–	0.5%	0.0%
<b>Total</b>	<b>26,833,544</b>	<b>292,157,867</b>	<b>107,800,000</b>	<b>16,784,028</b>	<b>100.0%</b>	<b>100.0%</b>
– of which, Board and employees	15,454,838	119,620,758	690,413	923	30.6%	40.2%

1) Ownership structure at 30 September 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 share capital
Class A shares	26,833,544	1.00	26,833,544	39%	6%
Class B shares	292,157,867	0.10	29,215,787	43%	66%
Class D shares	107,800,000	0.10	10,780,000	16%	24%
Preference shares	16,784,028	0.10	1,678,403	2%	4%
<b>Total</b>	<b>443,575,439</b>		<b>68,507,734</b>	<b>100%</b>	<b>100%</b>

# 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 authorised external appraisers to assess the market value of the majority of the properties as of 30 September 2019, see page 11. 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 in-

terest expenses from fixed-rate loans. To limit interest-rate risk for loans at floating interest rates, interest-rate swaps and interest-rate caps are used. Calculated on the existing funding terms for the Group's interest-bearing liabilities on 30 September 2019, a rise in market interest rates of 1 percentage point would have increased Sagax's annualised interest expenses by SEK 35 M (56). A reduction in market interest rates of 1 percentage point would have lowered Sagax's interest expenses by SEK 1 M (4) 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](http://www.sagax.se). A sensitivity analysis is presented below, showing the effects of a change in properties' occupancy rate on Sagax's interest coverage ratio. A sensitivity analysis is presented below, showing the effects of a change in the properties' market value on Sagax's debt ratio.

## CURRENCY RISKS

The amounts in the consolidated balance sheet are partly exposed to exchange-rate fluctuations, particularly for the EUR. Net exposure on 30 September 2019, assets less liabilities in EUR, amounted to SEK 5,120 M (4,977). In accordance with

### Sensitivity analysis for property values

	-20%	-10%	0%	+10%	+20%
Value change, SEK M	-6,365	-3,182	-	3,182	6,365
Debt ratio, %	54	49	45	41	38

### Sensitivity analysis for changes in the occupancy rate

	-10%	-5%	0%	+5%	+10%
Occupancy rate, %	86	91	96	100	N/A
Interest coverage ratio, %	437	463	489	515	N/A

### Sensitivity analysis for property values

	Change	Value change, SEK M
Yield requirement	+/- 0.25% points	-835/+886
Cost of capital	+/- 0.25% points	-739/+774
Rental revenue	+/- 5%	+1,186/-1,198
Property expenses	+/- 5%	-222/+214

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 carryforwards 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 30 September 2019<sup>1)</sup>

Amounts in SEK M	Change	Effect on profit from property management, annual basis	Effect on profit after tax, annual basis <sup>3)</sup>	Effect on equity <sup>3)</sup>
Economic occupancy rate	+/-1%	+/-26	+/-21	+/-21
Rental revenue	+/-1%	+/-26	+/-21	+/-21
Property expenses	+/-1%	-/+5	-/+4	-/+4
Interest expenses for liabilities in SEK including fixed-income derivatives	+/-1% point	-18/+6	-15/+5	-15/+5
Interest expenses for liabilities in EUR including fixed-income derivatives	+/-1% point	-17/-6	-14/-5	-14/-5
Interest expenses for liabilities in SEK excluding fixed-income derivatives	+/-1% point	-31/+19	-25/+16	-25/+16
Interest expenses for liabilities in EUR excluding fixed-income derivatives	+/-1% point	-25/+2	-20/+1	-20/+1
Change in SEK/EUR exchange rate <sup>2)</sup>	+/-10%	+/-115	+/-89	+/-512
Changed rent level for contract maturity in 2019	+/-10%	+/-9	+/-7	+/-7

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

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On 2 October, it was announced in a press release that Sagax's joint venture Söderport had divested ten properties for a total of SEK 214 M. These properties are situated in Filipstad, Kumla, Kungsör, Oskarshamn, Piteå and Sandviken and encompass a total lettable area of 64,600 square metres. The rental value amounts to SEK 34 M.

