

YEAR-END REPORT 2019

AB | SAGAX

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

Year-end Report 2019

2019 FISCAL YEAR

- Rental revenue increased 15% to SEK 2,581 M (SEK 2,247 M for the preceding year).
- Profit from property management increased 25% to SEK 2,001 M (1,603).
- Profit from property management per Class A and B share after dilution rose 28% to SEK 5.51 (4.31).
- In total, property revaluation affected profit by SEK 1,956 M (1,878).
- Revaluation of financial instruments impacted profit by a total of SEK 884 M (289).
- Profit after tax for the year was SEK 4,111 M (3,166).
- Cash flow from operating activities before changes in working capital rose 20% to SEK 1,795 M (1,490), corresponding to SEK 4.86 (3.95) per Class A and B share after dilution.
- Net investments amounted to SEK 2,090 M (3,437), of which property acquisitions accounted for SEK 2,836 M (3,026).
- The Board of Directors proposes that the ordinary dividend per Class A and B share be raised to SEK 1.30 (1.00). The Board also proposes a dividend of SEK 2.00 per Class D and preference share through a quarterly payment of SEK 0.50. The dividend is in accordance with the company's dividend policy and corresponds to 33.0% (34.6) of profit from property management. In addition, a distribution in kind of shares in Torslanda Property Investment AB (publ) to Sagax's holders of Class A and Class B common shares is proposed. It is proposed that every 30 Class A or Class B common shares carry the right to receive one (1) share in Torlanda Property Investment AB (publ) following a 10:1 split of the TPI share.

FOURTH QUARTER OF 2019

- Rental revenue rose 12% to SEK 663 M (591).
- Profit from property management increased 29% to SEK 518 M (403).
- Profit from property management per Class A and B share after dilution rose 31% to SEK 1.43 (1.09).
- In total, property revaluation affected profit by SEK 1,148 M (479).
- Revaluation of financial instruments impacted profit by a total of SEK 192 M (13).
- Profit after tax for the period was SEK 1,529 M (767).
- Cash flow from operating activities before changes in working capital amounted to SEK 426 M (316), corresponding to SEK 1.14 (0.81) per Class A and B share after dilution.
- Net investments amounted to SEK 593 M (994), of which property acquisitions accounted for SEK 921 M (776).

FORECAST FOR 2020

Profit from property management for 2020, meaning profit before revaluations and tax, based on the current property portfolio and announced acquisitions and divestments and current exchange rates, is expected to amount to SEK 2,250 M. Sagax announced in a press release on 24 January 2020 that the company has entered into a conditional agreement to acquire 37 properties in Spain for an amount corresponding to SEK 1,560 M. The terms and conditions for the acquisition have not yet been fulfilled and accordingly the investment is not included in the forecast above.

Selected key performance indicators

	2019 Jan-Dec	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 ¹⁾	5.51	4.31	3.70	2.98	2.45	1.87
Change compared with preceding year, %	28	16	24	22	31	37
Earnings per Class A and B share after dilution, SEK ¹⁾	12.13	9.24	8.85	7.25	4.93	2.03
Dividend per Class A and B share, SEK (2019 proposed) ¹⁾	1.30	1.00	0.90	0.72	0.58	0.40
Net debt/EBITDA, multiple	6.6	7.4	8.1	8.7	9.3	8.8
Interest coverage ratio, multiple	4.9	4.2	3.7	3.4	2.9	2.6
Debt ratio, %	44	47	50	54	59	59
Properties' market value, SEK M	32,625	29,024	23,771	20,628	16,189	13,428
Property yield, %	6.4	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 fourth quarter, Sagax acquired a property outside Eindhoven. The property encompasses 9,500 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

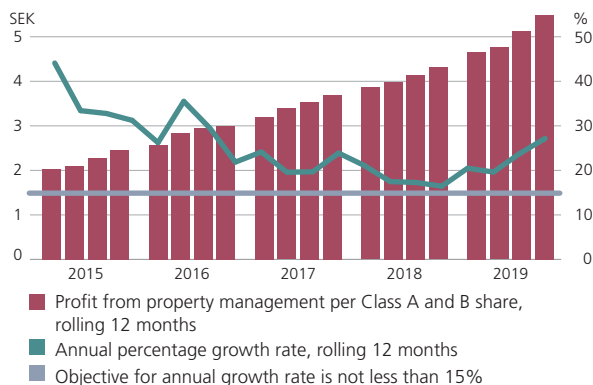
Sagax's financial structure is designed with a clear focus on operating cash flow and interest coverage ratio. This is expected to create both excellent prerequisites for expansion and an attractive return on equity. The charts on page 3 show Sagax's profit from property management and cash flow from 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.

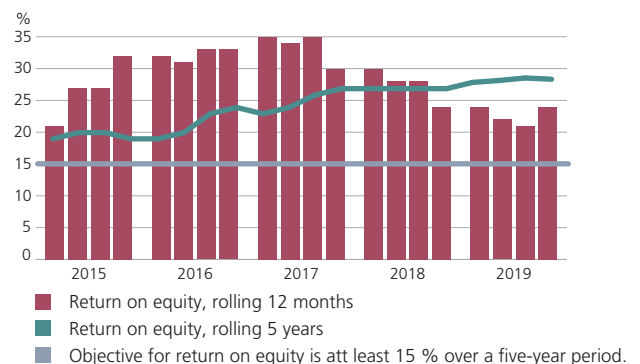
Financial targets

	Outcome rolling 12 months	Five-year average
Return on equity, measured over a five-year period, should not fall below 15% per year	24%	29%
Profit from property management per Class A and B share should increase by a minimum of 15% per year	28%	25%

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.

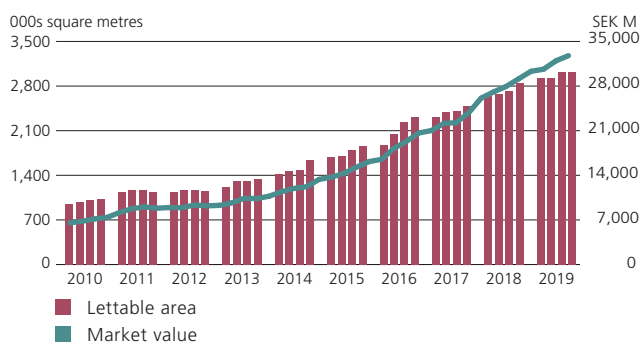
SUSTAINABILITY ACTIVITIES

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.

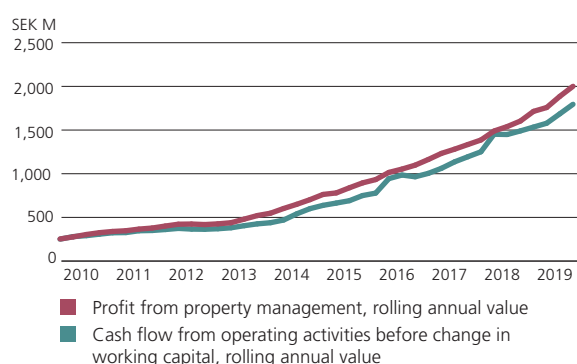
The negative externalities of management primarily comprise the environmental impact from heating premises. As in previous years, it is intended that the carbon footprint of the Sagax organisation, calculated at 252 tonnes of carbon dioxide for 2018, will be compensated.

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 December 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 25% to 2,001 M (1,603), of which joint ventures and associated companies accounted for SEK 441 M (312). 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 28% to SEK 5.51 (4.31).

Changes in the value of properties increased profit by SEK 1,956 M (1,878), of which the revaluation of joint ventures accounted for SEK 695 M (635).

The revaluation of financial instruments had an impact of SEK 884 M (289) on profit. The revaluation of listed shares

resulted in an unrealised change in value of SEK 594 M (109). The revaluation of financial instruments attributable to joint ventures amounted to SEK 305 M (76) pursuant to IFRS 9, while fixed-income derivatives accounted for SEK -15 M (103).

Profit after tax for the period was SEK 4,111 M (3,166).

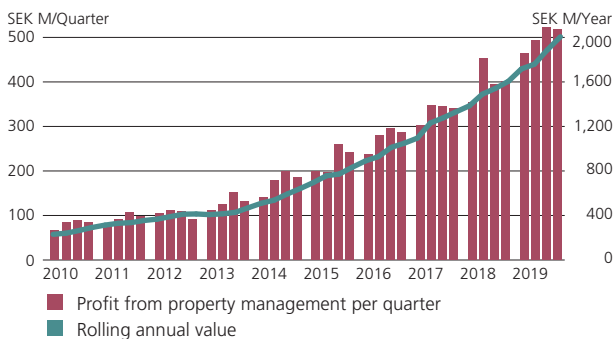
REVENUE

Rental revenue rose 15% to SEK 2,581 M (2,247). Revenue was primarily positively affected by property acquisitions.

