

YEAR-END REPORT 2020

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 2020

2020 FISCAL YEAR

- Rental revenue increased 12% to SEK 2,898 M (SEK 2,581 M for the preceding year).
- Profit from property management increased 19% to SEK 2,389 M (2,001).
- Profit from property management per Class A and B share after dilution rose 20% to SEK 6.62 (5.51).
- In total, property revaluation affected profit by SEK 2,003 M (1,956).
- Revaluation of financial instruments had an impact of SEK 210 M (884).
- Profit after tax for the year was SEK 3,711 M (4,111).
- Cash flow from operating activities before changes in working capital rose 24% to SEK 2,219 M (1,795), corresponding to SEK 6.09 (4.86) per Class A and B share after dilution.
- Net investments amounted to SEK 4,795 M (2,090).
- The Board intends to convene an Extraordinary General Meeting to resolve on a reduction of share capital through redemption of all preference shares. Redemption of the preference shares is proposed to take place following the distribution of a dividend of SEK 0.50 per preference share in April. For more information, see page 27.
- The Board of Directors proposes that the dividend per Class A and B share be raised to SEK 1.65 (1.30). The Board also proposes a dividend of SEK 2.00 per Class D through a quarterly payment of SEK 0.50. If the Extraordinary General Meeting does not vote to redeem all of the preference shares outstanding, the Board will also propose a dividend of SEK 2.00 per preference share through a quarterly payment of SEK 0.50. The dividend proposal is in accordance with the company's dividend policy.

FOURTH QUARTER OF 2020

- Rental revenue increased 13% to SEK 746 M (SEK 663 M in the year-earlier period).
- Profit from property management increased 15% to SEK 594 M (518).
- Profit from property management per Class A and B share after dilution rose 15% to SEK 1.65 (1.43).
- In total, property revaluation affected profit by SEK 1,216 M (1,148).
- Revaluation of financial instruments had an impact of SEK 108 M (192).
- Profit after tax for the period was SEK 1,532 M (1,529).
- Cash flow from operating activities before changes in working capital rose 4% to SEK 441 M (426), corresponding to SEK 1.17 (1.14) per Class A and B share after dilution.
- Net investments amounted to SEK -450 M (593).

FORECAST FOR 2021

Profit from property management for 2021, meaning profit before revaluations and tax, based on the current property portfolio, announced acquisitions and divestments and current exchange rates, is expected to amount to SEK 2,550 M.

Selected key performance indicators

	2020 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec
Profit from property management per Class A and B share after dilution, SEK	6.62	5.51	4.31	3.70	2.98	2.45
Change compared with preceding year, %	20	28	16	24	22	31
Earnings per Class A and B share after dilution, SEK	10.78	12.13	9.24	8.85	7.25	4.93
Dividend per Class A and B share, SEK (2020 proposed)	1.65	1.30	1.00	0.90	0.72	0.58
Net debt/EBITDA, multiple	6.4	6.6	7.4	8.1	8.7	9.3
Interest coverage ratio, multiple	5.7	4.9	4.2	3.7	3.4	2.9
Debt ratio, %	43	44	47	50	54	59
Properties' market value, SEK M	37,548	32,625	29,024	23,771	20,628	16,189
Property yield, %	6.3	6.4	6.8	6.9	7.1	7.4



A property portfolio consisting of five properties in the Netherlands was acquired in the fourth quarter of 2020. These properties encompass a total of 54,000 square metres of lettable area and 104,000 square metres of land. The properties are fully let to Scheuten Glas Nederland BV, which is a part of the Swiss glass company Glas Trösch AG. The premises are used for the storage and production of glass.

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 will 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.

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 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.

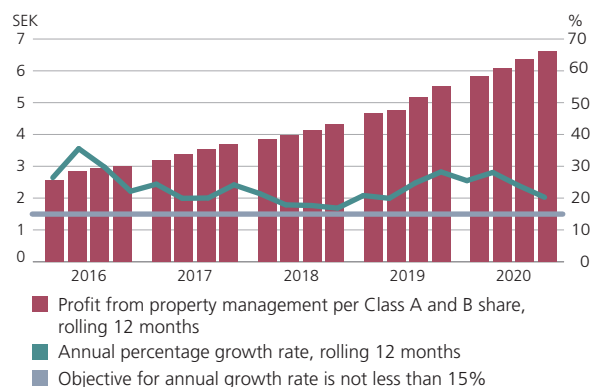
Management strategy

Sagax pursues efficiency and sustainability in its management strategy. The management strategy includes clearly prioritising reputable customers with high credit ratings and obtaining long leases. 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.

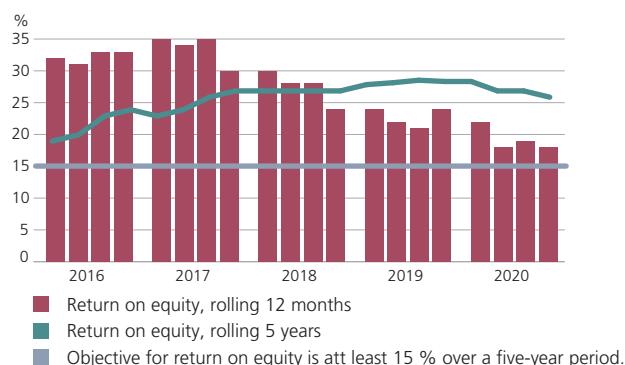
Financial targets

	Outcome rolling 12 months	Five-year average
Return on equity, measured over a five-year period, should not fall below 15% per year	18%	26%
Profit from property management per Class A and B share should increase by a minimum of 15% per year	20%	23%

Profit from property management per Class A and B share



Return on equity



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.

SUSTAINABILITY ACTIVITIES

The aim of Sagax's sustainability activities is to avoid short-term gains arising at the expense of negative longer-term consequences, such as in the form of externalities. The company's investing activities, management and funding are conducted to achieve the best possible long-term – meaning sustainable – outcome. The planning, governance and monitoring of sustainability activities follow Sagax's organisational structure with well-defined delegation of responsibilities and authorities. Sustainability activities are based on applicable legislation and internal policies.

Sagax has identified the following focus areas:

Financial sustainability

Sagax's business model is characterised in all areas by a long-term approach. Short-term gains are subordinate to the company's long-term value creation. Accordingly, sustainability work is integrated into the business model.

Business ethics

Sagax works actively to combat all forms of corruption, and has a whistle-blower function available on the Sagax website and a Code of Conduct for Suppliers.

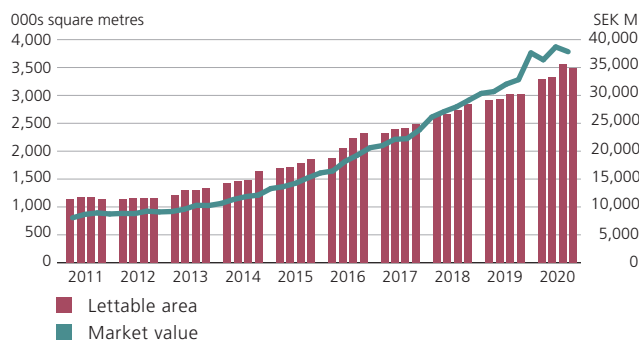
Environmental and resource efficiency

Heating premises and the use of electricity account for the largest share of properties' energy use. Sagax takes regular measures to reduce consumption in a bid to continuously enhance the efficiency of the properties' energy use.

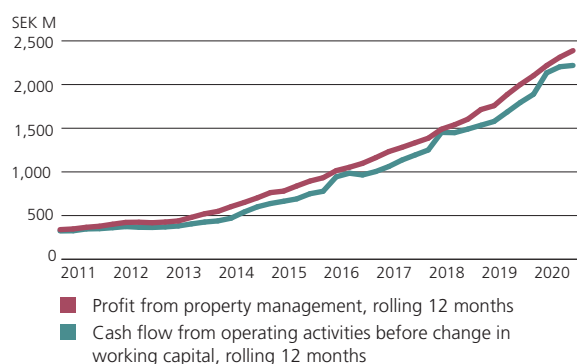
Employees

The development of the company is dependent on highly skilled employees. For this reason, it is important that the company is an attractive employer that can attract and has the ability to retain highly skilled personnel. In exchange, employees are expected to assume responsibility of their work duties and also serve as good representatives of the company's values and culture.

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 2020 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 19% to 2,389 M (2,001), of which joint ventures and associated companies accounted for SEK 565 M (441). 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 20% to SEK 6.62 (5.51).

Changes in the value of properties increased profit by SEK 2,003 M (1,956).

Revaluation of financial instruments had an impact of SEK 210 M (884). The revaluation of listed shares resulted in an unrealised change in value of SEK 77 M (594). The revaluation of financial instruments attributable to joint ventures amounted to SEK 156 M (305) pursuant to IFRS 9, while fixed-income derivatives accounted for SEK -24 M (-15).

Profit after tax for the year was SEK 3,711 M (4,111).

REVENUE

Rental revenue rose 12% to SEK 2,898 M (2,581). Revenue was primarily affected by property acquisitions.

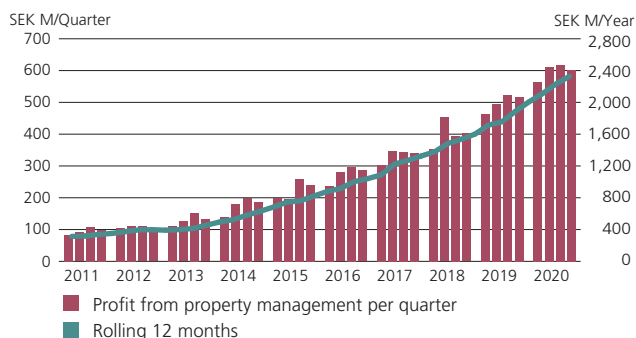
Other revenue amounted to SEK 10 M (27). The previous period was primarily impacted by compensation from tenants who prematurely vacated premises, damages due to inadequate maintenance and insurance compensation.

During the year, rental revenue in comparable portfolios increased 2.5% (3.3) excluding currency effects. The largest increase was found in the market segments of the Netherlands (4.2%), Helsinki (4.1%) and Paris (3.9%). Other market segments reported revenue increases of an average of 1.4% in comparable portfolios.

