

Year-end report 2017

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

2017 FISCAL YEAR

- Rental revenue increased 20% to SEK 1,870 M (SEK 1,563 M for the preceding year).
- Profit from property management increased 21% to SEK 1,334 M (1,098). Profit from property management per Class A and B share after dilution rose 24% to SEK 7.40 (5.96).
- In total, property revaluation affected profit by SEK 1,656 M (1,891), of which joint ventures and associated companies accounted for SEK 541 M (565).
- Revaluation of financial instruments positively impacted profit by SEK 572 M (neg: 89), of which joint ventures and associated companies accounted for SEK 65 M (neg: 38).
- Profit after tax for the year was SEK 2,965 M (2,453).
- Cash flow from operating activities before changes in working capital amounted to SEK 1,194 M (965), corresponding to SEK 6.52 (5.12) per Class A and B share after dilution.
- During the year, Sagax invested SEK 1,680 M (2,780) net. Properties were acquired for SEK 1,382 M (3,417).
- The Board of Directors proposes that the dividend per Class A and B share be raised 24% to SEK 1.80 (1.45). 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 33.4% of profit from property management.

FOURTH QUARTER 2017

- Rental revenue rose 16% to SEK 498 M (429).
- Profit from property management increased 19% to SEK 340 M (286). Profit from property management per Class A and B share after dilution rose 36% to SEK 1.89 (1.39).
- In total, property revaluation positively impacted profit by SEK 763 M (965), of which joint ventures and associated companies accounted for SEK 222 M (340).
- Revaluation of financial instruments positively impacted profit by SEK 98 M (154), of which joint ventures and associated companies accounted for SEK 16 M (53).
- Profit after tax for the period was SEK 991 M (1,223).
- Cash flow from operating activities before changes in working capital amounted to SEK 275 M (215), corresponding to SEK 1.48 (0.94) per Class A and B share after dilution.
- During the period, Sagax invested SEK 646 M (779) net, of which acquisitions accounted for SEK 557 M (1,006).

FORECAST FOR 2018

Profit from property management for 2018, meaning profit before revaluations and tax, based on the current property portfolio as well as announced acquisitions and divestments, is expected to amount to SEK 1,490 M.

Selected key performance indicators

	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec
Profit from property management per Class A and B share after dilution, SEK	7.40	5.96	4.90	3.73	2.73	2.15
<i>Change compared with preceding year, %</i>	24	22	31	37	27	4
Earnings per Class A and B share after dilution, SEK	17.69	14.53	9.88	4.06	4.44	1.82
Dividend per Class A and B share, SEK	1.80 ¹⁾	1.45	1.15	0.80	0.55	0.43
Interest coverage ratio, multiple	3.7	3.4	2.9	2.6	2.4	2.2
Debt ratio, %	50	54	59	59	60	62
Properties' market value, SEK M	23,771	20,628	16,189	13,428	10,825	9,396
Yield, %	6.9	7.1	7.4	7.6	7.7	7.8
Lease term, years	6.6	7.1	7.4	8.2	8.0	8.4

1) Proposed dividend



Sagax signed an agreement in December 2017 to acquire the 63 grand rue Surveilliers property in Paris, encompassing 136,000 square meters of land and a lettable area of 40,000 square meters. The property is strategically located adjacent to the A1 motorway and is fully let with a 12-year lease. Closing is scheduled for the end of the first quarter of 2018.

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 diagrams below illustrates the outcome for the past five years in relation to the financial targets.

STRATEGIES

Investment strategy

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

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

Financing strategy

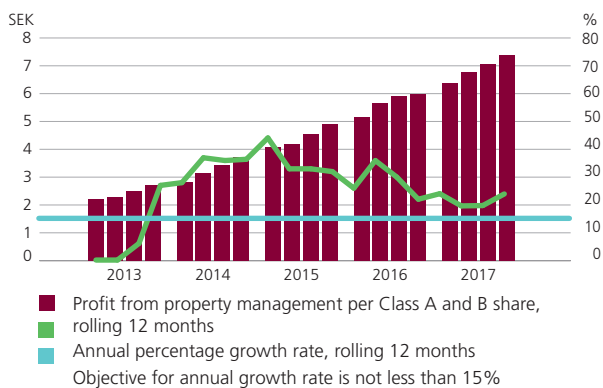
The financial structure of Sagax is designed with a clear focus on operating cash flow and the interest coverage ratio. This is expected to create both excellent prerequisites for expansion and an attractive return on equity. The charts on page 3 show Sagax's profit from property management and cash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

Sagax endeavours to have well-balanced fixed-interest and capital maturity profiles to secure its operating cash flow. The average fixed-interest period was 2.1 years (2.7) at the end of the quarter. The long fixed-interest period reduces interest-rate sensitivity but results in a higher average interest rate

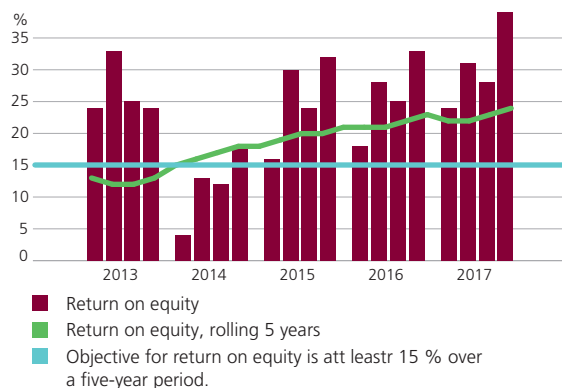
Financial targets

	Outcome Jan-Dec 2017	Five-year average
Return on equity, measured over a five-year period, should not fall below 15% per year	30%	24%
Profit from property management per Class A and B share should increase by a minimum of 15% per year	24%	26%

Profit from property management per Class A and B share



Return on equity



than floating interest rates. The company also endeavours to have a low refinancing risk. The average debt maturity period at year-end was 3.1 (3.6) years.

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

Management strategy

Sagax pursues efficiency and sustainability in its management strategy. The management strategy includes working actively to achieve long leases. This applies equally to new leases and to the management of existing leases. The company's policy is to abstain from maximising rent levels at all points of time in favour of signing leases of a longer duration with solvent tenants. This is regarded as being advantageous since it reduces the risk of vacancies, while leading to lower costs for letting premises and adapting premises to tenant needs. On December 31, the average remaining term under the company's leases was 6.6 years (7.1).

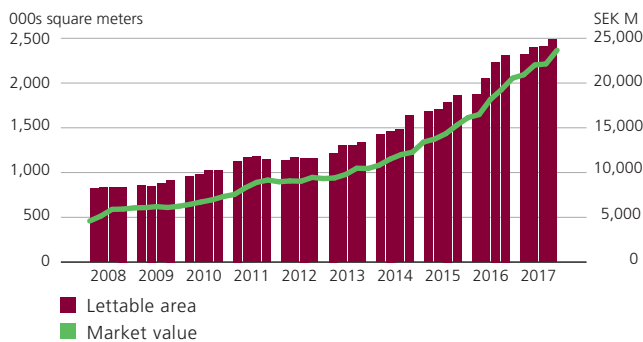
Strategy for tenants

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

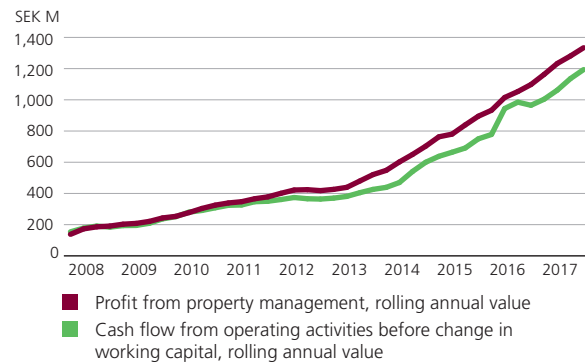
Strategy for the rental market

Sagax invests primarily in regions experiencing stable population growth and that have diversified business activities. Sagax's greatest exposure to the rental market occurs in Stockholm and Helsinki, which are the markets in the Nordic region regarded as offering the best potential for long-term growth. The risk of a decline in the occupancy rate and rent levels due to a weaker rental market is regarded as low in view of the stable demographic growth and the diversified business operations in these regions. Read more about this in the Sagax Annual Report for 2016.

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 2017 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 year and end of the year-earlier period.

EARNINGS

Profit from property management rose 21% to SEK 1,334 M (1,098), of which joint ventures and associated companies accounted for SEK 278 M (247). The increase was mainly attributable to property acquisitions. Profit from property management per Class A and B share after dilution rose 24% to SEK 7.40 (5.96).

Changes in the value of properties increased profit by SEK 1,656 M (1,891), of which the revaluation of joint ventures and associated companies accounted for SEK 541 M (565).

In total, revaluation of financial instruments had a positive earnings impact of SEK 572 M (neg: 89), of which SEK 3 M (-) was realised changes in value. Fixed-income derivatives

accounted for SEK 107 M (neg: 100), of which joint ventures accounted for SEK 65 M (neg: 38). The time factor is the main reason for the changes in the value of the fixed-income derivatives and the lower reserve for the deficit values of the fixed-income derivatives. Financial instruments linked to ownership of joint ventures were market valued pursuant to IAS 39 at SEK 373 M (-).

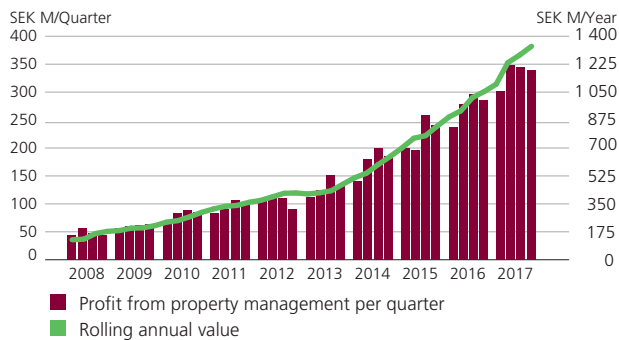
Profit after tax for the year was SEK 2,965 M (2,453).