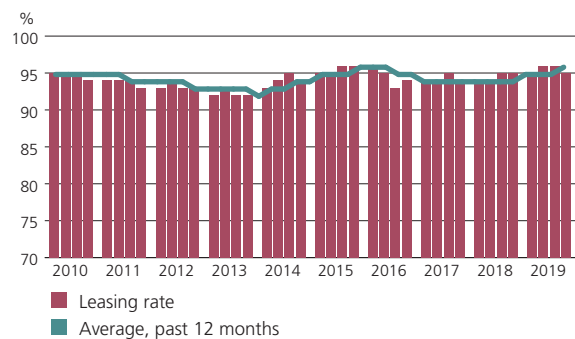
Other revenue of SEK 27 M (30) primarily comprised compensation from tenants who prematurely vacated premises, damages due to inadequate maintenance and insurance compensation.

During the period, rental revenue in comparable portfolios increased 3.3% excluding currency effects. The largest increase was found in the market segments of Stockholm (5.9%) and the Netherlands (4.4%), mainly due to lower vacancies. Other market segments reported minor revenue increases (an average of 1.6%) in the existing portfolio.

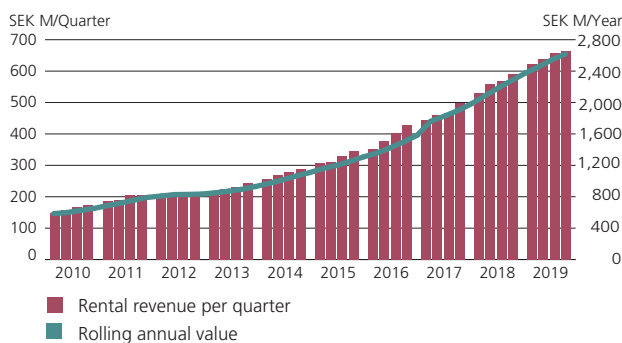
Profit from property management



Economic leasing rate



Rental revenue



CHANGE IN THE ECONOMIC OCCUPANCY RATE

The economic occupancy rate amounted to 95% (95). During the period, the vacancy value rose SEK 93 M (89) due to tenants vacating premises and declined SEK 98 M (86) due to new lettings. Discounts provided on a fixed-term basis amounted to SEK 22 M (19) on an annual basis at the end of the period. A change of market rent for vacant premises in Finland reduced the vacancy value by SEK 14 M and is an adjustment to the Group-wide calculation criteria.

In total, the closing vacancy value increased SEK 3 M (10) during the period to SEK 135 M (132).

FUTURE VACANCY CHANGES

Notice of termination had been served for leases with a rental value of SEK 85 M (49) at the end of the period, of which notice of vacating the premises accounted for SEK 81 M (44) and notice of renegotiation of the premises for SEK 4 M (5). Of the leases for which notice had been received, vacancies corresponding to SEK 29 M will occur in 2020. 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 14 M (29).

The adjusted closing vacancy value was SEK 205 M (152), a net increase of SEK 53 M since year end. The change was due to the vacancy value for lettings that have not yet been occupied declining SEK 15 M in parallel with the vacancy value for terminated leases increasing SEK 37 M.

PROPERTY EXPENSES

Operating and maintenance costs rose to a total of SEK 306 M (256). Expenses for property tax increased to SEK 121 M (93). Site leasehold fees of SEK 24 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. In the preceding year, site leasehold fees were recognised as property expenses and amounted to SEK 22 M. Other property expenses increased to SEK 47 M (37). All expense increases were primarily due to property acquisitions.

CENTRAL ADMINISTRATION

Costs for the Group's central administration amounted to SEK 122 M (132), corresponding to 4.7% (5.9) of the Group's rental revenue.

Vacancy changes

Amounts in SEK M	2019 Jan-Dec	2018 Jan-Dec
Opening vacancy for each year	132	122
Vacancies	93	89
New lettings	-98	-86
Change in discounts provided	4	2
Vacancy value, acquired properties	23	6
Vacancy value, sold properties	-7	-5
Adjustment of vacancy value	-14	-
Change in exchange rates	1	4
Closing vacancy value	135	132
Terminated for renegotiation	4	5
Terminated lease, not vacated	81	44
Letting, not occupied	-14	-29
Adjusted closing vacancy value	205	152

Leases terminated for vacancy

Year of vacancy	No. of leases	Rental value, SEK M
2020	56	29
2021	10	38
2022	4	13
2024	1	1
>2024	1	1
Total	72	81

Vacancies on 1 January 2020

Area	Rental value, SEK M	Vacancy value, SEK M ¹⁾	Economic vacancy rate ¹⁾	Lettable area, sqm	Vacant area, sqm	Vacancy rate by area
Stockholm	685	43	6%	629,000	37,000	6%
Helsinki	613	42	7%	580,000	50,000	9%
Finland, university cities	321	10	3%	345,000	13,000	4%
Paris	282	14	5%	275,000	13,000	5%
Netherlands	264	10	4%	321,000	6,000	2%
Rest of Sweden	146	-	-	261,000	-	-
Rest of Finland	223	3	1%	328,000	10,000	2%
Rest of Europe	201	12	6%	284,000	26,000	9%
Total	2,735	135	5%	3,022,000	153,000	5%

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

At the end of the period, the Group had 69 (59) 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	6
Spain	3
Total	69

PROFIT FROM JOINT VENTURES AND ASSOCIATED COMPANIES

Profit for the period from joint ventures and associated companies amounted to SEK 917 M (830), of which profit from property management accounted for SEK 441 M (312), changes in the value of fixed-income derivatives for SEK –5 M (42) and changes in the value of properties for SEK 695 M (635). Profit was charged with of SEK 214 M (160) in tax. Refer also to page 11 for more information.

NET FINANCIAL ITEMS

Interest-bearing liabilities increased to SEK 17,519 M (15,763) due to financing of property acquisitions.

Financial expenses declined to SEK 470 M (481) due to a lower average interest rate, despite higher interest-bearing liabilities, nonrecurring expenses for premature redemption of bonds of SEK 30 M as well as site leasehold fees of SEK 24 M charged to net financial items from 2019 according to IFRS 16. The company's average interest rate on 31 December 2019 was 1.9% (2.2). For more information about funding at Sagax, see page 12.

Financial income of SEK 20 M (35) primarily pertained to dividends received from listed shares.

REVALUATION OF PROPERTIES

The value growth for the properties amounted to SEK 1,261 M (1,243), of which unrealised changes in value amounted to SEK 1,301 M (1,265) excluding currency effects. The change in the market value of the property portfolio is also described on page 10.

New lettings and renegotiations of leases increased the market value of the properties by SEK 674 M (677). Vacancies and renegotiations reduced the value by SEK 337 M (216). The general change in market value for the company's properties amounted to SEK 965 M (804).

Unrealised changes in value

Amounts in SEK M	Jan–Dec 2019
New lettings/Renegotiations	674
Vacancies/Renegotiations	–337
General change in market value	965
Total	1,301

Realised changes in the value of properties amounted to SEK –40 M (–22) for the period.

REVALUATION OF FINANCIAL INSTRUMENTS

The change in the value of financial instruments amounted to SEK 884 M (289), of which SEK –5 M (42) referred to joint ventures.

The change in value attributable to fixed-income derivatives amounted to SEK –15 M (103), of which –5 M (42) referred to joint ventures.

Revaluation of listed shares resulted in an unrealised change in value of SEK 594 M (97). No shares were sold during the period.

The revaluation of financial instruments attributable to joint ventures amounted to SEK 305 M (76) in accordance with IFRS 9.

TAX

Sagax recognised a current tax expense of SEK 100 M (10). The deferred tax expense amounted to SEK 416 M (435). The Group's deferred tax liabilities at the end of the period amounted to SEK 2,018 M (1,599).

CASH FLOW

Cash flow from operating activities before changes in working capital amounted to SEK 1,795 M (1,490). Changes in working capital had a positive impact of SEK 16 M (100) on cash flow. Investing activities had an impact of SEK –3,051 M (–3,771) on cash flow, while cash flow from financing activities contributed SEK 1,252 M (2,195) to Sagax. In total, cash and cash equivalents rose SEK 13 M (13) during the period. See page 16 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 amounted to SEK 55 M (46). The Parent Company's income statement and balance sheet are shown on page 20.

Forecast and current earnings capacity

FORECAST FOR 2020

Profit from property management for 2020, meaning profit before revaluations and tax, based on the current property portfolio and announced acquisitions and divestments and current exchange rates, is expected to amount to SEK 2,250 M. Sagax announced in a press release on 24 January 2020 that the company has entered into a conditional agreement to acquire 37 properties in Spain for an amount corresponding to SEK 1,560 M. The terms and conditions for the acquisition have not yet been fulfilled and accordingly the investment is not included in the forecast above.

CURRENT EARNINGS CAPACITY

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

The table below shows earnings capacity on a 12-month basis at 1 January 2020. 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.