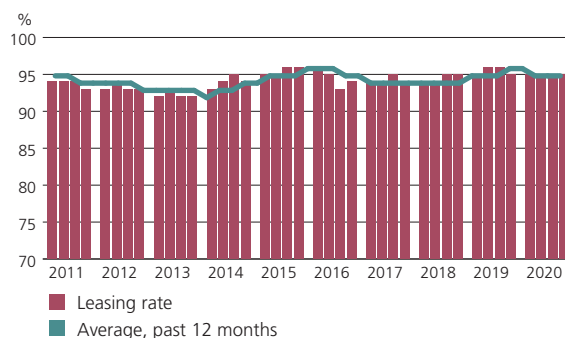
CHANGE IN THE ECONOMIC OCCUPANCY RATE

The economic occupancy rate amounted to 95% (95). During the year, the vacancy value rose SEK 128 M (93) due to tenants vacating premises and declined SEK 123 M (98) due to new lettings. Fixed-term rent discounts for new tenants increased SEK 13 M (4) to SEK 35 M (22) on an annual basis at the end of the period. Acquisitions and property divestments during the year increased the vacancy value by SEK 10 (16) M. In total, the vacancy value increased SEK 24 M (3) to SEK 159 M (135) at year end.

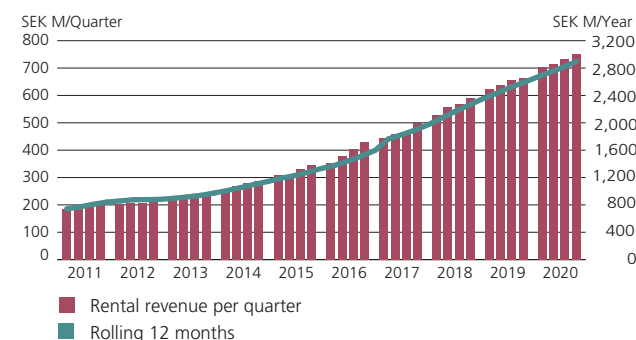
Profit from property management



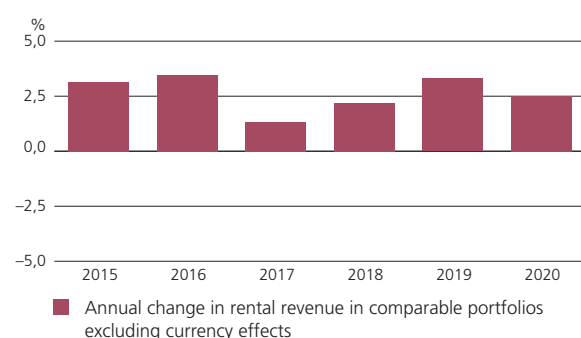
Economic leasing rate



Rental revenue



Annual change in rental revenue in comparable portfolios



FUTURE VACANCY CHANGES

At year end, notice of termination had been served for leases with a rental value of SEK 68 M (85), of which leases with notice of vacating the premises accounted for SEK 68 M (81) and leases with notice of renegotiation for SEK 0 M (4). Of the leases for which notice had been received, vacancies corresponding to SEK 44 M will occur in 2021. Leases for premises that have not yet been occupied reduced the adjusted vacancy value by SEK 17 M (14).

PROPERTY EXPENSES

Operating and maintenance costs amounted to a total of SEK 311 M (306). Expenses for property tax increased to SEK 141 M (121). Other property expenses rose to SEK 60 M (47). The increase was due primarily to property acquisitions.

CENTRAL ADMINISTRATION

Central administration costs amounted to SEK 132 M (122), corresponding to 4.5% (4.7) of the year's rental revenue.

At year-end, Sagax had 77 (69) employees. Functions such as property care-taking and on-call operations are outsourced. Sagax has offices in Stockholm, Helsinki, Rotterdam, Paris and Barcelona.

Number of employees

Country	Total
Sweden	35
Finland	24
France	7
Netherlands	7
Spain	4
Total	77

Vacancy changes

Amounts in SEK M	2020 Jan-Dec	2019 Jan-Dec
Opening vacancy for each year	135	132
Vacancies	128	93
New lettings	-123	-98
Change in discounts provided	13	4
Vacancy value, acquired properties	11	23
Vacancy value, sold properties	-1	-7
Adjustment of vacancy value	-	-14
Change in exchange rates	-3	1
Closing vacancy value	159	135
Terminated for renegotiation	-	4
Terminated lease, not vacated	68	81
Letting, not occupied	-17	-14
Adjusted closing vacancy value	210	205

Leases terminated for vacancy

Year of vacancy	No. of leases	Rental value, SEK M
2021	51	44
2022	6	9
2023	2	11
2024	4	4
2025	-	-
>2025	-	-
Total	63	68

Vacancies on 1 January 2021

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	702	48	7%	655,000	37,000	6%
Helsinki	622	51	8%	577,000	58,000	10%
Netherlands	337	13	4%	466,000	9,000	2%
Paris	317	11	4%	305,000	11,000	4%
Finland, university cities	326	11	3%	356,000	11,000	3%
Madrid & Barcelona ²⁾	116	15	13%	235,000	31,000	13%
Rest of Sweden	149	-	-	261,000	-	-
Rest of Finland	216	2	1%	326,000	5,000	2%
Rest of Europe	239	7	3%	299,000	6,000	2%
Total	3,024	159	5%	3,480,000	168,000	5%

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

2) Madrid & Barcelona, which was previously reported under Rest of Europe, is reported as a separate segment from 2020.

PROFIT FROM JOINT VENTURES AND ASSOCIATED COMPANIES

Profit of joint ventures and associated companies for the period amounted to SEK 1,033 M (917), of which profit from property management accounted for SEK 565 M (441), changes in the value of fixed-income derivatives for SEK –18 M (–5) and changes in the value of properties for SEK 759 M (695). Profit was charged with deferred tax of SEK 272 M (214). Refer also to page 11 for more information.

NET FINANCIAL ITEMS

Interest-bearing liabilities increased to SEK 19,904 M (17,519) due to financing of property acquisitions.

Financial expenses amounted to SEK 481 M (470). The average interest rate was 1.8% (1.9) on 31 December 2020 due to refinancing and new borrowing at lower interest rates.

Financial income of SEK 39 M (20) pertained to interest on bonds and other financial investments.

REVALUATION OF PROPERTIES

Sagax obtains external value assessments to determine the properties' market value. The valuations are carried out by independent valuation companies and updated on a quarterly basis. As of 31 December 2020, 98% of the properties were valued by authorised property appraisers. Other properties were acquired in December 2020, and the acquisition price is thus deemed to correspond to the market value.

The value growth for the properties amounted to SEK 1,244 M (1,261), of which unrealised changes in value amounted to SEK 1,274 M (1,301).

Unrealised changes in value

Amounts in SEK M	Jan-Dec 2020
New lettings/Renegotiations	485
Vacancies/Renegotiations	–364
General change in market value	1,154
Total	1,274

REVALUATION OF FINANCIAL INSTRUMENTS

The change in the value of financial instruments amounted to SEK 210 M (884), of which SEK –18 M (–5) referred to joint ventures.

The change in value attributable to fixed-income derivatives amounted to SEK –24 M (–15), of which SEK –18 M (–5) referred to joint ventures.

Revaluation of listed shares resulted in an unrealised change in value of SEK 77 M (594).

Revaluation of financial instruments regarding joint ventures amounted to SEK 134 M (305) in accordance with IFRS 9.

TAX

Sagax recognised a current tax expense of SEK 108 M (100). The deferred tax expense amounted to SEK 511 M (416). The Group's deferred tax liabilities at year end amounted to SEK 2,476 M (2,018).

CASH FLOW

Cash flow from operating activities before changes in working capital amounted to SEK 2,219 M (1,795). Changes in working capital had a positive impact of SEK 314 M (16) on cash flow. Investing activities had an impact of SEK –5,543 M (–3,051) on cash flow, while cash flow from financing activities amounted to SEK 2,950 M (1,252). In total, cash and cash equivalents changed SEK –62 M (13) during the period.

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 57 M (55).

Forecast and current earnings capacity

FORECAST FOR 2021

Profit from property management for 2021, meaning profit before revaluations and tax, based on the current property portfolio, announced acquisitions and divestments and current exchange rates, is expected to amount to SEK 2,550 M.

CURRENT EARNINGS CAPACITY

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

The table below shows the company's earnings capacity on a 12-month basis at 1 January 2021. 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

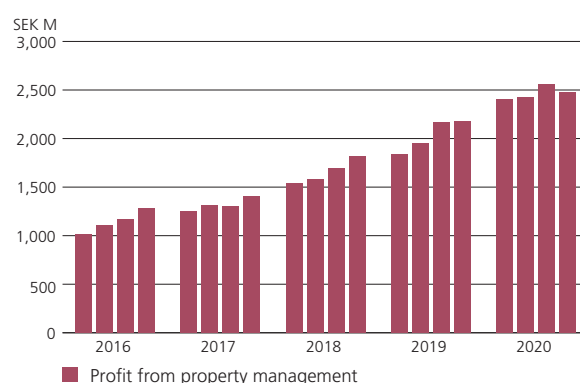
outcomes over the past 12 months adjusted for the holding period. Central administration costs are based on actual outcomes over the past 12 months. Net financial items are calculated based on interest-bearing liabilities and assets on the balance sheet date. Expenses for interest-bearing liabilities are based on the Group's estimated average interest rate, plus financing costs allocated over time 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% (19).

