

The airports of the future



ANNUAL AND
SUSTAINABILITY
REPORT 2017

World leader in
climate-smart
airports

Customers with
different needs
and expectations

Strategic focus
on sustainable
development

We shall enable
the air travel of
the future



Swedavia owns, operates and develops a network of ten Swedish airports, from Kiruna in the north to Malmö in the south. The Company was formed in 2010 and is wholly owned by the Swedish State.

About Swedavia's reporting

This is Swedavia's Annual and Sustainability Report for the financial year 2017. The report is aimed primarily at its owner, customers, credit analysts and partners but also at other stakeholders, and is focused on the Company's strategy, objectives, targets and results for the past year. The report concerns the entire Group unless otherwise indicated. Swedavia reports results using the guidelines (standards) of the Global Reporting Initiative (GRI). Reported indicators have been chosen based on Swedavia's and its stakeholders' shared view of material issues and what is important for long-term sustainable operations. The report also constitutes Swedavia's report (Communication on Progress, COP) for the UN Global Compact. The last publication date for the Annual and Sustainability Report was March 31, 2017.

► Read more at: www.swedavia.se

This is a translation of the Swedish original. In the event of any discrepancy between the two versions, the Swedish version takes precedence.

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The year in brief

The Group in figures

The Group

SEK, unless otherwise indicated	2017	2016	2015	2014
Net revenue	5,745	5,546	5,416	5,384
Operating profit	651	966	1,755	1,405
Operating margin, %	11.3	17.4 ¹	32.4 ¹	26.1 ¹
Profit for the year	407	717	1 410	926
Return on operating capital, % ²	5.1	8.5	14.6	10.3
Debt/equity ratio, times ²	1.0	0.7	0.6	1.4
Investments	3,866	2,138	1,120	924
Dividend	122 ³	143	232	231
Average number of employees	3,074	2,949	2,787	2,516
Number of passengers, million	41.9	39.5	37.6	35.7
Operating costs per departing passenger, SEK ⁴	197.3	197.3	195.2	186.6
Commercial revenue per departing passenger, SEK	75.7	75.5	76.1	78.5
Satisfied passengers, %	75	77	76	75
Engaged leaders and employees, % ⁵	67	64	na	na
Fossil carbon dioxide emissions, tonnes	1,896	2,723	3,066	3,108

For key metrics and definitions, see pages 137–138.

¹ The operating margin excluding capital gains was 13.1 per cent in 2016, 15.4 per cent in 2016 and 19.6 per cent in 2014.

² As of 2017, the Company's pension provision and receivable for the related employee pension tax are offset. Previous years have been restated.

³ Dividend proposed to the Annual General Meeting.

⁴ As of 2017, capitalised work for the Company's own account has been taken into consideration; previous years have been restated. For 2016–2017, this metric is calculated based on the business segment Airport Operations, and for 2013–2015 the metric is based on Swedavia AB.

⁵ Swedavia changed its measurement method in 2016. Read more on pages 62–63.

5,745

SEK M in net revenue

3,866

SEK M in investments

41.9

million passengers, 2017

Performance in 2017

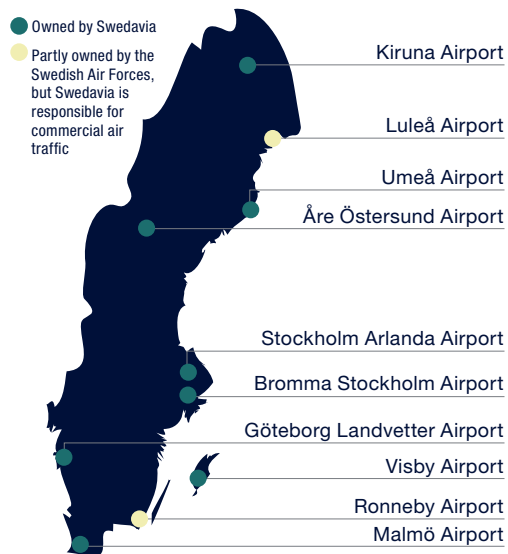
- For the full year, Swedavia's airports had 41.9 million passengers (39.5), which is a 6.1 per cent increase
- Net revenue increased to SEK 5,745 M (5,546)

- Operating profit was SEK 651 M (966). It was negatively affected by SEK 160 M (74) attributable to impairment losses and disposals. The operating margin in 2016 was affected by capital gains of SEK 241 M. Excluding these items affecting comparability, operating profit was SEK 811 M (799), an improvement compared to 2016

- The Group's investments increased to SEK 3,866 M (2,138), which is an effect of a higher investment pace in its development programmes
- In accordance with Swedavia's dividend policy, the Board of Directors proposes a dividend of SEK 0.08471 per share, for a total of about SEK 122 M

This is Swedavia

Swedavia owns, operates and develops Sweden's national basic infrastructure of airports. These ten airports form a system that connects Sweden together – and connects Sweden with the rest of the world.



Purpose

Together we enable people to meet.

Vision

Swedavia develops the airports of the future and creates sustainable growth for Sweden.

Business idea

Together with its partners, Swedavia creates added value for its customers by offering attractive airports and access that provide smooth and inspiring travel experiences. Swedavia's airports shall be the most important meeting places in Scandinavia, while the Company shall be an international role model in sustainability and a growth engine for all of Sweden.

Values

Reliable
Engaged
Innovative
Welcoming

A world leader

Swedavia is a world leader in developing airports with the least possible environmental impact.

2%

smaller carbon footprint per passenger in 2017 than in 2016





We shall enable the air travel of the future

2017 was an exciting year, both for Swedavia as a company and for me personally. When I started in January, I said that it was fantastic to be able to work in operations that are so vital to Sweden's development.

Swedavia operates and develops the airports of the future. The access they create enables meetings between people and cultures. They provide Sweden with a competitiveness that forms the basis of long-term sustainable growth. Our operations cover a wide range of activities. Day-to-day operations at our airports have to function efficiently, and safety and security are always our top priority. At the same time, we are building for the future. We are carrying out major investments in our development programmes, and we have a planning horizon that stretches several decades ahead. It is an honour to be able to work with this, and I have felt that even more strongly over the past year.

CONTINUED PASSENGER GROWTH

It is gratifying that the services we offer are in demand, but that also puts requirements on us. In 2017, things were literally crowded. A total of nearly 42 million passengers passed through our airports, six per cent more than in 2016. Seven airports set records, including Stockholm Arlanda Airport, which handled more than 26 million passengers, an eight per cent increase. Since 2013, Swedavia has attracted 19 new intercontinental routes, and we have established some 300 international routes. Meanwhile we see that air cargo is growing. This is an important condition for the profitability of airlines and thus for access.

To meet this passenger growth, we are carrying out a large number of projects to increase our capacity and efficiency

in every area and essentially at every airport. This involves terminals and baggage handling, IT systems and operational processes. One key area that we are working with is remote air traffic management. This is an area in which modern technology presents new opportunities to increase the operational excellence we strive for in a safe, secure way.

INVESTMENTS AND COMPETITION

Our objective is for Stockholm Arlanda Airport to be the leading airport in Scandinavia. To achieve this, we must be competitive from every perspective. It also requires that we have the support of political leaders and the business community. The Arlanda Council, which was established in 2017, has an important role here. Collaborations across boundaries, especially when it comes to sustainable ground transport to and from the airport, are an essential condition for success.

Swedavia's commercial and real estate operations are both increasingly important. For instance, by developing hotels adjacent to our airports, we enhance the role of these airports as attractive meeting places while contributing to the funding of their development. One example is the sale of the hotel property now being built at Stockholm Arlanda.

The work to introduce US preclearance – US border control – at Stockholm Arlanda encountered challenges in 2017 in the form of a Swedish aviation tax, increased investment costs and lost funding for additional security screening. As a result,

the conditions are not now in place for introducing this service. However, we believe that the introduction of US preclearance would improve access between Sweden and the US.

In 2017, we doubled our investment pace compared to 2016. Each day we invest ten million Swedish kronor. This is required to meet the capacity needs that already exist today. Financially, we are well equipped, with a strong cash flow. In the autumn of 2017, our targets for return and gearing were also adjusted to current market conditions, which gives us an even better baseline for our continued development work.

THE SUSTAINABILITY OF AIR TRAVEL

In 2017, the Swedish government announced a national aviation tax to take effect in April 2018. The aviation tax will apparently have at most a marginal effect on the environment but risks having an adverse effect on Swedish access and thus Swedish competitiveness. Our need for air travel and transport has a price in the form of their environmental impact, and it is important to conduct a discussion about the sustainability of air travel. But it is neither desirable nor reasonable to cut down on air travel in order to reduce the environmental impact. The values that air transport contributes need to be safeguarded and developed. Instead we should focus all our efforts on making air travel sustainable by investing in bio fuel, technological advances and more efficient air traffic. Our customers should know that we work each day to make air transport sustainable in the long term. Air transport needs to be part of the transport of the future, and the transport of the future must be sustainable.

Climate issues are increasingly important to the aviation industry, and while a great deal has been done, far more is needed going forward. Because of technological developments, air transport has dramatically reduced its emissions per passenger-kilometre, but since air travel continues to grow, the measures needed to reduce the climate impact of air travel need to be even more effective. These sustainability aspects are the basis of how we run our operations, and sustainability is an essential condition for long-term profitability. Today Swedavia is a world leader in climate-smart airports. We are continuously improving our operations and are constantly working for the increased use of bio fuel in aviation. Bio aviation fuel is expensive and supply is limited, but the technology and materials for large-scale production are available in Sweden. Clear incentives and instruments are needed here to bring about a transition. The electrification of air travel is advancing more rapidly than was previously thought possible, and technological advances are making the aircraft engines of the future even more efficient, but bio aviation fuel is the solution that can do the most to reduce the climate impact of air travel in the short term.

FOCUS ON THE CUSTOMER

Given the combination of our major development programmes and sharp passenger growth, we have moved our target of 85 per cent satisfied passengers forward from 2020 to 2025. Our ambition is still as high as before, but we foresee that this growth, combined with the construction now under way to build the airports of the future, means it will likely take a little longer to achieve this target. We also

see that we must be better in our collaborations with both airlines and tenants. Customer-driven business development requires good dialogue and responsiveness, no matter whether it involves passengers, airlines or tenants.

INCLUSION AND DIVERSITY PROMOTE CREATIVITY

Swedavia's operations shall be environmentally and economically sustainable, but also socially – for our employees and through our contribution to society. At the turn of the year, a new organisation was implemented which is responsible for ensuring that our major projects are driven forward in the best way possible. Meanwhile, we see that passenger growth, combined with the development programmes under way, is increasing the load on the organisation. Issues concerning the workplace, safety and security thus remain high on the agenda. Our projects must be carried out on time and on budget, while our employees and others who work at the airports should feel good. It goes without saying that people should leave their job in at least the same shape they were in when they arrived.

For me, diversity is an issue close to my heart, and active work with such issues is a given – morally, ethically and in business terms. If we are to understand our customers' needs and experiences, it makes things easier if we reflect their diversity in our organisation. We also know that creativity and innovativeness are greater when many different experiences and backgrounds are mixed. Last but not least, we need to be an attractive employer for everyone if we are to successfully recruit the very best talents in the future as well. I am therefore proud that we have developed new guidelines for recruitment. They will contribute to gender equality and diversity. I am also proud that we were involved in and established Entry Hub in Umeå, where new arrivals to Sweden and businesses can meet and build networks. There are many indications that new forums like these create conditions that enable more people to enter the labour market and provide good opportunities for us and others to expand our recruitment base. So it is gratifying to see all the interns we have had the benefit of encountering at Swedavia through the Jobbsprånget internship programme who have now been hired by the Company.

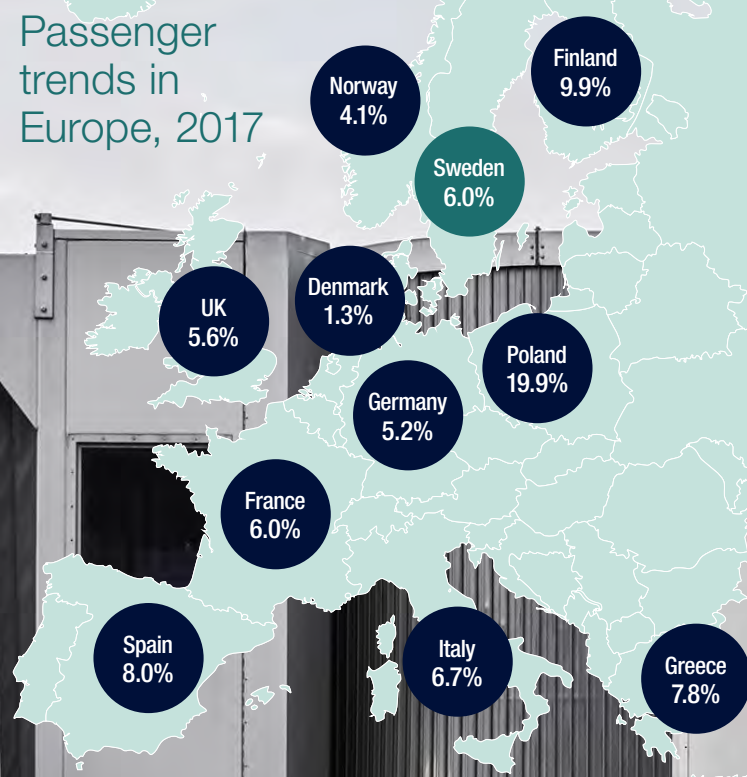
THE JOURNEY CONTINUES

I have now completed my first year at Swedavia. It was an eventful year full of learning experiences, and I would like to extend my special thanks to all the employees who patiently answered my many questions. In 2018, we will continue to develop the airports of the future. We will deliver a good product here and at the same time build for the future. We will continue to be an international role model in sustainability and a growth engine for Sweden. It is an inspiring mission that we will manage thanks to our competent, engaged employees and important partners.

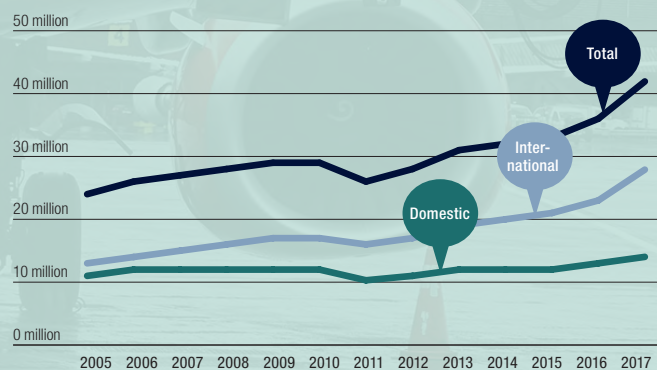
Air travel is an essential condition for growth and prosperity as well as for exchanges and magnificent experiences. And that is what makes Swedavia's mission so important. We enable people to meet.

Jonas Abrahamsson,
President and CEO

Passenger trends in Europe, 2017



Passenger trends, Swedavia 2017



41.9 million passengers

The aviation market and trends

The air transport industry and its development are affected by both external and internal factors. External factors include the major trends of globalisation, urbanisation and digitisation. These trends affect the conditions for growth and economic development but also how we live, dress, eat and travel.

Swedavia continually monitors developments in the air transport market that the Company is a part of. In order to understand the changes in the world, see how they will affect the aviation market as a whole, and thus create the capability to act in both the short and long term, trend analyses are carried out. The time horizon is three to five years, but many trends are more long-term than that.

Continued population growth – in 2030, there will be another one billion people on the planet – together with people living longer is driving the streams of passengers from all the corners of the world. Increased prosperity leads to increased consumption and growing international trade. The desire to travel is a strong driver. Over the next twenty years, the number of aircraft movements is expected to nearly double, and there is nothing to indicate this growth will abate. This continued growth will largely be in leisure travel. From Sweden, travel primarily to other places in Europe will contribute to this growth. Growth places demands on increased capacity and flexibility as well as on a reduced climate impact. At the same time, the access that air travel creates is increasingly indispensable for economic growth.

CAPACITY AND THE ENVIRONMENT

According to EU forecasts, demand for flights will increase nearly 50 per cent by 2035, while airport capacity will increase less than 20 per cent. Demand for air travel will increase faster than airport capacity, and there is already a capacity shortage today in large parts of Europe. The situation in the Nordic countries is better, but development projects are now under way at the major airports

in Sweden, Denmark, Finland and Norway to meet the growth. It is increasingly apparent that the airports that will be the winners of the future are those that can provide the capacity demanded.

Another challenge, perhaps the greatest one for the air transport industry in the years ahead, is to reduce its climate impact as air travel continues to grow. The industry is working intensively with this issue and has set ambitious targets to legitimise its operations through reduced fossil carbon dioxide emissions. Meanwhile, increasing awareness is driving the implementation of ambitious policy goals and stringent regulations. Continued technological advances and increased use of bio fuel are critical to achieving these goals, but the work is proceeding slowly. The use of bio aviation fuel will probably increase, but forceful political decisions are needed for this development to really take off.

COMPETITION AND UNCERTAINTY

The aviation market in Europe is very competitive. Low cost carriers continue to increase their market share. They are expanding to attract business travellers and are looking for collaborations with hub-and-spoke airlines. Low cost carriers and hub-and-spoke airlines are becoming more like one another in their business models. The profitability of airlines is generally low, which means they must look for new revenue streams through partners and set demands for fast processes and low airport charges. Airlines are less tied to a geographic region and at the same time hard pressed to maximise their profitability. As a result, they may adjust their local market presence on short notice.

THE AVIATION MARKET

The air transport industry is also affected by an uncertain world. There is still significant geopolitical turmoil, although the number of armed conflicts has decreased. Over the past few decades, the travel industry as a whole has survived global recessions as well as terrorist attacks and major oil price fluctuations. The effects have been short-term, and despite these challenges, the industry has grown faster than the global economy.

NEW KINDS OF CUSTOMER ENCOUNTERS

Most of our digital behaviour has already been transferred to our mobile phones, which is something that players in the air transport industry need to take into account. With 5G networks, even more aspects will be shifted, and technologies like augmented reality (AR) and virtual reality (VR) will take off. This will have a major impact on how we integrate with our surroundings. It may involve finding our way in airport terminals, looking up information about something we want to buy or increasing the smooth flow at the security checkpoint. As consumers, we expect an internet connection everywhere; the next step is that almost everything will be connected and can be monitored or remotely controlled. There are great benefits but also

questions about integrity and security.

We continue to be active even as we get older – and behaviour is no longer so closely related to age. Digitisation will make everything available around the clock, and there will be increased expectations about how quickly companies will need to be able to deliver products and services. People will be less tolerant about waiting. Tomorrow's consumers will be more fickle and difficult to predict. They will look for guidance but avoid advertising. Purchases will depend on the situation, and smart concepts, related services and customer service will take on greater importance. People will want zones at the airport for experiences that promote inspiration and relaxation, and airports will also have to provide services and experiences that feel unique, genuine and local. E-commerce and bricks-and-mortar stores will enhance one another, and there is great potential for companies that can adapt their offering so that even mass-produced goods seem unique.

ANALYSIS AND AUTOMATION

Digitisation will bring efficiency gains but at the same time entail increased vulnerability, cyberattacks and crime along with increased dependence and complexity.



Automated computer systems will replace some of the human workforce needed in the past. The automation of knowledge work will largely drive this trend. Robots will be cheaper and better. Digitisation will create enormous quantities of data, and companies will have more knowledge than ever about their customers, knowledge that can be used to customise solutions, remedy problems or predict behaviours. Artificial intelligence (AI) will create self-learning systems that can do everything from performing a health check-up to driving a car. Consumers will encounter digital assistants that talk and use AI to give advice. Biometric technology will be used for identification; this technology already exists in the form of fingerprint reading, voice and face recognition, and retinal scanning.

COLLABORATION

Airlines and airport operators need to work together to satisfy passengers, although they have different conditions for doing so. Airlines need to be able to quickly adjust to changes in travel patterns and cargo flows. Airport operators have to ensure capacity in the form of infrastructure as well as competitive charges. Thanks to new technology,

increased digitisation and automation, when information can be provided in real time between companies and other organisations in the industry, this will produce positive effects in many areas. More efficient flight paths in and out of airports as well as new processes that provide shorter waiting times at the gate and on the runway will generate concrete benefits, both economically in the form of lower fuel use and environmentally in the form of reduced emissions.

SWEDISH AVIATION STRATEGY

In January 2017, the Swedish government presented its strategy for how aviation will help make Sweden a more sustainable society. It is noted in the strategy that air transport has a vital role in the domestic and international transport of people and for Swedish exports, tourism, economic growth and employment. The focus areas in the strategy are access, aviation safety and security, better use of airspace and air transport's contribution in making Sweden one of the world's first fossil-free countries. The government also announced that a national aviation tax specifically for commercial flights will be introduced in April 2018. It is unclear how this will affect air travel.

Operations contribute to sustainable development

In addition to trends, there are international standards and goals that Swedavia takes into consideration and contributes to. The Company supports and runs its operations in accordance with the ten principles for responsible business under the UN's Global Compact. These principles are based on the UN's Universal Declaration of Human Rights, the International Labour Organisation's Conventions on Fundamental Principles and Rights to Work, the Rio Declaration on Environment and Development, and the UN Convention against Corruption. In the autumn of 2015, Agenda 2030 for Sustainable Development, which includes the UN's new Sustainable Development Goals, was adopted. There are a total of 17 goals for long-term sustainable economic, social and environmental development connected to combatting poverty. The goals are universal, which means that they include all countries, companies and organisations, and in order to achieve them, all parts of society must contribute. The business community plays an important role in achieving the greatest possible benefits for development.

SUSTAINABLE DEVELOPMENT GOALS

The UN's Sustainability Development Goals are closely linked to Swedavia's sustainability perspective. The goals that are most relevant to the Company and by which the Company can best contribute to advances through its operations are:



9. Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.



10. Reduced inequalities

Reduce inequalities within and among countries.



11. Sustainable cities and societies

Make cities and human settlements inclusive, safe, resilient and sustainable.



13. Climate action

Take urgent action to combat climate change and its impacts.

The airport's business

At an airport, operations are carried out year-round and often around the clock. The airport operator, airlines, suppliers and tenants are the main actors – sometimes as partners and sometimes as each other's suppliers or customers. There are different value-driving factors that govern the interplay between these actors and thus the conditions for the airport's business. Everything ultimately revolves around the passenger – the mutual end-customer. All customers have different needs and expectations, and it is not enough for these actors to collaborate in this business. That is step number one. The next step is to better understand passengers and their customer journeys in their entirety.

Together the companies and other organisations at the airport have to meet and manage changes associated with the big trends we see in the world. Together they can create the access that is needed. Yet increasing air travel means not just new kinds of passengers and new business opportunities but also capacity requirements and strains on the environment. At the same time, new technology presents new opportunities for increased efficiency and a reduced environmental impact. Collaboration is required to meet these challenges, and the airport operator is a node in this kind of collaboration.

DIFFERENT REQUIREMENTS

The airport operator, airlines and tenants have different requirements for their operations. Airlines must be able to quickly adjust, adapt and move routes and staff based on changes in travel patterns. The airport operator must also be able to adapt, manage long-term investments to meet capacity requirements and at the same time offer attractive airport charges. Tenants always need to be able to offer attractive services and goods while the types of passengers, their needs and desires change over time. These actors need to live in symbiosis and understand what creates value, for themselves and for everyone together, but mainly for passengers, who are the reason that air travel exists and is needed.

The airlines move people where they want to travel, and to enable this, attractive airports in attractive regions are needed. This is a challenge, since there are many different kinds of passengers to satisfy – from frequent business and leisure travellers who visit friends and family to young backpackers who are discovering the world on their own for the first time – and the composition of passengers varies from airport to airport. For an airport operator, this means a constant balancing act in order to create benefits for all of its customer groups and in the long run contribute to the best possible access. In Swedavia's case, that is the Company's most important task.

GROWTH

Together the airport operator, airlines and tenants can provide inspiring experiences that produce increased passenger satisfaction and increase the attractiveness of the destination. Together they contribute to access, which provides jobs, tax revenue, business opportunities, meetings and diversity. Together they can also reduce the environmental impact of air travel through efficient ground handling services, fossil-free fuels and new types of aircraft. Together they work to create safe, secure environments, and together they can develop modern technology to find effective forms of work and collaboration. All in all, Swedavia and the Company's customers contribute to more jobs as well as national and regional growth.



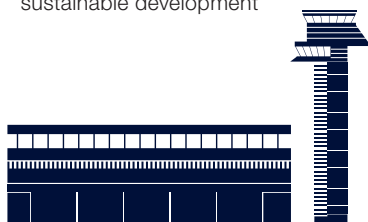
The airport operator

The airport operator provides infrastructure in the form of terminals, runways and other functions required in order for airlines to provide air travel and for tenants to provide goods and services.

The airport operator is responsible for ensuring that operations have the permits required and that government agency requirements are met. Some services at the airport are carried out by the airport operator, others by airlines and tenants. The airport operator can open up competition among its customers in order to create added value for passengers. Revenue comes from airport charges for airlines, commercial revenue, rent from tenants and fees for parking at the airports. Along with access, the airport operator contributes jobs and tax revenue.

Value drivers for the airport operator

- Attractive destination
- Increased air travel
- Well-functioning collaborations
- International direct routes
- Access to many destinations
- Attractive tenants
- Potential to improve and develop land around the airport
- Permits suitable for operations
- Innovations and initiatives for sustainable development



Airlines

Airlines transport passengers to and from the airport. They are customers that use the airport's infrastructure but also partners and in some cases competitors with the airport and its tenants.

Airlines have different business models. There are low cost carriers, legacy hub-and-spoke carriers and carriers focused on long-haul travel, known as super-connectors. The common factor for them all is that their revenue to all intents and purposes comes from ticket sales and from the services and goods sold on flights. Airlines create value for society by transporting people and by offering an attractive range of destinations and frequencies. They create value for airport operators through revenue from airport charges and for tenants in the form of a customer base.

Value drivers for airlines

- Attractive destination and airport
- Passenger base that provides profitability
- Good competitive situation
- High capacity for air cargo
- Well-functioning infrastructure
- Service level that produces a high utilisation rate
- Competitive airport charges
- Innovations and initiatives for sustainable development



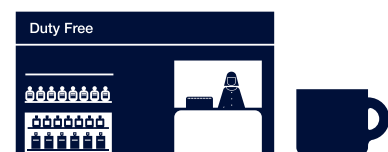
Tenants

Tenants provide services and goods and pay rent to the airport operator based on revenue and on their location. Among the tenants at the airport are hotels, restaurants, parking services, cafés, shops and tax-free sales.