REVENUE

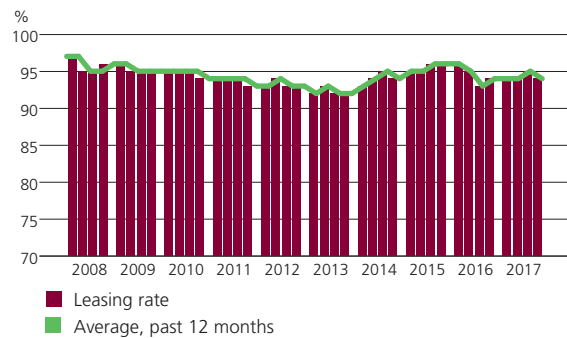
Rental revenue rose 20% to SEK 1,870 M (1,563). Revenue was positively affected by property acquisitions, as well as revenue-increasing investments in the existing property portfolio.

Other revenue of SEK 4 M (10) primarily comprised compensation from insurance companies regarding insurance claims, compensation from tenants who prematurely vacated premises and reimbursement of expenses for restoring land surfaces.

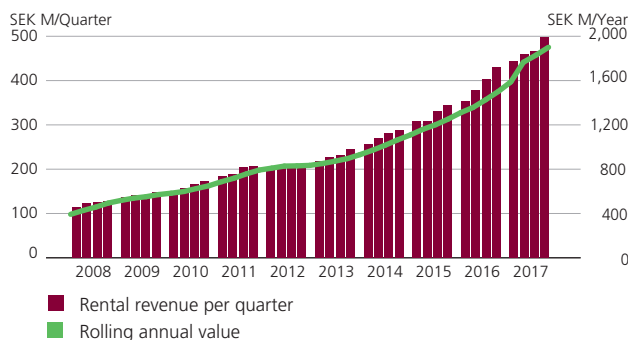
Profit from property management



Economic leasing rate



Rental revenue



CHANGE IN THE ECONOMIC OCCUPANCY RATE

The economic occupancy rate was 94%, compared with 94% at year-end 2016. During the year, the vacancy value rose SEK 60 M (50) due to tenants vacating premises and declined SEK 75 M (48) due to new lettings. Discounts provided on a fixed-term basis amounted to SEK 16 M (11) on an annual basis at year-end, up SEK 5 M during the year. The terms for the discounts are described in the table below. Stockholm and Helsinki accounted for 80% (77) of the vacancy value.

The vacancy value of acquired properties exceeds the vacancy value of divested properties by SEK 14 M. Consequently, the transaction activities increased the vacancy value by a net SEK 14 M (65). The demolition of a building to allow the property to be developed reduced the vacancy value by SEK 5 M. The closing vacancy value increased SEK 1 M during the year to SEK 122 M (121).

FUTURE VACANCY CHANGES

Notice of termination had been served for leases with a rental value of SEK 41 M (49) at year-end, of which notice of vacating the premises accounted for SEK 41 M (46) and notice of renegotiation the premises for SEK 0 M (3). Of the leases for which notice of vacating the premises had been received, vacancies corresponding to SEK 33 M will occur in 2018. The rate of vacating premises is described in the table below. New lettings that have not yet been occupied reduced the adjusted vacancy value by SEK 9 M (26).

The adjusted closing vacancy value was SEK 154 M (141), a net increase of SEK 13 M during the year. SEK 9 M of the increase was partly the net effect of transaction operations and the demolition of a building in Stockholm.

Vacancy changes

SEK M	2017 Jan-Dec	2016 Jan-Dec
Opening vacancy for each year	121	59
Vacancies	60	50
Lettings	-75	-48
Change in discounts provided	5	-6
Vacancy value, acquired properties	22	80
Vacancy value, sold properties	-8	-15
Demolition of buildings	-5	-
Change in exchange rates	2	1
Closing vacancy value	122	121
Terminated for renegotiation	0	3
Terminated lease, not vacated	41	46
New letting, not occupied	-9	-26
Adjusted closing vacancy value	154	141

Terms for discounts provided

Year of expiry	SEK M
2018	10
2019	4
2020	1
2021	0
2022	0
>2022	1
Total	16

Leases terminated for vacancy

Year of vacancy	No. of leases	Rental value, SEK M
2018	32	33
2019	8	8
Total	40	41

Vacancies on 1 January 2018

Area	Rental value, SEK M	Vacancy value, SEK M ¹⁾	Economic vacan- cy rate ¹⁾	Lettable area, sqm	Vacant area, sqm	Vacancy rate by area
Stockholm	624	38	6%	623,000	36,000	6%
Helsinki	525	59	11%	489,000	58,000	12%
Paris	137	7	5%	152,000	5,000	4%
Netherlands	81	2	2%	105,000	3,000	2%
Rest of Sweden	212	2	1%	431,000	2,000	0%
Rest of Finland	406	13	3%	569,000	24,000	4%
Rest of Europe	114	1	1%	120,000	2,000	2%
Total	2,099	122	6%	2,489,000	130,000	5%

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

PROPERTY EXPENSES

Operating and maintenance costs rose to a total of SEK 190 M (160). Property tax and site leaseholds amounted to a cost of SEK 96 M (68). Other property expenses amounted to SEK 29 M (19). All of these cost increases were mainly attributable to the property acquisitions completed in 2016 and 2017.

CENTRAL ADMINISTRATION

Costs for the Group's central administration amounted to SEK 77 M (68) and consisted of costs for executive management, financial risk management and credit procurement. Due to the growth of the company, administration costs declined year-on-year in relative terms and corresponded to 4.1% (4.4) of rental revenue in 2017. The Parent Company, AB Sagax, is responsible for stock market issues, such as financial reporting and stock market information. Services between Group companies are charged on commercial terms and conditions and in accordance with market-based pricing. Intra-Group services comprise management services and internal interest charging. The Parent Company's management fees from Group companies for the year amounted to SEK 35 M (34). The Parent Company's income statement and balance sheet are shown on page 21.

At year-end, the Group had 50 (42) employees, refer to the table below. Functions such as property care-taking and on-call operations are outsourced. Offices were opened in Rotterdam in Netherlands and in Jyväskylä in Finland during the year. The company already has offices in Stockholm, Helsinki and Paris.

Number of employees

Country	Men	Women	Total
Sweden	17	10	27
Finland	7	10	17
France	4	–	4
Netherlands	2	–	2
Total	30	20	50

PROFIT FROM JOINT VENTURES AND ASSOCIATED COMPANIES

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

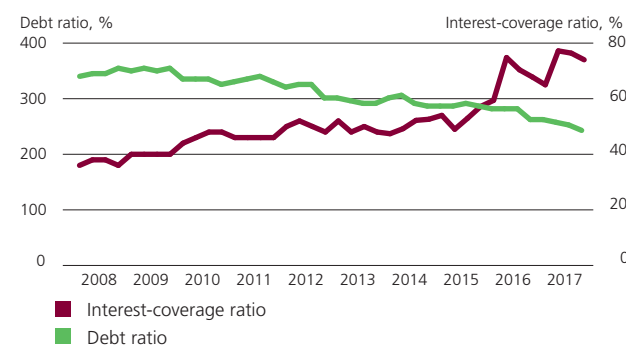
Profit for the year amounted to SEK 727 M (599), of which profit from property management accounted for SEK 278 M (247) M, changes in the value of fixed-income derivatives for SEK 65 M (loss: 38) and changes in the value of properties for SEK 541 M (565). Profit was charged with deferred tax of SEK 157 M (174).

NET FINANCIAL ITEMS

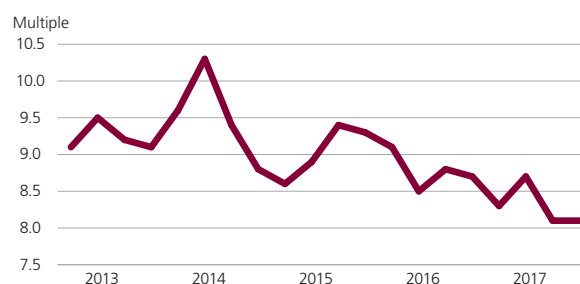
Financial expenses amounted to SEK 444 M (409). The company's average interest rate was 3.0% (3.1%) at 31 December 2017. Interest-bearing liabilities increased to SEK 13,691 M (12,565) due to financing of property acquisitions. For more information about financing at Sagax, see page 14.

The debt ratio has decreased successively over time to 50% at the same time as financial expenses have declined in relation to Group revenues, thus resulting in a rise in the interest coverage ratio to 370%; see chart below. Interest-bearing net debt for the past 12 months has averaged 8.1 (8.7) times EBITDA; see chart below. Financial income of SEK 19 M (3) primarily corresponded to dividends received for listed shares.

Debt ratio and interest-coverage ratio



Net debt/EBITDA, rolling 12 month



REVALUATION OF PROPERTIES

The value trend for properties in Sweden was an increase of SEK 444 M (714) and the value trend for properties abroad was an increase of SEK 669 M (592). A total of SEK 1,113 M (1,306) was recognised in unrealised changes in the value during the year, excluding currency effects. The change in the market value of the property portfolio is also described on page 12.

New lettings and renegotiations of leases increased the market value of the properties by SEK 415 M (414). Vacancies and renegotiations reduced the value by SEK 110 M (87). The general change in market value for the company's properties amounted to SEK 808 M (979), primarily due to lower yield requirements. Of the unrealised change in value of SEK 669 M abroad, SEK 465 M was attributable to the operations in Finland.

Unrealised changes in value

SEK M	Jan-Dec 2017
New lettings/Renegotiations	263
Vacancies/Renegotiations	-19
General change in market value	200
Sub-total, Sweden	444
New lettings/Renegotiations	151
Vacancies/Renegotiations	-91
General change in market value	608
Sub-total, International	669
Total unrealised changes in value	1,113

Realised changes in the value of properties amounted to SEK 1 M (20) for the year.

The weighted yield requirement used in the valuations was 7.3% (7.5). The weighted cost of capital for the present value calculation of cash flows and residual values amounted to 8.1% (7.9) and 8.6% (8.8), respectively. See also the section on analysis and general conditions on page 12.

Earnings were also impacted by a revaluation of SEK 541 M (565) of properties in Sagax's joint ventures.