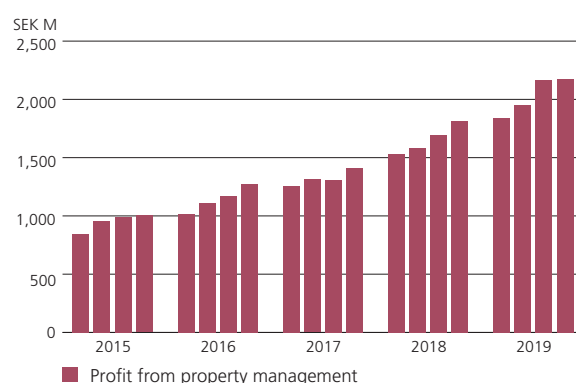
Current earnings capacity

Amounts in SEK M	1 Jan 2020	1 Jan 2019
Rental value	2,735	2,510
Vacancy	-135	-132
Rental revenue	2,600	2,378
Property expenses	-466	-395
Net operating income	2,134	1,983
Central administration	-122	-132
Joint ventures and associated companies	539	372
Net financial items	-352	-387
Lease expenses	-22	-20
Profit from property management	2,178	1,816
Tax	-414	-400
Profit after tax	1,764	1,416
– 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	1,515	1,178

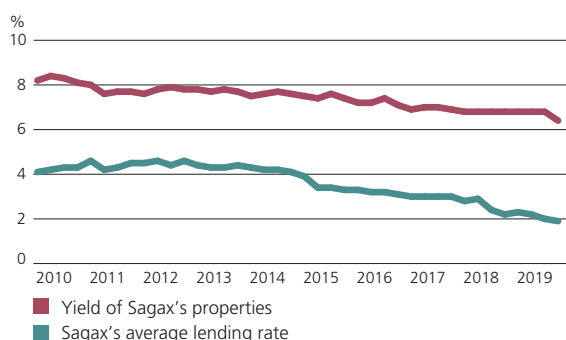
The rental value is based on contractual rental revenue on an annual basis, with supplements for estimated market rents for vacant premises. Property expenses are based on actual outcomes over the past 12 months adjusted for the holding period, less expenses for site leasehold fees. Central administration 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.

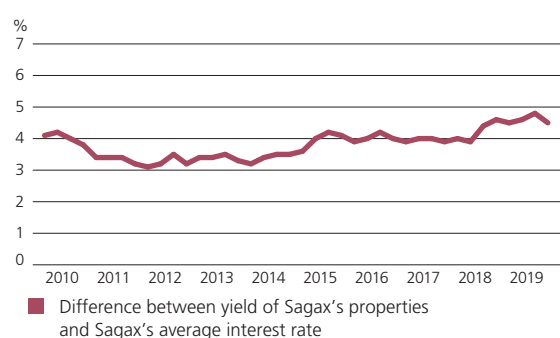
Current earnings capacity before tax



Yield and lending rate



Difference between yield and lending rate



Property portfolio

At 31 December 2019, the property portfolio comprised 553 (512) properties with a lettable area of 3,022,000 square metres (2,850,000). At the end of the period, the total rental value and contractual annual rent amounted to SEK 2,735 M (2,510) and SEK 2,600 M (2,378), respectively. This corresponds to an economic occupancy rate of 95% (95).

INVESTMENTS

During the period, Sagax invested SEK 3,544 M (3,482), of which property acquisitions accounted for SEK 2,836 M (3,026).

A total of 84 properties were acquired with a total lettable area of 357,000 square metres. The largest investment was Pieter Zeemansweg 17 in Dordrecht with a lettable area of 23,300 square metres.

A total of SEK 707 M (456) was invested in the existing property portfolio. SEK 140 M of the investments for the period were made against rent supplements, SEK 71 M was invested in conjunction with new lettings, SEK 357 M in conjunction with new production and SEK 129 M pertained to property maintenance.

The Group has agreed to acquire a property in Sweden, one property in Finland, 16 properties in Spain and 22 properties

in France for which possession will be taken in the first quarter of 2020. The total investment will amount to SEK 936 M. Refer also to events after the end of the period on page 27.

In addition, Sagax invested SEK 480 M in the french property company Groupe BMG through a convertible loan. BMG owns and manages 261 properties with a market value of SEK 7.8 billion. The term of the loan is five years and the interest rate is 7.2%. Sagax has a right but not an obligation to convert the loan to shares at the earliest after three years. Refer to press release no. 39, 2019

DIVESTMENTS

During the period, 44 properties with a total lettable area of 150,000 square metres were divested for a total of SEK 1,453 M, of which six to Sagax's joint venture Söderport for a total of SEK 668 M. Agreements were signed for the sale of one property in Sweden and two properties in Finland for a total of SEK 292 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 6.4% (6.8).

Summary of property portfolio, 1 January 2020

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	629,000	37,000	9,840	15,600	685	25%	94%	641	24%
Helsinki	71	580,000	50,000	6,708	11,600	613	22%	93%	571	23%
Finland, university cities	67	345,000	13,000	3,148	9,100	321	12%	97%	311	12%
Paris	60	275,000	13,000	2,919	10,600	282	10%	95%	269	10%
Netherlands	55	321,000	6,000	2,982	9,300	264	10%	96%	254	10%
Rest of Sweden	30	261,000	–	1,828	7,000	146	5%	100%	146	6%
Rest of Finland	137	328,000	10,000	2,634	8,000	223	8%	99%	220	8%
Rest of Europe	57	284,000	26,000	2,565	9,000	201	7%	94%	189	7%
Total	553	3,022,000	153,000	32,625	10,800	2,735	100%	95%	2,600	100%

Property investments January-December 2019

Amounts in SEK M	Property acquisitions	Existing portfolio	Total	Share of total investments	Divestments	Net investments
Stockholm	27	302	328	9%	–672	–343
Helsinki	53	206	260	7%	–43	217
Finland, university cities	309	23	332	9%	–4	327
Paris	674	125	799	23%	–117	682
Netherlands	859	16	874	25%	–	874
Rest of Sweden	–	2	2	0%	–583	–581
Rest of Finland	43	31	74	2%	–25	49
Rest of Europe	871	3	874	25%	–10	865
Total	2,836	707	3,544	100%	–1,453	2,090

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 1,724 leases (1,545), with about 1,200 tenants (1,000). 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 1,715 leases (1,536) 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% (82) of Sagax's contractual annual rent. In addition, Sagax is party to six leases (six) with a rental value corresponding to 1–2% of the Group's contractual annual rent. Combined, these leases total 9% (9) of Sagax's contractual annual rent. Only three (three) of Sagax's leases had an

annual rental value that accounted for more than 2% of the Group's rental revenue. These leases together represented 8% (8) of the Group's contractual annual rent.

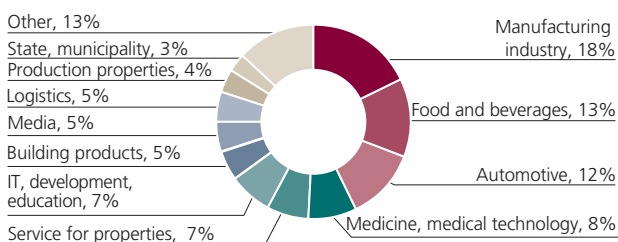
Sagax's tenants operate in a variety of industries. 18% (19) of the contractual rental revenue comes from tenants in the manufacturing industry, 13% (12) from companies with food-related operations and 12% (12) in the automotive industry, including sales, service and manufacturing. Diverse tenant industries 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 52% of the contractual annual rent expire in or after 2024. 10–14% of contractual annual rent expires every year between 2020 and 2023.

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%	201	8%	3	67	12
1–2 %	236	9%	6	39	6
<1%	2,164	83%	1,715	1	5
Total	2,600	100%	1,724	2	6

Industry exposure



Lease terms

Year of expiry	Area, sqm	Contractual annual rent	
		SEK M	Share
2020	308,000	318	12%
2021	402,000	328	12%
2022	358,000	361	14%
2023	277,000	259	10%
2024	258,000	251	10%
>2024	1,266,000	1,084	42%
Total	2,869,000	2,600	100%

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 31 December 2019, the total market value of Sagax's 553 properties (512) was SEK 32,625 M (29,024). The depreciation of the SEK against the EUR during the period led to property values abroad increasing SEK 209 M (551).

The recognised unrealised change in value amounted to SEK 1,301 M (1,265) for the period. Refer also to the table "Unrealised changes in value" on page 6.

VALUATION METHOD AND IMPLEMENTATION

The valuations were carried out in accordance with generally accepted international valuation methods. As of 31 December 2019, 97% valuation objects were valued separately by authorised property appraisers from independent valuation companies.

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 (4.5–14.0%) are based on analyses of transactions carried out and on individual assessments of the risk level and market position of each property.

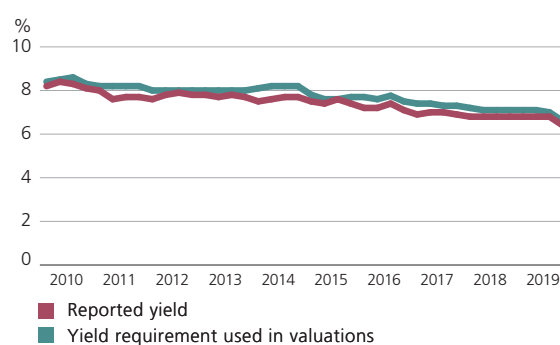
The weighted cost of capital for the present value calculation of cash flows and residual values for the property portfolio was 7.8% (7.9) and 8.1% (8.4), respectively. The weighted yield requirement was 6.6% (7.1) at 31 December 2019. By comparison, the yield reported by Sagax for the period was 6.4% (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 25.