The airport's tenants can also provide services to airlines, who are then customers. At the same time, there is competition between on-board sales and store sales. For tenants, airlines and the airport operator are essential requirements for operations. The airport operator offers access to space and premises with a large number of potential customers, while airlines provide the flow of customers. The tenants' operations contribute to the attractiveness of the airport and the destination, which benefits airlines as well as the operator. They contribute to appealing air travel for passengers and create jobs and tax revenue for society.

Value drivers for tenants

- Large customer base
- High flow-through
- Attractive spaces and premises
- Right mix and location of tenants
- Well-functioning leasing models
- Competitive rents



Travellers with different needs

Air travel is complex and involves a combination of services, and all travellers have their own view of what air travel should be like. To meet their needs and expectations, Swedavia is working to map out and segment travellers into different major groups – behaviour profiles – and to map out the customer journey, the reality that travellers actually encounter.

In 2016, Swedavia began extensive work to enhance Swedavia's value as an airport operator, business partner, employer and actor in society. The work was initially focused on the passenger, who is the nexus of operations and the mutual customer of all the companies and other organisations at an airport. One key task was to create a comprehensive view, both of what passengers have in common and what distinguishes them. Five behaviour profiles were identified. The project was based on an outside-in perspective and visualises the passenger experience through their customer journeys. The customer journey will now be used as a tool to also improve and deepen relations with airlines and tenants.

EVERY CUSTOMER JOURNEY IS UNIQUE

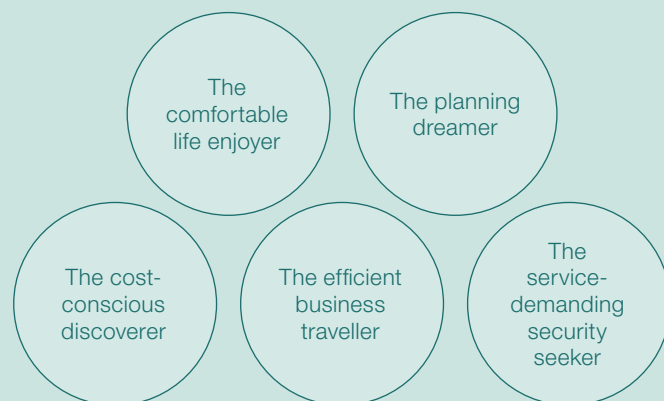
All five behaviour profiles are represented at Swedavia's airports. The largest in number are efficient business travellers and cost-conscious discoverers. Discoverers are a rapidly growing profile who want to experience something new but are careful about looking for value for their money. Security seekers want personal service and control, while efficient business travellers want information about

queues and transport. Digital solutions are more important than personal service. Comfortable life enjoyers want to check in and book parking from home, get fast service at the security checkpoint and handle boarding on their own. Planning dreamers want to be inspired, are prepared, do not like queues, and want to buy unique goods and experience something new.

In the development work, the customer journey is broken down into its components, from planning of the trip to the return home. The result is a Group-wide tool for developing services and other offerings that contribute to customer satisfaction and business benefits. Swedavia's business model is generic. It is a matter of identifying the customer journey, understanding it, finding solutions and then continuously assessing and developing. There will also be mapping and development of the customer journeys for airlines and tenants going forward. Airlines with a low cost profile expect different services than a hub-and-spoke carrier, and a restaurant has different needs than a logistics company that rents warehouse space. It is a question of finding solutions that simplify and improve the customer journey – no matter who the customer is.

Five behaviour profiles

In 2017, Swedavia identified five different behaviour profiles for passengers and mapped their customer journeys.





The passenger cycle

The passenger cycle illustrates the different phases the passenger goes through, from departure to the return home. These phases are the same for all passengers, but different behaviour profiles have different expectations and experiences of them. What is important to some passengers may be immaterial to others. Swedavia needs to see and understand this in order to be able to offer each passenger as smooth and inspiring a customer journey as possible.

1. At home and at the destination

More and more passengers want to be able to book their entire journey right from home – their transport to and from the airport as well as the actual flight. In order for passengers to find their way at the airport, it is important that there are digital maps and drawings to look at that are easy to understand. Integrating parking information and mass transit in the booking flow is something that can make travel easier for many passengers.

2. Transport

It should be easy to get to and from the airport, regardless of the mode of transport. Swedavia works for enhanced mass transit to the airport and uses environmentally sustainable vehicles to a large extent for transport between the airports' different terminals and to the car parks. Clear signs for the airport's different terminals and functions that are recognised internationally make travel easier for passengers.

3. Landmark

Swedavia strives to create iconic landmarks at its airports, something that confirms to passengers that they have arrived. One example is the newly inaugurated bridge at Göteborg Landvetter Airport. Perhaps the best known landmark today is the air traffic control tower at Stockholm Arlanda Airport.

4. Outdoor environment

Swedavia's environments should be welcoming, neat and tidy with clear signage. Commercial messages should not obscure air traffic information or road signs. Clear information boards should be visible from each entrance.

5. Parking

It should be easy to find, get to and use car parks. At all ten airports, parking facilities are being expanded and modernised to make them more efficient and thus more environmentally sustainable. The new facility for 1,565 cars inaugurated at Stockholm Arlanda in 2017 is certified for sustainability and equipped with the latest parking technology.

6. Entrance

It should be easy for passengers and visitors to find their way to the airport's different entrances quickly and easily. Signage and access for everyone are important factors.

7. Check-in

In the check-in hall, many passengers meet up at the same time, and this can cause queues at check-in. That requires clear signage. More and more people also choose to check in digitally or using the automated check-in machines that Swedavia has installed in the airports. Together with efficient baggage systems, which enable passengers to tag their own bags and drop them off, this gives the airport's employees more time for personal service for people who want that.

8. Security screening

The security checkpoint is often a bottleneck that creates stress for passengers. To increase flow-through and reduce queue times, more security flows have been and are being set up at Swedavia's bigger airports. New technology is being introduced once it has been approved, and the ambition is to automate screening as much as possible, for instance, using biometric readers and different kinds of scanners. Passengers are also asked to prepare in advance for screening

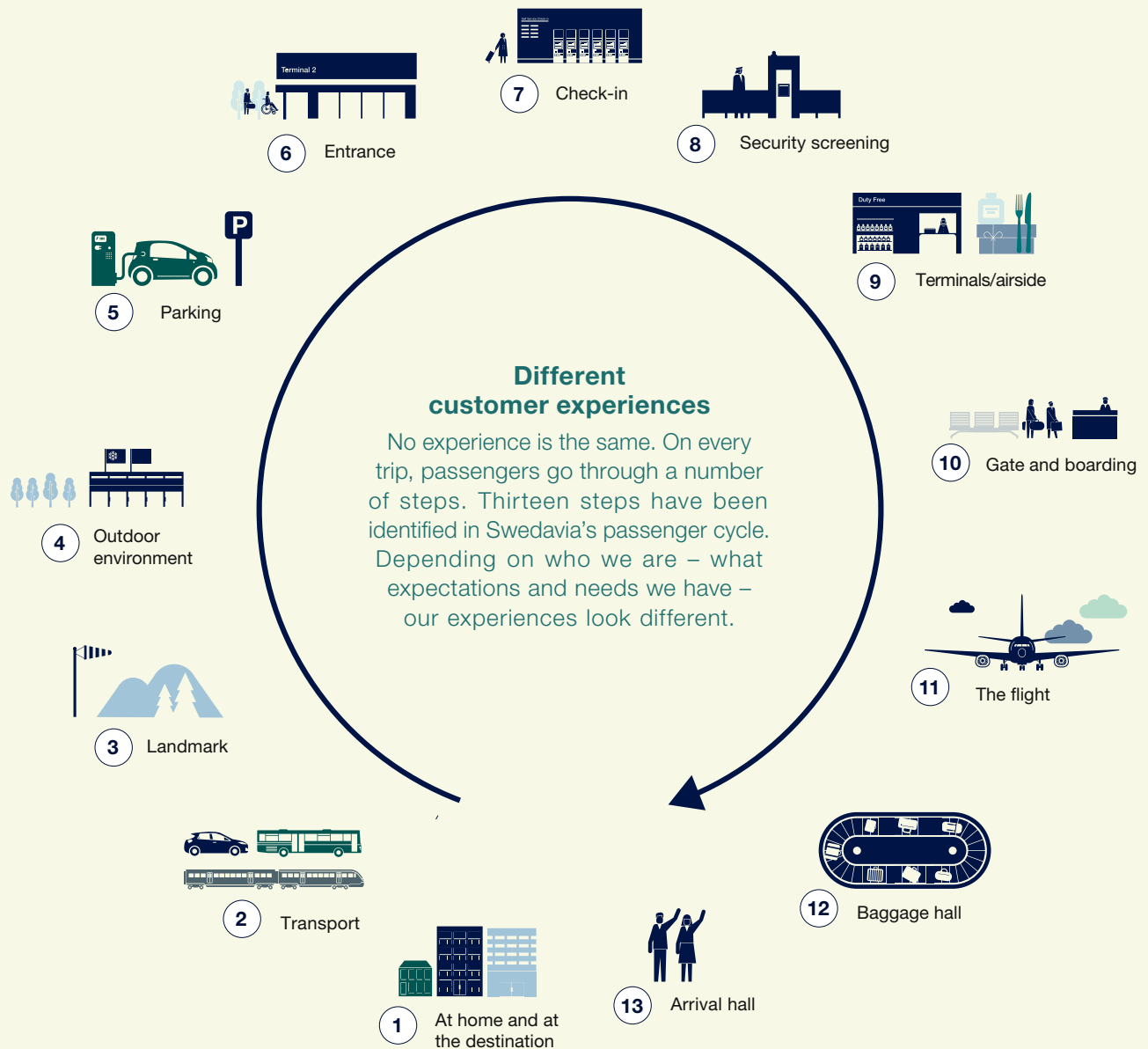
Border control, which passengers undergo when they travel to and from countries that are not part of the Schengen collaboration, will also be automated in the future. As a result, more efficient flows will be created, which will reduce queue times and make travel easier for passengers. Swedavia maintains a dialogue with the Swedish Border Police, which has ultimate responsibility.

9. Terminals/airside

Capacity in a terminal is basically determined by floor space – how many passengers can be there at the same time – and by the number of gates from which passengers can board and deplane the aircraft. The new and larger aircraft that airlines have started using also place demands on the design of the terminals. At Stockholm Arlanda, a new marketplace for shopping and experiences is being built. At Göteborg Landvetter, expansion of the terminal began in 2017, and it will be possible to handle new, larger types of aircraft. In 2018, Bromma Stockholm Airport will have a terminal that can handle 1,200 passengers an hour in peak traffic. The departure hall and arrival hall here have both been modernised. During the year, work also began on a new departure hall at Visby Airport.

10. Gate and boarding

At Stockholm Arlanda and Göteborg Landvetter, gate capacity is being significantly expanded through the development programmes now under way. At Göteborg Landvetter, three new gates with jetties will be added to the eight existing ones. There are plans for two more jetties there by 2027, when the airport will have capacity for eight million passengers a year. New technology that allows passengers to handle their own boarding, just like with check-in, is on the way. This will help reduce queue formation and stress.



11. The flight

During the actual flight, the airlines transport passengers, but Swedavia must create the conditions that enable a positive experience in this phase as well. This involves infrastructure conditions but also the ground handling companies that work at a number of the airports. That is also connected to other phases of the passenger cycle and could involve punctuality and good customer service at the airport. For the very best success, good collaboration with Swedavia's other customers – airlines and tenants – is also needed.

12. Baggage hall

When passengers have landed, regardless of whether they are on their outward journey or returning home, fast, efficient delivery of baggage is key to a good customer experience. Swedavia is therefore investing in new and expanded systems. In the period 2017–2023, a new system for departing and arriving baggage will be introduced in Terminal 5 at Stockholm Arlanda. At Göteborg Landvetter, the system will be expanded in two phases from 2016 to 2019. A new baggage facility for sorting and storage is planned for 2023.

13. Arrival hall

When passengers have landed and picked up their baggage, an efficient flow is needed through any customs controls, along with clear signage and good access to airport buses, commuter rail service, taxis, other mass transit modes or pick-up points. For people who have cars parked at the airport, clear signage to the car park or efficient transport to facilities not located nearby is needed.

The airports of the future

As air travel grows, airports will be ever more important as national resources that link regions and countries together geographically and economically. Directly and indirectly, the air transport industry creates millions of jobs – 200,000 of them in Sweden, according to the analytical firm InterVISTAS. Half of these are directly related to the air transport industry. Together, they contribute more than 175 billion Swedish kronor annually to Sweden's GDP.

We live in a changing world, and to create access, meetings, exchanges and jobs in the future as well, airports need to develop. They must adapt to new conditions created by external factors in the form of national and global trends and to internal factors that govern the interactions between the different companies and other organisations at an airport. Airports need to be able to look ahead and plan for how they will handle their customers several decades in the future in a way that satisfies customers and generates revenue for the airports. Adapting infrastructure and providing more efficient customer-centric processes are important aspects of this work. New digital technology and an ever greater degree of automation are some of the tools that are also needed, while personal service continues to be important.

Today there are robots that park cars and robots that load and unload baggage. There are airports where robots provide passengers with advice and assistance. But the airport of the future must also be digitally adapted. For many airports, it is a matter of creating efficient broadband networks that allow information to be shared quickly between the different players in this ecosystem, not just at the airport but also with other stakeholders, from logistics companies to government authorities to mass transit. With access to both historical data and real-time information, flows can be controlled and the building of queues avoided. Resources in the form of staff, vehicles or services can be placed where they are needed, when they are needed. Biometric technology enhances security and makes screening faster and less invasive than today, for instance, through facial recognition.

In order for airports to be attractive as destinations in the future as well, new services, products and offerings have to be developed that can meet the needs and wishes of what are increasingly diversified groups of passengers that pass through. New types of travellers may have other needs in terms of services and offerings than before. Here too, digital technology that enables the rapid exchange of information between companies and organisations at the airport and passengers is a key factor in creating unique, customised services. The airport can also be an active

venue where passengers can test new solutions together with the suppliers or a cluster for different collaborations.

DEVELOPMENT

Swedavia has taken on this challenge in every area and is working to develop the airports of the future. Throughout Swedavia's network of airports, especially at Stockholm Arlanda Airport and Göteborg Landvetter Airport, there are extensive development programmes under way. Meanwhile Swedavia is creating conditions at its other airports for a network of domestic routes that contributes to access and economic growth in every region of Sweden. Swedavia is therefore working with development and modernisation as well as long-term master plans for this. Over the next decade, Swedavia will make major investments in infrastructure, digital technology and better flows at its airports. The objective is to increase both efficiency and capacity.

Swedavia's objective is also to create smoother and inspiring travel experiences, making the airports the most important meeting places in Scandinavia and at the same time international role models in sustainability. Swedavia's airports will be growth engines for all of Sweden, important to the development of its regions as well as the whole country.

ENVIRONMENT

The transport sector needs to reduce its environmental impact, and that also applies specifically to the air transport industry. Air travel needs to be part of the transport of the future, and the transport of the future must be sustainable. Swedavia shall be an international role model in sustainability, not just in the air transport industry. In its own operations, Swedavia invests in energy efficiency measures for its properties and in the transition to fossil-free fuels for its vehicle fleet. Other measures include being a driving force for mass transit to and from the airports and the electric-powered transport of passengers and goods. Swedavia is also working for the increased use of bio aviation fuel in order to reduce the environmental impact of the entire air transport industry.

As we look ahead

Swedavia is developing airports for the air travel of the future. To do this, the Company is investing more than ever. Between 2016 and 2025, capital spending in the Groups will total 35.1 billion kronor. The biggest investments are being made in capacity improvements at Stockholm Arlanda Airport.

Stockholm Arlanda Airport

Stockholm Arlanda Airport shall be developed into the leading airport in Scandinavia. It shall offer smooth and inspiring travel experiences, be a leading meeting place and an international role model in sustainability. It shall be one of Sweden's largest workplaces. In the period 2016–2025, 21.3 billion kronor will be spent on the expansion of Terminal 5, including investments in a new airport maintenance area, more aircraft parking stands, improved baggage systems and additional security flows. The aim is more destinations, increased capacity for passengers and airlines, more meeting places, better mass transit, increased access to shopping, restaurants and activities and more hotel and conference options.

Göteborg Landvetter Airport

Göteborg Landvetter Airport is and will continue to be western Sweden's gateway to the world. Going forward, the airport will get additional new gates, new and expanded terminal capacity, improved baggage handling and new traffic solutions in the vicinity. Hotels, logistics facilities, retail outlets and workplaces are taking shape in a new airport city. The airport shall enable smoother travel, have better local transport options and additional attractive meeting places. In the future, the airport will contribute to the region's development to an even greater extent, especially as an ever larger workplace. Capital spending for the period 2016–2025 is expected to total three billion kronor.

Bromma Stockholm Airport

Bromma Stockholm Airport shall be an even more efficient city airport, with its unique location close to the Stockholm city centre. The 81-year-old airport is being modernised in several phases. A new arrival hall was completed in 2017, and roofs between the terminal and the aircraft parking stands are now in place. A modernised departure hall will be inaugurated in 2018 and the flows for buses and taxi traffic will be improved. Preparations are under

way for the planned expansion of the Stockholm Crossrail. For the period 2016–2025, about 1.8 billion kronor will be invested in the airport.

Kiruna Airport

Kiruna Airport shall be Lapland's airport in the future as well. The airport shall be close and accessible to residents, businesses and tourists. Among other measures, a property development plan is being prepared to accommodate the municipality's relocation of the city of Kiruna. The whole world can be reached via direct routes from Stockholm, and the airport is also the gateway to the North Pole for the rest of the world.

Luleå Airport

Luleå Airport shall continue to be the largest airport in northern Sweden. Going forward, the terminal area both before and after the security checkpoint will be developed. The airport shall be a growth engine with strong ties to the region, easy access to Stockholm, a wide network of routes and good mass transit options.

Malmö Airport

Malmö Airport shall continue to be the largest airport in southern Sweden – smooth and easy. It shall offer a wide range of direct routes, including low

cost options as well as scheduled and charter service, and improved mass transit options.

Ronneby Airport

Ronneby Airport shall be the largest airport in southeast Sweden and a vital factor in the development of the entire region. Even today, the airport is strategically located and easily accessible for the entire region, with easy access to Stockholm. Among other measures, the terminal will be expanded.

Umeå Airport

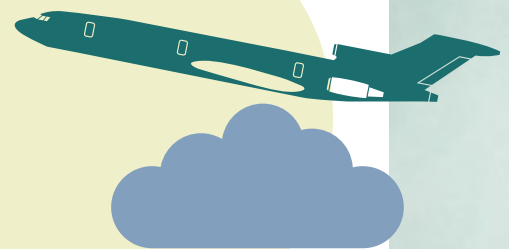
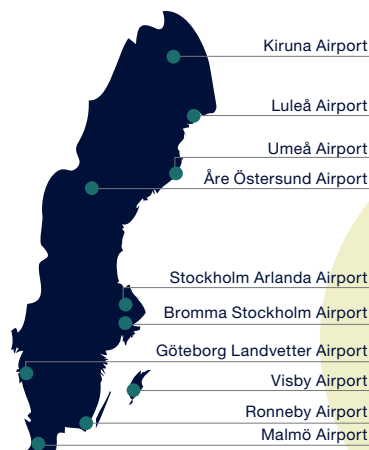
Umeå Airport shall be the leading airport in the county of Västerbotten and the region in the future. Access to Stockholm and direct flights abroad make the airport attractive to businesses, university students and residents. Development includes expanded capacity in the gate area, with new aircraft parking stands.

Visby Airport

Visby Airport shall continue to be the airport for all of Gotland. Many departures and efficient flows make it the first choice for all travel to and from the island. The airport is strategically located for tourists, businesses and residents.

Åre Östersund Airport

Åre Östersund Airport shall be the airport for the entire county of Jämtland in the future as well. A number of daily departures to Stockholm create easy access. The airport is strategically located in the region and constitutes a gateway to the Swedish fjelds for Swedish and international tourists.



Strategic focus on sustainable development

Swedavia is developing the airports of the future – airports that enable meetings between people and that will create access and sustainable growth for many decades going forward. In this perspective, sustainability – economic, social and environmental – is always an essential condition.



Swedavia's overall targets are:

85%

satisfied customers,
2025

75%

engaged leaders and
employees, 2020

6%

return on
operating capital
annually

0 tonnes

emissions of fossil
carbon dioxide from
own operations, 2020

When there are growing expectations about environmental and social responsibility and long-term economic thinking, competitive advantages are created for companies that have made significant progress in their sustainability work. In order to give Swedavia legitimacy to grow and develop, work in all three sustainability dimensions – social development, economy and environmental concern – is needed. Meanwhile, the focus shall be on customers. Swedavia's customers consist of three groups: passengers, airlines and the Company's tenants.

Swedavia's top priority is safety and security. This applies to aviation safety and security as well as to the

workplace environment, for customers as well as partners and employees. A high, stable level of safety and security is an essential condition for Swedavia to be able to run operations successfully and over the long term.

Swedavia's governance and communication are based on sustainable development at all levels. The sustainability wheel illustrates the Company's strategic focus, in which the three sustainability dimensions surround the customer perspective, which is located in the centre. For each sustainability dimension, there are concrete, measurable targets that guide both governance and communication. These are broken down and specified in day-to-day operations.





How we create value

Swedavia shall enable people to meet and be an engine for sustainable growth. Attractive airports and the access that Swedavia and its partners contribute create value in the form of jobs, business opportunities, tax revenue, experiences and cultural exchanges for the Company's stakeholders.

While access is valuable in many ways, increased air travel entails greater strains on the environment in the form of noise, atmospheric emissions and discharges to water. For Swedavia, whose operations are all based on sustainable actions, it means that the Company must understand and take into consideration the impact that decisions and activities have on the value chain and on its stakeholders.

INPUTS

Swedavia needs four different kinds of input to create value:

- Capital – tangible, intangible or financial – to develop and fund operations
- Goods and services from suppliers and partners
- Labour and competence from employees
- Strong relations and good collaborations with all of the Company's stakeholders

ACTIVITIES AND PRODUCTS

With these inputs as a basis, services are created in Aviation Business, Commercial Services and Real Estate. As a result, Swedavia can offer safe, secure infrastructure, functional premises, an attractive environment and sustainable, personalised airport services and transport. Swedavia can also offer flights to attractive destinations, within Sweden's borders and beyond. In that way, Swedavia contributes to increased access.

Swedavia's comprehensive offering is based on a foundation of values that also sets the tone for Swedavia's relations with stakeholders. Being reliable, engaged, innovative and welcoming are thus important values that are integral to operations. At the same time, efficient operations and a strong framework for governance and monitoring are essential conditions for producing satisfied customers, who ultimately are critical to long-term profitability.

DELIVERIES TO CUSTOMERS

Swedavia creates value for its customers by offering a combination of infrastructure and services. This offering is provided under the Company's own auspices as well as together with airlines, tenants and other partners. The

range of services is wide – from ground handling services for airlines to attractive commercial and cultural offerings for passengers. Swedavia's combined businesses are essentially based on competitive charges that make its airports attractive to airlines. This contributes to increased air travel, which in turn generates higher revenue for Swedavia as well as for airlines and tenants.

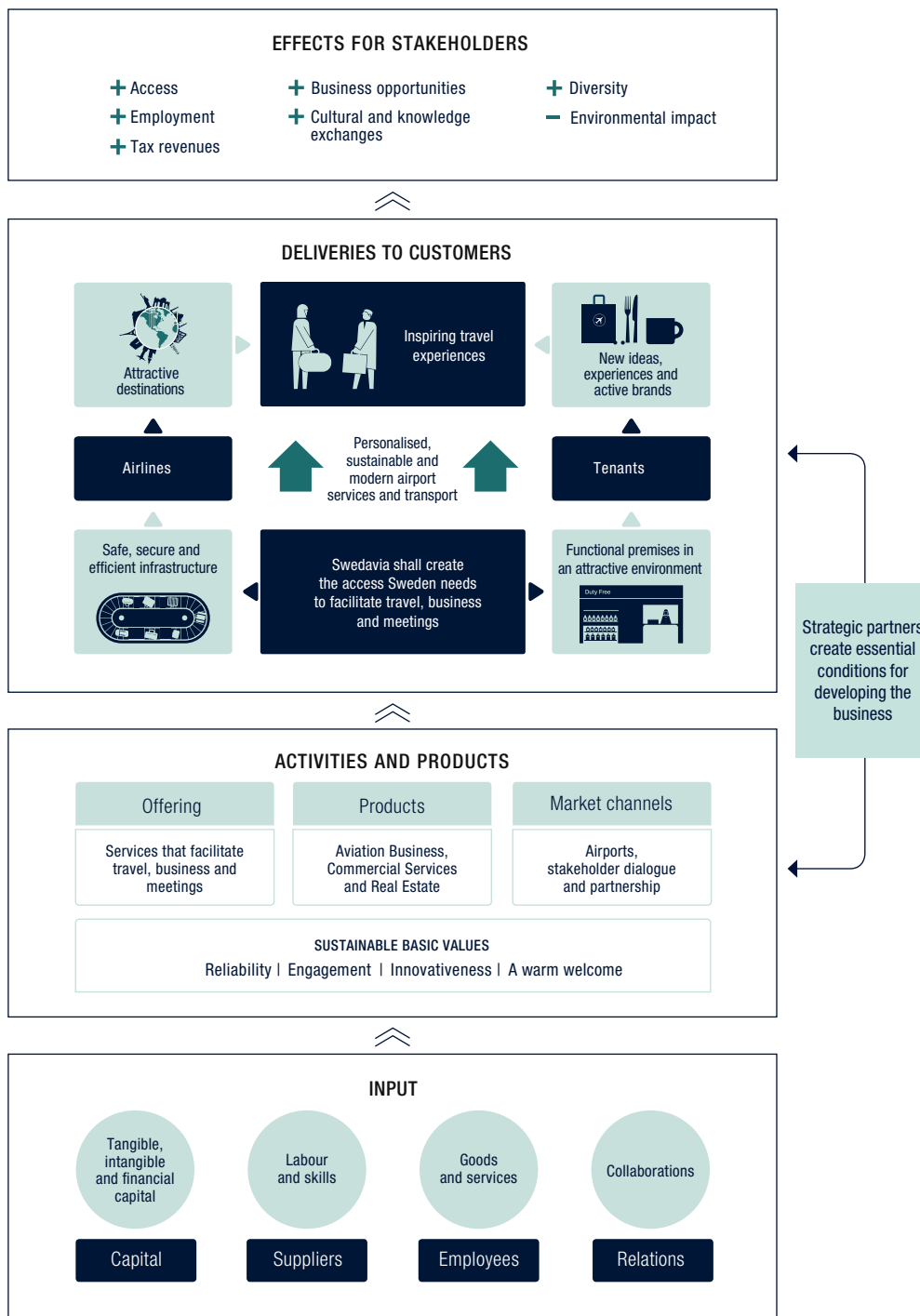
EFFECTS ON STAKEHOLDERS

Swedavia's airports link together Sweden's regions and build a bridge to the rest of the world. They create access, which leads to new meetings and business opportunities, new jobs, the increased exchange of culture and knowledge, increased diversity and increased tax revenue. That in turn has positive effects for all of society – locally, regionally and nationally, for companies and other organisations as well as for individuals. Consequently, the Company creates value in various ways for its stakeholders.