On 22 October, it was announced in a press release that Sagax has agreed the sale of eight properties in the region of Småland, Sweden for SEK 180 M to Fastighetsbolaget Emilshus AB (publ). Emilshus will issue new shares in payment. Emilshus is a property company focusing on commer-

cial properties in the Småland region. Sagax will own 25% of Emilshus. The transferred properties comprise a total lettable area of 47,000 square metres and are located in Aneby, Eksjö, Gnosjö, Nässjö, Sävsjö (2), Tranås and Vetlanda. The remaining average lease term is 6.4 years and the annual rental revenue amounts to SEK 15.3 M. The sale will take place in a corporate wrapper and the properties will be vacated in November. The properties were included in Sagax's financial reporting under the segment "Rest of Sweden." The transaction did not result in any realised changes in value.

## Accounting policies

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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 and as a corresponding liability. Sagax analysed the Group's leases and identified site leasehold agreements as the most material. On 1 January 2019, the value of the right-of-use asset for site leasehold agreements amounted to SEK 340 M. 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 property expenses but instead as a

financial expense. Lease expenses for other leases are distributed between depreciation and financial expense. 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 amount. 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, 24 October 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 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 24 October 2019 at 3:30 p.m. CEST.*

# Auditor's review report

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To the Board of Directors of AB Sagax, corporate identity number 556520-0028

## **INTRODUCTION**

We have reviewed the condensed interim report for AB Sagax as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## **SCOPE OF REVIEW**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 24 October, 2019

Ernst & Young AB

Oskar Wall  
Authorised Public Accountant



# Financial calendar

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Year-end Report 2019	7 February 2020
Interim Report January-March 2020	6 May 2020
Annual General Meeting 2020	6 May 2020
Interim Report January-June 2020	13 July 2020

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

### 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 <sup>1)</sup>	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 <sup>1)</sup>	3 April 2020

### June 2020

■ Final day for trading including dividend rights	26 June 2020
■ First day for trading excluding dividend rights	29 June 2020
■ Record date for dividend payment	30 June 2020
■ Expected payment date by Euroclear <sup>1)</sup>	3 July 2020

### September 2020

■ Final day for trading including dividend rights	25 September 2020
■ First day for trading excluding dividend rights	29 September 2020
■ Record date for dividend payment	30 September 2020
■ Expected payment date by Euroclear <sup>1)</sup>	5 October 2020

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

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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Visit us at [www.sagax.se](http://www.sagax.se).

# 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
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.
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.
Debt ratio	Interest-bearing liabilities at the end of the period as a percentage of total assets at the end of the period.	This key performance indicator shows financial risk.
Yield	Net operating income for the period (including property administration) 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.
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.
Equity per Class A and B share	Equity at the end of the period in relation to the number of Class A and B shares at the end of the period after taking into account equity attributable to Class D shares and preference shares.	The key performance indicator shows the owner's share of equity.
Equity per Class D share	Equity at the end of the period in relation to the number of common shares at the end of the period after taking into account equity attributable to preference shares. Equity is restricted to SEK 35.00 per Class D share.	The key performance indicator shows the owner's share of equity.
Equity per preference share	Equity per preference share corresponds to the preferential right of the preference share on liquidation of the company (SEK 30 per preference share) and the share's accumulated preferential right to dividends (SEK 2 per year).	The key performance indicator shows the owner's share of equity.
Economic occupancy rate	Contractual annual rent 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.
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.
Property	Pertains to properties held under title or site leasehold.	Not an alternative performance measure.
Profit from property management	Profit excluding changes in value and tax.	An indicator of the earnings generation in the operations, excluding changes in value.
Profit from property management per Class A and B share after dilution	Profit from property management for the period reduced by dividends on Class D shares and preference shares, divided by the average number of Class A and B shares after dilution.	An indicator of the earnings generation of the assets, excluding the changes in value accruing to holders of Class A and B shares.
Lease term	Remaining term of a lease.	The key performance indicator shows the risk of future vacancies.
Rental value	The contractual annual rent applicable 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.
IFRS	International Financial Reporting Standards. International Financial Reporting Standards (IFRS), to be applied for consolidated financial statements by listed companies within the EU.	Not an alternative performance measure.
Joint venture	Partnership form whereby several owners have a shared controlling influence.	Not an alternative performance measure.