REVALUATION OF FINANCIAL INSTRUMENTS

Fixed-income derivatives, listed shares and financial instruments linked to holdings of joint ventures were revalued on 31 December 2017.

The fixed-income derivatives comprised interest-rate swaps and interest-rate caps. All fixed-income derivatives are recognised at market value and changes in market value are recognised in profit or loss. Changes in value for the year amounted to SEK 107 M (neg: 62) and comprised unrealised changes in value. The change in value was due primarily to the time factor. The reserve for the deficit value of fixed-income derivatives at year-end was SEK 420 M (527); refer to the section on financing on page 15.

Earnings were also positively impacted by SEK 65 M (neg: 38) from the revaluation of fixed-income derivatives in joint ventures. In its consolidated financial statements, Sagax continuously recognises the company's share of deficit values of the fixed-income derivatives of its joint ventures.

Revaluation of listed shares resulted in an unrealised change in value of SEK 24 M (11). The divestment of shares resulted in a realised change in value of SEK 3 M (-) for the year.

Financial instruments attributable to ownership of joint ventures were market valued pursuant to IAS 39 at SEK 373 M (-).

TAX

Sagax recognises a current tax expense of SEK 49 M (38).

The deferred tax expense for the year amounted to SEK 390 M (235). The Group's deferred tax liabilities at year-end amounted to SEK 1,141 M (737).

Deferred tax liabilities by country

SEK M	31 Dec 2017
Sweden	615
Finland	438
Germany	81
Denmark	1
France	-
Netherlands	6
Tax liabilities	1,141

CASH FLOW

Cash flow from operating activities before changes in working capital totalled SEK 1,194 M (965). Changes in working capital had a negative impact of SEK 26 M (pos: 12) on cash flow. Investing activities had a negative impact of SEK 1,855 M (neg: 2,916) on cash flow, while cash flow from financing activities contributed SEK 464 M (1,970) to Sagax. In total, cash and cash equivalents declined SEK 223 M (increase: 32) during the year. See page 18 for the statement of cash flows.

Forecast and current earnings capacity

FORECAST FOR 2018

Profit from property management for 2018, meaning profit before revaluations and tax, based on the current property portfolio and announced acquisitions and divestments, is expected to amount to SEK 1,490 M.

CURRENT EARNINGS CAPACITY

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

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

The rental value is based on contractual rental revenue on an annual basis, with supplements for estimated market rents

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

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

The redemption offer directed to preference shareholders during the period was the reason for the change in earnings for Class D and preference shareholders, respectively.

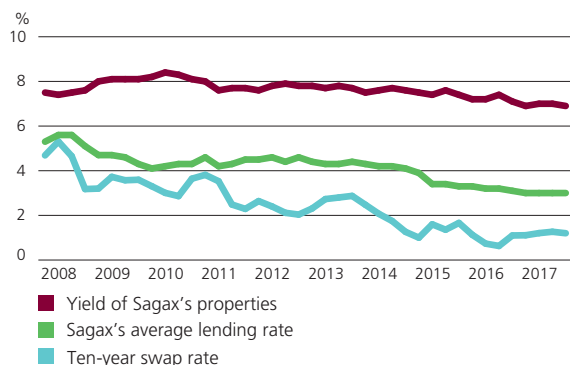
Current earnings capacity

SEK M	1 Jan 2018	1 Jan 2017
Rental value	2,099	1,880
Vacancy	-122	-121
Rental revenue	1,977	1,759
Property expenses	-333	-268
Net operating income	1,644	1,491
Central administration	-77	-68
Joint ventures and associated companies	290	271
Financial expenses	-448	-418
Profit from property management	1,410	1,277
Tax	-310	-281
Profit after tax	1,100	996
– of which, holders of preference shares	34	117
– of which, holders of Class D shares	127	37
– of which, holders of Class A and B shares	939	843

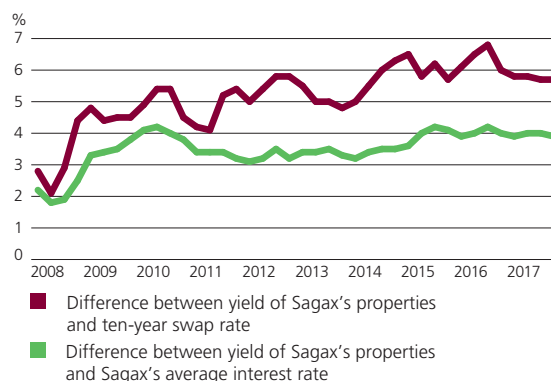
Current earnings capacity before tax



Yield and lending rate



Difference between yield and lending rate



Property portfolio

At 31 December 2017, the property portfolio comprised 495 (440) properties with a lettable area of 2,489,000 (2,312,000) square meters. The average remaining lease term was 6.6 years (7.1). The two largest market areas are Stockholm and Helsinki, where 58% (60) of the market value and 55% (57) of the rental value is concentrated. At year-end, the total rental value and contractual annual rent amounted to SEK 2,099 M (1,880) and SEK 1,977 M (1,759), respectively. This corresponds to an economic occupancy rate of 94% (94).

INVESTMENTS

During the year, Sagax invested SEK 1,723 M (3,730), of which property acquisitions accounted for SEK 1,382 M (3,417). A total of SEK 1,381 M was invested abroad, corresponding to 80% of total investments in during the year. Of the investments, Finland accounted for 48% and the Netherlands for 18%.

A total of 91 properties were acquired with a total lettable area of 206,400 square meters; see page 10.

Zonnebaan 23-45 in Utrecht, the Netherlands, encompasses 18,100 square meters of lettable area and was the single largest property acquired during the year.

A total of SEK 341 M (313) was invested in the existing property portfolio. SEK 29 M of the investments during the

year were made against rent supplements, SEK 87 M was invested in conjunction with new lettings, SEK 185 M in conjunction with new production and SEK 40 M pertained to property maintenance.

At the end of the year, agreements were signed for 16 property acquisitions for a total of SEK 1,107 M in Sweden, Finland, France and the Netherlands. Possession had not yet been taken of these properties at year-end.

DIVESTMENTS

During the year, 36 properties with a total lettable area of 22,300 square meters were divested for a total of SEK 42 M; see compilation on page 11. These sales mainly comprised smaller properties in Finland.

YIELD

The properties' yield is a yield measurement whereby the net operating income for the period, adjusted for holdings, is compared with the properties' carrying amounts at the end of the period. The yield provides an overview of profit generation before financial expenses and central administration costs are taken into account. The yield reported by Sagax for the year was 6.9% (7.1); see below.

SUMMARY OF PROPERTY PORTFOLIO, 1 JANUARY 2018

Segment	No. of properties	Lettable area, sqm	Vacant area, sqm	Market value		Rental value, SEK M	Percentage of rental value	Economic occupancy rate	Rental revenue	
				SEK M	SEK per sqm				SEK M	Share
Stockholm	76	623,000	36,000	8,670	13,900	624	30%	94%	587	30%
Helsinki	69	489,000	58,000	5,014	10,200	525	25%	89%	466	24%
Paris	39	152,000	5,000	1,386	9,100	137	7%	95%	130	7%
Netherlands	16	105,000	3,000	850	8,100	81	4%	98%	79	4%
Rest of Sweden	48	431,000	2,000	2,446	5,700	212	10%	99%	209	11%
Rest of Finland	229	569,000	24,000	4,036	7,100	406	19%	97%	393	20%
Rest of Europe	18	120,000	2,000	1,370	10,400	114	5%	99%	113	6%
Total	495	2,489,000	130,000	23,771	9,500	2,099	100%	94%	1,977	100%

Property investments January-December 2017

SEK M	Property acquisitions	Existing portfolio	Total
Stockholm	173	157	330
Helsinki	187	118	305
Paris	174	48	222
Netherlands	318	–	318
Rest of Sweden	–	12	12
Rest of Finland	519	1	520
Rest of Europe	12	5	17
Total	1,382	341	1,723

Calculation of yield

SEK M	2017 31 Dec	2016 31 Dec
Net operating income according to statement of comprehensive income	1,558	1,326
Holding adjustment, acquisitions/divestments	62	124
Currency translation to closing rate	21	12
Adjusted net operating income	1,641	1,462
Carrying amount of properties	23,771	20,628
Yield, %	6.9	7.1

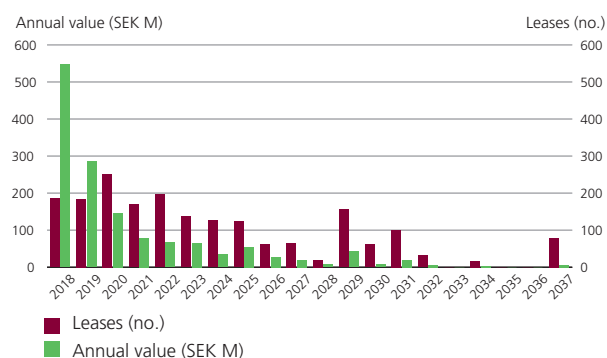
Property acquisitions January-December 2017

Property	Municipality	Segment	Lettable area, sqm
Muonamiehentie 12 (91-46-130-26)	Helsinki	Helsinki	2,200
Juurakkotie 3 (92-68-13-11)	Vantaa	Helsinki	6,600
First quarter			8,800
Elektra 11	Stockholm	Stockholm	12,000
Nuolitie 20 (94-46-130-26)	Vantaa	Helsinki	8,400
Louhustie 5	Tuusula	Helsinki	700
Innovatieweg 4 (4542 NH Hoek) - Property 8	Terneuzen	Netherlands	3,700
Innovatieweg 14 (4542 NH Hoek) - Property 2	Terneuzen	Netherlands	7,800
Property portfolio (52 light industry properties)	42 Finnish municipalities	Rest of Finland	49,200
5 avenue Karl Marx	Vaulx-En-Velin (Lyon)	Rest of Europe	2,100
Second quarter			83,900
Skiftnyckeln 2	Huddinge	Stockholm	1,400
Diamantlaan 10	Hoofddorp	Netherlands	3,400
Opaallaan 35	Hoofddorp	Netherlands	2,200
Zonnebaan 23-45	Utrecht	Netherlands	18,100
Third quarter			25,100
Oudeweg 42	Haarlem	Netherlands	7,200
Debijestraat 5, Röntgenstraat 1	Dordrecht	Netherlands	2,400
8-10 rue de Chevilly	Fresnes	Paris	6,500
35 boulevard Gallieni	Emerainville	Paris	3,900
5-7-9 rue de Cerisiers	Lisses	Paris	4,500
8-10 rue de la Mare Blanche	Noisiel	Paris	2,400
14-16 rue Denis Diderot	Lisses	Paris	1,400
97 avenue Jean Jaurès	Trappes	Paris	2,300
Portfolio of 19 properties	Jyväskylä and Muurame	Rest of Finland	58,000
Fourth quarter			88,600
Total			206,400