For its owner, the Swedish State, Swedavia also creates value by running airport operations based on solid business principles which generate a return on the capital that has been invested. Commercial Services operations (parking, leasing, retail, advertising and more) are very important for revenue and at the same time create value for customers in the form of products, services and experiences. Real Estate contributes to operations through the administration and development of properties that can generate some of the capital needed for investments in ongoing development programmes.

The downside of increased air travel is its increased environmental impact. A profitable Swedavia can invest to reduce the impact of noise and to achieve its target of zero fossil carbon dioxide emissions from the Company's own operations by 2020. At the same time, the Company can support the whole industry, for instance, by working to increase the use of bio fuels and for more efficient flight paths, which reduce noise and carbon dioxide emissions. Continued investments in an efficient airport organisation also help create value in the form of reduced fuel use, less noise and lower emissions.

Swedavia's value chain

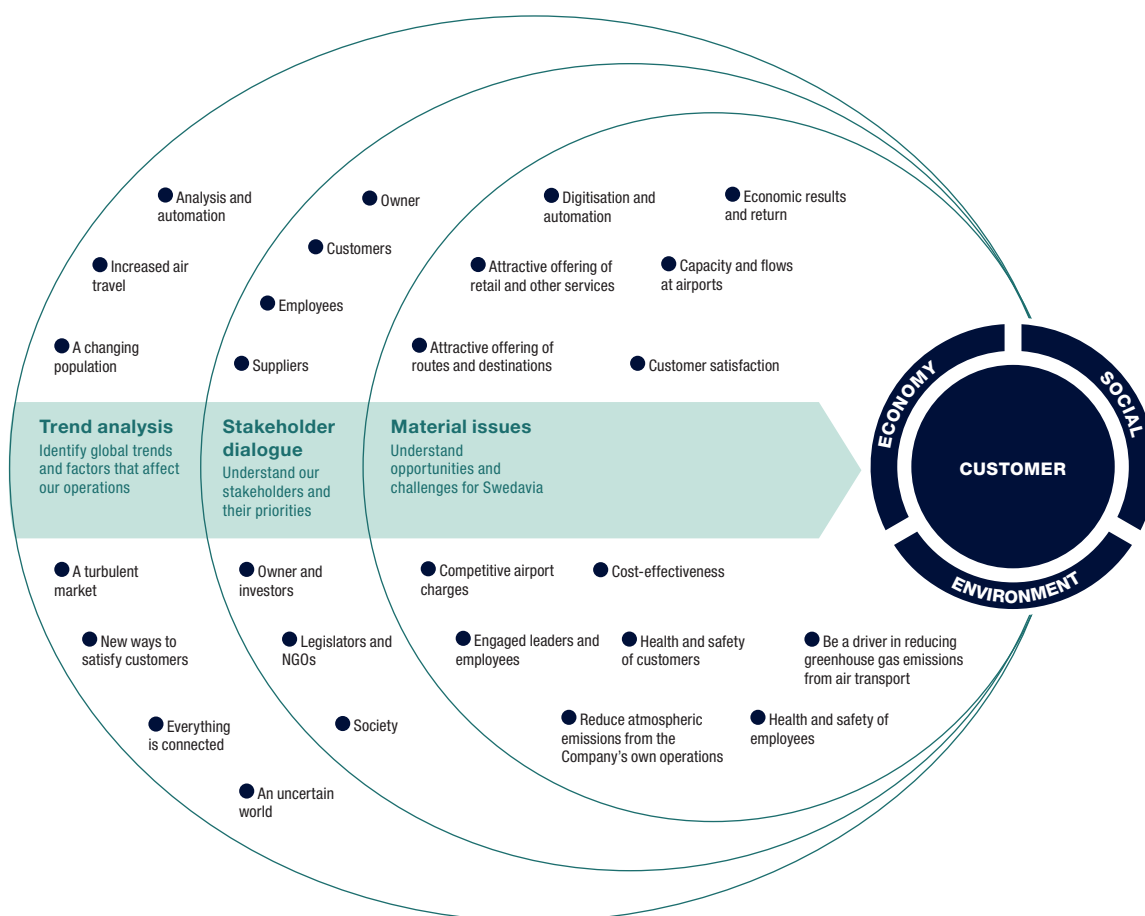


Swedavia's materiality analysis

Swedavia creates value by meeting and satisfying the needs of its stakeholders – the groups that affect or are affected by the Company's operations. They consist of customers, the owner, the Company's own organisation, suppliers, legislators and non-governmental organisations (NGOs) as well as society in general – regionally and locally in the form of the airports' neighbours. In order to develop the airports of the future and create sustainable growth, a continuous and good dialogue with stakeholders is needed.



Thirteen priority material issues



Through its operations, Swedavia has a long-term effect on the entire value chain. At the same time, while increased access, for instance, creates value for both passengers and Sweden as a country, aviation operations entail an environmental impact in the form of emissions and noise that affect people who live near the airports. Every measure that Swedavia takes has repercussions elsewhere in the value chain, something that must always be taken into consideration.

From the Company's perspective, Swedavia and its operations are affected not just by stakeholders, laws and regulations but also by factors such as technological and economic development, demographic changes and changes in values, attitudes and behaviour, both around the world in general and among the Company's stakeholders.

In order to understand and map out the Company's material issues – that is, value-creating factors that are most important to stakeholders and thus to Swedavia's operations – the Company maintains a continuous discussion with them and also carries out materiality analyses. The objective of these outside-in analyses is to ensure that Swedavia

is always aware of how stakeholders view its operations and offering. These materiality analyses are based on dialogues and, together with Swedavia's broad trend, market and customer analyses, provide the foundation for the Company's objectives, targets and strategies. In the autumn of 2016, Swedavia carried out a new materiality analysis. Stakeholders were given a survey to rank their material issues. In the analysis, work was carried out based on 30 material issues identified, with twelve of these considered to have the highest priority and thus forming the basis of the Company's strategy work and for the roadmap that describes what is to be done in practical terms. A thirteenth material issue has been identified since then. This report presents the top thirteen priority material issues. Another eighteen are handled in the ongoing business planning.

Targets have been set and actual results have been measured and monitored on a regular basis for each priority material issue, such as customer satisfaction and the Company's own emissions. Two new targets for 2017 are the degree of implementation of investments to enhance capacity and the level of proactive environmental work.

Value creation through dialogue

No value is created by Swedavia in isolation. In order to create value, the Company needs to meet the expectations of different stakeholders in four areas – customer, environmental concern, economy and social responsibility. Swedavia has chosen to group its material issues under these four areas. Each material issue has objectives, targets, governing documents and a clear assignment of responsibilities.

In Swedavia's internal governance, the material issues identified are handled in a variety of different ways. Policies are governing documents that serve as a foundation for the Company and define on an overall level how we should handle a number of these issues. Swedavia sets at least one strategic objective for every material issue. The Group's management and Board of Directors then follow the trend for these objectives on a quarterly basis. These strategic objectives are also the basis for the targets, activities and budgets pro-

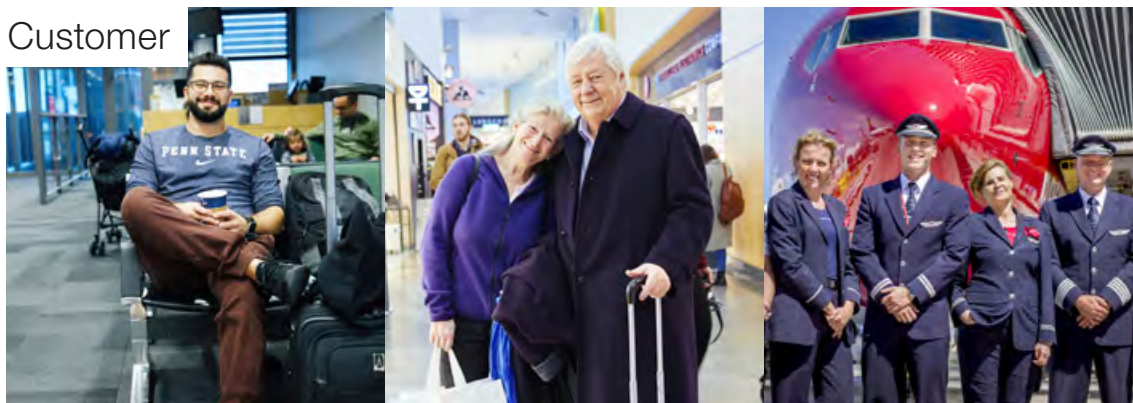
duced under the scope of the annual business planning process.

Swedavia's five overall strategies are another tool aimed at providing support in the work to deal with these material issues. There are also Codes of Conduct for employees and suppliers as well as management systems for quality, aviation safety and security, the environment and energy, which support work on a number of material issues. Through these different tools, the material issues are integrated in regular planning and monitoring at the Company.

The material issues that Swedavia has chosen to focus on starting in 2017 and going forward are as follows:



Customer



» Customer satisfaction

A clear customer focus is an essential condition in order for Swedavia to develop its operations and create value.

► Swedavia measures the satisfaction of its customers on a continuous basis. Passengers put a high value on issues that concern the airport's atmosphere, customer service, convenience, cleanliness and commercial offering. For airlines, attractive, efficient processes and well-functioning infrastructure are essential. For tenants, the premises, services and rents are important issues. Customer satisfaction is a measurement of the operational effectiveness of governance. Effective governance produces higher customer satisfaction. Swedavia has control over its own operations and can set requirements through agreements but also has an ongoing dialogue with all the companies and other organisations at the airports.

Governance

► The fundamental governing document consists of the Company's Quality Policy, which the Quality unit is responsible for. Passenger satisfaction is monitored on a monthly basis and reported to the Board of Directors and executive management on a quarterly basis. The satisfaction of airlines and tenants is measured every two years, most recently in 2017 and 2016, respectively. The key metric is customer satisfaction in percentage terms for passengers, airlines and tenants. Together with the Market & Communication and Commercial & Real Estate corporate units, the airports are responsible for meeting customer satisfaction targets.

» Digitisation and automation

New technology provides opportunities for the increased efficiency and automation of operations and processes.

► Customers assume that the Company will work with these issues. Swedavia's Commercial Excellence, Operational Excellence and Increased Capacity strategies support this material issue. The Company develops its business and its business-mindedness by digitising and automating processes and flows, thus building operational and commercial capacity that meets customer demand over time.

Governance

► This material issue is governed by the target metric degree of digital transformation, under which ten different capabilities will be established by 2025. The aim is to monitor how Swedavia performs in meeting the requirements for the digitisation of operations. This key metric is based on the number of initiatives carried out connected to the capabilities selected. Every capability requires completion of two initiatives that support the establishment of the capability. The key metric and target are monitored on a monthly basis. The Strategy & Sustainability corporate unit, Swedavia's deputy CEO and IT are responsible for governance and meeting targets.

» Capacity and flows at airports

Swedavia shall have sufficient capacity to meet future air travel needs and contribute to Sweden's development.

► Swedavia's stakeholders expect the Company to work with punctuality since that is an important aspect in the choice of transport modes. Punctuality at the airports is one indicator of capacity. Capacity is governed by infrastructure and environmental permits as well as the airport's own capability. Swedavia's Commercial Excellence and Operational Excellence strategies support the work for high punctuality. The Company has control over and works proactively to minimise delays caused by the airports and, in dialogue with airlines and ground handling companies, prevent delays for indirect reasons.

Governance

► The work with punctuality is integrated in operations, and Swedavia sets overall targets for punctuality and delays caused by the airports. These targets are measured by the key metrics punctuality, for which Swedavia shall achieve 90 per cent punctuality on a rolling twelve-month basis, and delays caused by the airports, which shall affect at most 1.25 per cent of departures. The actual figures are analysed on a continuous basis, and if necessary more in-depth analyses of the causes are carried out. The Company also makes comparisons of punctuality with other European airports. This work is governed by the Company's Quality Policy. The Operations corporate unit has overall responsibility.

» Attractive offering of routes and destinations

Good access benefits Swedavia's customers and other stakeholders.

► Airline customers are an essential condition for operations and enable the Company to perform its task. This has an effect on Swedavia's aviation business, in which it shall provide good services at the right price, develop the market and work with partners to ensure access and a range of destinations. Air traffic is subject to business cycles. Demand from passengers depends on the general economic trend and the attractiveness of destinations.

Governance

► The development of infrastructure and operational services as well as pricing are carried out in collaboration with partners and are an integral part of the Company's strategy work and business planning process. Key metrics and targets are set in the number of passengers, international destinations and routes. The Economy corporate unit is responsible for pricing for airline customers. The Aviation Business department is responsible for access in the form of routes. Responsibility for customer satisfaction among airlines is split between Aviation Business and the airports.

Environmental concern



» Reduce atmospheric emissions from the Company's own operations

Swedavia shall be an international role model in all aspects of sustainable business, at least from an environmental perspective.

► From an environmental aspect, Swedavia's effect is mainly in the form of fossil carbon dioxide emissions from its own operations. The Company strives to reduce its impact, for instance, in the procurement of energy, propellants and vehicles and by setting requirements for suppliers.

Governance

► This material issue is governed by Swedavia's Environmental and Energy Policy. Swedavia reports its fossil carbon dioxide emissions, carbon footprint and energy use. Responsibility for governance, analysis, support and advice for reduced carbon dioxide is with the Strategy & Sustainability corporate unit. The Technology corporate unit is responsible for governance concerning energy use. Each business unit is responsible for its own business plans and activities.

» Be a driver in reducing greenhouse gas emissions from air travel

A reduced climate impact is one of the air transport industry's most important challenges.

► Swedavia's stakeholders expect the Company to help reduce the industry's emissions. As an airport operator, Swedavia accounts for a small percentage of the air transport industry's environmental impact. By working for the transition to bio aviation fuel, the Company can contribute to sustainable development in the air transport industry. Swedavia has limited control here; the work involves acting as a pioneer, reducing its own impact and affecting stakeholders that have more control.

Governance

► This material issue is governed by Swedavia's Environmental and Energy Policy. The key metric used for monitoring is the amount of bio aviation fuel, calculated in tonnes, used for refuelling at the airports on Swedavia's behalf. The Strategy & Sustainability corporate unit is responsible for governance.

Economy



» Attractive offering of retail and other services, competitive airport charges, economic results and return, cost-effectiveness

Long-term profitability is needed to fund investments in measures to enhance capacity and improve environmental performance, to maintain competitive charges and to achieve set targets.

► For the sustainability aspect Economy, there are four material issues: attractive offering of retail and other services, competitive airport charges, economic results and return, and cost-effectiveness. Swedavia strives for results and a return on a par with the owner's targets. The sources of income are mainly airport charges, revenue from commercial operations and rents from tenants. By offering an attractive range of services, competitive charges and cost-effectiveness, Swedavia creates the essential conditions for being the role model in sustainable business that stakeholders expect. As a result, this ensures competitive airport charges, which are a metric of low operating costs, efficiency and the capability for commercial development. There is an impact in the commercial and operational processes as well as in the infrastructure process. The Company works in all three areas to ensure economic returns and efficient flows. Its role is to own, operate and develop the commercial business and work for continuous improvements. A close dialogue is maintained with stakeholders in order to take their expectations into consideration. The limitation is that passengers, tenants, airlines, ground handling companies and the government authorities involved need to work together to achieve effective governance.

Governance

► These material issues are governed by the Company's Finance, Credit, Tax, Insurance, Risk, Competition and Quality Policies. Swedavia's obligations include submitting price proposals and forecasts for the next year to airlines and ground service companies in special consultative meetings. Consequently, customers have an opportunity to submit their views. The key metrics used for measurement consist of return on operating capital, operating costs per departing passenger and commercial revenue per departing passenger. The Economy corporate unit has overall responsibility.

Social responsibility



» Engaged leaders and employees

Swedavia strives for a corporate culture based on clear ethical guidelines. Such a culture is the basis for engaged leaders and employees and is thus necessary for Swedavia's development.

► The Company has an impact through all of the employees and consultants who work at Swedavia, but this can be limited through the obligations and actions of its employees or consultants, and sometimes the actions of third parties.

Governance

► Operations are governed through Swedavia's Engaging Culture strategy, which shall ensure that every employee has an opportunity to develop. Swedavia's Code of Conduct, the Company's Gender Equality and Diversity Policy, recruitment guidelines and employee and leader principles provide the basis for this. This trend is monitored in the annual Engaged Leaders and Employees survey. The survey records the level of engagement of leaders and employees, gender equality and the percentage of employees with a foreign background. Human Resources is responsible for governance.

» Health and safety of employees

Swedavia shall provide all employees with a safe, secure workplace and conditions for performing their duties and achieving their goals.

► The Company has an effect through all of the employees and consultants who work at Swedavia, but this can be limited through the obligations and actions of its employees or consultants, and sometimes the actions of third parties.

Governance

► This material issue is governed through the strategy Responsibility for People and Society, Employees and the Environment. The Company's Code of Conduct and its Workplace Environment, Drug, Safety and Security and Employee Planning Policies provide the basis for this. Swedavia measures the engagement of its leaders and employees, absence due to illness, the percentage of employees with a foreign background and the number of incidents and accidents reported. In addition, there is the Company's whistleblower function as well as procedures for reporting victimisation and harassment. Appropriate key metrics will be adopted as the Company moves towards even more proactive work with the workplace environment and systematic work with risk management, mapping, monitoring and assessment. Human Resources is responsible for governance.

» Health and safety of customers

A high level of safety and security contributes to safe, secure passengers and a positive travel experience.

► At Swedavia, aviation safety and security are the top priority and affect all operations. In the area of aviation security, the Swedish Transport Agency (STA) is the oversight authority and monitors compliance with STA regulations, which are the Swedish version of EU regulations for airport operations in the European Union. Passengers are affected by security work, which includes security screening, physical protection against entry into the airport's sensitive areas, authorisation checks, monitoring and security patrols. Every airport is responsible for these functions through the airport director. For areas that the general public has access to, Swedavia works with the Swedish Police, who are ultimately responsible for security.

As with aviation security, the Swedish Transport Agency monitors compliance with its safety regulations as well as with those of the European Aviation Safety Agency. There are limits to the Company's control given that it works in partnership with a number of companies and other organisations at the airports.

Governance

► From an aviation security perspective, operations are governed by the Swedavia Security & Safety Management System (SSMS) for the documentation of principles, policies and guidelines adopted. Every airport has a local security programme (LSP), local instructions and procedures. A key metric and target is that no serious deficiencies are to be found in an inspection by the Swedish Transport Agency. Every airport has security approval issued by the Swedish Transport Agency, which is connected to the airport director.

From an aviation safety perspective, governance is based on Swedavia's Aviation Safety and Security Policy (SSMS) and the Aerodrome Manual. Swedavia's airports shall comply with Swedish Transport Agency regulations, European Aviation Safety Agency regulations, and Commission Regulation (EU) 139/2014. The Company's target is to have no accident or incident occur, and that is a key metric for this material issue. Every airport is responsible for its own compliance with regulations. The Security & Safety corporate unit is responsible for governance.

Swedavia sets long-term objectives and targets



Swedavia's operations are governed using four sustainability targets. Three of these sustainability targets – satisfied passengers, engaged leaders and employees, and the level of fossil carbon dioxide emissions – have been set by Swedavia. The fourth target is return on operating capital and is set by the owner.

Along with Swedavia's return target, its owner has adopted a capital structure or gearing target, a debt/equity ratio in the range of 0.7–1.5 times, and a dividend payout target corresponding to 30–50 per cent of profit for the year. The actual figure for the two latter targets may thus vary over time.

Finally, the owner has adopted five so-called mission targets/indicators, by which actual results are monitored each year. The aim of these is to ensure that, in line with its task, Swedavia helps to achieve Swedish transport policy objectives.

The most recent changes in the Company's targets were made at an Extraordinary General Meeting in October 2017, when the return target was adjusted from at least seven to at least six per cent of operating capital and the target for gearing was changed, with a debt/equity ratio in the range of 0.7–1.5 times (rather than 1.0–1.5 times). The target for satisfied passengers in 2025 was set at 85 per cent. However, it is thought that the extensive construction and renovation now under way to increase capacity at Swedavia's airports,

especially Stockholm Arlanda Airport and Göteborg Landvetter Airport, could have such an effect on customer satisfaction that a sub-target of 79 per cent was set for 2017. The actual outcome for the year was 75 per cent.

Swedavia's four sustainability targets and the activities carried out to achieve them affect one another to a great extent. Engaged leaders and employees are an essential condition for having satisfied passengers. Good collaborations with airlines and other strategic partners are another. It is important how satisfied customers are since this affects Swedavia's potential to increase its revenue. Revenue streams in turn are extremely important to Swedavia's return target and its capability to continue investing in measures that provide further customer satisfaction. Long-term stable profitability is ultimately the basis for all operational development. This applies especially to the environmental area, where Swedavia has ambitious targets that require active environmental work and access to sufficient financial resources.

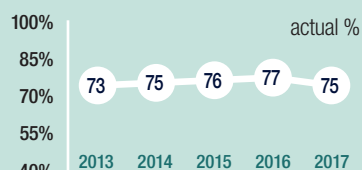
Swedavia's sustainability targets

Actual figures 2013–2017

Indicators for the owner

SATISFIED PASSENGERS

85%
(2025)



ENGAGED LEADERS AND EMPLOYEES*

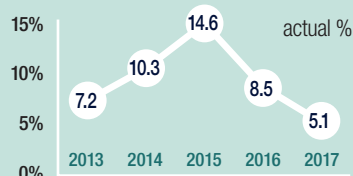
75%
(2020)

* In 2016, Swedavia changed the metric for leaders and employees.



RETURN ON OPERATING CAPITAL

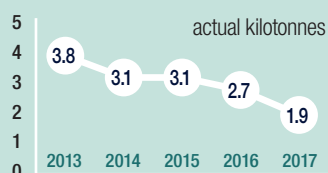
6%
(annually)



FOSSILA KOLDIOXIDUTSLÄPP**

0 tonnes
(2020)

** The overall environmental target of 0 tonnes of fossil carbon dioxide emissions is for emissions from the Company's own operations.



MISSION TARGETS/INDICATORS

Satisfied passengers
75% (77%)

Number of passengers domestic/international
14.0 M / 27.9 M
(13.7 M / 25.8 M)

Number of international destinations
313 (287)

Carbon footprint, tonnes***
524,000 tonnes (504,000)****

Number of accidents and incidents
3 (1)

*** The mission target for carbon footprint is not included in the auditor's review report.

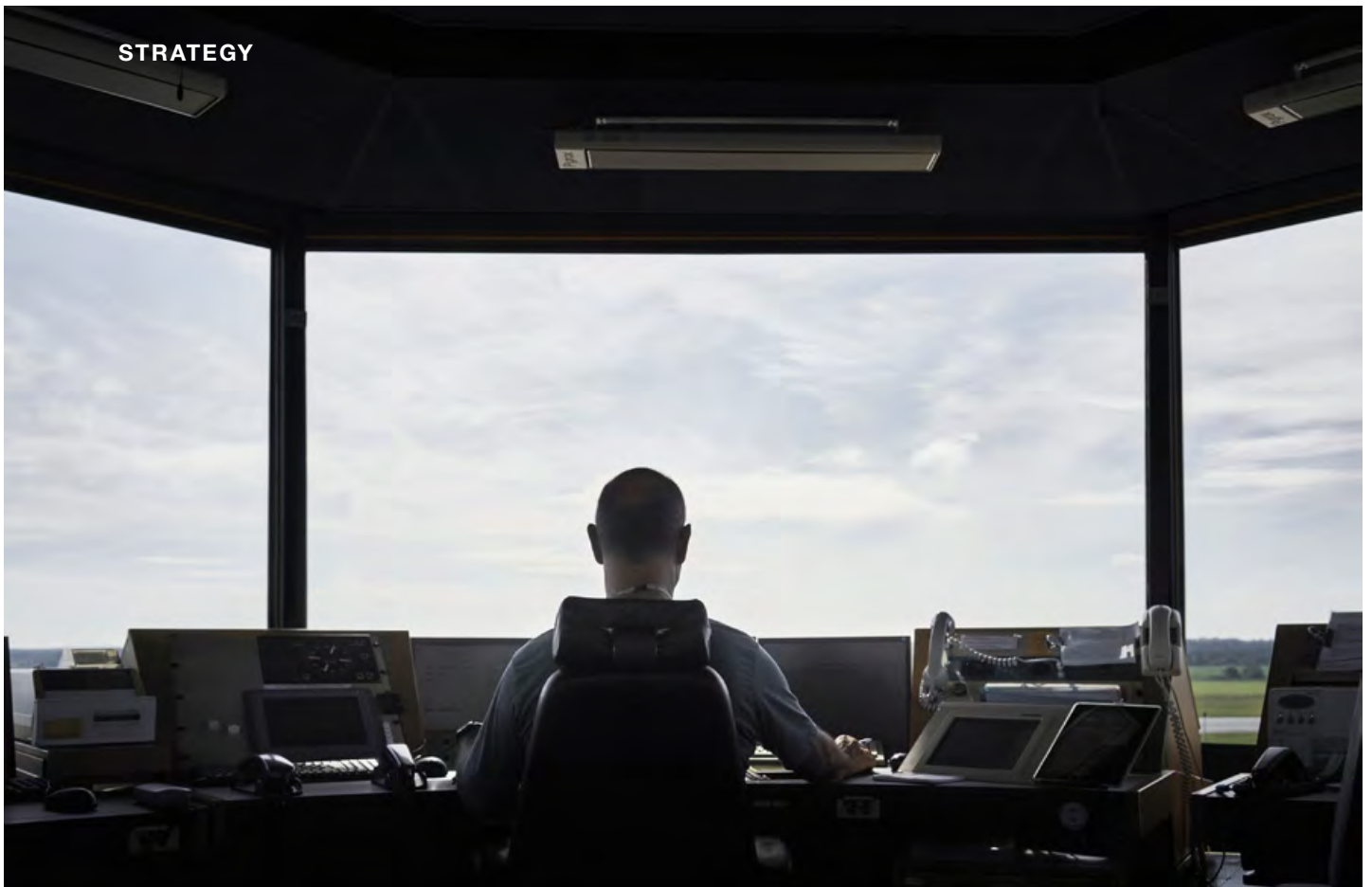
**** Footprint by airport, which includes ground transport and air traffic, is reported on page 59.