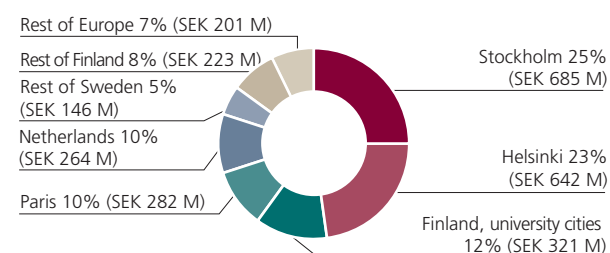
Change in carrying amount of properties

	SEK M	Number
Property portfolio, 31 December 2018	29,024	512
Acquisition of properties	2,836	84
Investments in the current portfolio	707	
Property sales	-1,453	-44
Subdivisions, property	-	1
Translation effect, currencies	209	
Unrealised changes in value	1,301	
Property portfolio, 31 December 2019	32,625	553

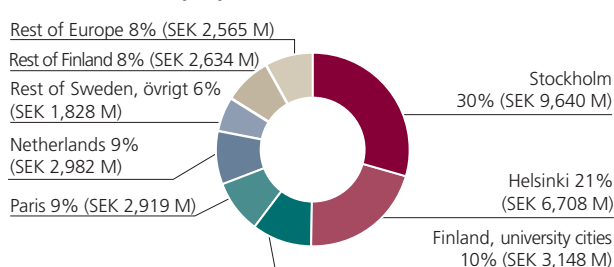
Yield compared with yield requirement



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 441 M (312) to profit from property management during the period. Sagax's share of changes in the value of properties amounted to SEK 695 M (635) and the share of changes in the value of fixed-income derivatives was SEK -5 M (42) for the period. The total value of the commitment related to ownership of joint ventures and associated companies amounted to SEK 5,693 M (3,286).

Sagax owns 50% of Söderport Holding AB, with the remaining share owned by the Nyfosa Group. Via Hemsö Intressecenter AB, Sagax indirectly owns 15% of Hemsö Fastighets AB, with the remaining share owned by the Third Swedish National Pension Fund. In addition, Sagax owns 25% of Emilshus Fastigheter AB, and 20% of the votes and 14% of the capital in NP3 Fastigheter AB.

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 68% of Söderport's rental value of SEK 835 M was located in Stockholm on 31 December 2019. Söderport's economic vacancies amounted to SEK 33 M (26) at the end of the period, corresponding to a vacancy rate of 4% (4). Of the economic vacancies, SEK 9 M (6) comprised fixed-term rent discounts provided for new lettings. At the end of the period, Stockholm accounted for 94% of the economic vacancies.

During the period, 18 properties were acquired in Stockholm and one in Gothenburg for a total 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.

Söderport divested ten properties with a total lettable area of 64,600 square metres to Nyfosa during period and six

properties with a total lettable area of 145,000 square metres in Torslanda to Torslanda Property Investment AB (TPI). The rental value is SEK 170 M. TPI paid 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 increased from 28.6% to 78.4% and TPI is included as a subsidiary in Söderport's consolidated financial statements.

HEMSÖ INTRESSECENTER AB

Hemsö Fastighets AB conducts operations in Sweden, Germany and Finland. Operations consist of owning, managing and developing public properties. The property portfolio comprised 370 properties with a total property value of SEK 55 billion at 31 December 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. NP3 Fastigheter AB is listed on Nasdaq Stockholm, Mid Cap. More information on NP3 Fastigheter AB is available on the company's website, np3fastigheter.se.

EMILSHUS FASTIGHETER AB

Emilshus acquires, develops and manages commercial properties in Småland. The property portfolio is situated in growth regions, with a keen focus on local presence and close partnership with tenants. The property portfolio encompassed 43 properties at 31 December 2019. More information on Emilshus Fastigheter AB is available on the company's website, emilshus.com.

Sagax's joint ventures

	Söderport		Hemsö	
	2019 Jan – Dec	2018 Jan – Dec	2019 Jan – Dec	2018 Jan – Dec
Sagax's participating interest, %	50	50	15	15
Rental value, SEK M	835	674	3,195	2,808
Rental revenue, SEK M	708	585	3,027	2,607
Profit from property management, SEK M	384	285	1,760	1,439
Profit for the period, SEK M	929	854	3,111	3,092
Sagax's share of profit from property management, SEK M	192	142	218	170
	2019 31 Dec	2018 31 Dec	2019 31 Dec	2018 31 Dec
No. of properties	80	70	370	365
Carrying amount of properties, SEK M	10,853	7,683	55,027	46,236
Lettable area, sqm	761,000	686,000	1,884,000	1,732,000
Lease term, years	4.6	5.0	9.9	9.7
Economic vacancy rate, %	4	4	2	2
Interest-bearing liabilities, SEK M	5,828	3,907	35,542	29,729
Loan maturity, years	4.5	1.5	7.4	7.9
Fixed interest, years	3.1	3.2	6.4	5.9
Market value of fixed-income derivatives, SEK M	-208	-222	-211	-281
Carrying amount of Sagax's participation, SEK M	1,804	1,513	1,821	1,324

Funding

EQUITY

Consolidated equity amounted to SEK 19,257 M (15,416) at 31 December 2019. Changes in equity during the period were attributable to comprehensive income for the period of SEK 4,201 M, a new issue of common shares totalling SEK 206 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 17,519 M (15,763). An amount corresponding to SEK 13,557 M (10,355) of liabilities was recognised in EUR.

Net debt amounted to SEK 15,232 M (14,812). Gross interest-bearing debt to banks totalled SEK 4,257 M (5,540). The remaining gross interest-bearing debt comprised listed bond loans of SEK 12,070 M (8,718) and commercial paper of SEK 1,192 M (1,505). The main covenants for bond loans are presented on page 13.

At 31 December 2019, secured liabilities comprised 14% (21) of the total assets. Unsecured liabilities corresponded to 30% (26) 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 year amounted to 44% (47) and the interest coverage ratio to 492% (433). Interest-bearing net debt for the past 12 months has averaged 6.6 (7.4) times EBITDA; see chart below.

A total of SEK 7,366 M (8,538) in loans was raised, of which SEK 5,031 M in the form of bond loans under the framework of Sagax's EMTN programme. Repayments during the period totalled SEK 5,734 M (6,707). Exchange-rate fluctuations increased interest-bearing liabilities by SEK 124 M (241).

Allocated borrowing costs of SEK 82 M (80) reduced interest-bearing liabilities in the balance sheet. Interest-bearing liabilities of SEK 17,437 M (15,683) were recognised. The average remaining fixed-interest and loan maturity terms were 3.5 years (3.0) and 3.8 years (3.6), respectively, at year end. The average interest rate on the company's interest-bearing liabilities was 1.9% (2.2), including the effect of derivatives. The average interest rate decreased as a consequence of new borrowing at lower interest rates, repayment of loans with

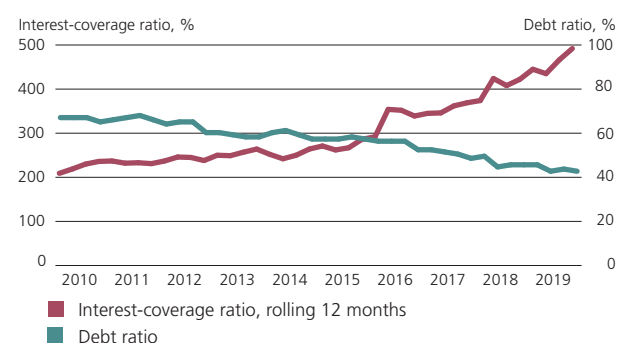
Fixed-interest period and loan maturity, 31 December 2019

Year of expiry	Fixed interest			Loan maturity		Interest-rate swaps	
	SEK M	Interest rate	Share	SEK M	Share	SEK M	Interest rate
2020	1,932	1.6%	11%	123	1%	–	–
2021	1,299	1.6%	7%	1,796	10%	–	–
2022	1,271	1.9%	7%	1,250	7%	471	0.7%
2023	2,488	1.8%	14%	4,879	28%	710	0.9%
2024	224	1.6%	1%	5,217	30%	–	–
>2024	10,305	2.1%	59%	4,254	24%	829	2.2%
Total/average	17,519	1.9%	100%	17,519	100%	2,009	1.4%

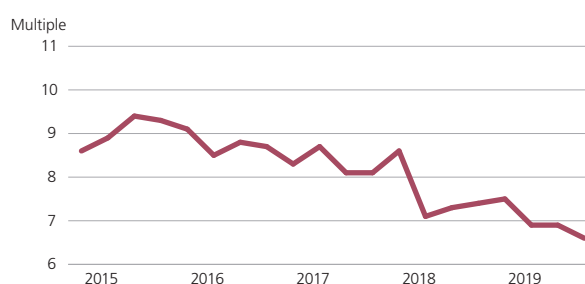
Net debt

Amounts in SEK M	31 Dec 2019	31 Dec 2018
Interest-bearing liabilities	17,519	15,763
Interest-bearing assets	–511	–6
Cash and cash equivalents	–86	–73
Listed shares	–1,690	–872
Net debt	15,232	14,812

Debt ratio and interest-coverage ratio



Net debt/EBITDA, rolling 12 month



higher interest rates and early redemption of interest-rate swaps. Sagax prematurely redeemed four bond loans during the period.