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

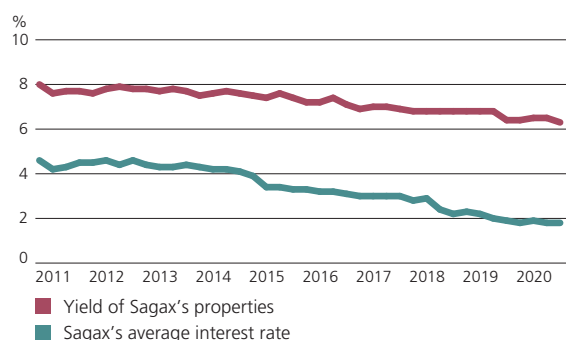
Current earnings capacity

Amounts in SEK M	1 Jan 2021	1 Jan 2020
Rental value	3,024	2,735
Vacancy	-159	-135
Rental revenue	2,865	2,600
Property expenses	-495	-466
Net operating income	2,370	2,134
Central administration	-132	-122
Joint ventures and associated companies	638	539
Net financial items	-372	-352
Lease expenses	-26	-22
Profit from property management	2,479	2,178
Tax	-471	-414
Profit after tax	2,008	1,764
– of which, holders of preference shares	34	34
– of which, holders of Class D shares	252	216
– of which, holders of Class A and B shares	1,723	1,515
Run rate yield, %	6.2	6.5
Net debt/run rate EBITDA, multiple	6.5	6.6

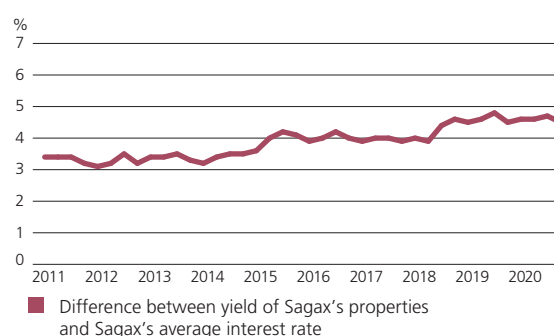
Current earnings capacity before tax



Yield and interest rate



Difference between yield and interest rate



Property portfolio

On 31 December 2020, the property portfolio comprised 673 (553) properties with a lettable area of 3,480,000 square metres (3,022,000). At year-end, the rental value and contractual annual rent amounted to SEK 3,024 M (2,735) and SEK 2,865 M (2,600), respectively. This corresponds to an economic occupancy rate of 95% (95).

INVESTMENTS

During the year, Sagax invested SEK 6,251 M (3,544), of which property acquisitions accounted for SEK 5,585 M (2,836).

A total of 175 properties were acquired with a total lettable area of 661,000 square metres. The largest investment referred to a portfolio of 37 properties in Sweden encompassing 203,000 square metres of lettable area and 560,000 square metres of land. The portfolio was acquired with the intention to establish a joint venture with NP3 Fastigheter AB. The joint venture structure was established on 11 December 2020. In the fourth quarter, a total of 18 properties were acquired with a total lettable area of 105,000 square metres, of which the largest investment referred to a property portfolio of five properties in the Netherlands. A total of SEK 666 M (707)

was invested in the existing property portfolio. SEK 47 M of the investments during the year was made against rent supplements, SEK 123 M was invested in conjunction with new lettings, SEK 324 M in conjunction with new production and SEK 172 M pertained to property maintenance.

The Group has agreed to acquire two properties in France for which possession will be taken after the end of the year. The total investment will amount to SEK 68 M.

DIVESTMENTS

During the year, 55 properties were divested for a total of SEK 1,456 M, of which the largest divestment was a portfolio of 37 properties in Sweden in conjunction with the establishment of a joint venture with NP3 Fastigheter AB. Agreements were signed for the sale of one property in Sweden and two properties in Finland for a total of SEK 284 M which will be vacated after the end of the year.

PROPERTY PORTFOLIO YIELD

The yield for the year in relation to market value amounted to 6.3% (6.4).

Summary of property portfolio, 1 January 2021

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	78	655,000	37,000	10,552	16,100	702	23%	93%	654	23%
Helsinki	72	577,000	58,000	6,771	11,700	622	21%	92%	572	20%
Netherlands	89	466,000	9,000	4,262	9,100	337	11%	96%	324	11%
Paris	82	305,000	11,000	3,465	11,400	317	10%	96%	306	11%
Finland, university cities	66	356,000	11,000	3,180	8,900	326	11%	97%	314	11%
Madrid & Barcelona	67	235,000	31,000	1,813	7,700	116	4%	87%	101	4%
Rest of Sweden	30	261,000	–	1,886	7,200	149	5%	100%	149	5%
Rest of Finland	129	326,000	5,000	2,527	7,800	217	7%	99%	215	7%
Rest of Europe	60	299,000	6,000	3,093	10,300	239	8%	97%	232	8%
Total	673	3,480,000	168,000	37,548	10,800	3,024	100%	95%	2,865	100%

Property investments January-December 2020

Amounts in SEK M	Property acquisitions	Existing portfolio	Total	Share of total investments	Divestments	Net investments
Stockholm	386	297	683	11%	–295	387
Helsinki	32	237	269	4%	–	269
Netherlands	1,039	56	1,096	18%	–55	1,040
Paris	519	22	541	9%	–	541
Finland, university cities	97	28	125	2%	–3	122
Madrid & Barcelona	839	1	840	13%	–10	831
Rest of Sweden	1,073	7	1,080	17%	–1,073	7
Rest of Finland	–	14	14	0%	–20	–6
Rest of Europe	1,600	3	1,604	26%	–	1,604
Total	5,585	666	6,251	100%	–1,456	4,795

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 annual rent at year end was distributed between 1,813 leases (1,724), with about 1,200 tenants (1,000). The table below presents the size of Sagax's leases in relation to the Group's annual rent at year end. The table shows that 1,802 leases (1,715) each had a rental value of less than 1% of the Group's annual rent. The total rental value for these leases accounted for 80% (83) of Sagax's annual rent. In addition, Sagax is party to eight leases (six) with a rental value corresponding to 1–2% of the Group's annual rent. Combined, these leases total 11% (9) of Sagax's 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.

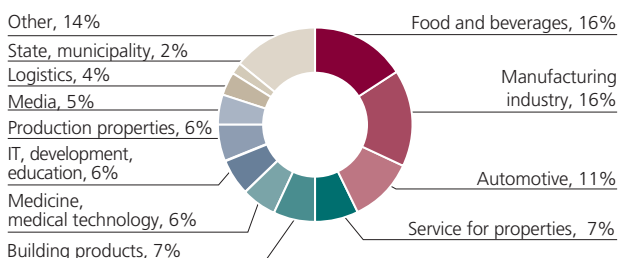
Sagax's tenants operate in a variety of sectors. 16% (13) of rental revenue comes from tenants with food-related operations, 16% (18) from companies in the manufacturing industry and 11% (12) in the automotive-related industry, including sales, service and manufacturing. Diverse tenant industries is considered to lower the risk of vacancies and rent losses. The main sectors 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 annual rent expire in or after 2025. 10–14% of annual rent expires every year between 2021 and 2024.

Distribution of leases

Share of contractual annual rent	Annual rent		No. of leases	Average annual rent, SEK M	Lease term, years
	SEK M	Share			
> 2%	241	8	3	80	10
1–2 %	322	11	8	40	6
< 1%	2,302	80	1,802	1	5
Total	2,865	100	1,813	2	5

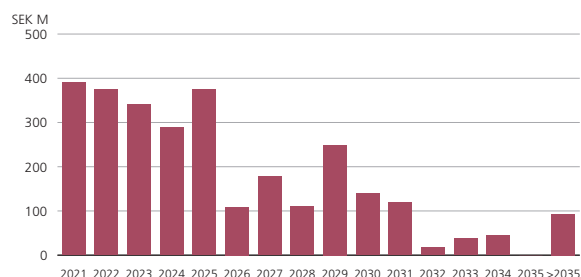
Industry exposure



Lease terms

Year of expiry	Area, sqm	Annual rent	
		SEK M	Share
2021	461,000	390	14%
2022	391,000	374	13%
2023	360,000	341	12%
2024	269,000	288	10%
2025	548,000	375	13%
> 2025	1,282,000	1,098	39%
Total	3,312,000	2,865	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.

Sagax obtains external value assessments to determine the properties' market value. The valuations are carried out by independent valuation companies and updated on a quarterly basis.

At 31 December 2020, the total market value of Sagax's 673 properties (553) was SEK 37,548 M (32,625). Exchange-rate fluctuations during the year resulted in property values abroad declining by SEK 1,146 M (209).

The total unrealised change in value recognised during the year was SEK 1,274 M (1,301).

VALUATION METHOD AND IMPLEMENTATION

The valuations were carried out in accordance with generally accepted international valuation methods. As of 31 December 2020, 98% of valuation objects were valued 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. For more information, see Sagax's 2019 Annual Report, page 93.

ANALYSIS AND GENERAL CONDITIONS

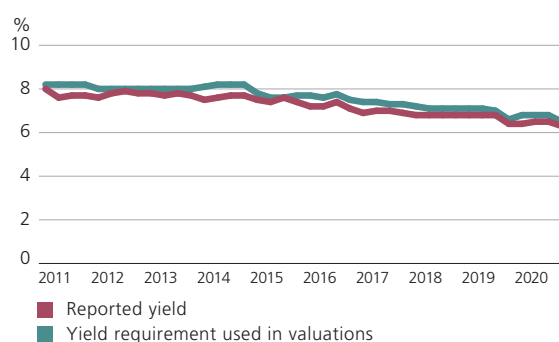
The cost of capital for the present value calculation of cash flows (4.6–16.0%), the cost of capital for the present value calculation of residual values (4.6–16.0%) and the yield requirement for the residual value calculations (4.0–14.0%) are based on analyses of transactions carried out and on individual 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 7.4% (7.8) and 7.7% (8.1), respectively. The weighted yield requirement was 6.5% (6.6) on 31 December 2020. By comparison, the yield reported by Sagax for the year was 6.3% (6.4). A comparison of the yield reported over time and the yield requirement used in valuations is provided below. A sensitivity analysis is found on page 25.

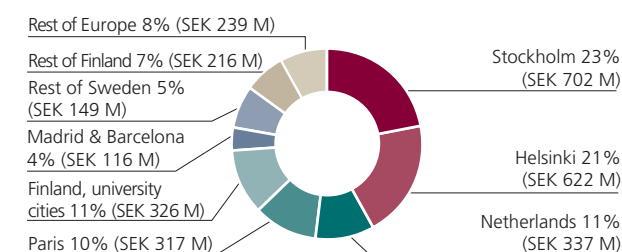
Change in carrying amount of properties

	SEK M	No. of
Property portfolio, 31 December 2019	32,625	553
Acquisition of properties	5,585	175
Investments in the current portfolio	666	
Property sales	-1,456	-55
Translation effect, currencies	-1,146	
Unrealised changes in value	1,274	
Property portfolio, 31 December 2020	37,548	673

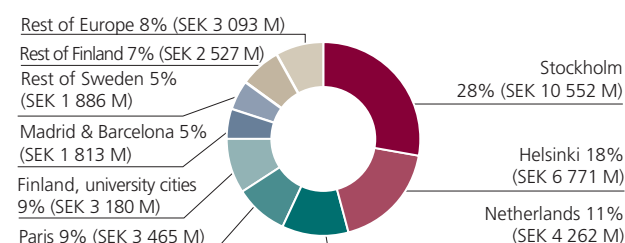
Yield compared with yield requirement



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 562 M (441) to profit from property management during the year. Sagax's share of changes in the value of properties amounted to SEK 759 M (695) and the share of changes in the value of derivatives was SEK -18 M (-5) for the period. The total value of the commitment related to ownership of joint ventures and associated companies amounted to SEK 6,833 M (5,693).