ECONOMIC TARGETS

Capital structure
Debt/equity ratio
0.7–1.5 times

Profitability
6% return on operating capital

Dividend payout
30–50%



Strategies and initiatives for sustainable development

Swedavia identifies the areas of greatest importance to the Company and its stakeholders through extensive trend and materiality analyses. The Company and its owner – the Swedish State – have set targets based on this. Swedavia has then formulated strategies to achieve them.

In 2016 and 2017, extensive work was carried out to clarify, simplify and prioritise strategies. The work resulted in Swedavia condensing eleven strategies into five, the strategies that will make the Company's focus areas concrete until 2025.

In these five strategies, emphasis is on the capacity challenges faced by Swedavia and the air transport industry. Another key factor for successful implementation is that the strategies provide potential for cross-functional collaboration between Aviation Business, Commercial

Services and Real Estate. Strategies are not connected to one or more specific targets but instead work together to achieve the overall targets set.

Based on these targets and strategies, Swedavia then established 20 concrete initiatives, each of which is a collection of activities to be carried out. The initiatives are sorted according to the five strategies and all have a sponsor with responsibility for coordination, but as is the case with strategies, the entire organisation has a responsibility to contribute to the initiatives.

Swedavia's five strategies

Based on analyses, material issues, objectives and targets, strategies are formulated so that the Company can achieve its set goals in the best way possible.

Commercial excellence

Commercial excellence is the basis for understanding the customers' needs, now and in the future, and for the capability of offering and delivering products and services that are competitive and create value for Swedavia and its customers. Working along solid business principles, Swedavia offers an attractive range of routes and creates an innovative customer offering in retail, other services and properties. To do this, Swedavia must continuously assess its core operations, review its business models and develop its business and business-mindedness through innovation and digitisation.

Initiatives in the strategy Commercial Excellence

- ▶ Develop new business and revenue models
- ▶ Establish Airport Cities as attractive marketplaces
- ▶ Establish methods for customer-centric ways of working with the customer experience, customer-driven service design and cross-functional work to solve customers' problems and meet their needs
- ▶ Enhance and develop good external relations
- ▶ Ensure well-functioning communication with our customers

Operational excellence

Operational excellence means that Swedavia shall deliver services and products that meet the requirements and expectations of customers by optimising use of both infrastructure and resources, automating processes and flows, and taking advantage of opportunities presented by digitisation and innovative solutions. To do this, Swedavia shall work efficiently, cost-consciously and continuously to develop this delivery to customers and its own cost-effectiveness. Operational excellence also means that Swedavia has clearly defined products, services and processes, operationally and commercially.

Initiatives in the strategy Operational Excellence

- ▶ Improve flows and processes through automation and digitisation
- ▶ Increase the cost-effectiveness of processes
- ▶ Ensure an optimal and clear governance model

Increased capacity

Increased capacity is necessary to meet future customer needs. Swedavia shall therefore increase its operational and commercial capacity. This means that the Company, by designing the airports of the future, shall develop operational and commercial capacity to meet the customers' needs over time. The Company shall also ensure that it has the resources and competence, on its own, through partners and contractors, to complete ongoing and future development programmes on time, on budget and without any workplace accidents.

Initiatives in the strategy Increased Capacity

- ▶ Implementation of development programmes and investments to enhance capacity
- ▶ Work for increased access to and from the airports

Engaging culture

An engaging culture is the basis of Swedavia being able to achieve its objectives and targets. Swedavia shall therefore create opportunities for its employees to grow and develop in an inclusive environment. Every employee is offered opportunities for development and rights if they take responsibility, meet their obligations and comply with Swedavia's values. Engaged employees mean that the Company works actively with inclusiveness for diversity. Diversity contributes to higher performance, creativity and innovativeness. Diversity in Swedavia's own organisation makes it easier to deal with diversity among customers. Swedavia shall also be an attractive employer that can attract, develop and retain the best employees.

Initiatives in the strategy Engaging Culture

- ▶ Ensure access to competence in the short and long term
- ▶ Create an inclusive, involving and developing culture
- ▶ Strengthen the conditions for innovation
- ▶ Build pride in the Company and its sustainability work

Responsibility for society and people

Responsibility for society and people means that safety and security are fundamental to all operations, that resources and energy are used responsibly and efficiently and that the physical and psychosocial workplace are a priority. Swedavia shall take responsibility by having a life cycle perspective over time for customers, employees and society in general. Swedavia goes further than its formal responsibility requires, and this constitutes a basis for the Company's ambition to be an international role model in sustainability.

Initiatives in the strategy Society and People

- ▶ Enhance the climate of safety and security at the airports
- ▶ Enhance the proactive and systematic work with safety and security
- ▶ Be a driver in the air transport industry's transition to bio fuel
- ▶ Switch to climate-smart energy solutions
- ▶ Ensure and develop business ethics at Swedavia
- ▶ Further develop risk and crisis management as well as continuity planning



OPERATIONS

Customer



In Swedavia's governance model, the customer constitutes the hub. The Company's customers are passengers, airlines and tenants. Swedavia works to create attractive products for all its customer groups through an increased customer focus, continued digitisation and strong operational governance with efficient processes. The airports shall enhance access through continuous measures for increased customer benefits and capacity.



With a focus on customers

Swedavia's operations consist of two operating segments – Airport Operations and Real Estate. Airport Operations includes operations at the airports as well as planning and development. Real Estate is responsible for properties and property development.

AIRPORT OPERATIONS AND REAL ESTATE

Airport Operations consists of two operating areas – Aviation Business and Commercial Services. Real Estate is responsible for the administration and development of properties at and in the vicinity of the airports, which are brought together in the subsidiary Swedavia Real Estate AB. Together, the two operating segments and their operating areas constitute a comprehensive offering that contributes to increased customer value and return in line with solid business principles.

Aviation Business offers customers – the airlines – take-off and landing services, ground handling and aircraft parking. Commercial Services shall develop the Company's commercial offering in the form of retail and other services at the airports. The objective for this operating area is to create an atmosphere and offering that make the airports more attractive while making both passengers and airlines more satisfied, which in turn leads to increased revenue.

Through its real estate operations, Swedavia meets the growing demand for premises from companies setting up

operations near the airports and at the same time generates rental income and sales revenue, which enable continued investments in infrastructure. From this aspect, the air transport industry is special compared to other transport modes since it funds its own infrastructure. Together, Swedavia's different business areas contribute to increased access, increased customer value and a higher return.

CAPACITY A MAJOR ISSUE

There is a connection between the number of direct routes to and from an airport, the airport's capacity and growth in travel. The more direct routes that are available and the higher the capacity, the better the conditions are for passenger growth. Today demand for air travel is growing much faster than was forecast, and the construction of capacity is not keeping up with growth. As a result, essentially every major European airport today is struggling to increase its capacity through renovation and expansion, new technologies and new processes.

One way to meet this capacity challenge is to work to

Swedavia's operating segments

Airport Operations

Owns operates and develops Swedavia's airports across Sweden



Aviation Business

- Passenger services
- Take-off and landing services
- Security screening
- Terminal and en route services
- Assistance services, PRM*
- Infrastructure for ground handling services**
- Ground handling services

* People with reduced mobility

**Ground handling services: includes baggage handling and refuelling



Commercial Services

- Rental of premises for retail, restaurants, offices, warehousing and logistics
- Car parking
- Services in advertising, data services etc.

Real Estate

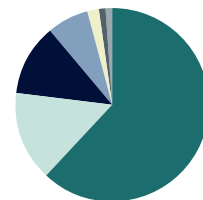
Owns and develops properties and developable land at and in the vicinity of Swedavia's airports



Real Estate operations

- Preparation of property development projects for hotels, offices, retail etc.
- Administration and updating of information about properties
- Services in construction project management
- Development of jointly-owned property companies

Revenue, % of net revenue



- 62% Aviation Business
- 15% Car parking and parking facilities
- 12% Retail, food & beverage
- 7% Property revenue
- 2% Advertising
- 1% Other commercial services
- 1% Other net revenue

OPERATIONS – CUSTOMER

expand traffic peaks so that more flights land outside of hours when the traffic is most intense. Low cost carriers and the airlines that serve intercontinental routes to Sweden can contribute to this since they often fly at other times. At the same time, the expansion entails a higher load and places different demands on the organisation, for instance, for staffing at other times than previously.

For the airports, it is also a matter of being able to meet various kinds of demands. The business models for low cost carriers and large hub-and-spoke airlines are in many cases becoming increasingly similar, but in general there are some differences. Low cost carriers often want simple, preferably automated services, while large hub-and-spoke airlines more often want personal and other services that match their premium profile. Airports need to be flexible and meet these different needs.

FASTER THAN ELSEWHERE IN EUROPE

In the Nordic countries, there is intense competition between the main airports, and all of them are expanding to meet the growing demand. In 2017, Stockholm Arlanda Airport was the fastest growing among the Nordic countries in passenger volume. Stockholm is a popular destination, both for tourists and business travellers, and a number of airlines have expanded their service at the airport. For the Nordic countries as a whole, growth is strong, also from a European perspective, although growth has slowed in Denmark, among other countries.

LOW COST CARRIERS

Low cost carriers have created a wide offering of different destinations. They are driving the growth in air travel and put more pressure on prices. In recent years, low cost carriers have started flying intercontinentally as well as from the main airports in different countries. They are now also

interested in business travellers, not just leisure travellers, as was once the case. The classic legacy carriers are copying the low cost carriers' business models with their own solutions in order to face the intense competition. Meanwhile, low cost carriers are looking for partnerships with these hub-and-spoke airlines, for instance, by feeding traffic to their hubs.

The customer category that is still growing fastest is leisure travellers, and by far the strongest growth is in the group of passengers arriving from international destinations. During the year, the number of passengers arriving from the US increased sharply as a direct result of new non-stop routes established by Scandinavian Airlines (SAS) and Norwegian Air Shuttle (Norwegian) from Stockholm Arlanda Airport. It has become easier to fly to Sweden and Stockholm, even for short holiday breaks. The number of passengers arriving from China also continued to rise during the year, albeit from a relatively low level.

Intercontinental traffic has continued its steady increase, but in terms of routes it is mostly scheduled European traffic that is growing. In 2017, charter travel saw growth after a decline in 2016 as a result of political turmoil in Turkey. Charter traffic is now back at the same level as in 2015, although it is to other destinations such as Spain, Greece and Croatia, whereas traffic to Turkey and Egypt has declined.

NEW AIRLINES AND NEW ROUTES

During the year, Swedavia added a large number of new airline customers, routes and destinations at its airports. At the end of the year, there were 34 more routes at its airports than in 2016, with 26 more international destinations than last year. New carriers at Stockholm Arlanda Airport included Air India, which launched service to Delhi, and Singapore Airlines with flights to and from Singapore. Other new airlines were the Dutch carrier Transavia, Croatia Airlines, Air Arabia and Air Mediterranean. At Göteborg Landvetter Airport, bmi Regional, Austrian Airlines, air-Baltic from Latvia and Wings of Lebanon were added, while Ryanair resumed service from Malmö Airport. There were eleven new airline customers compared to 2016.

SAS launched ten routes, including to Stuttgart, Krakow and Munich. Norwegian started service to Milan, Montpellier, Dublin and Skellefteå. NextJet added Pori, and easyJet added Bristol, Basel, London and Milan. Göteborg Landvetter offered service to Vilnius med Wizz Air, to Krakow with Ryanair, to Warsaw with LOT and to Tallinn with Nordica. Luleå Airport added a new air link with NextJet to Sundsvall, and Visby Airport added one to Oslo with SAS.

Furthermore, a number of new seasonal destinations were added, including Pristina, Shannon, Lisbon, Ibiza, Madeira, Eilat, Miami, Zagreb, Fuerteventura, Antalya and Marseille from Stockholm; Thessaloniki and Split from Göteborg Landvetter; and both Visby and Copenhagen from Östersund.

A number of new routes will be launched in 2018. SAS will start service from Stockholm Arlanda to Örnköldsvik, Wizz Air will launch service to Bucharest and Wrocław from Göteborg Landvetter and to the Romanian city of Iași

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11 SUSTAINABLE CITIES
AND COMMUNITIES



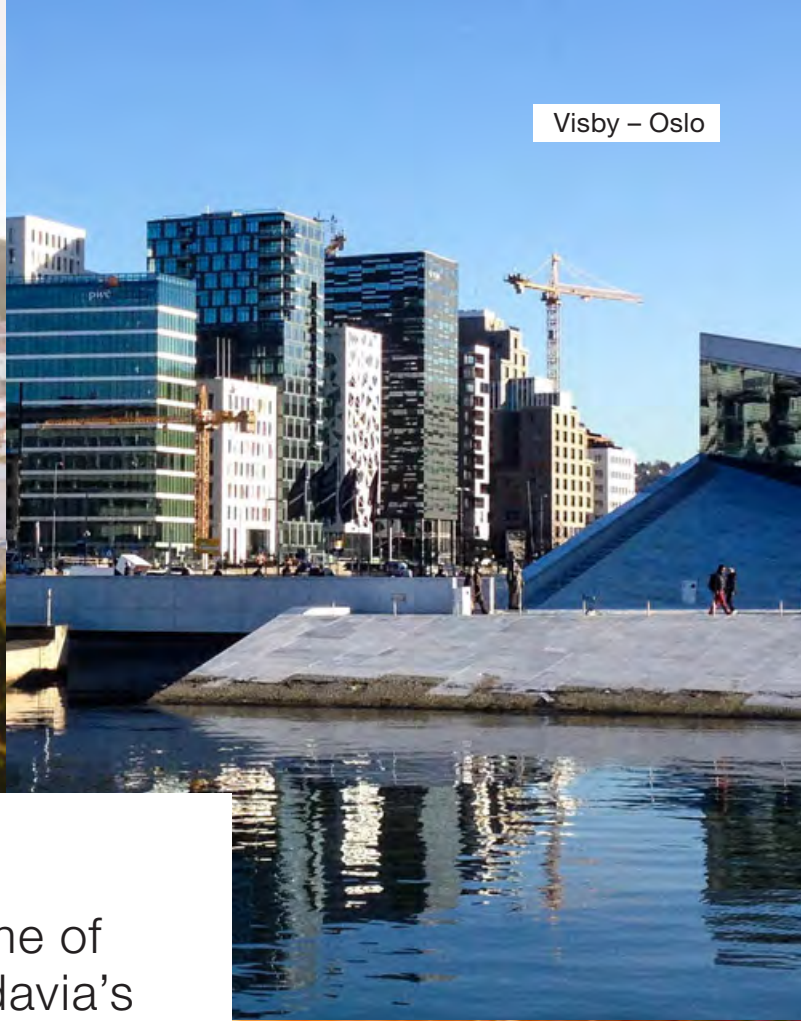
11. Sustainable cities and communities

Swedavia contributes to increased sustainability through its task of connecting Sweden's regions together and connecting Sweden with the rest of the world. The Company also works to link together different transport modes. Swedavia maintains a continuous dialogue with its stakeholders on issues related to business and the environment.

Gothenburg – Thessaloniki



Visby – Oslo



Some of
Swedavia's
new routes
in 2017



Östersund – Visby



Stockholm – Delhi

OPERATIONS – CUSTOMER

from Malmö Airport. EasyJet will start flying from Berlin to Stockholm Arlanda and Göteborg Landvetter.

Since 2013, a total of 19 intercontinental direct routes have been added at Stockholm Arlanda. However, the number of direct routes varies from year to year, in part due to the inclusion of charter destinations, which can be changed quickly. Threshold values are also used in the statistics, which may entail less frequent destinations being excluded if the number of departures is too low.

GROWTH IN AIR CARGO

In 2017, 275,125 tonnes of goods were handled as air cargo. That is a 7.4 per cent increase compared to 2016. Increased trade as a result of the current economic boom and increased e-commerce are important drivers of this trend. Customers that order electronics and other goods, mostly from Asian suppliers, expect quick delivery. Thanks to more intercontinental routes to and from Stockholm Arlanda, capacity for air cargo has increased sharply. An ever larger percentage of goods, especially those that are high-value, that is, of high value relative to their weight and volume, are transported in the holds of regular passenger aircraft.

PUNCTUALITY AS A TARGET

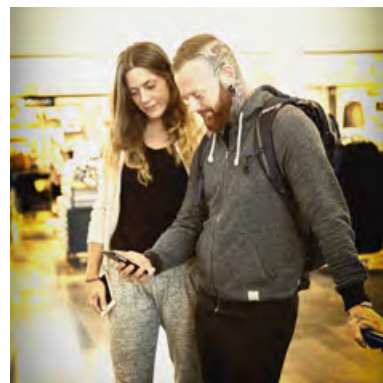
To measure its capacity, Swedavia and other airport operators measure punctuality as an indicator. Punctuality is usually defined as an aircraft being off block, that is, rolling out of the gate, within 15 minutes of its scheduled departure time. Customers put a high value on on-time departures and arrivals. Swedavia's airports have individual punctuality targets, but the overall target for all the airports together was punctuality of 90 per cent in 2017.

However, in 2017 Swedavia's airports had overall punctuality for domestic and international flights of 79.6 per cent, compared to 81.1 per cent in 2016. This is mostly the result of strained infrastructure, a lack of resources among ground handling companies and the crowded airspace over Europe, which creates disruptions and delays in traffic. For international departures, punctuality was 77 per cent, compared to 78.1 per cent in 2016. Punctuality is generally higher for domestic departures; in 2017, Swedavia had punctuality of 85.4 per cent for domestic departures, compared to 84.7 for 2016. There are several explanations for the difference with international departures. One is that Swedavia usually operates both the departing and arriving airport and can more easily affect traffic.



♥ CREW BRA

En route to: Ronneby Airport



♥ PETER AND HANNA

En route to: Phuket, Thailand



♥ YONI

En route to: London



♥ ARAFO AND AYAN

En route to: Paris



♥ MY AND NILS

En route to: Australia

Another is that smaller aircraft models usually serve these routes, and the number of passengers and bags handled is also smaller than for international departures. The number of delays caused by the airports increased from 1.43 per cent in 2016 to 1.51 in 2017. Swedavia's strategy for achieving operational excellence is to create coordinated management of aviation operations. The systematic improvement work that began in 2016 continued in 2017.

CUSTOMER SATISFACTION

Every two years, Swedavia measures how satisfied the airlines are with the Company's services. In the 2017 measurement of customer satisfaction among airline customers, the overall figure for Swedavia's airports was 26 per cent, compared to 62 per cent in 2015. For passengers, satisfaction was 75 per cent, compared to 77 per cent in 2016. Tenant satisfaction, measured most recently in 2016, was 64 per cent. Swedavia's assessment is that the decrease in customer satisfaction for airlines and passengers is a result of capacity challenges. Growing streams of passengers produce increased crowding on runways, on aprons and in the terminals, while extensive development programmes must be carried out to enhance capacity at the same time that

daily operations are under way. The next measurement will be carried out during the first quarter of 2018.

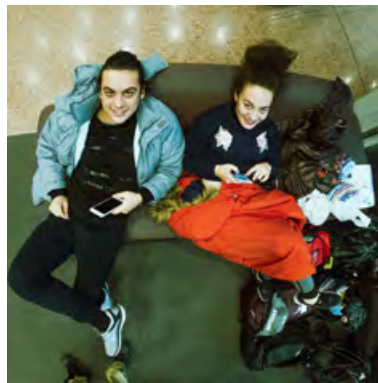
Lower customer satisfaction among airlines has led to a more in-depth analysis of their needs, requirements and wishes in relation to Swedavia. This work is based on the same methods used to map the passengers' customer experience. The objective is to create a more customer-focused way of working that is integral to Swedavia's entire organisation.

Increased digitisation and automation of services are an important part of developing more efficient processes throughout Swedavia, and starting in 2017 digitisation and automation are one of Swedavia's material issues. This is measured as initiatives completed in order to produce established capabilities. In 2017, three such initiatives were completed.

At the airports, people are working, for instance, with queue measurement systems that will enable passengers to see how long it will take for them to pass through the security checkpoint. At one of the gates in Terminal 5, there is also equipment that enables automatic boarding, which means that no airport or airline staff need be present.



♥ PAULINA AND STEFFI
En route to: Brussels



♥ OSWALDO AND ROSALBA
En route to: Los Angeles



♥ MARIA
En route to: New York



♥ LYDIA AND EWA
Work at: The Duty-Free Store



♥ MARIA
Works at: SAS



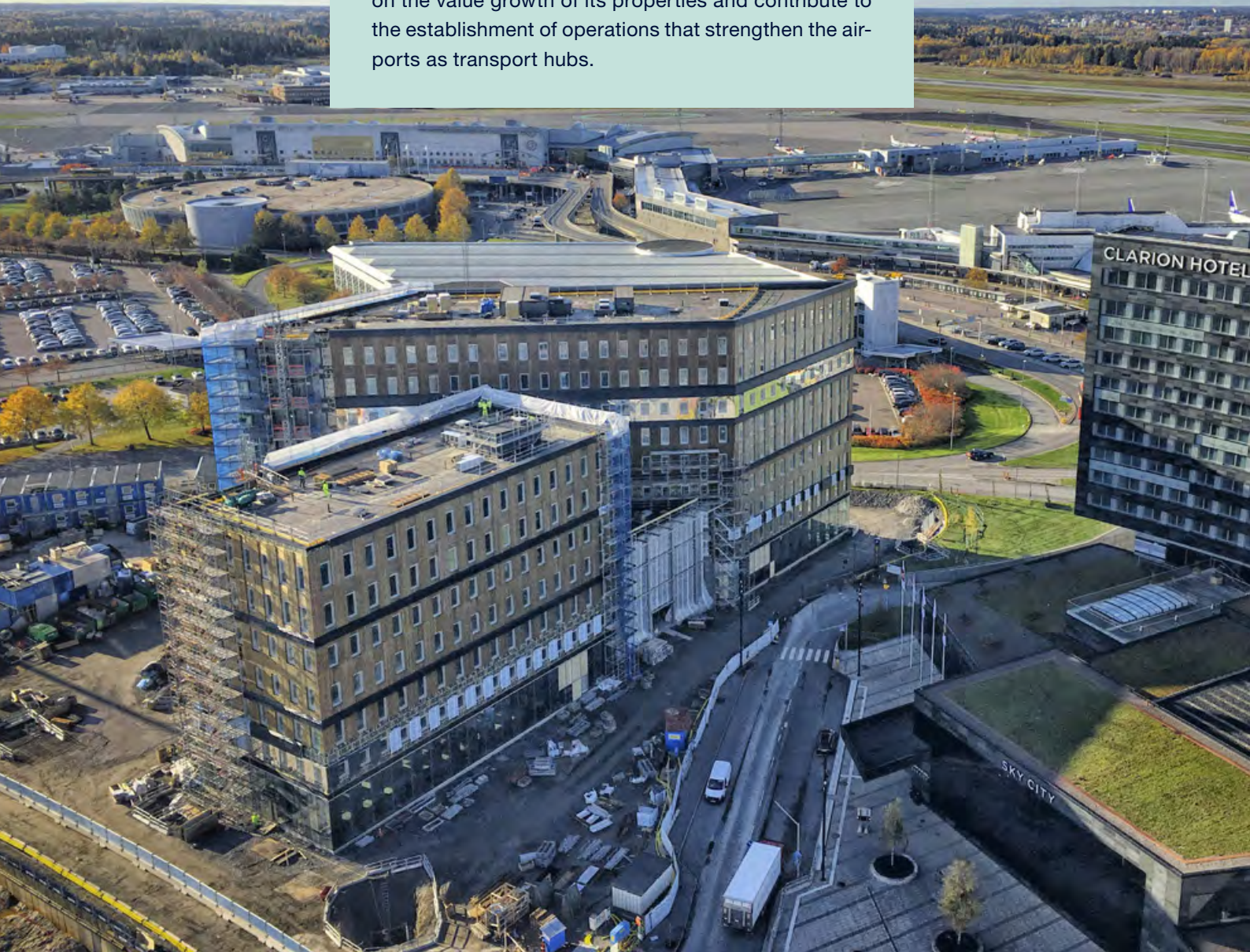
♥ LINDROTHS GOLV
En route to: Iceland

OPERATIONS

Economy



Profitability and business-mindedness are an essential condition for Swedavia's operations and key concepts in its efforts to be an increasingly sustainable company. Swedavia shall combine a high level of efficiency with the right capacity and a real estate business that creates value. Increased business-mindedness is always a guiding principle. Swedavia's need for development is reflected in clear plans that enable it to take advantage of synergies in the Company. Swedavia shall capitalise on the value growth of its properties and contribute to the establishment of operations that strengthen the airports as transport hubs.



Sustainable economic development

Swedavia's revenue is driven to all intents and purposes by the growth in travel. Although growth will vary over time, capacity and efficiency are always critical success factors for an airport.

REVENUE, INVESTMENTS AND CHARGES

In 2017, seven of Swedavia's ten airports set passenger records. This is important since most of Swedavia's revenue is driven by passengers. Revenue is generated through charges paid by airlines and ground handling companies for the use of services at the airports, rental income paid by companies and other organisations at the airports, advertising and revenue from car parking and parking facilities. Swedavia's real estate operations generate capital gains, for instance, through the development and sale of hotel properties at the airports. However, these are of a one-off nature, and there were no such capital gains in 2017.

In 2016, a number of major development projects were launched to ensure airport capacity in the decades ahead, which will cause capital spending to gradually increase from one billion kronor a year to around four billion kronor a few years from now. This means that for the first time in Swedavia's history, investments will be as great as the costs of day-to-day operations.