Sagax has SEK 9,720 M (5,138) in loans at fixed interest rates. The company has interest-rate caps and interest-rate swaps with a total nominal value of SEK 6,261 M (6,198), of which interest-rate swaps with an average interest rate of 1.4% (1.5) accounted for SEK 2,009 M (2,471).

WORKING CAPITAL AND LIQUIDITY

Sagax's working capital, excluding prepaid rental revenue and including listed shares, amounted to SEK 140 M (-1,059) at 31 December 2019. At the same date, unutilised credit facilities amounted to SEK 3,652 M (3,392). No additional collateral needs to be pledged to utilise these credit facilities.

Listed bond loans, 31 December 2019

Maturity	SEK M	Current interest	Interest terms	Maturity date	ISIN code
2017-2021	600	2.40%	Stibor 3M+2.25%	1 Feb 2021	SE0010636274
2017-2022	1,250	2.30%	Stibor 3M+2.15%	15 Feb 2022	SE0010324228
2019-2023	500	1.05%	Stibor 3M+0.90%	16 Jun 2023	XS2093119175
2019-2023 ¹⁾	250	1.13%	1.13%	16 Jun 2023	XS2093119845
Total/average	2,600	1.97%			

Maturity	EUR M	Current interest	Interest terms	Maturity date	ISIN code
2018-2024 ¹⁾	500	2.00%	2.00%	17 Jan 2024	XS1877540465
2019-2025 ¹⁾	300	2.25%	2.25%	13 Mar 2025	XS1962543820
2019-2025 ¹⁾	108 ²⁾	0.87%	2.25% ³⁾	13 Mar 2025	XS1962543820
Total/average	908	1.95%			

1) Fixed-rate loans

2) The nominal value is EUR 100 M.

3) Coupon rate.

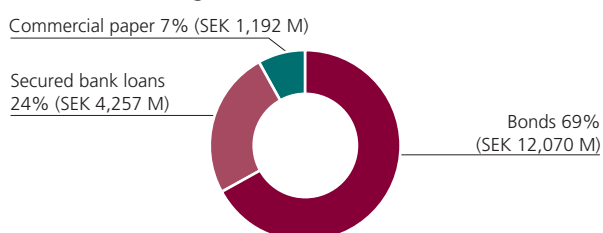
Derivative contracts, 31 December 2019

Amounts in SEK M	Nominal amount	Years to maturity	Market value 31 Dec 2019	Market value 31 Dec 2018	Change for the period
Nominal interest-rate swaps	2,009	4.2	-119	-122	3
Interest-rate caps	4,251	2.4	0	4	-4
Total	6,261	3.0	-119	-117	1

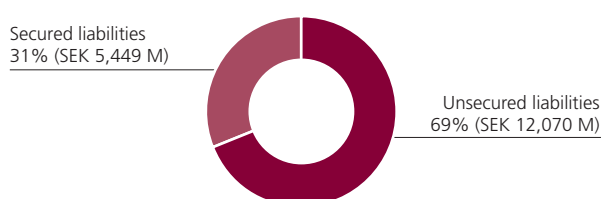
Rating and key performance indicators according to EMTN programme

	Financial covenant in EMTN programme	2019 31 Dec	2018 31 Dec
Rating according to Moody's Investor Services		Baa3, Stable outlook	Baa3, Stable outlook
Net debt/Total assets	<65%	38%	44%
Interest coverage ratio	>1.8x	5.3x	4.3x
Secured liabilities/total assets	<45%	14%	21%

Sources of financing



Distribution between secured and unsecured liabilities



Statement of comprehensive income

Amounts in SEK M	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec
Rental revenue	2,581	2,247	663	591
Other revenue	27	30	1	3
Operating expenses	-222	-197	-57	-56
Maintenance costs	-84	-59	-25	-13
Site leasehold fees	-	-22	-	-6
Property tax	-121	-93	-32	-23
Other property expenses	-47	-37	-14	-11
Net operating income	2,133	1,869	536	487
Central administration	-122	-132	-44	-54
Profit from joint ventures and associated companies	917	830	463	273
– of which, profit from property management	441	312	126	79
– of which, changes in value	690	677	441	260
– of which, tax	-214	-160	-105	-66
Financial income	20	35	2	3
Financial expenses	-446	-481	-96	-
Financial expense, interest component of leases	-24	-	-6	-
Profit including changes in value of joint ventures and associated companies	2,478	2,121	854	597
– of which, profit from property management	2,001	1,603	518	403
<i>Changes in value:</i>				
Properties, realised	-40	-22	-22	-3
Properties, unrealised	1,301	1,265	775	219
Financial instruments, realised	-	36	-	5
Financial instruments, unrealised	889	211	146	10
Profit before tax	4,627	3,611	1,753	828
Deferred tax	-416	-435	-298	-116
Current tax	-100	-10	74	55
Profit for the period	4,111	3,166	1,529	767
<i>Other comprehensive income</i>				
<i>– items that may be reversed to profit or loss:</i>				
Translation differences for foreign operations	217	363	-343	8
Share of other comprehensive income for joint ventures	13	3	-10	-1
Translation differences pertaining to hedge accounting	-143	-49	181	-16
Tax on items that may be reversed to profit or loss	3	-29	7	6
Comprehensive income for the period	4,201	3,454	1,365	764
Earnings per Class A and B share, SEK ¹⁾	12.15	9.24	4.61	2.21
Earnings per Class A and B share after dilution, SEK ¹⁾	12.13	9.24	4.60	2.21
Earnings per Class D share, SEK	2.00	2.00	2.00	0.50
Average no. of Class A and B shares, millions ¹⁾	319.0	316.7	319.0	316.7
Average no. of Class A and B shares after dilution, millions ¹⁾	319.5	316.9	319.5	316.9
Average number of Class D shares, millions	105.7	83.0	105.7	83.0

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 31 Dec	2018 31 Dec
Investment properties	32,333	28,769
Investment properties for sale	292	255
Leases, right-of-use assets	346	–
Joint ventures and associated companies	5,693	3,286
Fixed-income derivatives	1	4
Other fixed assets	568	14
Total fixed assets	39,233	32,328
Cash and bank balances	86	73
Listed shares	405	872
Other current assets	429	417
Total current assets	921	1,362
Total assets	40,154	33,690
Equity	19,257	15,416
Non-current interest-bearing liabilities	16,052	13,866
Deferred tax liabilities	2,018	1,599
Fixed-income derivatives	119	122
Other non-current liabilities	464	67
Total non-current liabilities	18,653	15,654
Commercial paper	1,192	1,505
Other current interest-bearing liabilities	193	312
Other current liabilities	858	803
Total current liabilities	2,243	2,620
Total equity and liabilities	40,154	33,690

Statement of cash flows

Amounts in SEK M	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec
Profit before tax	4,627	3,611	1,753	828
Changes in value of financial instruments	-889	-247	-146	-15
Change in value of properties	-1,261	-1,244	-755	-217
Result from ownership of joint ventures and associated companies	-917	-830	-463	-272
Dividend from joint ventures and associated companies	281	254	17	-
Dissolution of allocated borrowing costs	42	46	8	14
Tax paid	-74	-87	-2	-21
Other items not included in cash flow	-14	-15	13	-1
Cash flow from operating activities before changes in working capital	1,795	1,490	426	316
Cash flow from changes in current receivables	-4	-88	108	3
Cash flow from changes in current liabilities	20	188	-142	-28
Cash flow from operating activities	1,811	1,590	392	291
Acquisition of properties	-2,836	-3,026	-921	-777
Property sales	1,413	24	492	1
Investments in existing properties	-707	-456	-184	-221
Acquisition of listed shares	-64	-450	-	-253
Sales of listed shares	-	129	-	57
Acquisition of financial instruments	-503	-	-503	-
Acquisition of joint ventures and associated companies	-178	-	-178	-
Capital contribution to joint ventures and associated companies	-150	-	-	-
Change in other fixed assets	-25	8	-21	-
Cash flow from investing activities	-3,051	-3,771	-1,315	1,192
Issue of Class D and B shares	198	1,125	-	165
Dividend paid to shareholders	-560	-479	-62	-57
Incentive Plan	9	-2	-	-
Borrowings	7,322	8,487	1,087	1,831
Repayment of loans	-5,734	-6,707	-482	-1,274
Early redemption of financial derivatives	-	-242	-	-
Deposits from tenants	28	14	5	2
Change in other non-current liabilities	-11	-2	-3	-
Cash flow from financing activities	1,252	2,195	544	667
Cash flow for the period	12	14	-380	-234
Exchange rate differences in cash and cash equivalents	1	-1	-1	-
Change in cash and cash equivalents	13	13	-381	-234
Cash and cash equivalents at beginning of period	73	60	467	307
Cash and cash equivalents at end of period	86	73	86	73