JOINT VENTURE

Hemsö Intressenter 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. Hemsö Fastighets AB conducts operations in Sweden, Germany and Finland. Operations consist of owning, managing and developing public properties. The property portfolio encompasses 392 properties with a total property value of SEK 62 billion at 31 December 2020. 94% of rental revenue derives from tax-financed operations. For more information, refer to the company's website, hemso.se.

Söderport Holding AB

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

A corresponding 69% of Söderport's rental value of SEK 894 M was located in Stockholm on 31 December 2020. Söderport's economic vacancies amounted to SEK 51 M (33) at year end, corresponding to a vacancy rate of 6% (4). Of the economic vacancies, SEK 21 M (9) comprised fixed-term rent

discounts provided for new lettings. At year end, Stockholm accounted for 95% of the economic vacancies. Söderport also owns 78.4% of Torslanda Property Investment AB, which is thus included as a subsidiary in Söderport's consolidated financial statements.

Fastighetsaktiebolaget Ess-Sierra

Sagax owns 50% of Fastighetsaktiebolaget Ess-Sierra, with the remaining share owned by NP3 Fastigheter AB. Ess-Sierra was established in December 2020 and its operations entail owning and managing 37 properties that are let to Beijer Bygghem AB. The lettable area amounts to 203,000 square metres, of which 64% comprises warehouse premises, 27% building materials retail and 9% office premises. Most of the properties are situated in university and regional towns.

ASSOCIATED COMPANIES

NP3 Fastigheter AB

Sagax owns 20% of the votes and 14% of the capital in 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 382 properties with a total property value of SEK 12.1 billion and a rental value of SEK 1,198 M on 30 September 2020. NP3 Fastigheter AB is listed on Nasdaq Stockholm, Mid Cap. For more information, refer to the company's website, np3fastigheter.se.

Fastighetsbolaget Emilshus AB

Sagax owns 25% of Fastighetsbolaget Emilshus AB. Emilshus acquires, develops and manages commercial properties in Småland. The property portfolio encompassed 56 properties on 30 September 2020. For more information, refer to the company's website, emilshus.com.

Sagax's joint ventures

	Hemsö		Söderport		Sierra ¹⁾	
	Jan – Dec 2020	Jan – Dec 2019	Jan – Dec 2020	Jan – Dec 2019	Jan – Dec 2020	Jan – Dec 2019
Sagax's participating interest, %	15	15	50	50	50	–
Rental revenue, SEK M	3,270	3,027	818	708	5	–
Profit from property management, SEK M	1,768	1,760	466	384	3	–
Profit for the year, SEK M	3,333	3,111	844	929	49	–
Sagax's share of profit from property management, SEK M	223	218	217	192	1	–
No. of properties	392	370	82	80	37	–
Carrying amount of properties, SEK M	62,240	55,027	11,909	10,853	1,440	–
Lettable area, sqm	2,005,000	1,884,000	778,000	761,000	203,000	–
Lease term, years	9.9	9.9	4.8	4.6	6.8	–
Economic vacancy rate, %	2	2	6	4	–	–
Interest-bearing liabilities, SEK M	38,652	35,542	6,354	5,828	842	–
Loan maturity, years	6.7	7.4	3.5	4.5	4.0	–
Fixed interest, years	6.2	6.4	3.1	3.1	3.2	–
Market value of derivatives, SEK M	-231	-211	-219	-208	–	–
Carrying amount, SEK M	2,318	1,821	1,903	1,804	264	–

1) Sierra was established in December 2020

Funding

EQUITY

Consolidated equity amounted to SEK 22,452 M (19,257) at 31 December 2020. Changes in equity during the year were attributable to comprehensive income of SEK 3,374 M, a new issue of Class D common shares of SEK 508 M after transaction costs, a new issue of Class B common shares linked to the incentive plan of SEK 11 M and a share dividend of SEK –697 M.

INTEREST-BEARING LIABILITIES

Sagax's interest-bearing liabilities at the end of the year amounted to SEK 19,904 M (17,519). An amount corresponding to SEK 15,403 M (13,557) of liabilities was raised in EUR.

Gross interest-bearing debt to banks totalled SEK 4,125 M (4,257). The remaining interest-bearing debt comprised listed bond loans of SEK 14,698 M (12,070) and commercial paper of SEK 1,081 M (1,192).

Unsecured liabilities corresponded to 74% (69) of Sagax's interest-bearing liabilities. Secured liabilities and commercial paper comprised 26% (31) of Sagax's interest-bearing liabilities.

The interest coverage ratio at the end of the year amounted to 575% (492) and the debt ratio to 43% (44). Net interest-bearing debt for the past 12 months was 6.4 (6.6) times EBITDA and 6.5 (6.6) times run rate EBITDA, see page 7 for more information.

A total of SEK 7,927 M (7,366) in loans was raised, of which SEK 3,309 M (5,031) in the form of bond loans under the framework of Sagax's EMTN programme. Repayments during the period totalled SEK 4,791 M (5,734). Exchange-rate fluctuations reduced interest-bearing liabilities by SEK 750 M (increased SEK 124 M for the preceding year).

Net interest-bearing debt totalled SEK 17,190 M (15,232).

Allocated borrowing costs of SEK 76 M (82) reduced interest-bearing liabilities in the balance sheet. Interest-bearing liabilities of SEK 19,828 M (17,437) were recognised. The average remaining fixed-interest and loan maturity terms were 3.4 years (3.5) and 3.4 years (3.8), respectively, at year end. The average interest rate on the company's interest-bearing liabilities was 1.8% (1.9), including the effect of derivatives.

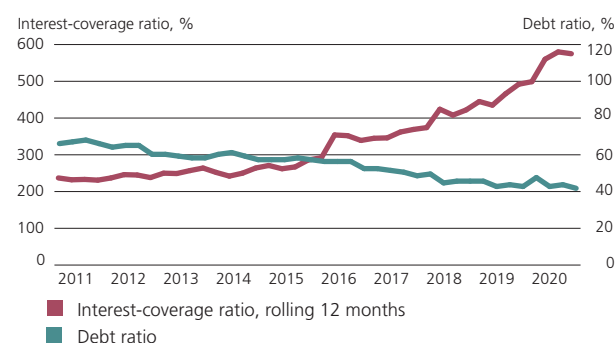
Fixed-interest period and loan maturity, 31 December 2020

Year of expiry	Fixed interest			Loan maturity		Interest-rate swaps	
	SEK M	Interest rate	Share	SEK M	Share	SEK M	Interest rate
2021	2,760	0.3%	14%	700	4%	–	–
2022	1,253	3.0%	6%	1,637	8%	453	0.7%
2023	2,295	2.8%	12%	4,837	24%	430	0.2%
2024	5,235	1.9%	26%	5,019	25%	–	–
2025	4,068	1.9%	20%	4,701	24%	–	–
> 2025	4,294	1.2%	22%	3,011	15%	1,283	1.3%
Total/average	19,904	1.8%	100%	19,904	100%	2,166	0.9%

Net debt

Amounts in SEK M	31 Dec 2020	31 Dec 2019
Interest-bearing liabilities	19,904	17,519
Interest-bearing assets	–550	–511
Cash and cash equivalents	–24	–86
Listed shares	–2,140	–1,690
Net debt	17,190	15,232

Debt ratio and interest-coverage ratio



Net debt/EBITDA, rolling 12 month



Sagax has SEK 12,393 M (9,720) in loans at fixed interest rates. The company has interest-rate caps and interest-rate swaps with a total nominal value of SEK 6,060 M (6,261), of which interest-rate swaps with an average interest rate of 0.9% (1.4) accounted for SEK 2,166 M (2,009).

December 2020. At the same date, unutilised credit facilities including back-up facilities for commercial paper programmes amounted to SEK 5,424 M (3,652). No additional collateral needs to be pledged to utilise these credit facilities.

WORKING CAPITAL AND LIQUIDITY

Sagax's working capital, excluding prepaid rental revenue and including listed shares, amounted to SEK -137 M (140) on 31

Listed bond loans, 31 December 2020

Maturity	SEK M	Current interest	Interest terms	Maturity date	ISIN code
2017-2021	600	2.20%	Stibor 3M+2.25%	1 Feb 2021	SE0010636274
2017-2022	1,250	2.10%	Stibor 3M+2.15%	15 Feb 2022	SE0010324228
2019-2023	500	0.85%	Stibor 3M+0.90%	16 June 2023	XS2093119175
2019-2023 ¹⁾	250	1.13%	1.13%	16 June 2023	XS2093119845
Total/average	2,600	1.79%			

Maturity	EUR M				
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⁾	105 ²⁾	0.87%	2.25% ³⁾	13 Mar 2025	XS1962543820
2020-2027 ¹⁾	300	1.12%	1.12%	30 Jan 2027	XS2112816934
Total/average	1,205	1.75%			

1) Fixed-rate loans

2) The nominal value is EUR 100 M.

3) Coupon rate.