Along with the expansion of terminals, aircraft parking stands and other infrastructure, Swedavia is carrying out extensive investments in a new IT structure, with the expansion of networks and replacement of systems. The new Group-wide Airport Operation Platform will be placed in service at eight of the Company's airports in 2018 and at the two others in January 2019. As a result of these extensive development programmes, Swedavia will also continue to improve its operational efficiency, in part by

developing a stronger implementation organisation for its development programmes. The new organisation will enter into effect in 2018.

REDUCED COSTS

The Smart Airport project, through which the airports identify and eliminate their bottlenecks as well as work to develop and share efficient processes, is being carried out at four of Swedavia's biggest airports. The regional airports are working in the same way, but under the name Basic Airport 2.0, to create an environment of continuous improvements.

Swedavia's charges for airlines are based on general business conditions in the airport segment. This means that, when capital costs rise as a result of a high investment pace in development programmes, it is crucial that aviation and commercial operations are developed and contribute to the Company's economy. Aviation operations work to reduce costs per passenger while commercial operations contribute by working to increase revenue per passenger.

AIRPORT CHARGES

For a number of years, Swedavia has been able to reduce its airport charges. This has contributed to traffic growth, since low charges and an efficient structure make the destination more attractive to airlines, which regularly measure the profitability of their routes. With capacity now being expanded in Swedavia's development programmes, its

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9. Industry, innovation and infrastructure

Swedavia contributes to sustainable industry, innovation and infrastructure in a number of ways, in part by developing infrastructure that contributes to better national and international access and through continuous environmental improvements both in existing infrastructure and in what is now being developed within the scope of the Company's development programmes.

OPERATIONS – ECONOMY

capital costs will increase faster than passenger growth for a while, which in the cost-based model for airport charges has the effect of raising charges. In addition, airport operations are highly regulated. Some operations and regulatory requirements help to drive costs that Swedavia has a hard time influencing or cannot influence at all.

Swedavia's objective is that charges to airlines shall be competitive compared with those of similar airport operators. The current index shows that charges are 20 per cent lower than the average for comparable airports.

ACHIEVEMENT OF TARGETS

Swedavia has stable operations, low leverage, good cash flow and good funding opportunities – infrastructure today is attractive to many investors – and a strong owner. The Company is also in a growing market, but to sustainably fund investments, maintain competitive airport charges and at the same time meet the owner's targets for return, gearing and dividends, there is a need for continued focused work.

In 2017, Swedavia's borrowings rose as a result of increased investment volume, but the Company is within the range of the debt/equity ratio target of 0.7–1.5 times adopted at the Extraordinary General Meeting in October 2017. The long-term profitability target adopted at the same meeting is a six per cent return on operating capital. The return for 2017 was just over six per cent in the underlying operations, excluding impairment losses of SEK 160 M. The dividend payout target is still 30-50 per cent.

STOCKHOLM ARLANDA AIRPORT

The number of passengers who fly to and from Stockholm Arlanda Airport continues to grow at an uninterrupted pace. May 24, 2017, was the biggest travel day in the history of the airport, with more than 100,000 passengers. One factor contributing to this record was the UEFA Europa League final, which attracted many football fans to Stockholm.

At the turn of the year, the airport noted 90 straight months of passenger records, which means that the total number of passengers in 2017 was 26.6 million, a 60 per cent increase since 2010. This increase is in both international and domestic passengers, with leisure travellers accounting for the bulk of this. Swedavia's work to attract

more intercontinental routes to Stockholm Arlanda – in 2017, the number increased to 19 – has contributed not just more passengers on these routes. These intercontinental routes have also contributed to the growing transfer traffic that is driving air traffic to and from the airport.

Capacity measures

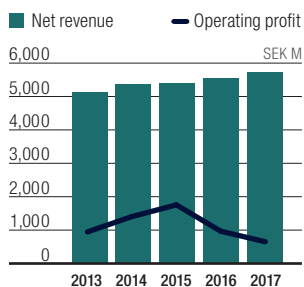
Growth is positive, but since it has exceeded all previous forecasts, at the same time it creates great challenges for existing infrastructure. In 2017, essentially all the projects aimed at increasing capacity at the airport were launched. The refurbishment of Terminal 5 to create better flows and improved transfers for non-Schengen passengers is under way. The work to complete the new airport maintenance area is also proceeding according to plan. In 2018, Apron E will open, with twelve new aircraft parking stands, which are needed to replace those that will disappear when a new pier for the terminal is built. Since the need for quick capacity enhancement measures has to be given priority, the construction of the new pier was postponed until 2020, and completion is planned for 2025. The pier and terminal expansion are by far the two biggest development projects that will be carried out.

The work to introduce US preclearance at Stockholm Arlanda, with US border control being carried out when passengers are still on Swedish soil, encountered challenges in 2017 in the form of the introduction of a Swedish aviation tax, increased costs and lost funding for additional security screening. Right now, the conditions are not in place for introducing this service at Stockholm Arlanda. Swedavia continues its work to facilitate travel to the US while maintaining its high level of security.

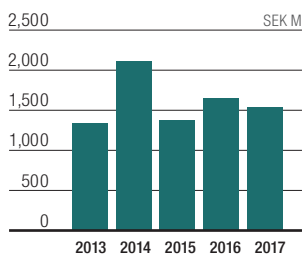
Customer satisfaction and punctuality

The challenge for Swedavia and Stockholm Arlanda is to carry out the measures needed to increase capacity while aviation operations continue and passenger volume rises. Over the next few years, between 3,000 and 5,000 construction workers will be working at Stockholm Arlanda, with a supply of materials equivalent to 20 to 30 fully loaded lorries an hour around the clock needed to keep them working.

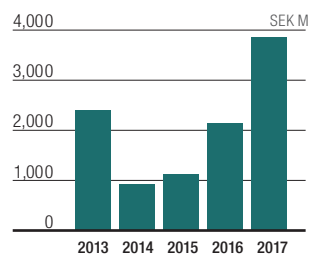
Net revenue and operating profit



Cash flow from operating activities



Investments



Stockholm Arlanda Airport

26.6 million

The total number of passengers in 2017 was nearly 27 million, a 60 percent increase since 2010. The increase applies to both international and domestic travel, with the emphasis on international leisure travel.

19 inter-
continental
routes

Swedavia's work to attract more intercontinental routes to Stockholm Arlanda – in 2017, the number increased to 19 – has contributed not just more passengers on these routes. The intercontinental routes have also contributed ever more sizeable transfer traffic, which drives air travel to and from the airport.



Given the scope of this development work, it will be a taxing situation for the foreseeable future in terms of space in the terminals and on the aprons. This places high demands on Swedavia to meet customer needs, no matter whether they are passengers, tenants or airlines, while the airport is undergoing development. At the same time, as a rule, measures to enhance capacity lead to increased customer satisfaction. The refurbishment of Terminal 2, which was completed a few years ago, led to a significant increase in customer satisfaction with the terminal.

Customer satisfaction among passengers at Stockholm Arlanda in 2017 was 75 per cent, compared to 76 per cent in 2016. Customer satisfaction among airline customers was 18 per cent. This has resulted in a more in-depth analysis of the airlines' needs, requirements and wishes with respect to Swedavia, based on the same methods used to map the passengers' customer experience. The objective is a more customer-centric way of working that will be integral to all of Swedavia.

Punctuality went from 77.9 per cent in 2016 to 76.6 per cent in 2017.

Processes and flows

Alongside this development work, measures are being implemented to increase efficiency in the airport's processes and flows. During the autumn of 2016, the new Operations Centre (OPC) was placed in service. Swedavia has gathered a large number of functions in the OPC that were once spread out. Access to common information and decision-making systems enables rapid decisions minute by minute in ongoing aviation operations, which in 2017 increased efficiency and improved use of the existing infrastructure.

In 2016, Swedavia, in collaboration with Swedish Customs, conducted a trial in which domestic traffic was allowed to also use Terminal 5, which had previously been reserved solely for international traffic. The trial showed that it made travel easier for the growing number of transfer passengers since they could reduce their transport distances from the domestic terminal when they were continuing on to or from one of the airport's international routes. This procedure has now been made permanent.

Traffic patterns change over time, and today it is clear that traffic peaks are increasingly spread out over time. One way to increase capacity in the existing infrastructure is to use slot times, in which airlines are allocated windows for take-off and landing based on actual access to runways, gate areas and baggage handling. Stockholm Arlanda uses this method in full today to ensure that resources and space are always available for the airlines' aircraft at the gate, on the stands and on the runways, and the same is true for our mutual customers, passengers, in the terminals and at the gates.

Collaboration for success

One success factor for Swedavia is continued active collaboration with the municipalities of Sigtuna, Upplands Väsby, Vallentuna and Knivsta. An airport that will account for 50,000 jobs within the next couple of decades requires expanded infrastructure and good housing within a rea-

sonable commute. To coordinate development and make it easier for companies to set up operations, Swedavia is working together with the municipality of Sigtuna and Arlanda-stad Holding in a joint venture, Airport City Stockholm.

Other important collaborations for the development of Stockholm Arlanda and of international access in Sweden and the Stockholm region are the newly established Arlanda Council and the organisation Connect Sweden.

GÖTEBORG LANDVETTER AIRPORT

On October 3, 2017, Göteborg Landvetter Airport celebrated its 40th anniversary. The airport was inaugurated in 1977 by King Carl XVI Gustaf, when traffic from what was then Torslanda Airport on the island of Hisingen was moved to Göteborg Landvetter. Since then, traffic growth has been strong. Starting in 2013, every month except two has seen passenger growth, with passenger volume up 40 per cent since 2012.

In 2017, traffic from the airport was up 6.5 per cent, from just under 6.4 million passengers in 2016 to a new record of 6.8 million passengers, who flew to and from some ninety different destinations. The biggest growth was in international traffic, which increased 7.7 per cent, while domestic traffic increased 0.2 per cent. Today international traffic accounts for 78 per cent of the traffic at the airport, and traffic from Europe is on the rise, especially from eastern Europe. Göteborg Landvetter added no fewer than ten new destinations during the year, including Riga, Vilnius, Krakow, Tallinn and Warsaw.

Eight million by 2028

Due to passenger growth, Göteborg Landvetter long ago passed the number of passengers – six million a year – originally forecast for 2023. Therefore, in 2016, an extensive development programme was launched to increase efficiency and capacity. In the period 2016–2025, Swedavia is planning total capital spending of about three billion kronor, the biggest investment since the airport was inaugurated. The objective is for Göteborg Landvetter to meet the passenger growth forecast in 2015 and handle eight million passengers a year starting in 2028. In July 2017, phase one of the new arrival hall was begun, which entails the addition of 1,800 square metres of space and two new baggage carousels. Ground was broken on the terminal expansion towards the south on October 7, 2017, which means 17,000 square metres will be added to the current 56,000, a 30 per cent increase.

Terminal expansion

Three jetties or passenger bridges connected to the gate will be built in the new terminal, which will supplement the eight built in 1988. The new jetties will be able to handle larger Code E aircraft, and as a result the airport is expected to have sufficient capacity until 2027, when forecasts indicate passenger volume of 7.7 million a year. Also included in the expansion is a new VIP reception area. In conjunction with the expansion, capacity will also be expanded to include parking stands.

During the first half of 2018, the terminal will also be



Göteborg Landvetter Airport

6.8 million

In 2017, traffic at the airport grew six per cent, from 6.4 million passengers in 2016 to a record 6.8 million, with passengers flying to and from some ninety different international destinations.

40 years

On October 3, 2017, Göteborg Landvetter Airport celebrated its 40th anniversary. The airport was inaugurated by King Carl XVI Gustaf in 1977.

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expanded towards the north. Space will be created here for a hotel, new security flows, new baggage sorting chutes and a baggage storage facility. The hotel is expected to have 220 rooms and will be operated by Scandic. Preparations are also being made for a future rail link.

OPC and slots

In early 2017, Göteborg Landvetter Airport's new Operations Centre (OPC) was placed in service. Like at Stockholm Arlanda Airport, which introduced the system in the autumn of 2016, this entails a new process-governed way of working, in which OPC coordinates operational collaborations, for instance, security guards, vehicular traffic on the apron and allocation of aircraft parking stands. As part of Swedavia's digitisation work, self-service access control was also placed in service during the year. This led to a clear improvement in flows and reduced queues through security screening for international flights.

The switch from timetable-coordinated airport operations (Level 2) to systematic use of slot times (Level 3) carried out at the airport had a positive effect in the form of a better long-term overview. This has also had a positive effect on more of the quick-response planning and use of resources. The introduction of slot times has made it easier to manage the strong growth in general aviation resulting from the airport's takeover of traffic that previously used Sæve Airport.

Airport City Göteborg

The work with Airport City Göteborg continued. In collaboration with Swedavia's partner Bockasjö, construction is under way on logistics properties covering 100,000 square metres of space for tenants at Logistics Park 1, south of Route 40, where 250,000 square metres of land was terraced during the year for this purpose. In December 2017, a bridge linking the area's infrastructure was inaugurated, and it also serves as a new gateway to the airport.

Collaborations

Other important partners in the region are the Aviation Council, with representatives from political organisations and government authorities in the region, the collaborative project Go:Connect, and Go:Cargo which includes the Port of Gothenburg, the West Sweden Chamber of Commerce, Business Region Göteborg and Business Region Borås.

Punctuality and customer satisfaction

Good collaboration and coordinated planning with Swedavia's partners at the airport helped to maintain good punctuality. The figure for 2017 was 78.9 per cent, compared to 82.9 per cent in 2016.

Customer satisfaction among passengers at Göteborg Landvetter was 77 per cent, compared to 81 per cent in 2016. For airline customers, the figure was 50 per cent, compared to 84 per cent in 2015.

During the year, a new security centre for the airport was inaugurated. The new security centre creates a better workplace environment and a more efficient process for the large number of suppliers who come to the airport each day. At the same time, a new consolidation centre

was introduced in part to ensure unbroken cooling chains in deliveries to the airport. The consolidation centre is operated by an external company while Swedavia plans for a long-term solution. Increased digitisation and use of sensors gave the airport's cleaning contractors a significantly better overview of the load on lavatory facilities and thus more efficient maintenance and cleaning, which has a direct effect on customer satisfaction.

BROMMA STOCKHOLM AIRPORT

Ever since 1936, Bromma Stockholm Airport has constituted an important hub in Swedish air traffic. Today the airport is primarily a domestic airport. Swedavia is now carrying out a necessary modernisation and adjustment in capacity. This is to ensure that Bromma Stockholm Airport will also contribute to growth and access for all of Sweden in the years ahead.

In 2017, 2.54 million passengers flew via Bromma Stockholm Airport, compared to 2.51 million in 2016. That is a relatively modest increase compared to the majority of Swedavia's airports. The reason for this is that the airport is used primarily by business travellers and to a lesser extent by the fast-growing group of leisure travellers. In general, the increase in business travel is one per cent a year. The growth in general aviation, in terms of the large business jet segment, is nonetheless good at Bromma Stockholm. Many companies prefer to land there since it is easy and time-efficient.

The investment program of about 1.8 billion kronor now under way includes measures to improve terminal capacity as well as improve security and reduce noise. In 2017, measures were completed on the runway facilities and taxiway system required by the Swedish Transport Agency in order for the airport to be certified under reference code 3C, which the airport was given in 2013.

New arrival hall inaugurated

In August, the airport's new arrival hall was inaugurated, and the work on the new departure hall, which is expected to open in 2018, continued. Since parts of the terminal are landmarked, all renovations and additions need to be carried out with great sensitivity. When the two halls are completed, the airport will be able to handle 1,200 passengers an hour. The modernisation also entails investments in more flows for security screening, expanded baggage handling facilities and increased automation of the check-in procedure.

The new Piers A and B, which enable passengers to move under a roof between the aircraft and the terminal, were completed in 2016 and 2017. The aprons where the aircraft park were also upgraded so that they can be used by the next generation of aircraft.

On landside, outside the terminal buildings and before the security checkpoint, Swedavia has invested in expanded parking facilities and a better structure for bus and taxi traffic. The Stockholm Crossrail's new Kista branch line, which is expected to be operational in 2023, will connect to the airport and affect parts of the airport maintenance area. As a result, the fire station and a number of other buildings will have to be moved.

Environmental measures

Bromma Stockholm is a city airport, and environmental issues – especially those related to noise and relations with neighbours – are important. Swedavia is therefore carrying out concrete measures to minimise noise on the ground from aircraft and construction as well as noise from take-offs and landings. This is being done, in part, by insulating buildings and setting up noise barriers, for instance, for the Bromma Kyrka residential area. The fire station and nearby properties constitute a noise barrier that must be replaced when airport maintenance operations are relocated. During the year, Swedavia also improved the treatment of its surface water, in part through the use of new glycol separators.

Punctuality and customer satisfaction

Bromma Stockholm Airport has a high level of punctuality. In 2017, it was 86.7 per cent, the same as in 2016. Customer satisfaction is affected by the lack of space in the terminals, which has brought down this figure. At the same time, passengers appreciate the customer service as well as the fast processes that Bromma Stockholm provides. With terminal capacity adapted to its actual needs, going forward Bromma Stockholm will be able to offer its passengers an even more comfortable travel experience. One example is baggage handling, where it takes an average of eight minutes for passengers to get their bags. Customer satisfaction among passengers was 61 per cent in 2017, compared to

69 per cent in 2016. There are no satisfaction figures for airline customers due to limited interview data.

SEVEN REGIONAL AIRPORTS

Swedavia operates seven regional airports, from Kiruna in the north of Sweden to Malmö in the south. Together with its three largest airports, they form a national network that creates access, which is Swedavia's task, while also contributing to development and growth in their regions.

Domestic traffic drives growth at the regional airports and is very important for international traffic, since domestic traffic feeds passengers into and out of the big airports. At the same time, many of the regional airports have their own service to destinations outside Sweden, which are mostly connected to the growth in tourism.

The rapid passenger growth affects the regional airports to a great extent. For Visby, the annual gathering of political and business leaders during Almedalen Week is a continuous challenge, with passenger volume in one week equivalent to normal traffic during a peak month like April. In the three summer months of June, July and August, traffic at Östersund Airport increased 17 per cent compared to 2016, while the increase for Visby was seven per cent and for Ronneby Airport five. Kiruna Airport reported a 28 per cent increase in June and an overall increase of twelve per cent compared to the first six months of 2016. Luleå Airport saw a traffic increase of one per cent and Umeå Airport almost two per cent during the same period.

Bromma Stockholm Airport

1.8 billion

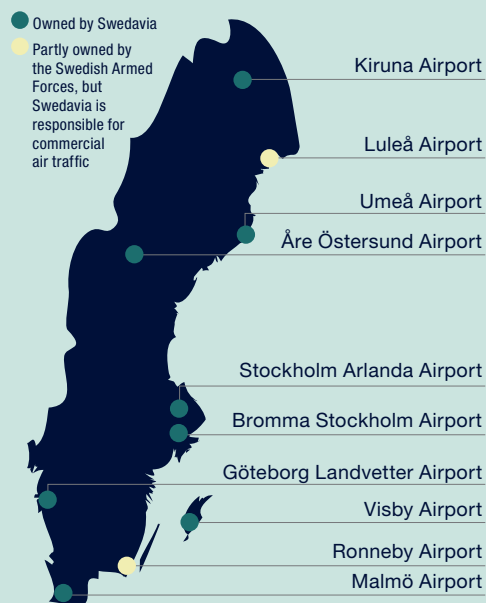
In the investment programme now under way, about 1.8 billion kronor is being spent on measures in the terminals as well as to improve safety and security and reduce noise.

86.7% punctuality

Bromma Stockholm Airport has a high level of punctuality. In 2017, the figure was 86.7 per cent, the same as in 2016.

Swedavia's airports in 2017

The Group's ten airports form a network that connects Sweden together and connects Sweden with the rest of the world.



STOCKHOLM ARLANDA AIRPORT

Length of runways
**3,301, 2,500
and 2,500 m**

Take-offs and
landings
245,389

Number of
passengers
26.6 million

Routes
**284 international
43 domestic**

Most popular
destinations
**London,
Copenhagen,
Oslo**



RONNEBY AIRPORT

Length of runway
2,231 m

Take-offs and
landings
4,315

Number of
passengers
237,695

Routes
2 domestic

Most popular
destinations
**Stockholm,
Umeå,
Skellefteå**



UMEÅ AIRPORT

Length of runway
2,302 m

Take-offs and
landings
15,900

Number of
passengers
1.06 million

Routes
**12 international
15 domestic**

Most popular
destinations
**Stockholm,
Gothenburg,
Gran Canaria**



VISBY AIRPORT

Length of runways
**2,000 and
800 m**

Take-offs and
landings
10,851

Number of
passengers
491,446

Routes
**5 international
18 domestic**

Most popular
destinations
**Stockholm,
Gothenburg,
Malmö**



GÖTEBORG LANDVETTER AIRPORT

Length of runway 3,300 m	Number of passengers 6.76 million	Most popular destinations Stockholm, London, Amsterdam
Take-offs and landings 68,800	Routes 157 international 20 domestic	



BROMMA STOCKHOLM AIRPORT

Length of runway 1,668 m	Number of passengers 2.54 million	Most popular destinations Malmö, Gothenburg, Visby
Take-offs and landings 47,827	Routes 3 international 12 domestic	



ÅRE ÖSTERSUND AIRPORT

Length of runway 2,500 m	Number of passengers 530,983	Most popular destinations Stockholm, Umeå, London
Take-offs and landings 7,821	Routes 6 international 7 domestic	



KIRUNA AIRPORT

Length of runway 2,502 m	Number of passengers 282,412	Most popular destinations Stockholm, Umeå, London
Take-offs and landings 3,074	Routes 1 international 5 domestic	



LULEÅ AIRPORT

Length of runway 3,350 m	Number of passengers 1.21 million	Most popular destinations Stockholm, Gothenburg, Gran Canaria
Take-offs and landings 12,638	Routes 13 international 5 domestic	



MALMÖ AIRPORT

Length of runways 2,800 m and 797 m	Number of passengers 2.2 million	Most popular destinations Stockholm, Gdansk, Skopje
Take-offs and landings 27,158	Routes 57 international 15 domestic	

OPERATIONS – ECONOMY

At Malmö Airport, traffic fell one per cent during the first six months of 2017, mostly as the result of increased competition from Copenhagen Airport. The Swedish aviation tax introduced in the spring of 2018 will probably have a negative effect on the airport's competitiveness.

Continued investments

To meet the growing demand at the regional airports, Swedavia is planning investments totalling 1.7 billion kronor during the period 2016–2025. There are bottlenecks to a varying extent at all the airports, and comprehensive master plans have been developed or are being developed. They entail terminal expansions, an expansion of runway systems, aircraft parking stands and new baggage handling systems, but also continued investments in improvement processes, increased automation to produce better flows at the airports and the development of airport cities and hotels.

Basic Airport

The challenge for the regional airports is to continue to increase their efficiency. The Basic Airport 2.0 project, which was launched in 2016, focused on operational solutions for passenger and airport operation processes and has now been followed up by Improve 2.0. The objective here is to work on a daily basis to identify, test, measure and introduce improvements in order to create operational excellence, which will increase cost-effectiveness and precision. Luleå Airport was the test pilot during the year for digitisation of this improvement work, and improvement groups were also started up at Umeå Airport, Malmö Airport and Ronneby Airport. The ground handling services that Swedavia took over from SAS and Norwegian in 2014 are now fully integrated in the Company's offering and performed well. Swedavia's total control of these services contributes to more efficient processes and flows.

New routes

During the year, a number of new routes were launched to and from the regional airports. Visby got a new air link to Oslo with SAS. In Malmö, Ryanair returned to the airport and opened a new route to the Polish city of Krakow, while Czech Airlines launched a seasonal route to Prague. Nextjet now links Luleå Airport to Sundsvall, and Åre Östersund Airport added new seasonal routes, one with Braathens Regional Airlines to Visby and one with easyJet to Copenhagen. An important issue for Swedavia's regional airports is the degree to which it is possible to work to have two competing airlines serving each airport, which ultimately benefits passengers.

Punctuality and customer satisfaction

Customer satisfaction among passengers at the regional airports was 80 per cent in 2017, which is unchanged compared to the figure for 2016. There was no figure for airlines and tenants since there was too little interview data. The overall figure for punctuality at the seven regional airports in 2017 was 85 per cent, compared to 86 per cent in 2016. Punctuality at the regional airports during the

year was affected by capacity limits at Stockholm Arlanda and Bromma Stockholm. Late arriving flights are the biggest reason for delays, so there are plans to introduce a Group-wide operational control system to coordinate flight times and departure and arrival times for Swedavia's entire network.

Customer satisfaction at the regional airports has increased for a number of years, and there is active work with good customer service under way. Flows are made smoother with self-service products, and under the Basic Airport programme, work is being carried out with cleanliness measures for the terminals.

COMMERCIAL SERVICES

Revenue streams from the goods and services offered at the airports are increasingly important today as a basis for the investments required to increase capacity and attractiveness. In particular, airport charges for airlines need to be competitive in order for the airport to be an attractive place for traffic. Their commercial offering and value for price, together with cleanliness, customer service, the atmosphere and smooth flows, are critical to customer satisfaction among passengers and visitors.

At Swedavia, Commercial Services works to develop the Group's airports into appealing marketplaces. The department is responsible for parking operations, for contacts with the partners that run tax- and duty-free sales or deliver other services, for the hotels and for the tenants in shops and restaurants located in and around Swedavia's different properties.

New travel patterns

Young adults aged 20–34 are the fastest growing and largest group of passengers at Stockholm Arlanda Airport. They account for a large percentage of the growth but are also the age group that spends the least money at the airport. As more and more people fly with growing frequency, there are higher demands for a range of food, beverage and shopping options that is unique and continuously changing.

Charter travel increased again after a sharp decline in 2016. However, charter flights to Turkey and Egypt remained at a low level. Since both countries are outside the EU, this also had a negative effect on store sales as well as tax- and duty-free sales in 2017.

Growing passenger volume, to both domestic and international destinations, has direct effects on operations. As ever increasing numbers of passengers need to check in and go through different checkpoints, there are more queues while there is less time for eating, drinking and shopping. Passengers rarely manage to both eat and shop before it is time for their departure and need to choose. The food & beverage segment increased in percentage terms faster than passenger volume, while retail, that is, other commerce, did not perform as well. The challenge for Commercial Services in the years ahead is to maintain customer satisfaction and increase sales while Swedavia carries out its development programmes, with commercial areas at times being needed as operational areas during construction.