Statement of changes in equity

Amounts in SEK M	Share capital	contributed Other capital	Reserves, translation differences	Profit earned incl. net profit for the period	Total equity ¹⁾
Equity, 31 December 2017	419	2,069	297	8,570	11,356
Issue of Class D shares	68	1,055	–	–	1,123
Transaction costs	–	–8	–	–	–8
Issue of Class B shares, Incentive Plan	–	10	–	–	10
Dividends	–	–	–	–517	–517
Redemption of Incentive Plan	–	–	–	–4	–4
Incentive Plan	–	–	–	3	3
Comprehensive income, January-December 2018	–	–	288	3,166	3,454
Equity, 31 December 2018	487	3,126	585	11,218	15,416
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-December 2019	–	–	90	4,111	4,201
Equity, 31 December 2019	776	3,046	675	14,760	19,257

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

Segment information

Profit items per segment	Rental revenue ¹⁾		Profit from property management		Changes in value, properties				Profit before tax	
					Unrealised		Realised			
	2019 Jan-Dec	2018 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec
Amounts in SEK M										
Stockholm	657	636	390	330	362	630	–	–	752	960
Helsinki	581	512	428	315	65	383	–12	2	481	699
Finland, university cities	317	249	242	150	52	112	–3	–	291	262
Paris	242	168	164	98	223	39	–1	–	387	137
Netherlands	212	126	184	81	277	30	–	–	461	111
Rest of Sweden	195	206	126	156	16	–40	–14	–1	130	115
Rest of Finland	233	226	184	161	179	86	–13	–23	351	224
Rest of Europe	144	123	129	93	128	24	1	–	258	118
Sub-total	2,581	2,247	1,850	1,384	1,301	1,264	–40	–22	3,110	2,626
Financial instruments	–	–	–	–	–	–	–	–	889	247
Joint ventures	–	–	441	312	692	369	–5	1	917	830
Other, non-specified	–	–	–289	–93	–	–	–	–	–289	–93
Total	2,581	2,247	2,001	1,603	1,993	1,633	–45	–21	4,627	3,611
Asset items per segment	Market value properties		Investment properties		Acquisition properties		Divestment properties			
Amounts in SEK M	2019 31 Dec	2018 31 Dec	2019 Jan-Dec	2018 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec		
Stockholm	9,840	9,822	302	232	27	290	–672	–		
Helsinki	6,708	6,333	206	177	53	541	–43	–		
Finland, university cities	3,148	2,732	23	19	309	694	–4	–		
Paris	2,919	1,995	125	8	674	501	–117	–		
Netherlands	2,982	1,817	16	4	859	895	–	–		
Rest of Sweden	1,828	2,392	2	3	–	–	–583	–16		
Rest of Finland	2,634	2,373	31	10	43	–	–25	–29		
Rest of Europe	2,565	1,560	3	3	871	105	–10	–		
Total	32,625	29,024	707	456	2,836	3,026	–1,453	–45		

1) All rental revenue pertains to external tenants.

Key performance indicators

	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec
Property-related key figures						
Yield, %	6.4	6.8	6.9	7.1	7.4	7.6
Surplus ratio, %	83	83	83	85	86	86
Occupancy rate by area, %	95	95	95	93	97	95
Economic occupancy rate, %	95	95	94	94	96	94
Lettable area at the end of the period, 000 sqm	3,022	2,850	2,489	2,312	1,860	1,634
No. of properties at the end of the period	553	512	495	440	225	184
Financial key figures						
Return on total capital, %	7	7	7	7	8	8
Return on equity, %	24	24	30	33	32	18
Average interest rate, %	1.9	2.2	3.0	3.1	3.3	4.1
Fixed-interest period incl. derivatives, years	3.5	3.0	2.1	2.7	3.0	3.0
Loan maturity, years	3.8	3.6	3.1	3.6	4.2	3.2
Equity/assets ratio, %	48	46	42	38	34	32
Debt ratio, %	44	47	50	54	59	59
Net debt/EBITDA, multiple	6.6	7.4	8.1	8.7	9.3	8.8
Interest coverage ratio, multiple	4.9	4.2	3.7	3.4	2.9	2.6
Interest coverage ratio, EMTN programme, multiple	5.3	4.3	4.0	3.7	3.3	2.9
Data per Class A and B share¹⁾						
Price of Class B share at the end of the period, SEK	136.20	65.70	49.10	40.87	35.87	22.00
Net asset value, SEK	56.77	44.22	35.04	26.89	17.76	13.62
Equity, SEK	46.86	35.70	27.15	19.61	13.01	8.75
Equity after dilution, SEK	46.78	35.67	27.13	19.57	12.96	8.72
Earnings, SEK	12.15	9.24	8.86	7.27	4.94	2.03
Earnings after dilution, SEK	12.13	9.24	8.85	7.25	4.93	2.03
Profit from property management, SEK	5.51	4.31	3.71	2.99	2.46	1.87
Profit from property management after dilution, SEK	5.51	4.31	3.70	2.98	2.45	1.87
Cash flow, SEK	4.86	3.95	3.27	2.57	2.00	1.50
Cash flow after dilution, SEK	4.86	3.95	3.26	2.56	2.00	1.50
Dividend per share, SEK (proposed for 2019)	1.30	1.00	0.90	0.72	0.58	0.40
No. at end of period, millions	319.1	316.8	316.5	316.5	316.5	316.5
No. at end of period after dilution, millions	319.5	317.1	316.7	317.1	317.5	317.4
Average no., millions	317.9	316.7	316.5	316.5	316.5	316.5
Average no. after dilution, millions	318.3	316.9	317.0	317.2	317.6	317.3
Data per Class D share						
Share price at the end of period, SEK	36.35	31.70	29.92	28.30	–	–
Equity, SEK	35.00	35.00	35.00	35.00	–	–
Earnings, SEK	2.00	2.00	2.00	2.00	–	–
Dividend per share, SEK	2.00	2.00	2.00	2.00	–	–
No. at end of period, millions	107.8	101.9	63.6	18.2	–	–
Average no., millions	105.7	83.0	43.1	2.9	–	–
Data per preference share						
Share price at the end of period, SEK	38.40	34.85	33.40	30.40	31.30	36.00
Equity, SEK	32.00	32.00	32.00	32.00	32.00	32.00
Earnings, SEK	2.00	2.00	2.00	2.00	2.00	2.00
Dividend per share, SEK	2.00	2.00	2.00	2.00	2.00	2.00
No. at end of period, millions	16.8	16.8	16.8	58.2	58.2	55.5
Average no., millions	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. 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-Dec	2018 Jan-Dec
Net sales	73	62
Administration costs	-89	-107
Loss before financial income and expenses	-16	-45
Profit from participations in Group companies	258	145
Profit from participations in joint ventures	64	54
Financial income	616	460
Financial expenses	-673	-395
Profit before tax and appropriations	249	219
Appropriations	98	-6
Tax	-4	-5
Profit for the period	343	208
<i>Other comprehensive income</i>		
Other comprehensive income	-	-
Comprehensive income for the period	343	208

Condensed Parent Company balance sheet

Amounts in SEK M	2019 31 Dec	2018 31 Dec
Tangible fixed assets	2	2
Receivables from Group companies	1,627	2,144
Other financial fixed assets	6,776	5,919
Total fixed assets	8,404	8,065
Cash and bank balances	1	2
Receivables from Group companies	11,497	9,630
Other current assets	58	69
Total current assets	11,556	9,701
Total assets	19,961	17,766
Equity	3,821	3,842
Untaxed reserves	30	23
Non-current interest-bearing liabilities	7,868	9,311
Liabilities to Group companies	3,423	257
Deferred tax liabilities	3	3
Total non-current liabilities	11,294	9,571
Current interest-bearing liabilities	1,295	1,625
Liabilities to Group companies	3,223	2,481
Other current liabilities	298	223
Total current liabilities	4,815	4,330
Total equity, untaxed reserves and liabilities	19,961	17,766

The Sagax share and shareholders

At the end of the period, Sagax had 14,830 (10,867) shareholders. Sagax's market capitalisation amounted to SEK 47,812 M (24,664). 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. 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 annually.

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. The subscrip-

tion price corresponds to the price paid for the Class B share at the start of the warrant plan, converted using the average share price trend for the listed property companies in accordance with Carnegie's property index (CREX) during the corresponding period. Accordingly, the warrants will have a value on condition that the price performance of the Sagax share exceeds the average for the listed property companies during each three-year period.

PROFIT FROM PROPERTY MANAGEMENT PER COMMON SHARE

Profit from property management per Class B share after dilution on a rolling 12-month basis amounted to SEK 5.51 (4.31), which, compared with the share price of the Class B share at the end of the period, corresponded to a multiple of 24.7 (15.0).

EQUITY PER CLASS A AND B SHARE

Equity per Class A and B share after dilution amounted to SEK 46.78 (35.67). Net asset value per Class A and B share amounted to SEK 56.77 (44.22). The share price for the Class B share at the end of the period was 292% (182) of equity per Class B share and 240% (147) of net asset value per Class B share.