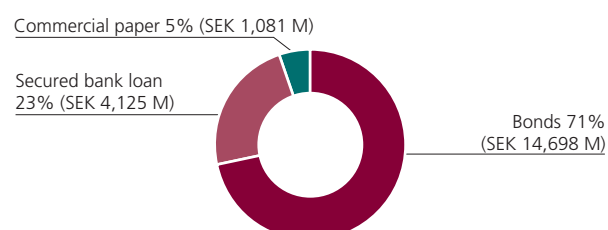
Derivative contracts, 31 December 2020

Amounts in SEK M	Nominal amount	Years to maturity	Market value 31 Dec 2020	Market value 31 Dec 2019	Change for the period
Nominal interest-rate swaps	2,166	4.9	-118	-119	1
Interest-rate caps	3,894	1.6	0	0	0
Total	6,060		-118	-119	1

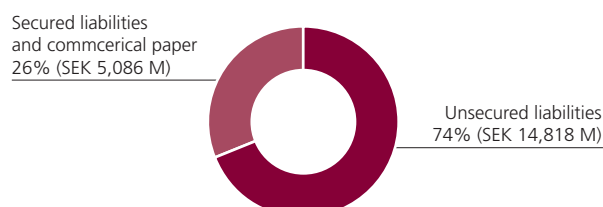
Rating and key performance indicators according to EMTN programme

	Financial covenant in EMTN programme	2020 31 Dec	2019 31 Dec
Rating according to Moody's Investor Services		Baa3, Stable outlook	Baa3, Stable outlook
Net debt/Total assets	< 65%	37%	38%
Interest coverage ratio	>1.8x	6.5x	5.3x
Secured liabilities/total assets	< 45%	11%	14%

Sources of financing



Distribution between secured and unsecured liabilities



Consolidated statement of comprehensive income

Amounts in SEK M	2020 Jan-Dec	2019 Jan-Dec	2020 Oct-Dec	2019 Oct-Dec
Rental revenue	2,898	2,581	746	663
Other revenue	10	27	3	1
Operating expenses	-232	-222	-62	-57
Maintenance costs	-79	-84	-22	-25
Property tax	-141	-121	-38	-32
Other property expenses	-60	-47	-17	-14
Net operating income	2,397	2,133	610	536
Central administration	-132	-122	-46	-44
Profit from joint ventures and associated companies	1,033	917	446	463
– of which, profit from property management	565	441	146	126
– of which, changes in value	741	690	412	441
– of which, tax	-272	-214	-112	-105
Financial income	39	20	9	2
Financial expenses	-455	-446	-120	-96
Financial expense, interest component of leases	-26	-24	-7	-6
Profit including changes in value of joint ventures and associated companies	2,857	2,478	894	854
– of which, profit from property management	2,389	2,001	594	518
<i>Changes in value:</i>				
Properties, realised	-30	-40	-19	-22
Properties, unrealised	1,274	1,301	824	775
Financial instruments, realised	1	–	1	–
Financial instruments, unrealised	228	889	106	146
Profit before tax	4,330	4,627	1,806	1,753
Deferred tax	-511	-416	-250	-298
Current tax	-108	-100	-24	74
Profit for the period	3,711	4,111	1,532	1,529
<i>Other comprehensive income</i>				
– items that may be reversed to profit or loss:				
Translation differences for foreign operations	-693	217	-845	-343
Share of other comprehensive income for joint ventures	-13	13	-21	-10
Translation differences pertaining to hedge accounting	355	-143	434	181
Tax on items that may be reversed to profit or loss	14	3	18	7
Comprehensive income for the period	3,374	4,201	1,118	1,365
Earnings per Class A and B share, SEK	10.80	12.15	4.61	4.61
Earnings per Class A and B share after dilution, SEK	10.78	12.13	4.60	4.60
Earnings per Class D share, SEK	2.00	2.00	2.00	2.00
Average no. of Class A and B shares, millions	317.1	316.9	317.3	317.0
Average no. of Class A and B shares after dilution, millions	317.7	317.3	317.8	317.5
Average number of Class D shares, millions	118.4	105.7	125.8	105.7

Condensed consolidated statement of financial position

Amounts in SEK M	2020 31 Dec	2019 31 Dec
Investment properties	37,264	32,333
Investment properties for sale	284	292
Leases, right-of-use assets	368	346
Joint ventures and associated companies	6,833	5,693
Interest-bearing non-current receivables	550	511
Other fixed assets	130	58
Total fixed assets	45,429	39,233
Cash and bank balances	24	86
Listed shares	738	405
Other current assets	430	429
Total current assets	1,193	921
Total assets	46,622	40,154
Equity	22,452	19,257
Non-current interest-bearing liabilities	17,977	16,052
Deferred tax liabilities	2,476	2,018
Fixed-income derivatives	118	119
Lease liability, right-of-use assets	394	370
Other non-current liabilities	145	94
Total non-current liabilities	21,110	18,653
Commercial paper	1,081	1,192
Other current interest-bearing liabilities	770	193
Other current liabilities	1,209	858
Total current liabilities	3,060	2,243
Total equity and liabilities	46,622	40,154

Consolidated statement of cash flows

Amounts in SEK M	2020 Jan-Dec	2019 Jan-Dec	2020 Oct-Dec	2019 Oct-Dec
Profit before tax	4,330	4,627	1,806	1,753
Changes in value of financial instruments	-228	-889	-107	-146
Change in value of properties	-1,244	-1,261	-805	-755
Result from ownership of joint ventures and associated companies	-1,033	-917	-446	-463
Dividend from joint ventures and associated companies	424	281	20	17
Dissolution of allocated borrowing costs	47	42	18	8
Other items not included in cash flow	-21	-14	-17	-13
Tax paid	-55	-74	-27	-2
Cash flow from operating activities before changes in working capital	2,219	1,795	441	426
Cash flow from changes in current receivables	77	-4	49	108
Cash flow from changes in current liabilities	237	20	105	-142
Cash flow from operating activities	2,533	1,811	595	392
Acquisition of properties	-5,585	-2,836	-747	-921
Property sales	1,426	1,413	1,380	492
Investments in existing properties	-666	-707	-209	-184
Acquisition of listed shares	-256	-64	-155	-
Acquisition of financial instruments	-7	-503	-	-503
Acquisition of joint ventures and associated companies	-260	-178	-246	-178
Capital contribution to joint ventures and associated companies	-150	-150	-	-
Lending to joint ventures and associated companies	-41	-	-41	-
Increase in other fixed assets	-10	-25	-	-21
Decrease in other fixed assets	6	-	11	-
Cash flow from investing activities	-5,543	-3,051	-7	-1,315
Issue of Class D and B shares	527	198	-	-
Dividend paid to shareholders	-679	-560	-278	-62
Incentive plan	-9	9	-	-
Borrowings	7,886	7,322	255	1,087
Repayment of loans	-4,791	-5,734	-706	-482
Redemption of financial derivatives	-8	-	-8	-
Deposits from tenants	24	28	-	5
Increase in other non-current liabilities	1	-	-	-
Decrease in other non-current liabilities	-	-11	-1	-3
Cash flow from financing activities	2,950	1,252	-739	544
Cash flow for the period	-60	12	-151	-380
Exchange rate differences in cash and cash equivalents	-2	1	-2	-1
Change in cash and cash equivalents	-62	13	-153	-381
Cash and cash equivalents at beginning of period	86	73	177	467
Cash and cash equivalents at end of period	24	86	24	86

Consolidated statement of changes in equity

Amounts in SEK M	Share capital	Other contributed capital	Reserves, translation differences	Profit earned incl. net profit for the period	Total equity ¹⁾
Equity, 31 December 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
Issue of Class D shares	32	481	–	–	513
Transaction costs	–	–5	–	–	–5
Issue of Class B shares, incentive plan	–	–	–	20	20
Dividends	–	–	–	–697	–697
Redemption of incentive plan	–	–	–	–14	–14
Incentive plan	–	–	–	5	5
Comprehensive income, January-December 2020	–	–	–337	3,711	3,374
Equity, 31 December 2020	808	3,522	338	17,785	22,452

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

Segment information

Profit items per segment	Rental revenue ¹⁾		Net operating income		Changes in value, properties				Total yield	
					Unrealised		Realised			
	2020 Jan-Dec	2019 Jan-Dec	2020 Jan-Dec	2019 Jan-Dec	2020 Jan-Dec	2019 Jan-Dec	2020 Jan-Dec	2019 Jan-Dec	2020 Jan-Dec	2019 Jan-Dec
Amounts in SEK M										
Stockholm	671	657	565	542	324	362	-3	-	886	904
Helsinki	593	581	469	468	64	65	-	-12	532	521
Netherlands	291	212	281	190	411	277	-17	-	675	467
Paris	299	242	238	181	159	223	-	-1	398	404
Finland, university cities	335	317	263	249	40	52	2	-3	305	298
Madrid & Barcelona ²⁾	101	10	87	10	236	54	-1	-	322	63
Rest of Sweden	151	195	143	185	51	16	-1	-14	193	187
Rest of Finland	231	233	209	210	-1	179	-11	-13	196	376
Rest of Europe	225	134	206	124	-9	74	-	1	197	199
Non-specified	-	-	-64	-25	-	-	1	-	-63	-25
Total	2,898	2,581	2,397	2,133	1,274	1,301	-30	-40	3,641	3,393

Asset items per segment	Market value properties		Investment properties		Acquisition properties		Divestment properties	
	2020 31 Dec	2019 31 Dec	2020 Jan-Dec	2019 Jan-Dec	2020 Jan-Dec	2019 Jan-Dec	2020 Jan-Dec	2019 Jan-Dec
Amounts in SEK M								
Stockholm	10,552	9,840	297	302	386	27	-295	-672
Helsinki	6,771	6,708	237	206	32	53	-	-43
Netherlands	4,262	2,982	56	16	1,039	859	-55	-
Paris	3,465	2,919	22	125	519	674	-	-117
Finland, university cities	3,180	3,148	28	23	97	309	-3	-4
Madrid & Barcelona ²⁾	1,813	888	1	-	839	846	-10	-
Rest of Sweden	1,886	1,828	7	2	1,073	-	-1,073	-583
Rest of Finland	2,527	2,634	14	31	-	43	-20	-25
Rest of Europe	3,093	1,676	3	3	1,600	25	-	-10
Total	37,548	32,625	666	707	5,585	2,836	-1,456	-1,453

1) All rental revenue pertains to external tenants.

2) Madrid & Barcelona, which was previously reported under Rest of Europe, is reported as a separate segment from 2020.