Lease terms

Year of expiry	No. of leases	Area, sqm	Contractual annual rent	
			SEK M	Share
2018	547	216,000	185	9%
2019	286	194,000	184	9%
2020	146	296,000	251	13%
2021	79	219,000	170	9%
2022	67	208,000	196	10%
>2022	296	1,226,000	991	50%
Total	1,421	2,359,000	1,977	100%

Year of maturity of annual rent



Property sales January-December 2017

Property	Municipality	Segment	Lettable area, sqm
Keskustie 2 (858-2-6012-7)	Tuusula	Helsinki	2,500
Valtatie 37 (261-405-160-0)	Kittilä	Rest of Finland	1,400
Total of 8 smaller properties	8 different municipalities	Rest of Finland	2,900
First quarter			6,800
Kiannonkatu 2-4 (777-406-95-19)	Suomussalmi	Rest of Finland	1,600
Simpeleentie 6 (689-432-1-303)	Rautjärvi	Rest of Finland	1,300
Total of 9 smaller properties	8 different municipalities	Rest of Finland	4,200
Second quarter			7,100
Kokosnöten 2	Helsingborg	Rest of Sweden	5,300
Henikonkatu 2 (853-65-40-3)	Turku	Rest of Finland	800
Inarintie 57 (148-402-90-8)	Inari	Rest of Finland	500
Ostolantie 16 (989-406-55-6)	Ähtäri	Rest of Finland	400
Sillanpäänkuja 2 (846-403-24-99)	Teuva	Rest of Finland	800
Suutarintie 1 (592-404-14-4)	Petäjävesi	Rest of Finland	600
Third quarter			8,400
Louhostie 5	Tuusula	Helsinki	700
Total of 8 smaller properties	8 different municipalities	Rest of Finland	4,500
Fourth quarter			5,200
Total			27,500

Market value of property portfolio

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

At 31 December 2017, the total market value of Sagax's 495 (440) properties was SEK 23,771 M (20,628). The depreciation of the SEK against the EUR during the year led to property values abroad increasing SEK 348 M (353).

The total recognised unrealised change in value during the year was SEK 1,113 M (1,306). Refer also to the table "Unrealised changes in value" on page 7.

VALUATION METHOD AND IMPLEMENTATION

The valuations were carried out in accordance with generally accepted international valuation methods. As of 31 December 2017, all valuation objects were valued separately by authorised property appraisers from independent valuation agencies.

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 have been inspected over the past three-year period. These inspections include

public areas and a selection of premises with specific emphasis on major tenants and vacant premises. The purpose of the inspections is to assess the properties' overall standard, maintenance requirements, market position and the attractiveness of the premises.

ANALYSIS AND GENERAL CONDITIONS

The cost of capital for the present value calculation of cash flows (4.0–16.0%), the cost of capital for the present value calculation of residual values (4.0–17.0%) and the yield requirement for the residual value calculations (4.5–15.0%) are based on analyses of transactions carried out and on individual assessments of the risk level and market position of each property.

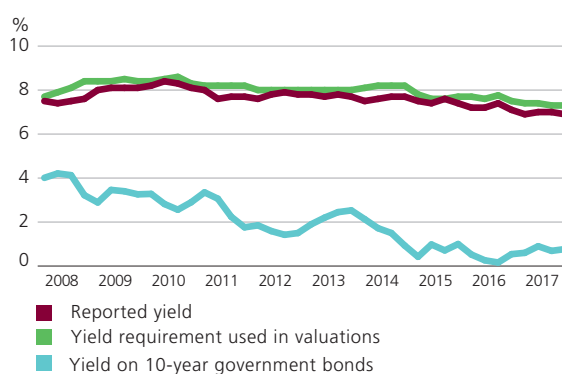
The weighted cost of capital for the present value calculation of cash flows and residual values for the property portfolio was 8.1% (7.9) and 8.6% (8.8), respectively. The weighted yield requirement was 7.3% (7.5%) at 31 December 2017. By comparison, the yield reported by Sagax for the period was 6.9% (7.1). A comparison of the yield reported over time and the yield requirement used in valuations is provided below.

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

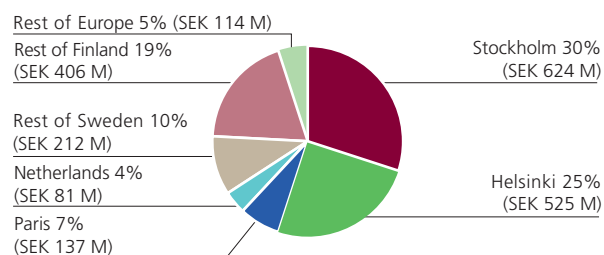
Change in carrying amount of properties

	SEK M	Number of shares
Property portfolio, 31 December 2016	20,628	440
Acquisition of properties	1,382	91
Investments in the current portfolio	341	
Property sales	-41	-36
Translation differences, currencies	348	
Unrealised changes in value	1,113	
Property portfolio, 31 December 2017	23,771	495

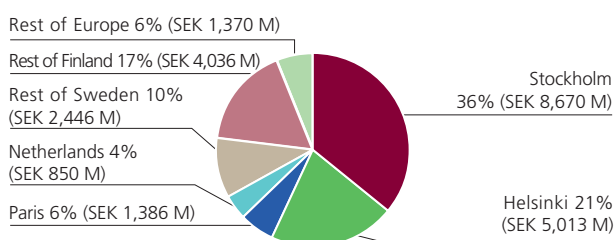
Yield compared with yield requirement



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 278 M (247) to profit from property management during the year. Sagax's share of changes in the value of properties amounted to SEK 541 M (565) and the share of changes in the value of fixed-income derivatives was SEK 65 M (neg: 38) during the year. The total value of the commitment associated with ownership of joint ventures and associated companies amounted to SEK 2,632 M (1,667), of which SEK 2,259 M (1,667) was recognized as participations in accordance with the equity method and associated financial instruments were recognized at SEK 373 M (-) following market valuation according to IAS 39 Financial Instruments: Recognition and Measurement.

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

SÖDERPORT HOLDING AB

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

A corresponding 69% of Söderport's rental value of SEK 591 M was located in Stockholm on 31 December 2017. Söderport's economic vacancies amounted to SEK 35 M (25) at year-end, corresponding to a vacancy rate of 6% (4). Of the economic vacancies, SEK 9 M (6) comprised fixed-term rent discounts provided for new lettings.

At year-end, Stockholm accounted for 92% of the economic vacancies.

During the year, 15 properties with a total lettable area of 82,000 square meters were acquired for SEK 352 M.

One property in Gothenburg was divested for SEK 979 M in the first quarter. As part of the transaction, Söderport has invested in the acquiring company an amount corresponding to a participating interest of 25%. An additional two properties were divested for a total of SEK 22 M during the year.

HEMSÖ INTRESSEENTER AB

Hemsö Fastighets AB conducts operations in Sweden, Germany and Finland. Operations consist of owning, managing and developing public properties. The company's property portfolio comprised 346 properties with a total property value of SEK 39 billion at 31 December 2017. Of the total property value, Sweden accounts for 78%, Germany 12% and Finland 10%. A corresponding 81% of the property value comprises properties located in metropolitan regions in Sweden, Germany and Finland.

Of Hemsö's properties, 172 are residences for the elderly, 103 school premises, 62 healthcare premises and 9 properties for the justice and legal sector. Of Hemsö's contractual rents, 59% derives from municipalities, county councils or the state. An average remaining lease term of 9.2 years (8.2) combined with financially stable tenants and a low vacancy rate ensure stable rental revenue. Approximately 95% of rental revenue derives from tax-financed operations. More information on Hemsö Fastighets AB is available on the company's website, hemso.se.

Sagax's joint ventures

	Söderport		Hemsö	
	2017 31 Dec	2016 31 Dec	2017 31 Dec	2016 31 Dec
Sagax's participating interest, %	50	50	15	15
Rental revenue, SEK M	548	544	2,363	2,189
Profit from property management, SEK M	254	247	1,314	1,111
Profit for the year, SEK M	769	552	2,591	2,343
Sagax's share of profit from property management, SEK M	127	124	151	122
No. of properties	69	54	346	356
Rental value, SEK M	591	615	2,541	2,386
Properties' market value, SEK M	6,603	6,330	38,883	33,629
Lettable area, sqm	650,000	702,000	1,636,000	1,638,000
Lease term, years	4.5	5.3	9.2	8.2
Economic vacancy rate, %	6	4	2	3
Interest-bearing liabilities, SEK M	3,287	3,461	25,575	22,442
Capital tied-up, years	2.6	3.1	5.0	4.1
Fixed interest, years	2.8	3.2	5.0	4.6
Market value of fixed-income derivatives, SEK M	-328	-424	-544	-723

Financing

EQUITY

The Group's equity amounted to SEK 11,356 M (8,709) on 31 December 2017, an increase of SEK 2,647 M during the year. The change was mainly due to comprehensive income for the year, dividends and completion of the redemption offer for preference shares. Refer also to page 19.

INTEREST-BEARING LIABILITIES

Sagax's interest-bearing liabilities at year-end amounted to SEK 13,691 M (12,565). An amount corresponding to SEK 5,848 M (5,718) of loans was recognised in EUR.