Trade in the shares on the Nasdaq Stockholm

	Price paid, SEK		Turnover rate on an annual basis, %		Average trading volume per trading day, SEK M	
	31 Dec 2019	31 Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Class A shares	139.00	76.75	3	3	0.4	0.2
Class B shares	136.20	64.70	9	9	9.5	5.6
Class D shares	36.35	31.70	62	40	9.3	4.5
Preference shares	38.40	34.85	36	33	0.9	0.8

Key performance indicators per Class B share¹⁾

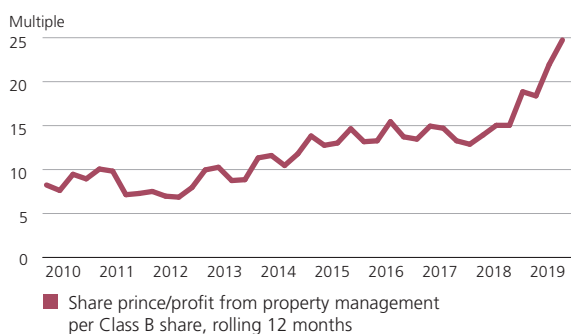
	2019 31 Dec	2018 31 Dec	2017 31 Dec	2016 31 Dec	2015 31 Dec	2014 31 Dec
Price of Class B share at the end of the period, SEK	136.20	64.70	49.10	40.87	35.87	22.00
Profit from property management after dilution, SEK ²⁾	5.51	4.30	3.70	2.98	2.45	1.86
Cash flow after dilution, SEK ^{2) 3)}	4.86	3.94	3.26	2.56	2.00	1.50
Equity after dilution, SEK	46.78	35.67	27.13	19.57	12.96	8.72
Net asset value, SEK	56.77	44.22	35.04	26.89	17.76	13.62
Price of Class B share/Profit from property management, multiple ²⁾	24.7	15.0	13.3	13.7	14.6	11.8
Price of Class B share/Cash flow, multiple ^{2) 3)}	28.0	16.4	15.1	16.0	18.0	14.7
Price of Class B share/Equity, %	292	182	181	209	277	252
Price of Class B share/Net asset value, %	240	147	140	152	202	162

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.

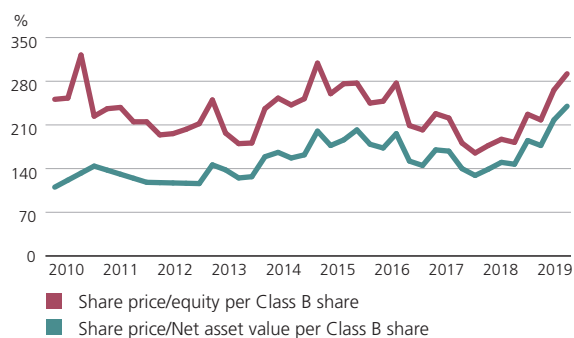
2) Profit from property management and cash flow pertain to a rolling 12 months.

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

Share price/profit from property management per common share



Share price in relation to equity and Net asset value



Ownership structure 31 Dec 2019¹⁾

No. of shares	No. of shareholders	Shareholder category	No. of shareholders	Share of voting power	Shareholders by country	No. of shareholders	Share of voting power
1–500	8,719	Private individuals residing in Sweden	13,131	9%	Sweden	13,896	89%
501–1,000	1,446				Switzerland	18	3%
1,001–2,000	1,226	Private individuals residing abroad	97	0%	USA	58	2%
2,001–5,000	1,420				UK	27	2%
5,001–10,000	751	Companies/institutions in Sweden	765	81%	Luxembourg	51	2%
10,001–50,000	877				Other	780	3%
50,001–	391	Companies/institutions abroad	837	10%			
Total	14,830	Total	14,830	100%	Total	14,830	100%

1) Including shares held by AB Sagax.

Ownership structure 31 Dec 2019¹⁾

	No. of shares				Percentage of	
	Class A shares	Class B shares	Class D shares	Preference shares	Share capital	Votes ²⁾
David Mindus and companies	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%
Fourth Swedish National Pension Fund	5,716	12,804,340	6,422,494	–	4.3%	2.8%
Länsförsäkringar Fonder	–	17,333,086	–	–	3.9%	2.5%
SEB Fonder	–	12,987,095	190,753	–	3.0%	1.9%
Avanza Pension	47,769	1,016,029	9,953,870	1,405,241	2.8%	1.9%
Erik Selin and companies	1,148,760	4,515,000	2,021,759	–	1.7%	2.6%
Swedbank Robur Fonder	500,000	6,694,142	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	–	–	4,005,000	–	0.9%	0.6%
Second Swedish National Pension Fund	–	3,869,050	645	–	0.9%	0.6%
Vanguard	–	–	3,196,582	498,597	0.8%	0.5%
Lars Ingvarsson and companies	100,000	3,346,410	100,000	–	0.8%	0.7%
Filip Engelbert	241,000	2,119,784	–	–	0.5%	0.7%
Johan Thorell and companies	203,254	2,032,540	–	–	0.5%	0.6%
Livförsäkringsbolaget Skandia	258,288	1,709,092	22,096	20,212	0.5%	0.6%
T. Ljungberg B.V.	370,000	–	32,066	–	0.1%	0.5%
Total 20 largest shareholders	23,411,685	238,790,130	41,325,939	1,927,842	68.9%	75.6%
Other shareholders	3,421,859	51,367,737	66,474,061	14,856,186	30.7%	24.4%
Sub-total	26,833,544	290,157,867	107,800,000	16,784,028	99.5%	100.0%
Shares held by AB Sagax	–	2,000,000	–	–	0.5%	0.0%
Total	26,833,544	292,157,867	107,800,000	16,784,028	100.0%	100.0%
– of which, Board and employees	15,454,838	119,610,177	690,413	923	30.6%	40.2%

1) The ownership structure at 31 December 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%
Total	443,575,439		68,507,734	100%	100%

Risks and uncertainties

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

PROPERTY-RELATED RISKS

The valuation of investment properties can be significantly affected by the judgments and assumptions made by company management. To reduce the risk of incorrect valuations, Sagax has engaged authorised external appraisers to assess the market value of the majority of the properties as of 31 December 2019, see page 10. 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 31 December 2019, a rise in market interest rates of 1 percentage point would have increased Sagax's annualised interest expenses by SEK 46 M (65). A reduction in market interest rates of 1 percentage point would have lowered Sagax's interest expenses by SEK 4 M (3) on an annual basis.

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

CURRENCY RISKS

The amounts in the consolidated balance sheet are partly exposed to exchange-rate fluctuations, particularly for the EUR. Net exposure on 31 December 2019, assets less liabilities in EUR, amounted to SEK 6,205 M (5,514). In accordance with

Sensitivity analysis for property values

	-20%	-10%	0%	+10%	+20%
Value change, SEK M	-6,525	-3,262	-	3,262	6,525
Debt ratio, %	52	48	44	40	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	464	492	519	N/A

Sensitivity analysis for property values

	Change	Value change, SEK M
Yield requirement	+/- 0.25% points	-830/+931
Cost of capital	+/- 0.25% points	-763/+803
Rental revenue	+/- 5%	+1,207/-1,221
Property expenses	+/- 5%	-216/+206

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. On 2 December 2019, the Administrative Court of Appeal upheld Sagax's appeal of the Administrative Court's ruling and the decision was annulled. The Tax Agency has appealed the Administrative Court of Appeal's ruling.

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 decision. If the Tax Agency's decisions were to be upheld, Sagax estimates that the negative effect recognised in earnings for the Group would be SEK 85 M and SEK 156 M, respectively.

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

SENSITIVITY ANALYSIS

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

Sensitivity analysis at 31 December 2019¹⁾

Amounts in SEK M	Change	Effect on profit from property management, annual basis	Effect on profit after tax, annual basis	Effect on equity
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%	-28/+11	-23/+9	-23/+9
Interest expenses for liabilities in EUR including fixed-income derivatives	+/-1%	-18/-7	-15/-5	-15/-5
Interest expenses for liabilities in SEK excluding fixed-income derivatives	+/-1%	-41/+24	-33/+19	-33/+19
Interest expenses for liabilities in EUR excluding fixed-income derivatives	+/-1%	-25/+1	-20/-	-20/-
Change in SEK/EUR exchange rate ²⁾	+/-10%	+/-118	+/-92	+/-621
Changed rent level for contract maturity in 2019	+/-10%	+/-32	+/-26	+/-26

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.

Events after the end of the period

On 24 January, it was announced in a press release that Sagax has signed an agreement to acquire properties in Spain for an amount corresponding to SEK 1,560 M. The acquisition is conditional on certain pre-emption rights not being exercised and that a due diligence is completed with satisfactory results. These conditions are expected to be met in February 2020, at which point the transaction will then be completed during the first quarter of 2020. The acquisition refer to 37 encompassing 172,000 square metres of lettable area and 332,000 square metres of land. The properties have been developed with industrial buildings surrounded by car parks and marshalling yards. The properties are let to MAG which uses the premises for foodstuff wholesale operations for the HORECA segment. MAG, a leading Spanish food wholesale, generated sales of SEK 11 billion in 2018. MAG is part of the Bright Food (Group) Co., Ltd. 48% of the property value is concentrated to Catalonia. 27% of the portfolio is found in Barcelona and Madrid. The remaining average lease term is 5.8 years and the annual rental value corresponds to SEK 106 M.