Key performance indicators

	2020 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec
Property-related key figures						
Yield, %	6.3	6.4	6.8	6.9	7.1	7.4
Surplus ratio, %	83	83	83	83	85	86
Occupancy rate by area, %	95	95	95	95	93	97
Economic occupancy rate, %	95	95	95	94	94	96
Lettable area at the end of the period, 000 sqm	3,480	3,022	2,850	2,489	2,312	1,860
No. of properties at the end of the period	673	553	512	495	440	225
Financial key figures						
Return on total capital, %	7	7	7	7	7	8
Return on equity, %	18	24	24	30	33	32
Average interest rate, %	1.8	1.9	2.2	3.0	3.1	3.3
Fixed-interest period incl. derivatives, years	3.4	3.5	3.0	2.1	2.7	3.0
Loan maturity, years	3.4	3.8	3.6	3.1	3.6	4.2
Equity/assets ratio, %	48	48	46	42	38	34
Debt ratio, %	43	44	47	50	54	59
Net debt/run rate EBITDA, multiple	6.5	6.6	7.1	7.7	7.8	8.3
Net debt/EBITDA, multiple	6.4	6.6	7.4	8.1	8.7	9.3
Interest coverage ratio, multiple	5.7	4.9	4.2	3.7	3.4	2.9
Interest coverage ratio, EMTN programme, multiple	6.4	5.3	4.3	4.0	3.7	3.3
Data per Class A and B share¹⁾						
Price of Class B share at the end of the period, SEK	169.60	136.20	65.70	49.10	40.87	35.87
Net asset value, SEK	66.38	56.77	44.22	35.04	26.89	17.76
Equity, SEK	55.19	46.86	35.70	27.15	19.61	13.01
Equity after dilution, SEK	55.09	46.78	35.67	27.13	19.57	12.96
Earnings, SEK	10.80	12.15	9.24	8.86	7.27	4.94
Earnings after dilution, SEK	10.78	12.13	9.24	8.85	7.25	4.93
Profit from property management, SEK	6.63	5.51	4.31	3.71	2.99	2.46
Profit from property management after dilution, SEK	6.62	5.51	4.31	3.70	2.98	2.45
Cash flow, SEK	6.10	4.86	3.95	3.27	2.57	2.00
Cash flow after dilution, SEK	6.09	4.86	3.95	3.26	2.56	2.00
Dividend per share, SEK (proposed for 2020)	1.65	1.30	1.00	0.90	0.72	0.58
No. at end of period, millions	317.3	317.1	316.8	316.5	316.5	316.5
No. at end of period after dilution, millions	317.9	317.5	317.1	316.7	317.1	317.5
Average no., millions	317.1	316.9	316.7	316.5	316.5	316.5
Average no. after dilution, millions	317.7	317.3	316.9	317.0	317.2	317.6
Data per Class D share						
Share price at the end of period, SEK	32.05	36.35	31.70	29.92	28.30	–
Equity, SEK	35.00	35.00	35.00	35.00	35.00	–
Earnings, SEK	2.00	2.00	2.00	2.00	2.00	–
Dividend per share, SEK	2.00	2.00	2.00	2.00	2.00	–
No. at end of period, millions	125.8	107.8	101.9	63.6	18.2	–
Average no., millions	118.4	105.7	83.0	43.1	2.9	–
Data per preference share						
Share price at the end of period, SEK	35.70	38.40	34.85	33.40	30.40	31.30
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	16.8	58.2	58.2
Average no., millions	16.8	16.8	16.8	35.5	58.2	57.8

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

Parent Company income statement

Amounts in SEK M	2020 Jan-Dec	2019 Jan-Dec
Net sales	77	73
Administration costs	-94	-89
Loss before financial income and expenses	-17	-16
Profit from participations in Group companies	511	258
Profit from participations in joint ventures	85	64
Financial income	44	616
Financial expenses	-85	-673
Profit before tax and appropriations	538	249
Appropriations	52	98
Tax	-2	-4
Profit for the period	589	343
<i>Other comprehensive income</i>		
Other comprehensive income	0	0
Comprehensive income for the period	589	343

Condensed Parent Company balance sheet

Amounts in SEK M	2020 31 Dec	2019 31 Dec
Receivables from Group companies	1,654	1,627
Other financial fixed assets	8,035	6,778
Total fixed assets	9,690	8,404
Cash and bank balances	0	1
Receivables from Group companies	13,669	11,497
Other current assets	93	58
Total current assets	13,762	11,556
Total assets	23,453	19,961
Equity	4,227	3,821
Untaxed reserves	30	30
Non-current interest-bearing liabilities	10,673	7,868
Liabilities to Group companies	3,554	3,423
Deferred tax liabilities	4	3
Total non-current liabilities	14,232	11,294
Current interest-bearing liabilities	1,081	1,295
Liabilities to Group companies	3,514	3,223
Other current liabilities	368	298
Total current liabilities	4,964	4,815
Total equity, untaxed reserves and liabilities	23,453	19,961

The Sagax share and shareholders

At the end of the period, Sagax had 19,807 (14,830) shareholders. Sagax's market capitalisation amounted to SEK 58,412 M (47,812). Sagax has four classes of shares: Class A, B and D common shares, and preference shares. The shares are listed on Nasdaq Stockholm, Large Cap.

A total of 461,863,558 shares were outstanding at the end of the period, of which 2,000,000 were Class B treasury shares.

In June, Sagax completed a private placement of 18,000,000 Class D common shares. Moreover, 288,119 Class B common shares were issued due to the exercise of warrants under the 2017/2020 Incentive Plan. In total, the issues generated equity of SEK 532 M for the company.

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 2018-2021, 2019-2022 and 2020-2023. The subscription price corresponds to the price paid for the Class B share at the start of the warrant plan, converted using the average share price trend for the listed property companies in accordance with Carnegie's property index (CREX) during the corresponding period. Accordingly, the warrants will have a value on condition that the price performance of the Sagax share exceeds the average for the listed property companies during each three-year period.

PROFIT FROM PROPERTY MANAGEMENT PER COMMON SHARE

Profit from property management per Class B share after dilution on a rolling 12-month basis amounted to SEK 6.62 (5.51), which, compared with the share price of the Class B share at the end of the period, corresponded to a multiple of 25.5 (24.7).

EQUITY PER CLASS A AND B SHARE

Equity per Class A and B share after dilution amounted to SEK 55.09 (46.78). Net asset value per Class A and B share amounted to SEK 66.38 (56.77). The share price for the Class B share at the end of the period was 307% (292) of equity per Class B share and 255% (240) of net asset value per Class B share.

Trade in the shares on the Nasdaq Stockholm

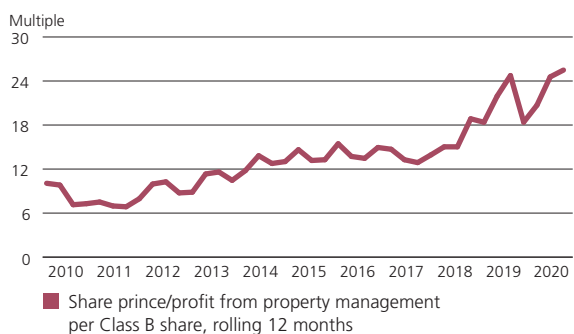
	Price paid, SEK		Turnover rate on an annual basis, %		Average trading volume per trading day, SEK M	
	31 Dec 2020	31 Dec 2019	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Class A shares	168.50	139.00	4	3	0.5	0.4
Class B shares	169.60	136.20	22	9	33.4	9.5
Class D shares	32.05	36.35	58	62	8.3	9.3
Preference shares	35.70	38.40	30	36	0.7	0.9

Key performance indicators per Class B share

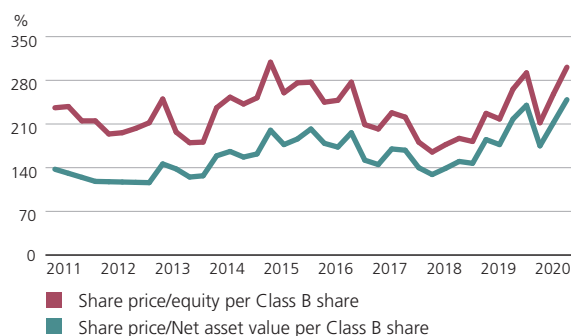
	2020 31 Dec	2019 31 Dec	2018 31 Dec	2017 31 Dec	2016 31 Dec	2015 31 Dec
Share price at the end of period, SEK	169.60	136.20	64.70	49.10	40.87	35.87
Profit from property management after dilution, SEK	6.62	5.51	4.30	3.70	2.98	2.45
Cash flow after dilution, SEK ¹⁾	6.09	4.86	3.94	3.26	2.56	2.00
Equity after dilution, SEK	55.11	46.78	35.67	27.13	19.57	12.96
Net asset value, SEK	66.38	56.77	44.22	35.04	26.89	17.76
Share price/Profit from property management, multiple	25.6	24.7	15.0	13.3	13.7	14.6
Share price/Cash flow, multiple ¹⁾	27.9	28.0	16.4	15.1	16.0	18.0
Share price/Equity, %	308	292	182	181	209	277
Share price/Net asset value, %	255	240	147	140	152	202

1) 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 December 2020

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	12,955	Private individuals residing in Sweden	17,825	9%	Sweden	18,618	89%
501–1,000	1,799				Switzerland	19	3%
1,001–2,000	1,424	Private individuals residing abroad	113	0%	USA	35	2%
2,001–5,000	1,538				Ireland	33	1%
5,001–10,000	759	Companies/institutions in Sweden	793	80%	UK	61	1%
10,001–50,000	912				Other	1,041	4%
50,001–	420	Companies/institutions abroad	1,076	11%			
Total	19,807	Total	19,807	100%	Total	19,807	100%