OPERATIONS – ECONOMY

Parking operations are growing

Parking operations, for which Swedavia now uses dynamic pricing, had its best results so far in 2017, even though travel by mass transit to and from the airport also increased. There was great pressure on parking availability during the year, especially as a result of ongoing construction projects, which have laid claim to some parking spaces. The number of parking spaces fell somewhat during the year, while the length of time cars were parked there increased. The fact that the actual number of people parking fell can be explained in part by the faster increase in the number of arriving and transfer passengers than in the number of passengers coming from the airport catchment area. Swedavia works systematically to provide its customers with stress-free parking.

Business model

Commercial Services is now working to develop a new business model for its operations, a model that will start to be implemented as the renewal of Stockholm Arlanda's Terminal 5 reaches completion. The intention is to create an even broader and more varied offering of goods and services, one that is attractive to different kinds of travellers, no matter whether they are looking for luxury apparel, fair trade goods or electronic gadgets. The objective is to achieve higher revenue per passenger compared to today.

The business model is based on a rental model in which the size of the premises, together with the location and scale of the shop or restaurant, determines the rent. Premises with a high flow-through, that is, many potential customers, will have a higher rent than premises with lower flow-through. The intention is to create opportunities for a larger share of so-called promotion retail, where different brands can rent premises for a limited period to launch a new product, promote a new collection or run a campaign. The model will also be used at Göteborg Landvetter Airport when the terminal expansion is completed.

One of the most important activities in 2017 was the tendering for a new tax- and duty-free agreement. In late 2017, Swedavia and The Nuance Group (Sweden) signed a new service concession agreement for tax- and duty-free operations at Swedavia's airports. The agreement will take effect at the turn of 2018/2019 and run for seven years with the option of a three-year extension. Swedavia holds the export licence for the goods that are sold in the shop.

New offerings

E-commerce is increasingly important, so there is greater collaboration between airlines, the airport operator and tenants to offer passengers convenient solutions. If a clothes designer has a showroom at the airport, people may not buy a jacket or skirt to take with them, but they can pay and have it sent home, or keep looking and place an order on their flight via the airline's e-commerce solution. Another potential service is for passengers to order groceries on their flight that they can pick up once the plane has landed. Another product with high customer value is including parking bookings in the airlines' booking flow so that passengers have all their information in one place.

In order to see what can and should be offered to different passengers, Commercial Services is working with more in-depth segmenting for each behaviour profile previously identified. The objective is to improve the entire customer journey, from booking to the return home.

PROPERTY OPERATIONS – SWEDAVIA REAL ESTATE

Swedavia's property operations are brought together in its Real Estate operating segment. Operations are responsible for buildings and land adjacent to the Group's airports which are not directly related to actual airport operations. Their task is primarily to develop but also sell properties, for instance, hotel and conference facilities as well as buildings for offices, logistics and other business that constitute part of Swedavia's customer offering.

As airports become increasingly important hubs for travellers, meetings and commerce, these properties are growing in significance for the attractiveness and competitiveness of airports. Swedavia's real estate operations also have an important financial role. Revenue from developed properties that Swedavia can sell reduces the Company's need for external funding for investments in infrastructure and existing properties.

Long-term development

Swedavia Real Estate plans the long-term development of its property business at all of Swedavia's airports. There are extensive development plans for Stockholm Arlanda Airport, where construction began on the new Office One complex, with 15,000 square metres of space, in 2016 and on a hotel with about 500 rooms over twelve storeys in 2017.

The buildings are expected to be completed in 2018 and 2019, respectively. They will then constitute another step in the development of Airport City Stockholm, which is now taking shape, using the airport as a hub. At Airport City Stockholm, which will cover more than 800 hectares, there will be space for 50,000 workplaces, parks, a dedicated area for transport-related research, and a Cargo City with a focus on logistics. In the next phase, in 2018, the potential will be explored of building a congress hall with capacity for 3,000 to 4,000 people adjacent to the hotel and Office One.

In the Office One complex itself, Swedavia is planning office premises as well as a modern business hotel with about 5,000 square metres of space. The assessment is that there will be a growing interest over time in more flexible office solutions, where tenants can quickly expand or reduce their premises or move between offices. In the autumn of 2017, a sales process was launched for the new hotel property, which Comfort Hotels will be responsible for running when the building is completed. In December, an agreement was signed with a Swedish limited liability company owned by Wenaasgruppen AS and O.G. Ottersland AS to sell the property. The capital gain is estimated to be around 350 million kronor and is expected to be realised in 2019.

The expansion of Airport City Göteborg is planned immediately adjacent to Göteborg Landvetter Airport. There is growing demand for meeting and accommodation options in the Gothenburg region, and Swedavia has begun

New sustainable long-term car park

On October 26, 2017, a state-of-the-art long-term car park certified for sustainability was inaugurated at Stockholm Arlanda Airport.

The car park, located just south of the airport entrance, immediately adjacent to Route E4, is certified for sustainability under CEEQUAL at the level of Excellent, which is the highest level possible.

The new long-term car park, which constitutes an important part of Swedavia's continued development and its sustainability

work, has 1,565 asphalted parking spaces equipped with the latest parking technology. At the P1 car park, people parking their car will find a service building with features that include Wi-Fi, information about flights and check-in options, seating with access to a vending machine for coffee and other items, a kitchenette, and a lavatory with a baby-changing table. Transfer buses operate around the clock from the car park to Stockholm Arlanda Airport's different terminals.

The international sustainability programme CEEQUAL assesses

and ranks how well construction projects handle sustainability issues – from the concept stage to completion. In conjunction with the car park's inauguration, Chris Broadbent, managing director of CEEQUAL, issued a certificate confirming that the P1 car park achieved the highest level, Excellent. This certificate is the result of an objective external assessment and is thus confirmation of Swedavia's systematic work with sustainability issues.



OPERATIONS – ECONOMY

preparations for the construction of a new hotel property. The hotel, which based on a provisional agreement will be operated by Scandic, is expected to have about 220 rooms and extensive conference facilities.

Strategic partners

Swedavia has chosen to work with strategic partners whose competence and capabilities complement the Company's own. One such partner is Arlandastad Holding, which together with the Municipality of Sigtuna and Swedavia through the joint venture Airport City Stockholm AB is involved in the development of the new Airport City Stockholm. In 2017, a new exit off Route E4 and a long-term parking facility that is certified for sustainability at Stockholm Arlanda Airport were inaugurated.

The Company's partnership with the pension fund management company Alecta continued. In the joint venture Swedish Airport Infrastructure AB, Swedavia and Alecta develop and manage 20 major properties in the form of hangars, logistics buildings and offices at the airports in Stockholm, Gothenburg and Malmö. That company also owns Swedavia's new headquarters at Stockholm Arlanda Airport and is involved in the development of the airport's maintenance area as well as a number of development projects at other airports.

Landvetter Logistics Park

During the year, Swedish Airport Infrastructure AB acquired the property GOT Point, which is adjacent to airside, that is, within the actual airport area at Göteborg Landvetter Airport. The plan is for the property to now be developed as office premises. At Göteborg Landvetter Airport, the property developer Bockasjö is an important partner in the development of Landvetter Logistics Park, which is located immediately adjacent to the airport, for which Swedavia Real Estate AB and Bockasjö have created a joint venture. During the year, that company performed extensive terracing work to prepare suitable land, and discussions were initiated with potential tenants. The new bridge that connects the two sections of the park, located on each side of the entrance road to the airport, was completed in 2017. The bridge constitutes an essential condition for the continued development of the area and is a landmark for the airport.

Business-mindedness

Swedavia Real Estate works with clear public procurement procedures to ensure that sustainability aspects are taken into account, for instance, in soil management, the selection of materials, transport and installation work for new and renovated properties. The same applies to ethical and labour law aspects, with the Company's Codes of Conduct and internal training programmes constituting important tools. In the major projects now under way at the airports, issues concerning the workplace environment are especially important.

Satisfied tenants

Every two years, Swedavia measures satisfaction among the Company's commercial tenants. The figure for the measurement in 2016 was 64 per cent, compared to 65 per cent in 2014.

PROCUREMENT FOR SUSTAINABILITY

Swedavia's procurement process is governed by external laws and requirements, including the Swedish Act on Procurement in the Water, Energy, Transport and Postal Service Sectors and the Swedish Public Procurement Act, but also by the Company's own governing documents such as its Procurement Policy, procurement guidelines and Code of Conduct for suppliers. The code specifies to suppliers what Swedavia's ambitions are in terms of its responsibilities – and what Swedavia expects in terms of responsibilities from its suppliers.

A number of major development projects are now under way at Swedavia's airports. This requires that the procurement function has the resources and competence to handle complex tender processes for everything from goods and services to large-scale construction contracts. Swedavia's procurement organisation plays a proactive role and drives this work. The organisation ensures that there are appropriate framework agreements in place and also works to conduct market analyses, create competitive conditions, find the right suppliers and also monitor supplier compliance with its requirements.

The needs in the development programmes are mostly related to construction contracts, which entails requirements for competence in contract law and building regulations. Swedavia's procurement organisation works actively with its supplier base, the implementation of procurement strategies and the analysis of procurement volumes to meet future procurement needs.

The work to establish and develop the process for vendor management and supplier monitoring has been under way for a few years and was further developed in 2017. Swedavia's suppliers are important since they are one aspect of the Company meeting the sustainability requirements placed on it. In 2017, Swedavia had a total of about 4,000 suppliers, broken down into 14 categories and 90 subcategories. There are framework agreements for 500 of these suppliers, and 75 of them are considered to be strategically important and given priority in the work on supplier monitoring.

Among those 75 suppliers identified by Swedavia, 20 suppliers were then assessed to be high-risk suppliers, so they are monitored more extensively. In conjunction with this monitoring, which is in the form of regular meetings with each supplier for which minutes are kept, these suppliers are also asked to respond to a number of questions related to sustainability. As capital spending increases, the number of framework agreements will also increase and reach around 700 in 2018.

The next step will be to formulate tender requirements in terms of additional sustainability aspects and create conditions for structured monitoring of these for a broader base of suppliers. The targets for Swedavia's procurement function are to continuously contribute a three per cent reduction in procurement costs, at least 95 per cent of the Company's spend with contracted suppliers in 2018, and at least 75 strategically selected suppliers from the supplier base monitored continuously over an annual cycle.



Airport commerce of the future

In November 2017, Swedavia signed a new concession agreement with Dufry AG, which will operate and develop the tax- and duty-free stores at Swedavia's airports. The value of total sales in the stores during the contract period is estimated at between eight and ten billion kronor. Commercial revenue from sales at the airports constitutes an important part of the funding for Swedavia's investments in both airport operations and infrastructure.

Dufry AG, which is the world's largest airport retail operator, has run the duty- and tax-free stores at Swedavia's airports since 2001. With the signing of the agreement, the company will now carry out extensive investments in the airports' stores in 2018 and 2019. The biggest investment will be the new store,

covering 2,000 square metres, that will be the flagship of the new marketplace planned for Terminal 5 at Stockholm Arlanda Airport, which is expected to be completed in 2021.

For Swedavia, the agreement with Dufry AG means that the Company will get a strong partner with economic potential to drive the development of retail, an area undergoing rapid change. Dufry will be responsible for offering an innovative product mix, a clearer positioning of brands, a selection of products adapted to local conditions, and destination zone shops. Dufry AG and Swedavia will also use new digital solutions to better reach out to millennials, who are the fastest growing target group at the airports. Dufry will also launch its RED customer loyalty programme in the Swedish market. The concession agreement was signed between Swedavia and The Nuance Group Sverige AB, which is a subsidiary of Dufry AG.

OPERATIONS

Environment



Environmental concern is crucial in order for Swedavia to run and develop its operations sustainably. Swedavia's proactive environmental work therefore includes not just its own operations. The Company is also a driver in the transition to bio aviation fuel. As a result, Swedavia works actively to reduce its own fossil carbon dioxide emissions as well as those of the air transport industry – so that natural resources are always used efficiently.



Swedavia
Airports

The path to Swedavia's zero target

Swedavia's environmental target with the highest priority is no fossil carbon dioxide emissions from its own operations starting in 2020. The Company is now nearing its target. In 2016, Ronneby Airport reached the target, while Luleå Airport and Åre Östersund Airport are expected to meet it in 2019. For the entire Swedavia Group, emissions of fossil carbon dioxide from its own operations in 2017 was 1,896 tonnes, compared to 2,723 tonnes in 2016. That is an 84 per cent reduction since 2005.

FOSSIL-FREE FUEL FOR AIR TRANSPORT AND VEHICLES

Swedavia's fleet of vehicles accounts for about 95 per cent of the emissions from its own operations, so the transition to renewable fuels is critical to achieving its zero target. Swedavia strives to replace fossil fuels as far as possible with electricity, bio gas and synthetic diesel (hydro-treated vegetable oil, or HVO) and also continues to gradually renew its vehicle fleet. Swedavia also works to decrease its total energy use. In 2017, it was 190,529 MWh, compared to 194,596 in 2016.

One technological challenge that remains is finding a fossil-free solution for the airports' uninterrupted power supply system. HVO may be a solution in this case. To achieve more of Sweden's environmental quality objectives, additional focus is needed, so Swedavia is looking at new, innovative solutions and new business models, for example, in energy and water, and in its planning of activities for the future.

TOP-LEVEL CERTIFICATIONS

Swedavia's airports are certified at the highest level of Airport Carbon Accreditation standards for their climate work. Certification, which is supported among other things by the UN Framework Convention on Climate Change, entails that all of Swedavia's airports will continuously

reduce their fossil carbon dioxide emissions from their own operations while helping other operations at the airports to reduce their emissions. In the autumn of 2017, a certification review of Swedavia's operations was carried out under the new environmental management system standard, ISO 14001:2015. The standard now puts even more emphasis on the engagement of a company's management in integrated environmental management work.

The P1 long-term car park at Stockholm Arlanda Airport was inaugurated in the autumn of 2017. The car park is certified at the Excellent level, which is the highest possible standard, according to CEEQUAL, which assesses how well construction projects handle sustainability issues.

BIO AVIATION FUEL

One of the most important activities, not just in 2017 but also in the years ahead, is the continued work to increase the use of bio aviation fuel throughout the air transport sector. In 2017, Swedavia won an award for its purchase of bio fuel equivalent to the amount used for its employees' air travel on official business over a year. The purchase was made in 2016. That investment, for a total of ten million kronor, is split, depending on the price of fuel, between the purchase of fuel and support for research and projects aimed at large-scale production in the Nordic countries.

UN
Sustainable
Development
Goals

13 CLIMATE
ACTION



13. Combat climate change

Swedavia helps to combat climate change by working for the increased use of renewable aviation fuel and to create increased demand for such propellants from government agencies, the business community and private individuals. Swedavia also contributes by working at the Company for operations that produce no fossil carbon dioxide emissions. This is done, in part, through a gradual transition to non-fossil fuels for its own fleet of vehicles and continuous work to improve efficiency to reduce the use of energy and materials.

OPERATIONS – ENVIRONMENTAL CONCERN

The key problem for a more widespread transition is that this renewable fuel, which is still just produced in limited quantities and only in the US, is far more expensive than similar fossil fuels. Meanwhile, many airlines have weak profitability. So it is a matter of looking for different solutions and incentive models that can help narrow this price differential. Swedavia is working on this with other stakeholders, including the economic association The Fly Green Fund, which works to increase demand for bio fuel for aviation and at the same time support production of this fuel in the Nordic countries.

In addition, there is the Nordic Initiative for Sustainable Aviation (NISA), a collaboration in which a large number of participants are working together to find an efficient supply of bio fuel for the air transport industry. Since the summer of 2017, Swedavia is also a member of the 2030 Secretariat, which works to ensure that Sweden will have a vehicle fleet that is independent of fossil fuels by 2030. In 2017, about 0.01 per cent of total fuel consumption for Swedish domestic air travel was bio fuel. This low percentage is due to a lack of supply, which means among other things that only twelve of the 450 tonnes of fuel that Swedavia ordered were delivered during the year. Swedavia expects its fuel for 2017 will be delivered in 2018. This lack of supply should also be seen as a sign that investments like Swedavia's are needed.

In November 2017, Swedavia was honoured at the annual Airports Going Green conference, held in Dallas, for its dedicated and innovative work for renewable aviation fuel. In conjunction with this, Swedavia, along with a number of other international airports, signed the Airports Sustainability Declaration. Together, the airports work for sustainable development in the industry and support the UN's Sustainable Development Goals.

ENVIRONMENTAL PERMITS

Swedavia was not granted leave to appeal by the Supreme Court on its new permit for Göteborg Landvetter Airport. Swedavia's appeal primarily concerned the number of aircraft movements, which under that permit now remains at 90,000 a year, compared to the 120,000 that Swedavia applied for. Swedavia has decided not to place the permit in service. A new assessment will be made in January 2019. In the environmental permit for Stockholm Arlanda Airport, there were a number of issues that were deferred. During the year, Swedavia reported back to the Land and Environmental Court on two of these issues, one concerning the potential introduction of steeper glide paths on approaches to Stockholm Arlanda and one concerning a change in the use of the runways at the airport in order to reduce the noise load for residents mainly in Upplands Väsby and Rosersberg. The Land and Environmental Court announced that it was satisfied with the reports. Today's technology does not allow the glide paths envisioned, but the Court will receive a new report on the matter in 2020 at the earliest. Three parties sought leave to appeal the Land and Environmental Court's decision with the Land and Environmental Court of Appeal, but this was not granted. That decision has been appealed to the Supreme Court. A ruling is expected in 2018.

There is a restriction in Stockholm Arlanda's environmental permit on flights of slow aircraft taking off from Runway 1 over Märsta. Swedavia requested a change in this condition with the Land and Environmental Court, which was rejected. The matter was appealed in the Land and Environmental Court of Appeal, which also rejected the appeal. Swedavia has now appealed to the Supreme Court. A ruling on this is also expected in 2018.

For Visby Airport, the Swedish government issued a ruling on its new permit. The ruling entails that requirements for noise insulation be adopted by Swedavia and the Swedish Armed Forces.

NOISE

Noise is always a relevant issue for the air transport industry, and Bromma Stockholm Airport is the Swedavia airport that carries out the most extensive protective measures. For instance, the airport is closed at night. Swedavia works to ensure that the noise load around all of its airports is considered acceptable relative to aviation's benefits to society. There are various tools for this, such as the sound insulation of residences, higher take-off charges for noisy aircraft, curved approaches to avoid densely-populated areas under the flight path, and work with green approaches, where the aircraft descends continuously from its cruising altitude to the runway. That reduces noise and also saves fuel and reduces emissions.

WATER

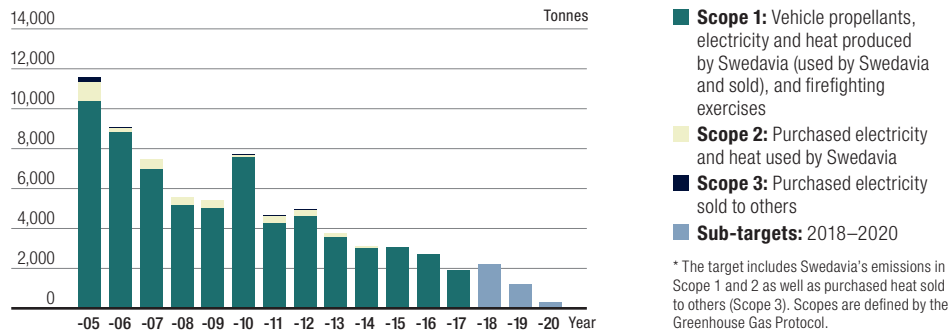
Swedavia works continuously to limit its impact on the water environment. Chemicals are being replaced so that there is as little impact as possible, and use is monitored and restricted. This mainly concerns limiting the discharge of substances used in the de-icing of aircraft and anti-skid treatment of runways. A number of airports have their own ponds and water treatment facilities to collect contaminated water from the airport area. Water from firefighting exercise sites, workshops, car washing and hangars is also collected and treated. During the autumn, Göteborg Landvetter Airport renovated the pipes to its ponds to ensure that all contaminated water is treated.

THE ENVIRONMENT IN THE DEVELOPMENT PROGRAMMES

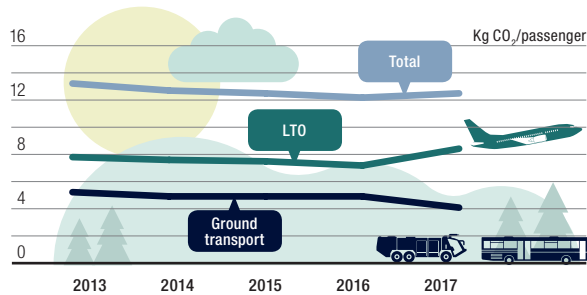
The extensive development programmes now under way at a number of Swedavia's airports are a challenge from an environmental perspective. Environmental requirements must be observed as early as in the project planning phase in terms of materials, methods, and the construction and location of the buildings. New facilities are environmentally certified to the greatest extent possible. BREEAM environmental certification is planned for the future new pier at Stockholm Arlanda Airport.

When hardened surfaces increase in size, this places new requirements on surface water treatment. Swedavia is working to introduce green roofs, on which sedum plants can capture, retain and sometimes clean water. Green roofs also reduce the need for investing in surface water treatment pipes, ditches and collection ponds in the airport area.

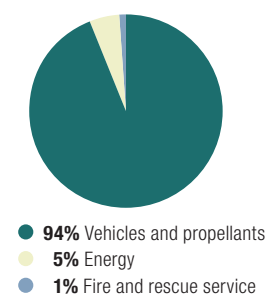
Progress on Swedavia's zero target for fossil carbon dioxide emissions*



Emissions of fossil carbon dioxide in kilograms per passenger for air traffic's LTO and passengers' ground transport to/from the airports



Swedavia's fossil carbon dioxide emissions by area, %, 2017



Carbon footprint, kilotonnes of CO₂*

Airport	Air traffic	Ground transport	Swedavia	Total
Bromma Stockholm Airport	18	3	0.1	22
Göteborg Landvetter Airport	48	29	0.2	77
Kiruna Airport	2	1	0.2	4
Luleå Airport	9	6	0.0	15
Malmö Airport	21	17	0.2	38
Ronneby Airport	2	1	0.0	3
Stockholm Arlanda Airport	235	103	0.9	340
Umeå Airport	8	6	0.2	15
Visby Airport	3	1	0.0	4
Åre Östersund Airport	4	2	0.0	6
Swedavia Real Estate			0.0	0
Total	352	170	1.9	524
Percentage change 2016–2017:	4.7%	2.9%	-30.3%	3.9%

The carbon footprint reported for Swedavia's airports in 2017 is broken down into air traffic emissions in the landing and take-off (LTO) cycle (flying below 3,000 feet including taxiing on the ground), from passengers' ground transport to and from the airports, and from Swedavia's own operations. During the year, the carbon footprint for Swedavia's airports was increased by about four per cent, from about 504 kilotonnes of CO₂ in 2015 to 524 kilotonnes of CO₂ in 2017. This increase is due to a six per cent increase in the number of passengers. The carbon footprint of Swedavia's operations continues to decrease, with a 30.3 per cent reduction in 2017. The total carbon footprint per passenger thus fell about two per cent.

* The mission target for carbon footprint is not included in the auditor's sustainability review report.

OPERATIONS

Social development



For Swedavia, social development involves the safety and security of its passengers, employees and partners. Swedavia works proactively with systematic risk management to maintain a high level of safety and security. Strong values are integral to the Company's work to be an engaged, inclusive and developing employer, and collaborations create understanding and curiosity about Swedavia.



Safety and security for customers, employees and partners

For Swedavia, its work with safety and security has top priority. This concerns aviation safety and security, but also the safety and security of employees and partners. Swedavia's airports shall be safe, secure places where engagement, the assumption of responsibility and diversity are natural features.

SWEDAVIA'S WORK WITH SAFETY AND SECURITY

Swedavia's work with aviation safety and security includes actively preventing criminal acts and accidents. This work is integral to all operations, and there are specific objectives and targets set for operations.

During the year, the final measures to adapt to the more detailed regulations adopted by the European Aviation safety Agency were implemented. All of Swedavia's airports except Ronneby Airport and Luleå Airport, which are both operated by the Swedish Armed Forces and thus covered under special regulations, were certified in accordance with the new regulations in late 2017.

Technological development

Technological development continues. Security scanners and equipment for X-raying cabin baggage constitute important parts of the passenger process. As a result of new technology that will be implemented going forward, passengers will be able to keep liquids and electronics in their hand baggage all through the security screening process. Screening will thus be faster and easier for passengers.

The challenge for manufacturers is to develop technology that is operationally viable and works under heavy strain so that it does not slow down the speed of the process.

Security scanners will be used at some of the airports starting in 2018, while so-called sniffers, which can detect traces of explosive compounds, have been used since the turn of 2016/2017 at all of Swedavia's airports. In a longer-term perspective, Swedavia is working to introduce a new standard that sets higher requirements for X-raying checked baggage. That entails a challenge since the equipment is larger and heavier and also requires extensive adaptation to existing baggage handling systems. This technology will be introduced in 2022.

Customer service

As check-in, baggage drop-off and border control become increasingly automated, the service of security staff will be increasingly important to passenger satisfaction. To further improve the process for passengers, systems for measuring queues will be introduced at the turn of the year at a number of security flows, which will enable passengers to

UN
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Development
Goals

10 REDUCED
INEQUALITIES



10. Reduced inequality within and among countries

Swedavia contributes to reduced inequality, in part by working actively for workplaces with gender and other forms of equality and by adapting access at the airports. The Company has strategic partnerships with the Swedish employment agency Arbetsförmedlingen, the Royal Swedish Academy of Engineering Sciences, Doctors Without Borders, Pride, the Red Cross and We Link Sweden. All of Swedavia's job advertisements are designed to be inclusive and not exclude anyone for inappropriate reasons. Swedavia also has a gender-neutral uniform policy.

OPERATIONS – SOCIAL DEVELOPMENT

see how long it will take to get through security screening. When passengers see the actual amount of time it will take, there is less stress and therefore more customer satisfaction. During the year, a new contractor took over operation of the security checkpoints at Stockholm Arlanda Airport, a task that requires around 800 employees.