On 27 January, it was announced in a press release that Sagax had issued an unsecured bond loan of EUR 300 M in the European capital market as part of its EMTN programme. The bond loan has a duration of seven years and extends to 30 January 2027 with a fixed interest coupon of 1.125%.

On 29 January, it was announced in a press release that Sagax had acquired an undeveloped property comprising 23,600 square metres of land in Vantaa, 20 minutes north of central Helsinki and ten minutes from Helsinki-Vantaa Airport. Sagax has also agreed on a turnkey contract with the Finnish construction group SRV Group Plc for 10,000 square metres of warehouse and business premises with offices. Sagax's total investment corresponds to SEK 245 M. The

contract will commenced in the first quarter of 2020 and is scheduled for completion in the first quarter of 2021. The occupancy rate of the property is 76%. The average term of the lease will be 12 years on completion of the contract. The remaining 24% of the rental value of the property is subject to a five-year rental guarantee. The total rental value corresponds to SEK 20 M per year. The investment will contribute to Sagax's profit from property management and cash flow from the second quarter of 2021.

On 7 February, it was announced in a press release that the Board of Directors of AB Sagax (publ) intends to propose a distribution in kind of shares in which 30 Class A or Class B common shares in Sagax will confer the right to one (1) share in Torslanda Property Investment AB (publ) ("TPI") following a 10:1 split of the TPI share. The proportion of distributed shares corresponds to 15% of the number of shares in TPI. The Board intends to present this proposal to shareholders at Sagax's Annual General Meeting on 6 May 2020. Sagax owns 78% of the number of outstanding shares and votes in TPI through Söderport Holding AB, which is jointly owned by Sagax and Nyfosa AB. Sagax and Nyfosa AB intend to jointly distribute a holding corresponding to a total of 30% of the number of outstanding shares and votes in TPI to their respective shareholders. The distribution will increase the number of shareholders in TPI, which will create a platform for more appropriate trading, which will benefit shareholders and facilitate the continued development of the company. It is proposed that 30 Class A or Class B common shares in Sagax will confer the right to one (1) share in TPI following a 10:1 split of the TPI share. Sagax will make arrangements for selling excess units (fractions) on behalf of the affected shareholders.

Accounting policies

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

This interim report has been prepared in accordance with International Accounting Standards (IAS) 34.

IFRS 16 Leases entered force on 1 January 2019 and has been applied by Sagax from that date without retrospective restatement. Accounting for lessors is essentially unchanged.

Under the new standard, lessees recognise leases in the balance sheet as a right-of-use asset 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.

IFRIC 23 entered force on 1 January 2019 and has been applied by Sagax from that date without retrospective restatement. IFRIC 23 addresses how uncertainty over amounts of income tax are to be recognised and has a highly limited impact on the Group's financial statements.

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, 7 February 2020
AB SAGAX (publ)
Corporate Registration Number 556520-0028

Staffan Salén
Chairman of the Board

Johan Cederlund
Board member

Filip Engelbert
Board member

David Mindus
CEO and Board member

Johan Thorell
Board member

Ulrika Werdelin
Board member

This constitutes information that AB Sagax (publ) is legally obliged to publish under the EU's Market Abuse Regulation. The information was released for publication on 7 February 2020 at 3:30 p.m. CET.

Financial calendar

Interim Report January-March 2020	6 May 2020
Annual Report	April 2020
Annual General Meeting 2020	6 May 2020
Interim Report January-June 2020	13 July 2020
Interim Report January-September 2020	27 October 2020

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

March 2020

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

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 ¹⁾	3 July 2020

September 2020

■ Final day for trading including dividend rights	28 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 ¹⁾	5 October 2020

December 2020

■ Final day for trading including dividend rights	28 December 2020
■ First day for trading excluding dividend rights	29 December 2020
■ Record date for dividend payment	30 December 2020
■ Expected payment date by Euroclear ¹⁾	7 January 2021

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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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.
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.	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, covenant in EMTN programme	Profit from property management after reversal of financial expenses as a percentage of financial expenses.	The key performance indicator shows financial risk.
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.¹⁾

Amounts in SEK M unless otherwise stated	2019 Jan-Dec	2018 Jan-Dec	Amounts in SEK M unless otherwise stated	2019 Jan-Dec	2018 Jan-Dec
Return on equity			Profit from property management		
Profit after tax	4,111	3,166	Profit after tax	4,111	3,166
Addition for translation to annual value	–	–	Tax	730	605
Average equity	17,337	13,386	Changes in value	-2,840	-2,168
Return on equity	24%	24%	Profit from property management	2,001	1,603
Return on total capital			Profit from property management per Class A and B share after dilution		
Profit from property management	2,001	1,603	Profit from property management	2,001	1,603
Addition for translation to annual value	–	–	Dividends attributable to preference and Class D shares	-249	-237
Financial expenses	470	481	Adjusted profit from property management	1,752	1,367
Addition for translation to annual value	–	–	Profit from property management per Class A and B share after dilution, SEK	5.51	4.31
Profit before financial expenses	2,471	2,084	Cash flow per Class A and B share		
Average total capital	36,922	30,465	Profit before tax	4,627	3,611
Return on total capital	7%	7%	Items not affecting cash flow	-2,758	-2,035
Occupancy rate by area			Tax paid	-74	-87
Contracted area, 000s of square metres	2,868	2,708	Dividends attributable to preference and Class D shares	-249	-237
Total lettable area, 000s of square metres	3,022	2,850	Cash flow	1,546	1,252
Occupancy rate by area	95%	95%	Cash flow per Class A and B share after dilution, SEK	4.86	3.95
Debt ratio			Net debt		
Interest-bearing liabilities	17,519	15,763	Interest-bearing liabilities	17,519	15,763
Total assets	40,154	33,690	Interest-bearing assets	-511	-6
Debt ratio	44%	47%	Cash and cash equivalents and listed shares	-1,776	-945
Yield			Net debt	15,232	14,812
Net operating income	2,133	1,869	Net debt/EBITDA		
Add-back of site leasehold fees	-24	–	Net debt	15,232	14,812
Addition for translation to annual value	–	–	EBITDA rolling 12 months	2,292	1,991
Holding adjustment, acquisitions/divestments	10	91	Net debt/EBITDA	6.6x	7.4x
Currency translation to closing rate	-19	2	Net debt/Total assets		
Adjusted net operating income	2,100	1,962	Net debt	15,232	14,812
Carrying amount of properties	32,625	29,024	Total assets	40,154	33,690
Yield	6.4%	6.8%	Net debt/Total assets	38%	44%
EBITDA rolling 12 months			Preference equity		
Net operating income	2,133	1,869	Equity per preference share, SEK	32.00	32.00
Central administration	-122	-132			
Dividends from joint ventures	281	254			
EBITDA	2,292	1,991			
Economic occupancy rate					
Contractual annual rent	2,600	2,378			
Rental value	2,735	2,510			
Economic occupancy rate	95%	95%			

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-Dec	2018 Jan-Dec	Amounts in SEK M unless otherwise stated	2019 Jan-Dec	2018 Jan-Dec
Number of preference shares outstanding	16,784,028	16,784,028	Equity/assets ratio		
Preference equity	537	537	Equity	19,257	15,416
			Total assets	40,154	33,690
			Equity/assets ratio	48%	46%
Earnings per Class A and B share¹⁾			Net asset value		
Profit after tax	4,111	3,166	Equity	19,257	15,416
Dividends attributable to preference and Class D shares	-249	-237	Equity attributable to preference and Class D shares	-4,310	-4,104
Adjusted profit after tax	3,862	2,929	Reversal of derivatives	119	117
Earnings per Class A and B share after dilution, SEK	12.13	9.24	Reversal of deferred tax, temporary differences	2,333	1,967
			Reversals attributable to joint ventures	741	627
Interest coverage ratio			Net asset value	18,140	14,023
Profit from property management	2,001	1,603	Net asset value per Class A and B share after dilution, SEK	56.77	44.23
Add-back of profit from property management JV	-441	-312			
Dividends from joint ventures	281	254	Secured liabilities/total assets		
Financial expenses	470	481	Secured liabilities	5,449	7,045
Corrected profit from property management before financial expenses	2,311	2,026	Total assets	40,154	33,690
Interest coverage ratio	4.9x	4.2x	Secured liabilities/total assets	14%	21%
Interest coverage ratio, EMTN programme			Surplus ratio		
Profit from property management	2,001	1,603	Net operating income	2,133	1,869
Financial expenses	470	481	Rental revenue	2,581	2,247
Profit from property management before financial expenses	2,471	2,084	Surplus ratio	83%	83%
Interest coverage ratio	5.3x	4.3x			

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 31 December 2019 amounted to 3,022,000 square metres, distributed between 553 properties.

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

More information is available at www.sagax.se.

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