Largest shareholders, 31 December 2020¹⁾

	No. of shares				Percentage of	
	Class A shares	Class B shares	Class D shares	Preference shares	Share capital	Votes ²⁾
David Mindus and companies	10,648,800	68,865,112	1,192,228	775	17.5%	25.2%
Staffan Salén and companies	4,264,928	34,970,660	95,600	–	8.5%	11.1%
Rutger Arnhult and companies	5,778,141	24,836,508	6,652,150	–	8.1%	12.7%
Fourth Swedish National Pension Fund	5,716	17,882,616	12,821,678	–	6.6%	4.4%
Third Swedish National Pension Fund	–	24,227,658	–	–	5.2%	3.5%
SEB Fonder	–	15,327,139	139,000	–	3.3%	2.2%
Avanza Pension	45,330	953,171	11,726,480	1,359,742	3.0%	2.1%
Länsförsäkringar Fonder	–	13,340,935	–	–	2.9%	1.9%
Swedbank Robur Fonder	500,000	8,959,127	–	–	2.0%	2.0%
ODIN Fonder	–	8,366,052	–	–	1.8%	1.2%
Erik Selin and companies	1,160,000	4,480,000	2,028,868	–	1.7%	2.6%
Johan Thorell and companies	203,254	6,949,125	–	–	1.5%	1.3%
Filip Engelbert and companies	241,000	2,119,784	4,200,000	–	1.4%	1.2%
Handelsbanken Fonder	–	6,234,678	–	–	1.3%	0.9%
Second Swedish National Pension Fund	–	5,219,916	–	–	1.1%	0.7%
Didner & Gerge Fonder	–	4,660,376	–	–	1.0%	0.7%
ICA-Handlarnas Förbund	–	–	4,400,000	–	1.0%	0.6%
Patrik Brummer and companies	–	–	166,666	3,440,000	0.8%	0.5%
Vanguard	–	–	3,056,555	508,217	0.8%	0.5%
Lars Ingvarsson and companies	–	3,346,410	100,000	–	0.7%	0.5%
Total 20 largest shareholders	22,847,169	250,739,267	46,579,225	5,308,734	70.5%	75.7%
Other shareholders	3,985,715	39,707,379	79,220,775	11,475,294	29.1%	24.3%
Sub-total	26,832,884	290,446,646	125,800,000	16,784,028	99.6%	100.0%
Shares held by AB Sagax	–	2,000,000	–	–	0.4%	0.0%
Total	26,832,884	292,446,646	125,800,000	16,784,028	100.0%	100.0%
– of which, Board and employees	15,533,388	116,872,066	5,908,142	923	29.9%	39.7%

1) The ownership structure on 31 December 2020 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 shareholders	Voting rights per share	No. of votes	Proportion of votes	Proportion of share capital
Class A shares	26,832,884	1.0	26,832,884	38%	6%
Class B shares	292,446,646	0.1	29,244,665	42%	63%
Class D shares	125,800,000	0.1	12,580,000	18%	27%
Preference shares	16,784,028	0.1	1,678,403	2%	4%
Total	461,863,558		70,335,952	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. Sagax is also exposed to various risks that may be of significance to the company's future business, earnings and financial position.

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 valuation companies to assess the market value of the majority of the properties as of 31 December 2020. When valuing properties, the constant existence of uncertainties regarding the assumptions made must be taken into account.

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

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

FINANCIAL RISKS

Sagax's financial expenses comprise the single largest expense for the Group. To reduce Sagax's exposure to rising interest rates, the Group has a significant number of its interest 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. 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. The complete terms and conditions for the bond loans are available at www.sagax.se.

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 2020, assets less liabilities in EUR, amounted to SEK 8,496 M (6,205). In accordance with IAS 21, the currency effects for foreign operations and hedge accounting are recognised in Other comprehensive income. Other currency effects are recognised in profit or loss.

INCREASED UNCERTAINTY DUE TO THE COVID-19 PANDEMIC

The COVID-19 pandemic has resulted in weaker macro-economic conditions and increased uncertainty. The effect on the company will depend on how quickly and the level at which the economy will stabilise.

Sagax's exposure to particularly vulnerable sectors, such as the hotel, restaurant and tourism sectors, is low. Rental revenue is distributed between 1,813 leases. 80% of revenue was attributable to 1,802 leases, each with a rental value of less than 1% of the company's rental revenue.

Sagax's average rent losses have amounted to less than 0.1% of rental revenue for the past ten years and amounted to 0.02% in 2020. However, the impact of the negative macro-economic trend on Sagax's tenants is unavoidable.

On 31 December 2020, Sagax's cash and cash equivalents and available credit facilities amounted to SEK 4,367 M, of which SEK 24 M in cash and cash equivalents. Sagax's cash flow from operating activities amounted to SEK 2,219 M.

Sensitivity analysis for property values

	-20%	-10%	0%	+10%	+20%
Value change, SEK M	-7,510	-3,755	-	3,755	7,510
Debt ratio, %	51	47	43	39	37

Sensitivity analysis for changes in the occupancy rate

	-10%	-5%	0%	+5%	+10%
Occupancy rate, %	86	90	95	100	N/A
Interest coverage ratio, %	514	544	575	605	N/A

Sensitivity analysis for property values

	Change	Value change, SEK M
Yield requirement	+/- 0.25% points	-979/+1,053
Cost of capital	+/- 0.25% points	-896/+921
Rental revenue	+/- 5%	+1,432/-1,427
Property expenses	+/- 5%	-234/+235

OTHER RISKS

In a decision of 7 December 2017 pertaining to the 2015 income year, the Tax Agency 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 156 M.

Sagax's other risks are described in the 2019 Annual Report, on pages 46-48.

SENSITIVITY ANALYSIS

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

Sensitivity analysis on 31 December 2020¹⁾

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%	+/- 28	+/- 23	+/- 23
Rental revenue	+/- 1%	+/- 28	+/- 23	+/- 23
Property expenses	+/- 1%	+/-5	+/- 4	+/- 4
Interest expenses for liabilities in SEK including fixed-income derivatives	+/- 1%	-29/+11	-23/+9	-23/+9
Interest expenses for liabilities in EUR including fixed-income derivatives	+/- 1%	-7/-8	-6/-6	-6/-6
Interest expenses for liabilities in SEK excluding fixed-income derivatives	+/- 1%	-43/+25	-34/+20	-34/+20
Interest expenses for liabilities in EUR excluding fixed-income derivatives	+/- 1%	-14/+0	-12/+0	-12/+0
Change in SEK/EUR exchange rate ²⁾	+/- 10%	+/-135	+/-105	+/-850
Changed rent level for contract maturity in 2021	+/- 10%	+/-9	+/-7	+/-7

1) Excluding shares 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.

Accounting policies and significant events

ACCOUNTING POLICIES

This condensed interim report has been prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting. The term “IFRS” in this report means application of the International Financial Reporting Standards (IFRS), as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The accounting policies and calculation methods are the same as those applied in the 2019 Annual Report and are to be read together with this Annual Report.

There are no amendments to IFRS in 2020 that are deemed to have any material impact on the company’s financial statements. The company’s segment division was changed as of 1 January 2020. The Madrid & Barcelona segment, which was previously reported under Rest of Europe, is reported separately. Comparative figures have been adjusted to include this.

Sagax’s shares of profit in the associated companies NP3 and Emilshus are based on financial statements as per 31 September 2020. Profit for the full-year was calculated by assuming that the profit for the fourth quarter is the same as in the third quarter. It is assumed that gains/losses from changes in value were unchanged since the preceding quarter.

Rounding-off differences may occur.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 3 February 2021, Sagax announced that the Board intends to convene an Extraordinary General Meeting to be held on 19 March 2021. The Meeting will resolve on a reduction of share capital through the compulsory redemption of all 16,784,028 preference shares in accordance with Article 5.6 of Sagax’s Articles of Association. Redemption of the preference shares is proposed to take place following the distribution of a dividend of SEK 0.50 per preference share on 7 April 2021. For further information refer to the press release, [Press release, 3 February 2021](#).

In January 2021, Sagax issued an unsecured bond of EUR 400 M in the European capital market as part of its EMTN programme. The bond loan extends to 26 January 2028. The fixed interest coupon amounts to 0.75%. The bond will be used to refinance existing liabilities and the company’s operating activities. For further information refer to the press release, [Press release, 19 January 2021](#).

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 2021
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.
The information was released for publication on 8 February 2021 at 5:40 p.m. CET.*

Financial calendar

Interim Report January-March 2021	5 May 2021
Annual General Meeting 2020	5 May 2021
Interim Report January-June 2021	15 July 2021
Interim Report January-September 2021	28 October 2021

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

March 2021

■ Final day for trading including dividend rights	29 March 2021
■ First day for trading excluding dividend rights	30 March 2021
■ Record date for dividend payment	31 March 2021
■ Expected payment date by Euroclear ²⁾	7 April 2021

June 2021¹⁾

■ Final day for trading including dividend rights	28 June 2021
■ First day for trading excluding dividend rights	29 June 2021
■ Record date for dividend payment	30 June 2021
■ Expected payment date by Euroclear ²⁾	5 July 2021

September 2021¹⁾

■ Final day for trading including dividend rights	28 September 2021
■ First day for trading excluding dividend rights	29 September 2021
■ Record date for dividend payment	30 September 2021
■ Expected payment date by Euroclear ²⁾	5 October 2021

December 2021¹⁾

■ Final day for trading including dividend rights	28 December 2021
■ First day for trading excluding dividend rights	29 December 2021
■ Record date for dividend payment	30 December 2021
■ Expected payment date by Euroclear ²⁾	5 January 2022

1) As proposed by the board.

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

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Visit us at www.sagax.se.

Definitions

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

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

Key performance indicators	Description	Reason for alternative performance measure
Cash flow per Class A and B share	Profit before tax adjusted for items not included in cash flow less tax paid in relation to the average number of Class A and B shares. Dividends on Class D shares and preference shares for the period have also been deducted from profit before tax. Dividends received from joint ventures and associated companies have been added to profit before tax.	The key performance indicator shows the amount of cash flow for the period that can be considered to be attributable to owners of Class A and Class B shares.
Debt ratio	Interest-bearing liabilities at the end of the period as a percentage of total assets at the end of the period.	The key performance indicator shows financial risk.
Dilution	Dilution due to outstanding warrants has been calculated, in line with IAS 33, as the number of Class A and B shares to be issued to cover the difference between the strike price and market price for all potential Class A and B shares (warrants) outstanding, insofar as it is probable that they will be utilised.	Not an alternative performance measure.
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.	IFRS 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 annually.	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.
EBITDA	Net operating income less central administration costs plus dividends received from joint ventures and associated companies.	Sagax uses EBITDA so that the EBITDA/Net debt key performance indicator shows financial risk.
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.
Equity/assets ratio	Equity in relation to total assets.	The key performance indicator shows financial risk.
Equity per Class A and B share	Equity at the end of the period in relation to the number of Class A and B shares at the end of the period after taking into account equity attributable to Class D shares and preference shares.	The key performance indicator shows the owner's share of equity.
Equity per Class D share	Equity at the end of the period in relation to the number of common shares at the end of the period after taking into account equity attributable to preference shares. Equity is restricted to SEK 35.00 per Class D share.	The key performance indicator shows the owner's share of equity.
Equity per preference share	Equity per preference share corresponds to the preferential right of the preference share on liquidation of the company (SEK 30 per preference share) and the share's accumulated preferential right to dividends (SEK 2 per year).	The key performance indicator shows the owner's share of equity.
EURIBOR	EURIBOR, or the Euro Interbank Offered Rate, is a daily reference rate based on the average of the interest rates at which euro interbank term deposits are being offered by one prime bank to another within the EMU zone.	Not an alternative performance measure.
Fixed-income derivatives	Agreements on lending rates that may include the factors of time, inflation and/or maximum interest rates. Usually signed to hedge interest rates for interest-bearing loans.	Not an alternative performance measure.
IFRS	International Financial Reporting Standards. International Financial Reporting Standards (IFRS), to be applied for consolidated financial statements by companies whose securities are listed on a regulated market.	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.