Risks

The work with Swedavia's risk management and risk banks will continue to develop, and the structure for this is now in place. The work to develop systematic quantification and good methods continues. Practical crisis management is facilitated by Stockholm Arlanda Airport's operations centre (OPC), which was placed in service in the autumn of 2016. Adjacent to the OPC is a fully equipped crisis room, and the intention is to use this not just for crises that affect the airport. In Swedavia's continuity planning, that is, how the Company and its airports handle major disruptions such as a major power outage or water supply problems, active work is under way to design concrete action plans. A number of airports have made progress in this area. Swedavia's involvement in the Swedish national testing and competence centre for security screening continued, and a number of projects and trials with scanners and sniffers, among other things, were carried out during the year.

Development programmes

The development programmes under way at Swedavia's airports place high demands on the security function, not just in the form of security and employee screening for the thousands of construction workers operating in the area, but also for the large quantities of transports that need to enter and exit the airport area. For Bromma Stockholm Airport, these transports have been a challenge over the past few years since much of the work has been carried out on airside. For the security function, it is a question of creating increased understanding among contractors about what security requirements must be placed on work at an airport.

Due to events around the work, there must be increasing focus on enhanced security on landside, that is, outside and inside the terminals before the security checkpoint. Swedavia bears responsibility for security here, together with the Swedish Police, which means that roles and areas of responsibility must be clearly and properly defined.

Expanded and improved quality work

Swedavia has a target of zero accidents and incidents caused by the Company. The definitions of accident and incident are based on an EU regulation and are assessed in Sweden by the Swedish Accident Investigation Authority. Swedavia reports all incidents considered to affect aviation safety to the Swedish Transport Agency, and all accidents and incidents are reported to the Swedish Accident Investigation Authority. In 2017, there were a total of three such events, divided into three accidents and zero incidents, compared to one incident but no accidents in 2016. Investigations for all the events indicate that Swedavia and its

infrastructure had no effect on the events. A total of 19 serious shortcomings in aviation safety were reported in conjunction with inspections by the Swedish Transport Agency in 2017, compared to five in 2016. The shortcomings were related primarily to the airports' quality work. In order to prevent the recurrence of similar shortcomings and the development of new ones, great focus has been placed on increasing and improving Swedavia's quality work. All the shortcomings have been remedied, with the measures approved by the Swedish Transport Agency. A growing problem from an aviation safety perspective is that it is increasingly common for drones to disrupt air traffic, both at Stockholm Arlanda Airport and at Bromma Stockholm Airport.

DIVERSITY, INCLUSION AND EQUAL TREATMENT

At Swedavia, many different kinds of competence work together in order for the Company to achieve its strategic objectives and targets and to handle the challenges of the future in the form of increased passenger satisfaction, increased requirements for safety and security, a capacity shortage and being a role model for sustainable business. The Company's operations include everything from ground handling services and service staff to environmental specialists and advanced project management.

For Swedavia, this means that the capability to recruit and retain competent, engaged employees is a critical success factor. The objective is therefore to provide a workplace in which all employees have the conditions needed to carry out their duties, further develop their competence and achieve their set objectives and targets. Swedavia as a workplace shall be characterised by respect for the individual at every level, by diversity and by an inclusive environment. Swedavia's drive for diversity has a clear link to business performance since it increases the potential to recruit competence from a broader base. Diversity increases the potential for creativity, innovation and better customer service in an ever more globalised world.

We are Swedavia

During the year, Swedavia's strategies were adopted, including the new Engaging Culture strategy. Swedavia strives to create opportunities for employees to grow and develop through an engaging and inclusive culture. The aim is to be an attractive employer for everyone, given increasing competition in the labour market. It is critical to recruit, develop and retain qualified employees.

The work to further develop employees is based on the motto "We are Swedavia" and is focused on engagement, innovation, safety, security, the workplace environment and health. An important part of We are Swedavia is the emphasis on the internal dependencies within the organisation and the importance of working across boundaries.

In 2017, Swedavia's onboarding tool was launched, with the aim of quickly introducing new employees and external consultants to Swedavia's culture, values and way of working.

Swedavia's anti-corruption work

Responsible, ethical and moral conduct is part of Swedavia's corporate culture and an essential condition for the sustainability work that constitutes the basis of operations. The Company therefore carries out proactive work against corruption based on three components: clear governing documents, regular training and an open dialogue with employees, suppliers and other stakeholders.

Governing documents

As a State-owned company with major development projects under way and a large number of external suppliers and customers, it is critical that Swedavia has clear governing documents to combat corruption. Swedavia thus has Codes of Conduct for both employees and suppliers. The codes include the Company's ethical guidelines and describe conduct with customers and suppliers as well as business methods that are responsible and ethical. Swedavia also has a detailed Bribery Policy and guidelines for external business entertainment. Swedavia's Code of Conduct for employees is adopted by the Board of Directors.

It is specified in the Bribery Policy that Swedavia has chosen to follow the Swedish Anti-Corruption Institute's code of conduct, which includes specific guidelines for gifts, remuneration and benefits for public-owned companies and procurement units that, like Swedavia, are subject to tender offers. Swedavia has also backed the Joint Initiative to Prevent Bribery and Corruption between suppliers and clients in the publicly funded construction and real estate sector. The initiative constitutes part of Swedavia's governing documents and is included in agreements signed with different building contractors.

Training

Swedavia also carries out training programmes on a regular basis concerning anti-corruption for leaders and specialists who meet external suppliers. This is done in part through online training that deals with Swedavia's Bribery Policy and guidelines for external business entertainment. In order to further develop awareness about anti-corruption issues, an initiative was launched in December 2017 whereby all employees at the Company will complete this online training.

In 2017, Swedavia also continued to hold workshops to clarify the content of the Joint Initiative to Prevent Bribery and Corruption between suppliers and clients in the publicly-funded construction and real estate sector.

Dialogue and monitoring

Every leader at Swedavia is obliged to inform his or her employees about and make them aware of the content in Swedavia's Bribery Policy and guidelines for external business entertainment.

An open dialogue is aimed at making Swedavia's employees aware of the risks of corruption and bribes. Every employee at Swedavia is obliged to contact his or her immediate supervisor if there is the slightest doubt about whether a benefit is permitted.

The Corporate Legal department acts if necessary as an advisor and sounding board. Monitoring of and checks on compliance with the Company's governing documents are carried out through sample controls by Internal Auditing. Swedavia's whistleblower function enables employees and external stakeholders to anonymously report suspicions of irregularities. All reports are followed up immediately in an Ethics Committee following rules of procedure adopted by the Board of Directors.

OPERATIONS – SOCIAL DEVELOPMENT

Focus areas

Based on the employee survey carried out in 2016, Swedavia chose four focus areas – leadership, competence development, information, and bullying, harassment and victimisation. The objectives entail long-term work, so in 2017 the work was further focused on leadership, competence development, and involvement and inclusion, which also includes victimisation as an important area.

Engaged leaders and employees

In the employee survey carried out in early 2017, the percentage of engaged leaders and employees increased three percentage points, from 64 per cent in 2016 to 67 per cent in 2017. The survey company's average figure for comparable companies was 63 per cent. This big change in engagement was driven by the broad group of employees. Swedavia's attractiveness as an employer increased from 64 to 66 per cent, and the positive attitude to Swedavia's leadership increased from 69 to 73 per cent in 2017. The benchmark in this case was 64 per cent.

Given Swedavia's focus areas for increased engagement, employees will be involved in operational development to an even greater extent, and their views and ideas will be made use of in the continued operational development. Collaboration in the organisation is to be further developed, and the dependencies between the different parts of the organisation are to be clarified. There is to be

greater clarity in the communication of Swedavia's values. Arrangements such as Swedavia Day, in which all employees take part, and Big Management Day, in which all leaders and people with responsibility for staff take part, are important tools in this work.

Competence development

Swedavia's objective is for all employees to develop and get the training needed. The employee survey indicates that many people want to develop through more challenging duties. This means that Swedavia needs to work to a greater extent with making an inventory of competences and active competence assessment. During the year, a special position was established with responsibility for talent and career development.

Involvement and inclusion

Swedavia has a well thought-through process for setting overall objectives and individual goals – personal engagement and performance (PEP). Employees who work in teams and have similar duties shall be able to identify and monitor shared objectives and goals and as a result be more involved in operations.

There is zero tolerance of victimisation in any form. In 2017 as well, the work continued to create an inclusive environment, free from victimisation and discrimination. In the annual employee survey, Swedavia's results in this



area show that the Company is on the same level as comparable companies in the survey company's database. The work continues to create the best conditions for leaders and employees to show their civil courage.

Workplace environment

There are many challenges in the area of the workplace environment. The number of passengers is increasing, and major development projects are under way at different airports. This means that Swedavia is working with construction and building contractors, areas that are historically new for the Company.

Swedavia's proactive work for safety, the environment and the health of employees as well as customers and society in general is brought together in its strategy Responsibility for Society and People. Safety is fundamental, but so is using resources and energy responsibly. The Company gives priority to the physical and psychosocial workplace environment. This strategy also shows that Swedavia takes greater responsibility than what laws formally require of a company.

Zero vision

Swedavia has a zero vision for serious workplace accidents, a vision that applies not just to its own operations but also to those run by external partners, for instance, in the major development programmes and by agency workers. In 2017, extensive work was carried out to develop more effi-

cient and proactive work with the workplace environment. New procedures for reporting and information about accidents and incidents have been introduced, which has led to an increased flow of reports. Swedavia's executive management is informed faster than before, and procedures for internal investigations and analyses have been fine-tuned. The Company is also carrying out its own investigations alongside those carried out, for instance, by construction firms in order to eliminate risks faster. The objective is to bring about a cultural shift with clearer responsibilities and increased engagement in every aspect of operations and highlight best practices in the work with the workplace environment. Leaders' responsibility for the workplace environment is also made clearer. Safety walks and safety talks, where leaders visit operations and talk with employees about workplace risks, are important tools.

Swedavia is now working to develop suitable metrics for more proactive work with the workplace environment and systematic assessment work for risk management, mapping and monitoring.

Reduced absence due to illness

In 2017, Swedavia's overall rate of absence due to illness fell for twelve straight months, from 5.24 per cent at the start of the year to 4.78 at the end of the year. The decrease applied to both men and women and in the number of people on long-term sick leave. However, the number of



OPERATIONS – SOCIAL DEVELOPMENT

people on short-term sick leave was unchanged compared to 2016. The biggest decline in these figures was at Stockholm Arlanda Airport.

Human rights

Running airports is a complex operation that can potentially affect the human rights of many stakeholders. Two examples of stakeholders that Swedavia affects directly are employees and people visiting the airports. With 3,681 employees and 40 million passengers at its airports, the Company faces a variety of challenges each year. Meanwhile, the Company has the important task of ensuring respect for human rights in the supply chain as well. As a responsible company, Swedavia therefore carries out continuous work to proactively identify and manage the Company's risks associated with human rights throughout the value chain.

The basis of this work is Swedavia's Codes of Conduct for employees and suppliers, which both state the Company's obligation to respect human rights. The codes were developed by the Board of Directors and specify clear expectations about how Swedavia's employees and suppliers should conduct themselves. The codes are based on the UN's Declaration of Human Rights, the International Labour Organisation's Conventions on Fundamental Principles and Rights to Work, the Rio Declaration on Environment and Development, and the UN Convention against Corruption.

One focus area in the work with human rights is issues that concern employees, primarily the workplace environment, gender equality, diversity, discrimination and victimisation. There are clear guidelines and policies on these issues for how Swedavia is to work. In order to bring attention to any incident, all employees have the opportunity to report work injuries, harassment, instances of discrimination and other matters via the Company's intranet. Another important focus area is the well-being of customers. Aviation safety and security are the Company's top priority, which means that Swedavia works to minimise the risk of incidents that can have an adverse effect on the health and safety of airport visitors. Active work is carried out to also ensure good access, equal treatment, and good customer service for passengers at our airports. For instance, all employees at the airports receive training in customer service and hospitality. Another important issue is providing good passenger assistance services to people who need them.

In order to further develop and structure the work with human rights, Swedavia began extensive work in the autumn of 2017. First, an overall mapping of risks from a value chain perspective was carried out. This identified, among other things, important challenges associated with the development projects under way. The projects involve many contractors and suppliers, where there may be risks associated with occupational health and safety, overtime work and low wages. The risk of trafficking at the airports is another important issue, where Swedavia in partnership with the government agencies involved can play an important role. This mapping also confirmed that aviation safety and security and the risk of discrimination against

or victimisation of passengers are priority issues.

Based on this mapping of risks, a Group-wide review of Swedavia's work with human rights was carried out taking into account the UN's Guiding Principles on Business and Human Rights. The results indicated a number of areas for development that the Company will address in 2018. For instance, during the year Swedavia will develop its risk management process to better capture all the kinds of risks associated with human rights and create an action plan for its continued risk management work. During the year, Swedavia will also work to clarify and establish the assignment of responsibilities for these issues in the organisation and increase the knowledge of employees through training.

New main office

In 2017, Swedavia brought together many of its administrative units in its new main office immediately adjacent to Stockholm Arlanda Airport. An activity-based way of working is applied in the new building, with flexible workplaces adapted to different activities and tasks.

Swedavia's recruitment guidelines

Swedavia strives for an organisation that reflects society and its customers. The Company has therefore set a target of having at least 23 per cent of its workers foreign-born. In 2016, the actual figure was 15 per cent, and in 2017 it was 15.2. Similarly, the Company strives to have half of its workforce consist of women. In 2016, the percentage of women was 35 per cent; in 2017, the figure was 36 per cent.

To further drive this trend and help achieve gender equality and increased diversity, in 2017 Swedavia issued recruitment guidelines. These recruitment guidelines shall ensure that Swedavia recruits employees in a sustainable, safe and attractive way and covers all recruitment at Swedavia, whether this is carried out internally or by external parties, and includes consultants.

Recruitment guidelines

- In its recruitment, Swedavia shall strive for balanced representation between men and women
- Men and women shall be offered the same career opportunities. As a result, the final candidates in recruitment shall be represented by both sexes when they are assessed
- An exception can only be made by the President and CEO
- Swedavia's aim is to also always increase the percentage of employees with a foreign background in its recruitment
- In Swedavia's recruitment, a person's name or place of origin may never be of any relevance to the opportunity of being offered a job
- Nor may a person's sexual orientation, gender, age, functional ability or religion be of any relevance

Employees in figures

Swedavia's employees in figures*

	Number of employees	Permanent	Fixed-term contract	On hourly wages	Full-time	Part-time
2017						
Women	1,326	962	54	310	907	109
Men	2,355	1,691	164	500	1,766	89
Total	3,681	2,653	218	810	2,673	198
2016						
Women	1,201	875	56	270	781	94
Men	2,275	1,592	206	477	1,543	49
Total	3,476	2,467	262	747	2,324	143
2015						
Women	1,148	849	51	248	755	94
Men	2,204	1,519	240	445	1,461	58
Total	3,352	2,368	291	693	2,216	152

* Information pertains to the number of employee contracts as of December 31.

The number of employees increased in 2017 by 205, which is largely explained by a continued increase in air traffic and passenger volume. Another explanation is the European Aviation Safety Agency's new legal requirements for some airports, which entails an increased need for staff. The number of employees in the corporate units increased mainly due to increased investment volume and the continued development of the organisation by replacing consultants with permanent staff and recruitment to fill open positions.

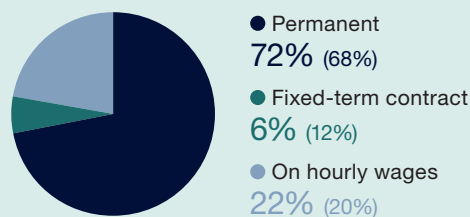
Average number of employees, 2017

3,074 (2,949)

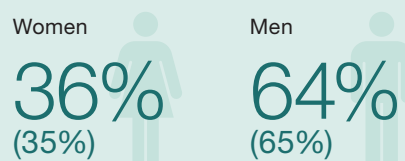
Employees with a foreign background, 2017

15.2% (15%)

Breakdown by form of employment, 2017



Breakdown by gender, 2017



Statement from the Chairman of the Board



Swedavia works to operate and develop airports for the future. They must be able to meet changing needs and create access and favourable conditions for Sweden for decades going forward. The owner's expectations are clear. Operations shall be run with a focus on sustainability that includes operational and economic aspects as well as environmental and social aspects.

The growth in air travel has exceeded most forecasts for a number of years in a row, and cargo volume is also increasing as a result of growing e-commerce. There is a great need for additional capacity at the airports in many cases. Swedavia is therefore working to increase capacity at all ten airports, both through extensive infrastructure projects and the development of processes. In 2017, capital spending doubled compared to 2016. In the next couple of years, investments of around four billion Swedish kronor will be carried out each year. Since Swedavia finances its own development and infrastructure, this places stringent demands on both profitability and implementation capability. I can state that the Company is well equipped for the years ahead.

At the same time, Swedavia needs to be flexible in order to best manage political changes as well as changes in the market and in the rest of the world that affect the conditions for the Company's operations. Swedavia's investment plans are based on long-term assessments and analyses, while increased air travel requires measures even in the short term to increase capacity at the airports.

COLLABORATIONS AND ECONOMY

One important collaborative forum that the Swedish government took an initiative for in 2017 was the Arlanda Council. It is an advisory body that will consider broader issues and interests when Stockholm Arlanda is developed in the years ahead. As such and as a body for the exchange of experiences between Swedavia, the government, representatives of government authorities involved and the business community, this council could be very important. With three cabinet ministers taking part and engaged, important representatives from both the public and private sector, I also think this sends a clear signal of the Stockholm Arlanda Airport's importance for Sweden as a successful export country and as an attractive country for investments, tourism and the establishment of companies, which in turn are the basis for Sweden's continued growth in prosperity.

From an economic perspective, Swedavia had a strong year and its performance in achieving its targets was good. During the autumn of 2017, two of the Company's economic targets were revised – the target for return on operating capital and the debt/equity ratio, which

measures gearing. The return target was lowered from seven to six per cent of operating capital, and the range for the debt/equity ratio was expanded. These economic targets are based on macroeconomic factors and constitute important conditions for our investment capability and competitiveness.

Swedavia has also decided to change the timeframe for its customer satisfaction target, which is now to be achieved by 2025 instead of earlier, by 2020. The ambition is the same as before, but we foresee that the extensive renovation work mainly at Stockholm Arlanda will have an effect on the overall customer experience, and we will only be able to see the long-term results of these improvements in a few years.

ENVIRONMENT AND CLIMATE

In terms of the environment and climate, Swedavia has been carrying out ambitious and extensive work for many years, and its environmental thinking is integral to the organisation. Climate change as a consequence of humankind's emissions of greenhouse gases must be taken seriously. Swedavia is well on its way to reaching its target of zero emissions of fossil carbon dioxide from its own operations by 2020. The Company is also engaged in work being carried out by the entire air transport sector to reduce the climate impact of air travel. A key issue in this context is the accelerated transition to bio fuel and the possibility of bringing about more large-scale production in Sweden.

Air transport enables Sweden to be part of global development, in terms of innovation, economic growth and cultural development. At the same time, climate change is the critical issue of our time, and Swedavia is doing what the Company can do to take responsibility for sustainable air travel. This sustainability work will be very important not just for Swedavia but the entire air travel industry in the years ahead. We must continue to develop the values that make air travel so important and at the same time reduce the climate impact produced by it.

SOCIAL DEVELOPMENT

Safety and security at airports – for passengers and our partners as well as our employees – is our top priority. Here too, Swedavia has worked systematically with safety, security and the workplace environment. I see that Jonas Abrahamsson has further emphasised this important work in his first year as President and CEO.

But social sustainability is more than that. It is also a matter of values and behaviours, how we treat one another in our daily encounters and what opportunities we have to thrive and develop, despite any differences. The discussion that accelerated in conjunction with the #MeToo movement in 2017 was an important reminder of this. Swedavia's management has taken many initiatives for diversity, inclusion and healthy values, and I find that the Company has made great progress in this long-term and sustainable work.

Finally, I am happy to note that 2017 was a successful year for Swedavia. Passenger growth continued, which is a good sign that the Company is doing the right things to live up to its purpose – enabling people to meet. In that way, Swedavia will create access and contribute to sustainable growth. On behalf of the Board of Directors, I would like to thank all of Swedavia's leaders, employees and important partners for their dedicated work. I would also like to welcome all the passengers at our airports and look forward to a successful 2018.

Åke Svensson, Chairman of the Board, Swedavia

Annual Report 2017

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Report of the Directors

The Board of Directors and the President and CEO of Swedavia AB (publ), Swedish corporate identity number 556797-0818, hereby submit their annual accounts for Swedavia AB and the consolidated financial accounts for the Swedavia Group for the year of operations 2017. The Report of the Directors is for the Group and Parent Company, unless otherwise indicated.

SWEDAVIA'S OPERATIONS

Swedavia is a State-owned company that owns, operates and develops a network of ten State-owned airports in Sweden. Swedavia's operations are divided into two segments, Airport Operations and Real Estate. In 2017, the Airport Operations segment at Swedavia ran operations at ten airports – Bromma Stockholm Airport, Göteborg Landvetter Airport, Kiruna Airport, Luleå Airport, Malmö Airport, Ronneby Airport, Stockholm Arlanda Airport, Umeå Airport, Visby Airport and Åre Östersund Airport – in the national basic infrastructure of airports as determined by the Swedish government. The airports are managed as and consolidated into an integrated airport system with shared corporate functions. Real Estate owns, develops and manages properties and developable land at and in the vicinity of Swedavia's airports.

Swedavia's task from the Swedish State includes working actively based on sound business principles and with long-term profitability to develop the transport sector and help achieve the Parliament's transport policy objectives. The overall objective of Swedish transport policy is to ensure the socioeconomically efficient, long-term sustainable provision of transport to citizens and businesses throughout the country. As per the instructions of its owner, Swedavia shall measure and report results for five indicators in the areas of access, quality of transport, safety, security, and environment. Swedavia's operations are funded by the revenue generated from operations.

PURPOSE, VISION AND BUSINESS CONCEPT

Swedavia's purpose is "Together we enable people to meet" and its vision is "We develop the airports of the future and create sustainable growth for Sweden." The Company's business concept is "We create added value for our customers together with our partners through attractive airports and access."

IMPORTANT EVENTS DURING THE YEAR

The year was characterised by continued good passenger growth, with a 6.1 per cent increase compared to 2016, which means a new record in passenger volume for Swedavia and passenger records at seven of its airports.

On January 26, 2017, the Swedish government presented the first national aviation strategy for the role of air transport in Sweden's future transport system. In this strategy, emphasis is given to the critical importance of air transport to the country's growth and development. The government highlights in particular the importance of Stockholm Arlanda Airport for the development of the whole country and access to international contacts. In line with this aviation strategy, the government appointed the Arlanda Council, an advisory body that during the year began its work to consider broader issues related to the objective of developing Stockholm Arlanda Airport into the leading

airport in the Nordic countries.

In conjunction with its decision on a framework budget for 2018, the Swedish parliament voted to introduce a national aviation tax as of April 1, 2018. Swedavia has followed the market to determine what effects the aviation tax could have on the Company's customers and thus on Swedavia's operations. Swedavia's previous assessment that a national aviation tax only has very small effects on greenhouse gas emissions and also risks being a Swedish competitive disadvantage still holds. Swedavia is following developments in order to determine what measures need to be taken as a result of the aviation tax.

In 2016, Swedavia was the first company in the world to buy bio fuel corresponding to the amount used for the company's air travel for official business. Swedavia also continued this venture in 2017. On December 6, bio fuel was used to refuel aircraft for the first time at Malmö Airport, which means that half of Swedavia's airports were supplied with biofuel during the year. Swedavia will continue the work to include key players, create the right conditions for the switch to renewable aviation fuel and continue to work with activities to shift production closer to the market in Sweden.

In a ruling on March 16, 2017, the Land and Environmental Court of Appeal rejected an application from Swedavia to change Condition 5, which regulates so-called low-speed traffic at Stockholm Arlanda Airport. Swedavia has appealed the ruling to the Supreme Court. A ruling on a leave to appeal can be expected in the spring of 2018.

On April 25, it was announced that Scandic Hotels will be the operator of Göteborg Landvetter Airport's new hotel. The hotel is an important piece of the puzzle in the airport's expansion and the construction of the new Airport City Göteborg.

An Extraordinary General Meeting held on October 9 decided to revise the profitability target for return on operating capital to at least six per cent (from the previous target of at least seven per cent). The EGM also decided that the leverage target would be revised, with a debt-to-equity ratio in the range of 0.7–1.5 times, from the previous range of 1.0–1.5 times. The dividend policy was not subject to revision.

Following a tender process, Swedavia AB and The Nuance Group (Sweden) AB signed a new service concession agreement for the running of tax- and duty-free operations at all ten of Swedavia's airports. The agreement runs for seven years with an option of a three-year extension.

In November, Swedavia and the Swedish Civil Aviation Administration (LFV), the provider of air traffic management services, signed an agreement that entails the establishment of remote air traffic management at four Swedavia airports in the years ahead. The airports affected are Kiruna Airport, Umeå Airport, Åre Östersund Airport and Malmö Airport.

In December, Swedavia signed an agreement to sell the property at Stockholm Arlanda Airport on which a major new hotel is being built. The sale was made to a Swedish public limited company owned by Wenaasgruppen AS and O.G. Ottersland AS. The hotel will be the largest airport hotel in the Nordic countries. The capital gain is estimated at around SEK 350 M, and occupation is planned for 2019.

In December, Swedavia and the Nordic Investment Bank signed a two billion Swedish kronor loan agreement for the construction of a new pier at Stockholm Arlanda Airport. The loan agreement enables loans with a maturity of up to ten years and will help fund the airport's expansion.

Following an appeal submitted by an airport user of Swedavia's decision on airport charges for 2018, the Swedish Transport Agency has now issued an interim ruling that the decision can be carried out until further notice. The Swedish Transport Agency's final decision will be issued by March 23, 2018, at the latest.

In 2017, a total of 33 new international routes were launched from Swedavia's airports, 28 of them in Europe and five to other continents from Stockholm Arlanda Airport – Singapore, Delhi, Eilat, Agadir and Miami.

A change in the conditions for introducing US border control or US preclearance, combined with a growing need for capacity enhancements as a result of high passenger growth, has caused Swedavia to prioritise investments at Stockholm Arlanda Airport. The change in financial conditions is mainly due to the introduction of a national aviation tax, increased investment costs for the facility and a change in financial conditions for the additional security screening associated with US preclearance. Swedavia has therefore decided not to con-

tinue at present with preparatory work to establish US preclearance at Stockholm Arlanda Airport. However, Swedavia still believes that the introduction of US preclearance would improve access between Sweden and the US and also contribute to the development of the airport as a hub in Scandinavia.