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.
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.
Preference equity	Equity per preference share multiplied by the number of preference shares outstanding.	The key performance indicator shows equity attributable to preference shareholders.
Earnings per Class A and B share	Profit in relation to the average number of Class A and B shares after taking into account the portion of profit for the period represented by dividends on Class D shares and preference shares.	Not an alternative performance measure.
Earnings per Class D share	Class D shares are entitled to five times the total dividend on Class A and B shares, although not more than SEK 2.00 per share and year.	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.
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.
Interest-rate swaps	An agreement between two parties to swap interest rate conditions on loans in the same currency. The swap entails that one party exchanges its floating interest rate for a fixed rate, while the other party receives a fixed rate in exchange for a floating rate. The purpose of an interest-rate swap is to reduce interest-rate risk.	Not an alternative performance measure.
Interest coverage ratio	Profit from property management, excluding profit from joint ventures 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, EMTN programme	Profit from property management after reversal of financial expenses as a percentage of financial expenses.	The key performance indicator shows financial risk.
Equity/assets ratio	Equity in relation to total assets.	This key performance indicator shows financial risk.
STIBOR	STIBOR, or Stockholm Interbank Offered Rate, a daily reference rate based on the average of the interest rates at which banks offer to lend unsecured funds to other banks in SEK in the Swedish wholesale money market.	Not an alternative performance measure.
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.
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.
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.
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.
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.

The calculation of alternative performance measures is presented in the tables below.<sup>1)</sup>

Amounts in SEK M unless otherwise stated	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec	Amounts in SEK M unless otherwise stated	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
<b>Return on equity</b>				<b>Equity per Class A and B share</b>			
Profit after tax	2,582	2,398	3,166	Equity	17,892	14,491	15,416
Addition for translation to annual value	861	799	–	Equity attributable to preference and Class D shares	–4,302	–3,924	–4,104
Average equity	16,654	12,924	13,386	Adjusted equity attributable to Class A and B shares	13,590	10,567	11,312
Return on equity	21%	25%	24%	No. of shares	318,991,411	316,792,454	316,792,454
<b>Return on total capital</b>				No. of shares after dilution	319,380,698	317,002,080	317,083,788
Profit from property management	1,483	1,201	1,603	Equity per Class A and B share, SEK	42.61	33.36	35.70
Addition for translation to annual value	494	400	–	Equity per Class A and B share after dilution, SEK	42.55	33.34	35.67
Financial expenses	368	368	481	<b>Economic occupancy rate</b>			
Addition for translation to annual value	123	123	–	Contractual annual rent	2,650	2,302	2,374
Profit before financial expenses	2,468	2,092	2,084	Rental value	2,773	2,427	2,510
Average total capital	36,170	29,750	30,465	Economic occupancy rate	96%	95%	95%
Return on total capital	7%	7%	7%	<b>Profit from property management</b>			
<b>Occupancy rate by area</b>				Profit after tax	2,582	2,398	3,166
Contracted area, 000s of square metres	2,897	2,601	2,708	Tax	401	477	605
Total lettable area, 000s of square metres	3,021	2,728	2,850	Changes in value	–1,500	–1,674	–2,168
Occupancy rate by area	96%	95%	95%	Profit from property management	1,483	1,201	1,603
<b>Debt ratio</b>				<b>Profit from property management per Class A and B share after dilution</b>			
Interest-bearing liabilities	17,288	15,231	15,763	Profit from property management	1,483	1,201	1,603
Total assets	38,649	32,259	33,690	Dividends attributable to preference and Class D shares	–187	–171	–237
Debt ratio	45%	47%	47%	Adjusted profit from property management	1,296	1,030	1,367
<b>Yield</b>				Profit from property management per Class A and B share after dilution, SEK	4.08	3.25	4.31
Net operating income	1,597	1,382	1,869	<b>Lease term</b>			
Add-back of site leasehold fees	–18	–	–	Contractual future rental revenue	14,452	13,945	14,251
Addition for translation to annual value	532	461	–	Contractual annual rent	2,650	2,302	2,374
Holding adjustment, acquisitions/divestments	23	52	91	Lease term, years	5.5	6.1	6.0
Currency translation to closing rate	19	6	2	<b>Cash flow per Class A and B share</b>			
Adjusted net operating income	2,153	1,901	1,962	Profit before tax	2,874	2,782	3,611
Carrying amount of properties	31,825	27,845	29,024	Items not affecting cash flow	–1,431	–1,542	–2,035
Yield	6.8%	6.8%	6.8%	Tax paid	–72	–66	–87
<b>EBITDA rolling 12 months</b>				Dividends attributable to preference and Class D shares	–187	–171	–237
Net operating income	2,084	1,794	1,869	Cash flow	1,184	1,003	1,252
Central administration	–132	–102	–132				
Dividends from joint ventures	264	254	254				
EBITDA	2,216	1,946	1,991				