Interest-bearing net debt corresponded to SEK 13,182 M (12,047), or 55% (58) of the market value of the properties. Interest-bearing gross debt to banks of SEK 7,742 M corresponded to 33% (41) of the market value of the properties on 31 December 2017. The remaining gross debt corresponded to 25% (20) of the properties' market value and comprised listed bond loans of SEK 4,674 M (2,898) and commercial

paper of SEK 1,275 M (1,156). Bond loans as at 31 December 2017, with the main covenants for loans raised in SEK and EUR are presented on page 15.

At 31 December 2017, secured liabilities as a percentage of total assets comprised 33% (41) of the total assets. Unsecured liabilities corresponded to 17% (13).

A total of SEK 3,355 M (3,605) in new loans was raised, of which SEK 2,328 M (578) in the form of issued bond loans. A total of SEK 2,395 M (1,814) was repaid during the year, of which SEK 600 M (-) M through buy-backs and early repayment of bond loans in December. Commercial papers issued by Sagax increased SEK 96 M (752) net during the year. Interest-bearing liabilities rose SEK 166 M (206) due to exchange-rate fluctuations.

Following its application for an official rating, the company was awarded a rating of Ba1 with a positive outlook by Moody's Investors Service in August. The received rating is only one grade below investment grade (Baa3).

Fixed-interest period and loan maturity, 31 December 2017

Year of expiry	Fixed interest			Loan maturity		Interest-rate swaps	
	SEK M	Interest rate	Share	SEK M	Share	SEK M	Swap rate
2018	7,040	2.2%	51%	316	2%	-	-
2019	995	2.9%	7%	2,982	22%	487	1.0%
2020	817	3.7%	6%	2,955	22%	505	3.6%
2021	2,423	3.7%	18%	2,785	20%	1,088	3.7%
2022	850	3.4%	6%	4,653	34%	850	1.3%
>2022	1,566	4.7%	11%	-	-	1,566	2.5%
Total/average	13,691	3.0%	100%	13,691	100%	4,497	2.5%

Interest-bearing net debt

	31 Dec 2017	31 Dec 2016
Interest-bearing liabilities	13,691	12,565
Interest-bearing assets	-7	-4
Cash and cash equivalents	-60	-283
Listed shares	-442	-231
Net debt	13,182	12,047

In line with IAS 39, allocated borrowing costs of SEK 75 M (70) reduced interest-bearing liabilities in the balance sheet. Interest-bearing liabilities of SEK 13,616 M (12,495) were recognised. The average remaining fixed-interest and loan maturity terms were 2.1 years (2.7) and 3.1 years (3.6), respectively, at year-end. The average interest rate on the company's interest-bearing liabilities was 3.0% (3.1), including the effect of derivatives. The average interest rate decreased as a consequence of new borrowing at lower interest rates.

To limit interest-rate risk and increase the predictability of the company's profit from property management, interest-rate caps and interest-rate swaps are utilised with a total nominal value of SEK 7,210 M (7,190), of which interest-rate swaps with an average interest rate of 2.5% (2.5) accounted for SEK 4,497 M (4,470); see table on page 14.

The reserve for the negative market value of fixed-income derivatives declined by SEK 107 M (increase: 62) during the year. The total market value of Sagax's fixed-income derivatives had a deficit value of SEK 420 M (deficit: 527). The reserve will be gradually dissolved and recognised in profit and loss by the expiry date of the derivative contracts, regardless

of the interest-rate scenario. All other things being equal, the time factor alone entails that reserves for the deficit value of fixed-income derivatives in Sagax will be dissolved in a total amount of SEK 104 M over the next year. Over a five-year period, based on the time factor alone and assuming unchanged market interest rates, a total of SEK 391 M would be recognised as revenue in the consolidated financial statements.

WORKING CAPITAL AND LIQUIDITY

Sagax's working capital, excluding current interest-bearing liabilities, amounted to SEK 162 M (neg: 50) at 31 December 2017. At the same date, Sagax's available access to funds was SEK 2,018 M (750), of which SEK 60 M (222) in the form of cash and cash equivalents and SEK 1,958 M (662) in the form of unutilised lines of credit. Lines of credit corresponding to outstanding commercial paper are not included in available liquidity. No additional collateral needs to be pledged to utilise these lines of credit.

Sagax's holdings of listed shares amounted to SEK 442 M (248) and mainly comprised shares in NP3 Fastigheter AB.

Listed bond loans, 31 December 2017

Maturity	SEK M	Interest rate	Interest terms	Base interest rates floor ¹⁾	Maturity date	ISIN code
2014-2019	550	2.90%	Stibor 3M+2.90%	Yes	18 Jun 2019	SE0006027041
2015-2020	300	3.20%	Stibor 3M+3.20%	Yes	18 Jun 2020	SE0007186234
2016-2021	300	4.23%	Stibor 3M+4.75%	No	27 Apr 2021	SE0008294748
2017-2021	600	1.70%	Stibor 3M+2.15%	No	1 Feb 2021	SE0010636274
2017-2022	1,250	1.63%	Stibor 3M+2.15%	No	15 Feb 2022	SE0010324228
Total/average	3,000	2.29%				

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

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

Derivative contracts, 31 December 2017

SEK M	Nominal amount	Years to maturity	Market value 31 Dec 2017	Market value 31 Dec 2016	Change for the period
Interest-rate swaps	4,497	4.5	-421	-530	109
Interest-rate caps	2,713	2.2	1	3	-2
Total	7,210	3.6	-420	-527	107

Statement of comprehensive income

SEK M	2017 Jan-Dec	2016 Jan-Dec	2017 Oct-Dec	2016 Oct-Dec
Rental revenue	1,870	1,563	498	429
Other revenue	4	10	1	2
Operating expenses	-147	-126	-40	-33
Maintenance costs	-43	-34	-14	-11
Site leaseholds	-19	-18	-6	-5
Property tax	-77	-50	-20	-14
Other property expenses	-29	-19	-7	-13
Net operating income	1,558	1,326	412	354
Central administration	-77	-68	-24	-23
Profit from joint ventures and associated companies	727	599	243	353
– of which, profit from property management	278	247	70	63
– of which, changes in value	606	526	238	393
– of which, tax	-157	-174	-65	-103
Financial income	19	3	1	1
Financial expenses	-444	-409	-119	-110
Profit including changes in value of joint ventures and associated companies	1,783	1,451	513	576
– of which, profit from property management	1,334	1,098	340	286
<i>Changes in value:</i>				
Properties, realised	1	20	-1	30
Properties, unrealised	1,113	1,306	542	595
Financial instruments, realised	3	–	4	–
Financial instruments, unrealised	504	-51	78	101
Profit before tax	3,405	2,726	1,137	1,301
Deferred tax	-390	-235	-160	-65
Current tax	-49	-38	14	-14
Profit for the period	2,965	2,453	991	1,223
<i>Other comprehensive income</i>				
– items that may be reversed to profit and loss:				
Translation differences for foreign operations	254	196	251	-46
Share of other comprehensive income for joint ventures	5	12	4	2
Translation differences pertaining to hedge accounting	-84	-64	-79	14
Tax on items that may be reversed to profit and loss	-13	-11	-13	2
Comprehensive income for the period	3,126	2,586	1,154	1,194
Earnings per Class A and B share, SEK	17.72	14.53	6.01	7.31
Earnings per Class A and B share after dilution, SEK	17.69	14.50	6.00	7.30
Earnings per Class D share, SEK	2.00	2.00	0.50	0.50
Average no. of Class A and B shares, millions	158.3	158.3	158.3	158.3
Average no. of Class A and B shares after dilution, millions	158.5	158.6	158.4	158.7
Average no. of Class D shares, millions	43.1	2.9	63.6	11.7

Condensed statement of financial position

SEK M	2017 31 Dec	2016 31 Dec
Investment properties	23,755	20,628
Investment properties for sale	16	–
Participations in joint ventures and associated companies	2,259	1,667
Deferred tax assets	–	2
Financial instruments	374	8
Other fixed assets	21	11
Total fixed assets	26,426	22,316
Cash and bank balances	60	283
Listed shares	442	248
Other current assets	312	257
Total current assets	814	788
Total assets	27,240	23,104
Equity	11,356	8,709
Long-term interest-bearing liabilities	11,937	10,896
Deferred tax liabilities	1,141	739
Fixed-income derivatives	422	531
Other long-term liabilities	53	39
Total long-term liabilities	13,553	12,205
Commercial paper	1,275	1,156
Other current interest-bearing liabilities	404	444
Other current liabilities	652	590
Total current liabilities	2,331	2,190
Total equity and liabilities	27,240	23,104

Statement of cash flows

SEK M	2017 Jan-Dec	2016 Jan-Dec	2017 Oct-Dec	2016 Oct-Dec
Profit before tax	3,405	2,726	1,137	1,301
Change in value of financial instruments	-507	51	-83	-100
Change in value of properties	-1,112	-1,326	-543	-625
Result from ownership of joint ventures and associated companies	-727	-599	-243	-353
Dividend from joint ventures and associated companies	139	128	10	-
Dissolution of allocated borrowing costs	28	25	8	8
Tax paid	-25	-22	-10	-13
Other items not included in cash flow	-7	-16	-1	-2
Cash flow from operating activities before changes in working capital	1,194	965	275	215
Cash flow from changes in current receivables	-43	-123	-75	-54
Cash flow from changes in current liabilities	17	135	56	36
Cash flow from operating activities	1,168	977	256	197
Acquisition of properties	-1,382	-3,417	-557	-896
Property sales	41	969	10	354
Investments in existing properties	-341	-313	-103	-99
Acquisition of listed shares	-244	-237	-73	-164
Sales of listed shares	73	-	-	-
Divestment of participations in associated companies	-	74	-	-
Advance payments for property acquisitions	-	-	-	-
Increase in other fixed assets	-2	-	-1	-
Decrease in other fixed assets	-	9	-	7
Cash flow from investing activities	-1,855	-2,916	-724	-799
Issue of Class D shares	-	476	-	476
Redemption offer regarding preference shares	-66	-	-	-
Dividend paid to shareholders	-386	-299	-40	-30
Incentive Plan	-23	-18	-	-
Borrowings	3,322	3,064	819	795
Repayment of loans	-2,395	-1,283	-625	-639
Deposits from tenants	12	26	5	10
Increase in other long-term liabilities	-	4	2	-
Decrease in other long-term liabilities	-	-	-	-2
Cash flow from financing activities	464	1,970	161	610
Cash flow for the period	-223	30	-308	7
Exchange rate differences in cash and cash equivalents	-	2	-	-
Change in cash and cash equivalents	-223	32	-308	7
Cash and cash equivalents at beginning of period	283	251	368	276
Cash and cash equivalents at the end of period	60	283	60	283