Key performance indicators	Description	Reason for alternative performance measure
Interest coverage ratio	Profit from property management, excluding profit from joint ventures and associated companies but including dividends from joint ventures, after reversal of financial expenses in relation to financial expenses.	The key performance indicator shows financial risk.
Interest coverage ratio, EMTN programme	Profit from property management after reversal of financial income and expenses as a percentage of net financial items.	The key performance indicator shows financial risk.
Joint ventures	Partnership form whereby several owners have a shared controlling influence.	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.
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 according to EMTN programme	Interest-bearing liabilities less listed securities and cash and cash equivalents.	The key performance indicator shows the Group's indebtedness.
Net debt according to EMTN programme/Total assets	Interest-bearing liabilities less listed securities and cash and cash equivalents in relation to total assets.	The key performance indicator shows financial risk.
Net debt/Total assets	Interest-bearing liabilities less interest-bearing assets, cash and cash equivalents, and listed shares as a percentage of total assets.	The key performance indicator shows financial risk.
Occupancy rate by area	Contracted area directly after the end of the period as a percentage of total lettable area directly after the end of the period.	The key performance indicator shows the occupancy situation.
Preference equity	Equity per preference share multiplied by the number of preference shares outstanding.	The key performance indicator shows equity attributable to preference shareholders.
Profit from property management 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.
Profit from property management	Profit excluding changes in value and tax.	An indicator of the earnings generation in the operations, excluding changes in value.
Property	Pertains to properties held under title or site leasehold.	Not an 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.	The 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.	The key performance indicator shows the ability to generate earnings on the Group's assets, excluding financing costs.
Run rate EBITDA	Net operating income according to current earnings capacity less central administration costs plus dividends received from joint ventures and associated companies.	Sagax uses EBITDA so that the EBITDA/Net debt, run rate key performance indicator shows financial risk.
Run rate yield	Net operating income (including property administration) according to current earnings capacity with add-back of site leasehold fees, 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.
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.
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.
Secured liabilities/total assets	Liabilities secured with pledged assets as a percentage of total assets.	The key performance indicator shows financial risk for bond holders.
Surplus ratio	Net operating income for the period as a percentage of rental revenue for the period.	The key performance indicator shows the profitability of the properties.
Total return on shares	Total of the change in the share price during the period and the dividend paid during the period as a percentage of the share price at the end of the preceding year.	The key performance indicator shows the total return that accrues to shareholders.
Total yield on property	Total of yield and property revaluations during the period as a percentage of the closing property value adjusted for revaluations for the period.	The key performance indicator shows earnings generation and value growth for the properties for a period.
Triple net lease	A type of lease whereby the tenant pays, in addition to the rent, all costs incurred on the property that would normally have been paid by the property owner. These include operating expenses, maintenance, property tax, site leasehold fees, insurance, property care-taking, etc.	Not an alternative performance measure.
Yield	Net operating income for the period (including property administration) with add-back of site leasehold fees, recalculated to 12 months, adjusted for the holding periods of the properties during the period as a percentage of the carrying amounts of the properties at the end of the period.	The key performance indicator shows the earnings generation of the operations before financial expenses and central administration costs are taken into account.

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

Amounts in SEK M unless otherwise stated	2020 Jan-Dec	2019 Jan-Dec
Return on equity		
Profit after tax	3,711	4,111
Addition for translation to annual value	–	–
Average equity	20,855	17,337
Return on equity	18%	24%
Return on total capital		
Profit from property management	2,389	2,001
Addition for translation to annual value	–	–
Financial expenses	481	470
Addition for translation to annual value	–	–
Profit before financial expenses	2,870	2,471
Average total capital	43,388	36,922
Return on total capital	7%	7%
Occupancy rate by area		
Contracted area, 000s of square metres	3,312	2,868
Total lettable area, 000s of square metres	3,480	3,022
Occupancy rate by area	95%	95%
Debt ratio		
Interest-bearing liabilities	19,904	17,519
Total assets	46,622	40,154
Debt ratio	43%	44%
Yield		
Net operating income	2,397	2,133
Add-back of site leasehold fees	–25	–24
Addition for translation to annual value	–	–
Holding adjustment, acquisitions/divestments	57	10
Currency translation to closing rate	–67	–19
Adjusted net operating income	2,362	2,100
Carrying amount of properties	37,548	32,625
Yield	6.3%	6.4%
EBITDA rolling 12 months		
Net operating income	2,397	2,133
Central administration	–132	–122
Dividends from joint ventures and associated companies	424	281
EBITDA	2,689	2,292
Equity per Class A and B share		
Equity	22,452	19,257
Equity attributable to preference and Class D shares	–4,940	–4,310
Corrected equity attributable to Class A and B shares	17,512	14,947
No. of shares	317,279,530	316,991,411
No. of shares after dilution	317,891,458	317,506,353
Equity per Class A and B share, SEK	55.19	46.86
Equity per Class A and B share after dilution, SEK	55.09	46.78

Amounts in SEK M unless otherwise stated	2020 Jan-Dec	2019 Jan-Dec
Economic occupancy rate		
Contractual annual rent	2,865	2,600
Rental value	3,024	2,735
Economic occupancy rate	95%	95%
Run rate yield		
Net operating income according to current earnings capacity	2,370	2,134
Add-back of site leasehold fees	–25	–22
Adjusted net operating income	2,345	2,112
Carrying amount of properties	37,548	32,625
Run rate yield	6.2%	6.5%
Run rate EBITDA		
Net operating income according to current earnings capacity	2,370	2,134
Central administration	–132	–122
Dividends from joint ventures and associated companies	424	281
Run rate EBITDA	2,662	2,292
Profit from property management		
Profit after tax	3,711	4,111
Tax	891	730
Changes in value	–2,213	–2,840
Profit from property management	2,389	2,001
Profit from property management per Class A and B share after dilution		
Profit from property management	2,389	2,001
Dividends attributable to preference and Class D shares	–285	–249
Adjusted profit from property management	2,104	1,752
Profit from property management per Class A and B share after dilution, SEK	6.62	5.51
Cash flow per Class A and B share		
Profit before tax	4,330	4,627
Items not affecting cash flow	–2,055	–2,758
Tax paid	–55	–74
Dividends attributable to preference and Class D shares	–285	–249
Cash flow	1,935	1,546
Cash flow per Class A and B share after dilution, SEK	6.09	4.86
Net debt		
Interest-bearing liabilities	19,904	17,519
Interest-bearing assets	–550	–511
Cash and cash equivalents and listed shares	–2,164	–1,776
Net debt	17,190	15,232

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

Amounts in SEK M unless otherwise stated	2020 Jan-Dec	2019 Jan-Dec
Net debt according to EMTN programme		
Interest-bearing liabilities	19,904	17,519
Cash and cash equivalents and listed shares	-2,164	-1,776
Net debt according to EMTN programme	17,740	15,743
Net debt according to EMTN programme/Total assets		
Net debt according to EMTN programme	17,740	15,743
Total assets	46,622	40,154
Net debt according to EMTN programme/Total assets	38%	39%
Net debt/EBITDA		
Net debt	17,190	15,232
EBITDA rolling 12 months	2,689	2,292
Net debt/EBITDA	6.4x	6.6x
Net debt/run rate EBITDA		
Net debt	17,190	15,232
EBITDA, run rate	2,662	2,292
Net debt/EBITDA run rate	6.5x	6.6x
Net debt/Total assets		
Net debt	17,190	15,232
Total assets	46,622	40,154
Net debt/Total assets	37%	38%
Preference equity		
Equity per preference share, SEK	32.00	32.00
Number of preference shares outstanding	16,784,028	16,784,028
Preference equity	537	537
Earnings per Class A and B share¹⁾		
Profit after tax	3,711	4,111
Dividends attributable to preference and Class D shares	-285	-249
Adjusted profit after tax	3,426	3,862
Earnings per Class A and B share after dilution, SEK	10.78	12.13
Interest-bearing liabilities		
Non-current interest-bearing liabilities	17,977	16,052
Commercial paper	1,081	1,192
Other current interest-bearing liabilities	770	193
Reversal of allocated borrowing costs	76	82
Interest-bearing liabilities	19,904	17,519

Amounts in SEK M unless otherwise stated	2020 Jan-Dec	2019 Jan-Dec
Interest coverage ratio		
Profit from property management	2,389	2,001
Reversal of profit from property management joint ventures and associated companies	-565	-441
Dividend from joint ventures and associated companies	424	281
Financial expenses	481	470
Corrected profit from property management before financial expenses	2,729	2,311
Interest coverage ratio	5.7x	4.9x
Interest coverage ratio, EMTN programme		
Profit from property management	2,389	2,001
Net financial items	442	470
Profit from property management before net financial items	2,831	2,471
Interest coverage ratio	6.4x	5.3x
Equity/assets ratio		
Equity	22,452	19,257
Total assets	46,622	40,154
Equity/assets ratio	48%	48%
Net asset value		
Equity	22,452	19,257
Equity attributable to preference and Class D shares	-4,940	-4,310
Reversal of derivatives	118	119
Reversal of deferred tax, temporary differences	2,590	2,333
Reversals due to joint ventures	881	741
Net asset value	21,101	18,140
Net asset value per Class A and B share after dilution, SEK	66.38	56.77
Secured liabilities/total assets		
Secured liabilities	5,086	5,449
Total assets	46,622	40,154
Secured liabilities/total assets	11%	14%
Surplus ratio		
Net operating income	2,397	2,133
Rental revenue	2,898	2,581
Surplus ratio	83%	83%

1) IFRS 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 on 31 December 2020 amounted to 3,480,000 square metres, distributed between 673 properties.

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

More information is available at www.sagax.se.

AB | SAGAX

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