1) Comparative figures have been adjusted for the bonus issue of Class A and B shares in 2019, by multiplying the number of shares by 2. The terms of the bonus issue were 1 Class A and 1 Class B share for each Class A and Class B share. The record date for the bonus issue was 3 June 2019.

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

Amounts in SEK M unless otherwise stated	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec	Amounts in SEK M unless otherwise stated	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Cash flow per Class A and B share after dilution, SEK	3.72	3.17	3.95	<b>Interest coverage ratio, EMTN programme</b>			
<b>Net debt</b>				Profit from property management	1,483	1,201	1,603
Interest-bearing liabilities	17,288	15,231	15,763	Financial expenses	368	368	481
Interest-bearing assets	-9	-7	-6	Profit from property management before financial expenses	1,851	1,569	2,084
Cash and cash equivalents and listed shares	-1,461	-1,007	-945	Interest coverage ratio	5.0x	4.3x	4.3x
Net debt	15,351	14,217	14,812	<b>Equity/assets ratio</b>			
<b>Net debt/EBITDA</b>				Equity	17,892	14,491	15,416
Net debt	15,351	14,217	14,812	Total assets	38,649	32,259	33,690
EBITDA rolling 12 months	2,216	1,946	1,991	Equity/assets ratio	46%	45%	46%
Net debt/EBITDA	6.9x	7.3x	7.4x	<b>Net asset value</b>			
<b>Net debt/Total assets</b>				Equity	17,892	14,491	15,416
Net debt	15,351	14,217	14,812	Equity attributable to preference and Class D shares	-4,302	-3,924	-4,104
Total assets	38,649	32,259	33,690	Reversal of derivatives	159	113	117
Net debt/Total assets	40%	44%	44%	Reversal of deferred tax, temporary differences	2,082	1,843	1,967
<b>Preference equity</b>				Reversals attributable to joint ventures	714	616	627
Equity per preference share, SEK	31.50	31.50	32.00	Net asset value	16,545	13,139	14,023
Number of preference shares outstanding	16,784,028	16,784,028	16,784,028	Net asset value per Class A and B share after dilution, SEK	51.80	41.44	44.23
Preference equity	529	529	537	<b>Secured liabilities/total assets</b>			
<b>Earnings per Class A and B share<sup>1)</sup></b>				Secured liabilities	5,697	5,334	7,045
Profit after tax	2,582	2,398	3,166	Total assets	38,649	32,259	33,690
Dividends attributable to preference and Class D shares	-187	-171	-237	Secured liabilities/total assets	15%	17%	21%
Adjusted profit after tax	2,395	2,227	2,929	<b>Surplus ratio</b>			
Earnings per Class A and B share after dilution, SEK	7.53	7.03	9.24	Net operating income	2,084	1,794	1,869
<b>Interest coverage ratio</b>				Rental revenue	2,509	2,154	2,247
Profit from property management	1,483	1,201	1,603	Surplus ratio	83%	83%	83%
Add-back of profit from property management JV	-314	-234	-312				
Dividends from JV	264	254	254				
Financial expenses	368	368	481				
Corrected profit from property management before financial expenses	1,801	1,589	2,026				
Interest coverage ratio	4.9x	4.3x	4.2x				

1) Not an alternative performance measure.

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 30 September 2019 amounted to 3,021,000 square metres, distributed between 539 properties.

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

More information is available at [www.sagax.se](http://www.sagax.se).

# AB | SAGAX

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