Statement of changes in equity

SEK M	Share capital	contributed	Other capital	Reserves, translation differences	Profit earned incl. net profit for the period	Total equity ¹⁾
Equity, 31 December 2015	381		1,698	2	3,899	5,981
Issue of new Class D shares	32		447	–	–	479
Transaction costs	–		-3	–	–	-3
Dividends	–		–	–	-317	-317
Redemption of Incentive Plan	–		–	–	-20	-20
Incentive Plan	–		–	–	2	2
Comprehensive income, January-December 2016	–		–	133	2,453	2,586
Equity, 31 December 2016	413		2,142	136	6,017	8,709
Dividends	–		–	–	-390	-390
Redemption of preference shares	-73		-1,280	–	–	-1,353
Offset issue of new Class D shares	79		1,210	–	–	1,289
Transaction costs	–		-3	–	–	-3
Redemption of Incentive Plan	–		–	–	-25	-25
Incentive Plan	–		–	–	2	2
Comprehensive income, January-December 2017	–		–	161	2,965	3,126
Equity, 31 December 2017	419		2,069	297	8,570	11,356

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

Segment information

Profit items per segment	Rental revenue ¹⁾		Profit from property management		Changes in value, properties				Income before tax	
	2017 Jan-Dec	2016 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	Unrealised		Realised		2017 Jan-Dec	2016 Jan-Dec
SEK M					2017 Jan-Dec	2016 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec		
Stockholm	569	550	317	309	401	736	1	-1	719	932
Helsinki	464	383	291	226	217	128	-1	7	507	361
Paris	104	30	48	16	160	-7	–	–	208	1
Netherlands	63	6	40	1	13	-6	–	–	52	-5
Rest of Sweden	206	213	133	138	43	-22	–	20	176	136
Rest of Finland	349	284	239	178	248	273	1	-6	489	446
Rest of Europe	115	97	81	56	31	204	–	–	112	268
Sub-total	1,870	1,563	1,148	924	1,113	1,306	1	20	2,263	2,139
Financial instruments	–	–	–	–	–	–	–	–	507	-51
Joint ventures	–	–	278	247	488	539	53	26	727	599
Other, non-specified	–	–	-92	-73	–	–	–	–	-92	39
Total	1,870	1,563	1,334	1,098	1,601	1,845	55	46	3,405	2,726
Asset items per segment	Market value properties		Investments properties		Acquisitions properties		Divestment properties			
	2017 31 Dec	2016 31 Dec	2017 Jan-Dec	2016 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec		
SEK M										
Stockholm	8,670	7,939	157	138	172	178	–	-243		
Helsinki	5,013	4,362	118	101	187	784	-10	-22		
Paris	1,386	967	48	15	174	839	–	–		
Netherlands	850	498	–	–	318	497	–	–		
Rest of Sweden	2,446	2,406	12	10	–	–	-15	-240		
Rest of Finland	4,036	3,174	1	48	519	941	-15	-473		
Rest of Europe	1,370	1,282	5	1	12	178	–	–		
Total	23,771	20,628	341	313	1,382	3,417	-40	-978		

1) All rental revenue pertains to external tenants.

Key performance indicators

	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec
Property-related key figures						
Yield, %	6.9	7.1	7.4	7.6	7.7	7.8
Surplus ratio, %	83	85	86	86	87	86
Occupancy rate by area, %	95	93	97	95	93	95
Economic occupancy rate, %	94	94	96	94	92	93
Lease term, years	6.6	7.1	7.4	8.2	8.0	8.4
Lettable area, 000s of square meters	2,489	2,312	1,860	1,634	1,336	1,159
No. of properties	495	440	225	184	141	134
Financial key figures						
Return on total capital, %	6	6	7	7	7	7
Return on equity, %	30	33	32	18	24	15
Average interest rate, %	3.0	3.1	3.3	4.1	4.4	4.6
Fixed-interest period incl. derivatives, years	2.1	2.7	3.0	3.0	3.7	5.2
Capital tied-up, years	3.1	3.6	4.2	3.2	3.5	4.3
Equity/assets ratio, %	42	38	34	32	32	28
Debt ratio, %	50	54	59	59	60	62
Net debt/EBITDA	8.1	8.7	9.3	8.8	9.1	8.8
Net debt/market value of the properties, %	55	60	64	62	64	63
Interest coverage ratio, multiple	3.7	3.4	2.9	2.6	2.4	2.2
Data per Class A and B share^{1) 2)}						
Share price at the end of period, SEK	98.20 ³⁾	81.75 ³⁾	71.75 ³⁾	44.00 ³⁾	24.20 ³⁾	17.14
EPRA NAV, SEK	70.07	53.78	35.52	27.23	19.05	14.86
Equity, SEK	54.30	39.21	26.01	17.49	13.41	8.09
Equity after dilution, SEK	54.26	39.14	25.93	17.44	13.40	8.09
Profit, SEK	17.72	14.53	9.88	4.06	4.44	1.82
Profit after dilution, SEK	17.69	14.50	9.85	4.05	4.44	1.82
Profit from property management, SEK	7.41	5.97	4.92	3.74	2.74	2.15
Profit from property management after dilution, SEK	7.40	5.96	4.90	3.73	2.73	2.15
Cash flow, SEK	6.53	5.13	4.00	3.00	2.12	1.79
Cash flow after dilution, SEK	6.52	5.12	3.99	2.99	2.12	1.79
Dividend per share, SEK (proposed for 2017)	1.80	1.45	1.15	0.80	0.55	0.43
No. at end of period, millions	158.3	158.3	158.3	158.3	158.3	147.6
No. at end of period after dilution, millions	158.4	158.6	158.8	158.7	158.4	147.6
Average no., millions	158.3	158.3	158.3	158.3	153.9	147.6
Average no. after dilution, millions	158.5	158.6	158.8	158.6	154.0	147.6
Data per Class D share						
Share price at the end of period, SEK	29.92	28.30	–	–	–	–
Equity, SEK	35.00	35.00	–	–	–	–
Profit, SEK	2.00	2.00	–	–	–	–
Dividend per share, SEK (proposed for 2017)	2.00	2.00	–	–	–	–
No. at end of period, millions	63.6	18.2	–	–	–	–
Average no., millions	43.1	2.9	–	–	–	–
Data per preference share						
Share price at the end of period, SEK	33.40	30.40	31.30	36.00	31.50	29.60
Equity, SEK	32.00	32.00	32.00	32.00	32.00	32.00
Profit, SEK	2.00	2.00	2.00	2.00	2.00	2.00
Dividend per share, SEK (proposed for 2017)	2.00	2.00	2.00	2.00	2.00	2.00
No. at end of period, millions	16.8	58.2	58.2	55.5	50.0	50.0
Average no., millions	35.5	58.2	57.8	52.2	50.0	37.8

1) Comparative figures have been adjusted for the bonus issue of Class B shares in 2013, by multiplying the number of shares by 11.
The conditions of the bonus issue were ten Class B shares for each Class A share.

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

3) Pertains to the share price for the Class B share.

Parent Company Income Statement

SEK M	2017 Jan-Dec	2016 Jan-Dec
Net sales	55	51
Administration costs	-70	-61
Loss before financial income and expenses	-15	-10
Profit/loss from participations in Group companies	-35	1,749
Profit from participations in joint ventures	39	28
Financial income	357	345
Financial expenses	-296	-281
Profit before tax and appropriations	50	1,831
Tax allocation fund	-9	-7
Tax	-7	-8
Profit for the year	34	1,816

Condensed Parent Company balance sheet

SEK M	2017 31 Dec	2016 31 Dec
Tangible fixed assets	2	2
Receivables from Group companies	2,022	2,074
Other financial fixed assets	3,592	3,627
Total fixed assets	5,616	5,703
Cash and bank balances	4	24
Receivables from Group companies	5,208	3,075
Other current assets	51	37
Total current assets	5,263	3,136
Total assets	10,879	8,839
Equity	3,031	3,478
Untaxed reserves	17	7
Long-term interest-bearing liabilities	4,674	2,898
Liabilities to Group companies	438	438
Deferred tax liabilities	3	5
Total long-term liabilities	5,115	3,341
Current interest-bearing liabilities	1,275	-
Liabilities to Group companies	1,220	723
Other current liabilities	221	1,290
Total current liabilities	2,716	2,013
Total equity, untaxed reserves and liabilities	10,879	8,839

The Sagax share and shareholders

At year-end, Sagax had 9,348 (8,816) shareholders. Sagax's market capitalisation amounted to SEK 18,080 M (15,459). 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 May 4, 2017, the Annual General Meeting resolved on a redemption offer, under which holders of preference shares were offered 1.15 Class D shares or 1 Class D share and a cash payment of SEK 4.00 per share. 71% of the total number of preference shares was redeemed under the offer, of which 62% was exchanged for 1.15 Class D shares and 38% was exchanged for 1.00 Class D share and SEK 4.00 per preference share.

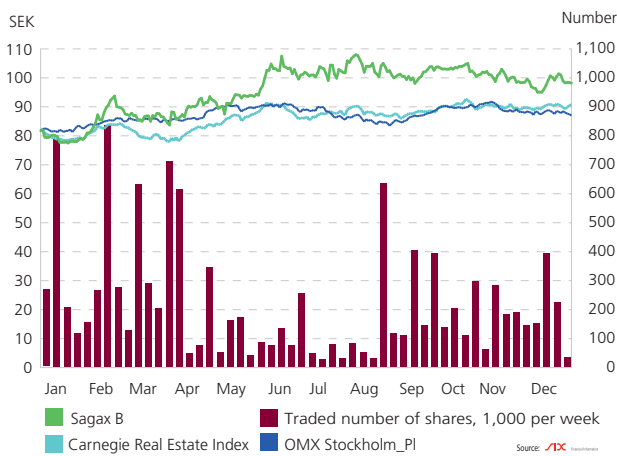
A total of 239,622,149 shares were outstanding at year-end, of which 1,000,000 were bought back Class B shares held in treasury. Refer also to the table of voting rights and proportion of share capital for the different classes of shares on page 24.

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

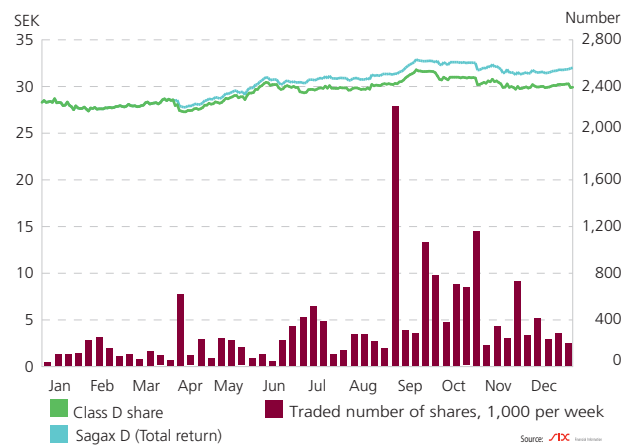
Trade in the shares on the Nasdaq Stockholm

	Price paid, SEK		Turnover rate on an annual basis, %		Average trading volume per trading day, SEK M	
	31 Dec 2017	31 Dec 2016	Oct-Dec 2017	Oct-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Class A shares	103.80	93.00	3	1	0.2	0.1
Class B shares	98.20	81.75	7	12	3.8	5.4
Class D shares	29.92	28.30	36	111	2.8	2.3
Preference shares	33.40	30.40	34	50	0.8	3.6

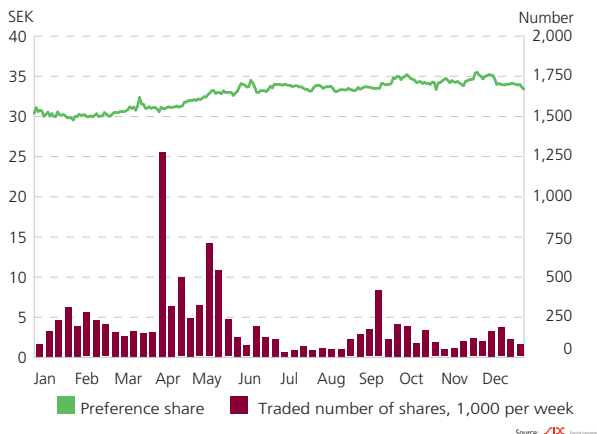
Price trend of Class B shares for the past 12 months



Price trend of Class D shares for the past 12 months



Price trend of preference shares for the past 12 months



WARRANTS

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

PROFIT FROM PROPERTY MANAGEMENT

PER COMMON SHARE

Profit from property management per Class A and B share after dilution on a rolling 12-month basis amounted to SEK 7.40 (5.96) which, compared with the share price of Class A and B common shares at year-end, corresponded to a multiple of 13.3 (13.7).

EQUITY PER CLASS A AND B SHARE

Equity per Class A and B share after dilution amounted to SEK 54.26 (39.14). EPRA NAV per Class A and B share amounted to SEK 70.07 (53.78). For definitions of key ratios; see page 29. The share price for the Class B share at the end of the period was 181% (209) of equity per Class B share and 140% (152) of EPRA NAV per Class B share.

Key performance indicators per Class B share¹⁾

	2017 31 Dec	2016 31 Dec	2015 31 Dec	2014 31 Dec	2013 31 Dec	2012 31 Dec
Price of Class B share at the end of the period, SEK	98.20	81.75	71.75	44.00	24.20	17.14
Profit from property management after dilution, SEK ²⁾	7.40	5.96	4.90	3.73	2.73	2.15
Cash flow after dilution, SEK ^{2) 3)}	6.52	5.12	3.99	2.99	2.12	1.79
Equity after dilution, SEK	54.26	39.14	25.93	17.44	13.40	8.09
EPRA NAV, SEK ⁴⁾	70.07	53.78	35.52	27.23	19.05	14.86
Price of Class B share/Profit from property management, multiple ²⁾	13.3	13.7	14.6	11.8	8.9	8.0
Price of Class B share/Cash flow, multiple ^{2) 3)}	15.1	16.0	18.0	14.7	11.4	9.6
Price of Class B share/Equity, %	181	209	277	252	181	212
Price of Class B share/EPRA NAV, %	140	152	202	162	127	116

1) Comparative figures have been adjusted for the bonus issue of Class B shares in 2013, by multiplying the number of shares by 11.

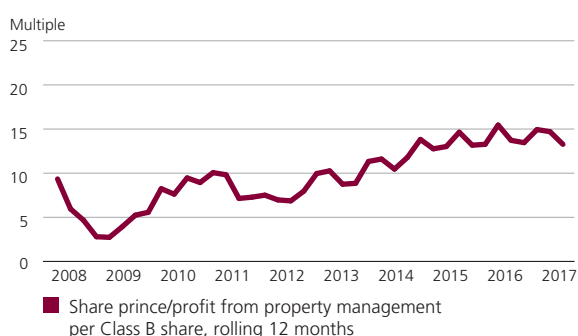
The conditions of the bonus issue were ten Class B shares for each Class A share.

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

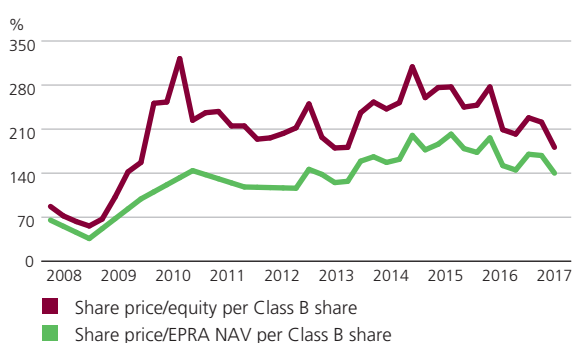
3) Cash flow pertains to cash flow from operating activities before changes in working capital.

4) See page 29 for definition.

Share price/profit from property management per common share



Share price in relation to equity and EPRA NAV



Ownership structure, 31 December 2017¹⁾

No. of shares	No. of shareholders	Shareholder category	Number of shares	Share of voting power	Shareholders by country	Number of shares	Share of voting power
1–500	4,926	Private individuals residing in Sweden	8,123	10%	Sweden	8,774	91%
501–1 000	926				Luxembourg	21	4%
1,001–2,000	865	Private individuals residing abroad	62	1%	UK	49	2%
2,001–5,000	1,113				Norway	30	1%
5,001–10,000	562	Companies/institutions in Sweden	651	81%	Finland	41	1%
10,001–50,000	695				Other countries	433	1%
50,001–	261	Companies/institutions abroad	512	8%			
Total	9,348	Total	9,348	100%	Total	9,348	100%

1) Including shares held by AB Sagax.

Largest shareholders, 31 December 2017¹⁾

	No. of shares				Percentage of	
	Class A shares	Class B shares	Class D shares	Preference shares	Share capital	Votes ²⁾
David Mindus and companies	5,137,400	37,693,025	1,886,745	775	18.7%	25.3%
Rutger Arnhult and companies	2,834,659	17,272,079	1,689,658	3,017	9.1%	13.2%
Salén family and companies	1,998,733	17,485,330	467,742	–	8.3%	10.6%
Third Swedish National Pension Fund	–	12,113,829	–	–	5.1%	3.4%
Länsförsäkringar Fonder	–	10,170,192	–	–	4.2%	2.8%
Fourth Swedish National Pension Fund	2,858	3,147,710	3,554,699	–	2.8%	1.9%
Avanza Pension	27,368	409,959	4,561,590	1,400,119	2.7%	1.8%
Swedish Foundation for Strategic Research	–	–	5,069,433	–	2.1%	1.4%
Handelsbanken Fonder	–	4,190,000	–	–	1.7%	1.2%
Swedbank Robur Fonder	383,731	3,442,778	173,942	–	1.7%	2.1%
Erik Selin and companies	536,618	2,160,000	1,039,881	–	1.6%	2.4%
Patrik Brummer and companies	–	–	166,666	3,500,000	1.5%	1.0%
ICA-Handlarnas Förbund	–	–	3,312,011	–	1.4%	0.9%
SEB Fonder	–	3,277,915	–	–	1.4%	0.9%
Volvo Pensions Foundation	–	–	3,136,000	–	1.3%	0.9%
Lars Ingvarsson and companies	130,000	1,673,205	131,264	–	0.8%	0.9%
Nordnet Pensionsförsäkring	33,383	418,316	1,093,676	279,173	0.8%	0.6%
Stiftelsen Stockholms Sjukhem	–	–	1,800,000	–	0.8%	0.5%
Skandia Liv	128,686	1,467,437	48,377	52,215	0.7%	0.8%
Odin Fonder	–	1,497,156	–	–	0.6%	0.4%
Total 20 largest shareholders	11,213,436	116,418,931	28,131,684	5,235,299	67.2%	72.9%
Other shareholders	2,203,386	28,439,199	35,431,485	11,548,729	32.4%	27.1%
Sub-total	13,416,822	144,858,130	63,563,169	16,784,028	99.6%	100.0%
Treasury shares held by AB Sagax	–	1,000,000	–	–	0.4%	0.0%
Total	13,416,822	145,858,130	63,563,169	16,784,028	100.0%	100.0%
– of which, Board and employees	7,466,274	59,184,036	3,404,251	3,267	29.2%	38.2%

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

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

Voting rights and proportion of share capital

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

Risks and uncertainties

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

PROPERTY-RELATED RISKS

The valuation of investment properties can be significantly affected by the judgements and assumptions made by company management. To reduce the risk of incorrect valuations, Sagax has engaged authorised external appraisers to assess the market value of all of the properties at 31 December 2017. When valuing properties, the constant existence of uncertainties regarding the assumptions made must be taken into account. A sensitivity analysis for property values for to assumptions on yield requirements, cost of capital, rental revenue and property expenses is presented below.

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

FINANCIAL RISKS

Sagax's financial expenses comprise the single largest expense for the Group. To reduce Sagax's exposure to rising interest rates, the Group has a significant number of its interest expenses hedged using such derivatives as interest-rate swaps and interest-rate caps. Sagax values all of its fixed-income derivatives externally every quarter. All other things being equal, a simulated parallel upward shift of 1 percentage point in the underlying swap curve would entail a positive revaluation of Sagax's fixed-income derivatives by SEK 226 M. The

corresponding downward shift of 1 percentage point would entail a negative revaluation of SEK 231 M.

Calculated on the existing financing terms for the Group's interest-bearing liabilities on 31 December 2017, a rise in market interest rates of 1 percentage point would have increased Sagax's annualised interest expenses by SEK 52 M (23). A reduction in market interest rates of 1 percentage point would increase Sagax's interest expenses by SEK 14 M (28) on an annual basis, since a number of Sagax's contractual loan facilities include base-rate clauses that do not permit base-rates to drop below zero when setting interest rates for the interest period.

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

Sensitivity analysis for property values

	-20%	-10%	0%	+10%	+20%
Value change, SEK M	-4,754	-2,377	-	2,377	4,754
Debt ratio, %	61	55	50	46	43

Sensitivity analysis for changes in the occupancy rate

	-10%	-5%	0%	+5%	+10%
Occupancy rate, %	85	89	94	99	N/A
Interest coverage ratio, %	330	350	370	390	N/A

Sensitivity analysis for property values

SEK M	Change	Change in value
Yield requirement	+/- 0.25% points	-604/+620
Cost of capital	+/- 0.25% points	-505/+530
Rental revenue	+/- 5%	+894/-893
Property expenses	+/- 5%	-159/+161

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 2017, assets less liabilities in EUR, amounted to SEK 4,910 M (3,389). In accordance with IAS 21, most of the currency effects are recognised in Other comprehensive income on consolidation. Only a small portion of currency effects are recognised in profit or loss.

OTHER RISKS

In a decision of 20 December 2016 pertaining to the 2014 income year, the Swedish Tax Agency denied the group company Sagax Bruket Fastigheter AB deductions for loss carryforwards

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

Sagax's other risks are described in the 2016 Annual Report, on pages 46-49.

SENSITIVITY ANALYSIS

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

Sensitivity analysis at 31 December 2017¹⁾

SEK M	Change	Effect on profit from property management, annual basis	Effect on profit before tax, annual basis ³⁾	Effect on equity ³⁾
Economic occupancy rate	+/-1%	+/-21	+/-16	+/-16
Rental revenue	+/-1%	+/-20	+/-15	+/-15
Property expenses	+/-1%	-/+3	+/-2	-/+2
Interest expenses including fixed-income derivatives	+/-1% point	-52/-14	-41/-11	-41/-11
Interest expenses excluding fixed-income derivatives	+/-1% point	-97/+31	-76/+24	-76/+24
Revaluation of fixed-income derivatives due to shift in interest rate curves	+/-1% point	N/A	+176/-180	+176/-180
Change in SEK/EUR exchange rate ²⁾	+/-10%	+/-79	+/-60	+/-491
Changed rent level for contract maturity in 2018	+/-10%	+/-18	+/-14	+/-14

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

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

3) Including standard tax at 22%.

Significant events after the end of the year

On 15 January 2018, Sagax announced in a press release that Agneta Segerhammar had been recruited as the CFO of AB Sagax. Agneta has extensive experience of property operations and joins Sagax from A Group of Retail Assets Sweden AB (AGORA) where she served as CFO/Vice President. Agneta's previous positions include Finance Director at Steen & Ström Sverige AB and CFO of Areim AB. Agneta will take up her new position in April 2018.

On 31 January 2018, Sagax announced in a press release that it had acquired and taken possession of four properties for a total of SEK 150 M based on four separate transactions. The acquired properties are located in Järfälla and Huddinge

in Sweden, and in Haarlem and Dordrecht in the Netherlands. The properties comprise a lettable area of 15,900 square meters, with an annual rental value of SEK 11.9 M. The average remaining lease term is five years.

On 1 February 2018, Sagax announced in a press release that it had acquired and taken possession of a property located in Espoo, west of central Helsinki and 25 minutes from Helsinki Airport. The total acquisition cost corresponded to SEK 92 M. The property comprise a lettable area of 18,400 square meters, with an annual rental value of SEK 12.5 M. The average remaining lease term is 7.0 years.

Accounting policies

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

This year-end report has been prepared in accordance with International Accounting Standards (IAS) 34. The accounting policies and calculation methods applied in this report are unchanged compared with those applied in the 2016 Annual Report. Rounding-off differences may occur in this report.

The International Accounting Standard Board (IASB) has issued a new standard, IFRS 15 Revenue from Contracts with Customers, which will become effective from 2018. Sagax's revenue primarily comprises rental revenue, which is not encompassed by this standard. Accordingly, after completing an

analysis, the company's assessment is that this standard will have no material impact on its financial reporting; refer also to Note 1 in the 2016 Annual Report.

IFRS 9 Financial instruments will replace IAS 39 Financial instruments: Recognition and Measurement from 2018. After completing an analysis, the company's assessment is that the standard will have no material impact on its financial reporting.

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

The company's segment division was changed as of 2017 to encompass Stockholm, Helsinki, Paris, the Netherlands, Rest of Sweden, Rest of Finland and Rest of Europe.

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

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

Stockholm, 8 February 2018
AB SAGAX (publ)
Corporate Registration Number 556520-0028

Staffan Salén
Chairman of the Board

Johan Cederlund
Board member

Filip Engelbert
Board member

David Mindus
CEO and Board member

Johan Thorell
Board member

Ulrika Werdelin
Board member

This year-end report has not been reviewed by the company's auditors. This constitutes information that AB Sagax (publ) is legally obliged to publish under the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication on 8 February 2018 at 16.15 p.m. CET.

Financial calendar

Interim Report January-March 2018	7 May 2018
Annual General Meeting 2018	7 May 2018
Interim Report January-June 2018	13 July 2018
Interim Report January-September 2018	25 October 2018

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

March 2018

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

June 2018

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

September 2018

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

December 2018

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

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

FOR FURTHER INFORMATION, PLEASE CONTACT:

David Mindus, CEO
08 – 545 83,540, david.mindus@sagax.se

Peter Larsen, CFO
08 – 545 83,540, peter.larsen@sagax.se

Visit us at www.sagax.se.

Definitions

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

Return on equity

Profit for the year, recalculated to 12 months, as a percentage of average equity (opening and closing balances)/2 for the year.

Return on total capital

Profit for the year, restated to 12 months, after net financial items after reversal of financial expenses in relation to average total assets for the year.

Occupancy rate by area

Contracted area at year-end in relation to total lettable area at year-end.

Debt ratio

Interest-bearing liabilities at year-end as a percentage of total assets at year-end.

Yield

Net operating income for the year (including property administration), restated to 12 months, adjusted for the holding periods of the properties during the year in relation to the carrying amounts of the properties at year-end. For guidance; see page 9.

EBITDA

Net operating income less central administration costs plus dividends received from joint ventures and associated companies.

Equity per Class A and B share

Equity at year-end in relation to the number of Class A and B shares at year-end after taking into account equity attributable to Class D shares and preference shares.

Equity per Class D share

Equity at year-end as a percentage of the number of common shares at year-end after taking into account equity attributable to preference shares. Equity is restricted to SEK 35.00 per Class D share.

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).

Economic occupancy rate

Contractual annual rent at year-end in relation to rental value at year-end.

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.

EPRA NAV

Recognised equity according to the balance sheet with reversal of reserves for fixed-income derivatives, deferred tax on temporary differences on property values and deferred tax on reserves for fixed-income derivatives.

Property

Pertains to properties held under title or site leasehold.

Profit from property management

Profit excluding changes in value and tax.

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.

Lease term

Remaining term of a lease.

Rental value

The contractual annual rent applicable at year-end, with supplements for estimated market rents for vacant premises.

IFRS

International Financial Reporting Standards. International Financial Reporting Standards (IFRS), to be applied for consolidated financial statements by listed companies within the EU.

Joint venture

Partnership form whereby several owners have a shared controlling influence.

Cash flow per Class A and B share

Profit before tax adjusted for items not included in cash flow less current tax in relation to the average number of Class A and B shares. Dividends on Class D shares and preference shares for the year have also been deducted from profit before tax. Dividends received from joint ventures have been added to profit before tax.

Net debt

Interest-bearing liabilities less interest-bearing assets, cash and cash equivalents, and listed shares. For guidance, see page 14.

Preference equity

Equity per preference share multiplied by the number of preference shares outstanding.

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 year represented by dividends on Class D shares and preference shares.

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.

Interest coverage ratio

Profit from property management, excluding profit from joint ventures and associated companies but including dividends from joint ventures and associated companies, after reversal of financial expenses in relation to financial expenses.

Equity/assets ratio

Equity in relation to total assets.

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.

Total return on shares

Total of the change in the share price during the year and the dividend paid during the year as a percentage of the share price at the end of the preceding year.

Total yield on property

Total of EBITDA and property revaluations during the year as a percentage of the average property value adjusted for revaluations for the year.

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.

Dilution

Dilution due to outstanding warrants has been calculated, in line with IAS 33, as the number of Class A and B shares to be issued to cover the difference between the strike price and share price for all potential Class A and B shares (warrants) outstanding, insofar as it is probable that they will be utilised.

Surplus ratio

Net operating income for the year as a percentage of the rental revenue for year.

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 2017 amounted to 2,489,000 square meters, distributed over 495 properties.

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

More information is available at www.sagax.se.

AB | SAGAX

AB Sagax (publ), Engelbrektsplan 1, SE-114 34 Stockholm, Sweden
Corp. Reg. No. 556520-0028
Tel: + 46 8 545 83 540, fax: + 46 8 545 83 549
www.sagax.se