In 2017, it was decided that Peder Grunditz, airport director at Bromma Stockholm Airport, would replace Kjell-Åke Westin as airport director at Stockholm Arlanda Airport. Mona Glans will be airport director at Bromma Stockholm Airport after serving as airport director at Ronneby Airport. Kjell-Åke Westin, formerly airport director at Stockholm Arlanda Airport, will continue in the newly established role of head of operational excellence and senior advisor to Swedavia's president and CEO. This position will be called in as an additional member of the Group management team when necessary. Joakim Kedbrant, acting head of the new implementation organisation established during the autumn, will also be part of the Group management team until that position is filled.

THE GROUP IN BRIEF¹

SEK M, unless otherwise indicated	2017	2016	2015	2014	2013
Net revenue	5,745	5,546	5,416	5,384	5,137
Operating profit	651	966	1,755	1,405	946
Operating margin, %	11.3	17.4	32.4	26.1	18.4
Profit for the year	407	717	1,410	926	501
Return on operating capital, % ³	5.1	8.5	14.6	10.3	7.2
Debt/equity ratio, times ³	1.0	0.7	0.6	1.4	1.9
Investments	3,866	2,138	1,120	924	2,413
Dividend	122 ²	143	232	231	–
Average number of employees	3,074	2,949	2,787	2,516	2,369
Number of passengers, millions	41.9	39.5	37.6	35.7	33.5
Operating costs per departing passengers, SEK ⁴	197.3	197.3	195.2	186.6	194.2
Commercial revenue per departing passenger, SEK	75.7	75.5	76.1	78.5	78.2

¹ For key metrics and definitions, see pages 137–138.

² Dividend proposed to the Annual General Meeting.

³ As of 2017, pension provision and related pension tax receivable are netted. Comparable years have been adjusted.

⁴ As of 2017, capitalised work for own account has been taken into consideration; comparable years have been restated. For 2016–2017, this metric was calculated based on Airport Operations and for 2013–2015 it was calculated based on Swedavia AB.

NET REVENUE AND PROFIT

Consolidated net revenue for the full year totalled SEK 5,745 M (5,546), an increase of SEK 199 M or 3.6 per cent compared to the previous year.

Revenue from Aviation Business totalled SEK 3,552 M (3,446), an increase of SEK 106 M. The increase in passenger- and aircraft-related revenue was lower than the increase in passenger volume. One important explanation for this is that revenue from passenger volumes that exceed forecasts is paid back to the airlines in accordance with Swedavia's pricing model. Revenue from the Swedish Transport Agency for security screening fell due to a reduced cost base. Sales of de-icing, apron and passenger services had a positive trend and contributed to increased revenue for the Aviation Business segment.

Revenue from Commercial Services totalled SEK 2,152 M (2,062), which is an increase of SEK 90 M. Commercial revenue per passenger was SEK 75.7 (75.5).

Revenue from car parking & parking facilities increased SEK 49 M compared to 2016, which is an increase in line with passenger growth.

Revenue from food & beverage had a positive trend and exceeded passenger growth. Revenue from retail exceeded the level last year but did not increase at the same rate as passenger growth.

The key metric operating costs per departing passenger was SEK 197.3 (197.3).

External expenses were SEK 46 M higher compared to 2016, with higher operating costs attributable to increased passenger volume being the main reason.

Staff expenses increased SEK 150 M. Increased resources in development projects and an increase in operating staff at the airports, attributable to higher passenger volumes, together with annual salary reviews were important reasons for the increase.

Depreciation, amortisation and impairment losses increased SEK 64 M compared to 2016. Impairment losses on investments had a negative effect of SEK 119 M (58), mostly attributable to US Preclearance and operation development projects. The disposal of fixed assets in conjunction with renovations had a negative effect on other operating costs of SEK 40 M (16).

REPORT OF THE DIRECTORS

Consolidated operating profit totalled SEK 651 M (966). Operating profit was negatively affected by SEK 160 M (74) attributable to impairment losses and disposals. In 2016, capital gains of SEK 241 M attributable to the sale of S ve Airport and an earnout on the sale of a hotel had a positive effect. Excluding the above terms, operating profit, SEK 811 M (799), exceeded the level in 2016, and the economic target of six per cent return on operating capital would have been met.

Net financial items totalled SEK -76 M (-97). Net interest was lower than in 2016, which is explained by a lower average interest rate. Profit from joint ventures had a positive effect of SEK 37 M (41) on net financial items.

LIQUIDITY AND FINANCIAL POSITION

Equity in the Group at year-end totalled SEK 7,665 M (7,351).

Swedavia's borrowings at year-end totalled SEK 6,533 M (4,298), an increase of SEK 2,235 M. Swedavia's borrowings consist of notes and bonds issued, SEK 5,082 M (3,298), and commercial paper, SEK 1,451 M (1,000). At the end of the year, the average capital tie-up period was 3.4 years (2.0), and the average interest rate lock-in period was 3.4 years (2.2). The average interest rate on December 31, 2017, was 1.4 per cent (2.8).

Liquid assets decreased SEK 112 M to SEK 58 M (170). Net liabilities increased SEK 2,394 M from SEK 4,896 M to SEK 7,290 M, mostly due to increased borrowings as a result of the faster investment pace. The debt/equity ratio was 1.0 times, which is an increase compared to the beginning of the year, when it was 0.7 times.

On the balance sheet date, Swedavia had unused credit facilities totalling SEK 2,200 M (700) and a loan agreement with the Nordic Investment Bank of SEK 2,000 M for loans with maturities of up to ten years.

CASH FLOW

Cash flow for the year totalled SEK -112 M (164). Cash flow from operating activities was SEK 1,537 M (1,650), which is SEK 113 M lower than the same period in 2016.

Cash flow from investment activities totalled SEK -3,765 M (-1,855). Investments in tangible fixed assets increased SEK 1,728 M compared to 2016, which largely explains the increase. Cash flow in 2016 was also positively affected by SEK 274 M in liquid payments from the sale of S ve Airport and the disposal of land. In 2017, cash flow was positively affected by an earnout of SEK 95 M received on the sale of a hotel previously carried out.

Cash flow for the year from financing activities was SEK 2,117 M (370). Cash flow for the year is explained by the issuance of medium-term notes and increased commercial paper to finance the increased investments. Payment of the dividend adopted had a negative effect of SEK 143 M (232).

INVESTMENTS

During the year, investments totalled SEK 3,866 M (2,138). Important investments during the year were investments to expand capacity at Stockholm Arlanda Airport and G teborg Landvetter Airport's development programme. Investments were also made in the safety classification of the runway system and a new arrival hall at Bromma Stockholm Airport, the construction of Sky City Office One at Stockholm Arlanda Airport, and maintenance and capacity measures at other airports.

ECONOMIC TARGETS

At an Extraordinary General Meeting held during the autumn, Swedavia's economic targets were revised. The profitability target,

return on operating capital, shall be at least six per cent. The capital structure target, the debt/equity ratio, shall be 0.7–1.5 times.

These economic targets are long-term, which means that the actual results may exceed or fall below the targets as a result of fluctuations in the economy, for instance.

DIVIDEND TARGET

The normal dividend shall be between 30 and 50 per cent of the year's profit excluding capital gains on the sale of properties and excluding changes in value and related tax. Dividend decisions shall take into consideration the Company's operations and the capital structure target (a debt/equity ratio of 0.7–1.5 times).

SHARES

Swedavia AB (publ) has issued 1,441,403,026 shares, which comprise a single share class, and all shares have equal voting rights in the Company. All shares are held by the Swedish State; the State's holdings are administered by the Ministry of Enterprise and Innovation as of December 31, 2017. The par value of a share is one (1) Swedish krona.

ACQUISITIONS AND DISPOSALS

In December, Swedavia signed an agreement to dispose of the subsidiary that owns the property at Stockholm Arlanda Airport on which the future major hotel is under construction. Under the agreement, the transfer will take place in November 2019 when the hotel is placed in service. The transaction is recognised in conjunction with occupancy, which is the time at which the risk will be transferred to the buyer.

MARKET

Passenger volume increased 6.1 per cent during the full-year 2017. International passenger volume increased 8.2 per cent, while domestic passenger volume increased 2.2 per cent. Demand for international flights was strong throughout the year, which had a positive effect on passenger growth. However, during the fourth quarter, some deceleration in the rate of growth was apparent. Domestic air travel overall also increased during the year, demonstrating the important role that air travel has in Sweden. The cabin factor for airlines remained at a high level.

Due to strong demand for flights at Swedish airports, airlines continue to invest in the Swedish market. Throughout the year, a number of airlines decided on new or expanded service going forward, but airline bankruptcies abroad had an effect on routes, mostly to Britain and Germany. Economic growth in Europe and much of the rest of the world was an upside surprise in 2017. That contributes to the continued increase in visitors to Sweden. Improved and attractive access to Sweden by air is an important component in this growth.

Also in intercontinental scheduled service, passenger volume continued to increase during the full year. New routes and increased frequencies from Stockholm Arlanda Airport led to increased intercontinental volumes for both passengers and cargo. Charter operations at Swedavia's airports also had strong growth compared to 2016.

The seasonally adjusted passenger trend shows that international travel in 2017 continued to reach record volumes. Domestic travel is also at historically high levels, and seven of Swedavia's ten airports set passenger records in 2017.

SUSTAINABILITY REPORT

Business model

Swedavia's role is to create the access Sweden needs to facilitate travel, business and meetings – in Sweden, elsewhere in Europe and around the world. Safety, security and sustainable development with a focus on the customer are the basis of everything Swedavia does, both in its own operations and in society in general. Operations are run along solid business principles, and the Company shall build a business that is sustainable over the long term through development, planning and operational efficiency. All the important issues that move Swedavia towards being a responsible role model in sustainability are represented in the Company's different sustainability perspectives. Environmental concern, social relations and employees, human rights, anticorruption and business ethics are all integrated in the Company's business model. For a detailed description of Swedavia's business model, see the Strategy section on page 20.

Significant risks and uncertainty factors

Risk management at Swedavia is aimed at ensuring the Group's ability to achieve its business objectives and be well prepared to meet change both internally and externally. Swedavia's risk management methods are harmonised with ISO 31000 standards and are described in a risk management framework. Governance is made concrete through a risk policy, financial policy and credit policy with related guidelines for the purpose of describing the risk management process for both operations and the investment portfolio. Carrying out proactive risk management is an important tool in Swedavia's drive to provide greater access for passengers and other customers. Through continuous, systematic risk management, decisions, priorities and change work are driven towards our overall objectives. Business planning work for the airports and the corporate units is based on structured risk work that is integrated in Swedavia's management system.



Definition of risk criteria and risk management principles

Strategic risks – Risk of loss or other adverse consequence that affects Swedavia's sustainable development. In general, this risk concerns risks that have a great effect on the Group as a whole.

Operational risks – Risks as the result of insufficient, inefficient or non-functional internal processes, human error, problems with technical systems or external events.

Financial risks – Currency risks, interest rate risks, credit risks, commodity price risks and liquidity and refinancing risks are included within the framework for financial risk management. Read more on page 124-125, Note 45 "Financial risks".

Swedavia's risks shall be managed based on the principles of responsibility, equality and proximity.

- The principle of responsibility entails that the person who is responsible for an operation is responsible for its risks. Responsibility thus includes ensuring that the risk owner of that operation takes measures to ensure the robustness of the operation's processes and works for a high level of risk awareness.

- The principle of equality states that an operation shall function as far as possible in the same way during an incident as under normal conditions.

- The principle of proximity states that risks shall be managed where they may occur in the organisation and by whoever the risk owner is. However, sometimes a risk may not be managed at the level in question; in such cases a risk committee may supervise the risk owner.

These principles are enforced through the mandatory completion of risk analyses on a continuous basis prior to changes and projects. Swedavia's airport operations strive for a low level of risk-taking, which safeguards Swedavia's brand and meets the requirements of its owner, oversight authorities, partners and customers in line with Swedavia's business strategy.

Risk identification and risk assessment

Risk identification is carried out on a continuous basis in Swedavia's operations at the strategic level and in all portfolio operations.

For each identified risk, a risk owner is delegated, and measures to manage risk changes are documented. All the risks and types of risks in operations are assessed and compiled in risk banks, which are continuously updated within the framework for the executive management's review and work with business plans. Risks in the risk bank are aggregated and reported on a quarterly basis. Risk identification can lead to the start of work with risk change management.

Risk change management

The operations' risks are reported on a quarterly basis as part of the Company's quarterly dialogues, with a focus on risks based on strategies, objectives, targets and activities. The operations' assessment of the risks and activities are evaluated at a Group-wide level. The risks assessed then constitute the basis of a Group-wide risk report that is adopted by the executive management prior to the preparation of matters in the Audit Committee and a Board decision.

Monitoring and examination

Preparations to consider Group-wide risk matters are made in the Risk Committee, which meets on a quarterly basis. The Risk Committee constitutes a cross-functional platform for strategic and Group-wide risks. Internal auditors examine, test and validate the effectiveness of Swedavia's risk management through audits of the risk management function and the risk work carried out in the operations.

REPORT OF THE DIRECTORS

Results in 2017

The risk work at Swedavia during the year resulted in analyses, measures and continuity plans to manage most risks associated with our sustainability perspectives – customer, social development, environmental concern and economy. Monitoring and follow-up of projects in its development programmes are also carried out on a continuous basis to ensure that disruptions in ongoing airport operations are minimised.

In 2017, a Group-wide risk workshop was held to assure and develop the reasoning on risks associated with environmental concern, social relations and employees, human rights and anticorruption.

The occurrence of bribes at a company, or suspicions of such, affects everyone who has a relationship with the company. Employees at Swedavia may never, either explicitly or implicitly, receive, allow themselves to promise or request for themselves or for another person a prohibited benefit for their exercise of duty nor may they provide or receive such a benefit. The Company's reputation and brand are damaged if there is corruption in our operations and/or with suppliers or other organisations at one of our airports. There was increased focus on workplace environment risks in Swedavia's development programmes during the year. Swedavia has also begun work to map the risks that can be linked to negative effects on human rights. The analysis includes the entire value chain and is aimed at mapping what stakeholders as well as what human rights can be affected. Swedavia is also carrying out a gap analysis of current work based on the UN's Guiding Principles on Business and Human Rights (UNGBHR) in order to develop concrete recommendations for enhanced compliance with these guiding principles.

Risk management in the customer perspective

Swedavia strives to continuously develop, improve and create flexibility in operations in order to have a focus on customers. To meet increased demand in the short term, efficient flows in the existing infrastructure are needed. In the long term, the demand for more capacity is met through development plans that then result in investments. There is a risk in terms of the ability to make accurate assessments of the demand for capacity and in the ability to implement development plans at a fast enough pace. During the year, the decision was made to establish an implementation organisation that will be responsible for implementing major investments on behalf of the Company's portfolio owners. There is a risk that Swedavia will not be able to translate insights and customer needs into new ventures and business opportunities quickly enough, which could lead to declining profitability.

Risk management in the social development perspective

Events such as extreme weather conditions, operational downtime, a terrorist act or labour dispute could entail a shutdown or disruption in airport operations and commercial services. The airports' aviation safety and security work is aimed at preventing and minimising the effects of any incidents in Swedavia's operations. With effective safety and security work combined with effective risk work, disruptions in airport operations shall never affect aviation safety and security. Swedavia works actively with crisis management and continuity plans and carries out exercises to increase risk awareness and the competency levels of our employees, partners and government authorities. If an unplanned event occurs, Swedavia works continuously with crisis and preparation communication together with the parties affected, aimed at relevant target groups. This work

is focused on providing clear, fact-based information as quickly as possible.

Being an attractive employer that attracts and retains the right employees is an important part of Swedavia's drive to secure the supply of future talent. Development of the Group's operations is carried out alongside a large number of strategic development projects, which places high demands on leadership and implementation strength. Employees are motivated and engaged through a functional breakdown of objectives and targets as well as clear leadership.

Risk management in the environmental concern perspective

Swedavia runs operations that require an environmental permit in accordance with the Swedish Environmental Code and therefore must have an environmental permit for each airport in order for the Company to be allowed to run the airports. This requirement for an environmental permit, combined with a high level of ambition, drives our environmental work. The permits and the terms of the permits define opportunities as well as limitations for Swedavia to develop its business and meet growing demand. Changes in these permits and permit terms can affect operations to a great extent. Environmental permit processes are long and time-consuming, which means that environmental issues constitute a critical aspect of the airport's long-term development plans. In addition, there are local risks, for instance, associated with soil contamination, where this is relevant. A number of risks linked to Swedavia's ambition for renewable aviation fuel have been identified. The most important one involves the passivity of other market participants. Swedavia supplemented its risk work with related instructions to better address the risks associated with environmental concern.

Risk management in the economy perspective

Swedavia carries out work on a continuous basis to make operations more efficient. As a consequence of the continuous passenger growth and an industry with a rapid pace of change, investments in infrastructure with a high degree of complexity are needed. That constitutes a challenge in terms of priorities, funding and resource use. In order to monitor and mitigate this risk and to manage and give priority to the Company's investment funds, there is an established investment process through portfolio management and a development forum. Swedavia's customers operate in a market subject to intense competition, where there are a small number of major airline customers and changes occur rapidly. The risks that Swedavia faces because of uncertainty about the economy, a possible aviation tax and airlines in financial imbalance include the risk of lower profitability as a result of lower revenue if costs cannot be reduced to the same extent, and the risk of credit losses as a result of airlines or other customers going bankrupt. Swedavia strives to increase flexibility in costs, create action plans to handle a decline in traffic and bolster its business intelligence about customers' economic situation in order to minimise credit losses in conjunction with any bankruptcy. The Group's financing activities and management of financial risks are centralised in the corporate finance function. Operations are carried out based on a Financial Policy and a Credit Policy adopted by the Board of Directors which are characterised by a low risk level. The aim is to minimise the Group's capital costs through effective funding solutions and effective management and control of the Group's financial risks. For more information about definitions and the management of financial risks, see Note 45 on pages 124–125.

Environmental concern

Environmental concern is one of Swedavia's sustainability aspects and an essential requirement for sustainable development. Environmental issues are therefore integrated in Swedavia's strategies and governance of operations.

Policy

The policy that is most applicable in the area of the environment is Swedavia's Environmental and Energy Policy. It is one of the six policies adopted by Swedavia's Board of Directors. The policy is used as a key comprehensive governing document. In the absence of other governing documentation, the Environmental and Energy Policy prevails.

The Environmental and Energy Policy is reviewed at least once a year in conjunction with the management's review of Swedavia's environmental work. If necessary, for instance, if there is a change of priorities in operations, necessary revisions are made to ensure that the Environmental and Energy Policy is always up-to-date and relevant for all the Group's operations.

As a result of this Environmental and Energy Policy, the entire Group has a clear framework for setting environmental objectives and targets, a Group-wide obligation to protect the environment and an obligation inherent to the executive officers to continuously improve the environmental management system to achieve better environmental performance.

Climate and energy

A reduced climate impact is one of the greatest challenges to the air transport industry. Swedavia's main environmental impact is atmospheric emissions of greenhouse gases, primarily carbon dioxide. The biggest source of the Company's emissions is exhaust fumes from vehicles and the operation of terminals and other buildings. Swedavia's target for 2020 is to have zero tonnes of fossil carbon dioxide from its own operations and reduced energy use. In 2017, emissions were 1,896 tonnes compared to 2,723 tonnes in 2016, and energy use was 190,530 MWh compared to 194,596 MWh in 2016. Read more about this on page 57.

A profitable Swedavia can also assist others in their climate work. Under the scope of the Airport Carbon Accreditation programme, there are many partnerships at the airports to reduce emissions of fossil carbon dioxide. On issues related to infrastructure, Swedavia acts in accordance with its policy through different guidelines that are applied in all construction projects. The guidelines concern issues such as environmental certification, energy, rubble and other waste management, building materials and other environmental issues related to construction. Swedavia's strategy of proactive environmental work includes the Company's own operations as well as the transition to renewable aviation fuel. Swedavia strives to drive the development of bio aviation fuel. As a result, the Company works actively to reduce its own emissions of fossil carbon dioxide and those of its stakeholders and to use natural resources in an efficient way with the aim of ensuring long-term Swedish access. Swedavia's objective is to drive the air transport industry to use a higher percentage of renewable aviation fuel. The amount of renewable bio aviation fuel used to refuel aircraft on behalf of Swedavia in 2017 was twelve tonnes. Read more on page 58.

Environmental permit

Swedavia carries out operations subject to the conditions of its environmental permits under the Swedish Environmental Code. These consist primarily of operations that are hazardous to the environment

under Chapter 9 (airport operations) and water operations under Chapter 11 (ponds, treatment facilities and groundwater redirection). Swedavia must therefore have an environmental permit for each airport in order for the Company to be allowed to operate the airports. At year-end 2017, Swedavia was responsible for eight airports subject to conditions in its environmental permits under the Swedish Environmental Code. The Swedish Armed Forces was responsible for the environmental permits for the remaining two, Luleå Airport and Ronneby Airport. Swedavia's primary environmental impact is atmospheric greenhouse gas emissions, mainly carbon dioxide. The largest source of the Company's emissions is exhaust from vehicles and the operation of terminals and other buildings. Another significant environmental impact is discharges into the ground and water, mainly of oxygen-depleting substances from the application of anti-skidding agents on runways and the de-icing of aircraft. The vicinity of the airports is also affected by aviation noise as a result of airport operations.

Stockholm Arlanda Airport's environmental permit entered into force on May 25, 2015. Stockholm Arlanda Airport placed the new permit in service on January 1, 2016. Although the permit is new, Swedavia has identified a shortcoming in Condition 5 which means that the airport cannot comply with this condition. Swedavia therefore applied for a change in the condition with the Land and Environmental Court, but this request was rejected. Swedavia appealed the Land and Environmental Court's decision to the Land and Environmental Court of Appeal. A ruling was issued on March 16, 2017. Swedavia has appealed this ruling to the Supreme Court. A decision on a leave to appeal is expected during the spring of 2018 at the earliest. In the new permit, the emissions cap, which limited carbon dioxide and nitrogen oxide emissions, was eliminated and replaced with an action plan for reducing emissions of carbon dioxide, nitrogen oxides and other particulate matter. The action plan is to include Swedavia's operations and the operations of other companies and organisations at the airport as well as ground transport and air traffic. As a result of the condition regulating flights over Upplands Väsby, regular straight approaches over the densely populated areas of Upplands Väsby may now take place when possible, taking into consideration the airport's capacity, air traffic management regulations, aviation safety and weather conditions.

The Land and Environmental Court ruled on June 17, 2015, on the case concerning Göteborg Landvetter Airport. The ruling was appealed by, among others, Swedavia, the Swedish Environmental Protection Agency and the West Götaland County Administrative Board. The main hearing in the Land and Environmental Court was held on March 15–17, 2016, and a ruling was issued on April 28, 2016. The ruling entails a cap on production volume of 90,000 movements, compared to the 120,000 movements that was applied for. Swedavia requested a leave to appeal from the Supreme Court on May 25, 2016, in part concerning questions involving production volume, noise level standards and water issues. The Supreme Court did not grant leave to appeal, and Swedavia has decided not to place the new permit in service. The permit does not provide the production volume needed for the region, which means that in a few years, a new environmental permit process will need to be started. Placing the new permit in service would require considerable resources to carry out the trial period investigations that the permit entails, which is difficult to manage while the airport produces material for the application for a new environmental permit.

In a decision issued on September 14, 2017, the Swedish government finally settled the issue of noise protection measures for Visby Airport. During the year, Kiruna Airport requested a new permit.

During the year, Malmö Airport submitted a trial period report con-

REPORT OF THE DIRECTORS

cerning the possibilities of reducing discharges of contaminants as a result of the anti-skid treatment of runways and the de-icing of aircraft into a number of nearby lakes. For one lake, Lake Fjällfota, the Land and Environmental Court has extended the trial period. Bromma Stockholm Airport, Umeå Airport and Åre Östersund Airport did not have any issues related to permits during the year.

Combatting corruption

Employees at Swedavia may never, either explicitly or implicitly, receive, allow themselves to promise or request for themselves or for another person a prohibited benefit for their exercise of duty nor may they provide or receive such a benefit.

The risk of corruption can be considered to be latent, but at present it has not been addressed at the Group-wide level. Swedavia is taking a number of measures to mitigate this risk, for instance, through training, advice, a whistleblower function and an ethics committee.

The occurrence of bribes at a company, or suspicions of such, affects everyone who has a relationship with the company. Swedavia's reputation and brand are damaged if there is corruption in our operations and/or with suppliers or other organisations at one of our airports. The opinion of the Company among customers, suppliers and employees would be adversely affected. It is therefore part of Swedavia's sustainability work to work proactively to prevent the occurrence of corruption and irregularities at the Company.

Policy/governance

The work with anti-corruption is carried out internally at Swedavia through governing documents, training, advice and monitoring as well as externally through Swedavia's Code of Conduct for Suppliers, which is part of Swedavia's supplier agreements. Swedavia's whistleblower function is also open to external whistleblowers and is available on Swedavia's external website.

Governing documents:

- Swedavia's Code of Conduct for Employees
- Swedavia's Code of Conduct for Suppliers
- Swedavia's Bribery Policy
- Swedavia's guidelines for external business entertainment
- Joint Initiative to Prevent Bribery and Corruption, an agreement supported by the Swedish Anti-Corruption Institute

Training

- Online training, including knowledge tests, on Swedavia's Bribery Policy and guidelines for external business entertainment
- Instructor-led training on the Agreement to Combat Bribery and Corruption

Advice

- Ongoing advice to the organisation on issues concerning external business entertainment

Monitoring

- Through the employee's immediate supervisor and through the agency of the Internal Auditing unit
- Established whistleblower function
- Through Swedavia's Ethics Committee

Swedavia has chosen to be more restrictive than the law explicitly requires in its bribery policy and guidelines. The reason for this is that, as a State-owned company, we have a responsibility for best administering the resources that society invests. As a

publicly-owned company, we therefore have a lower threshold for what is permitted compared to many other companies.

Results/KPIs

Swedavia's Corporate Legal Department will continue to work actively on anti-corruption issues.

In 2017, the following activities were carried out:

- Swedavia Airport Academy was commissioned to develop implementation and monitoring of e-learning for Swedavia's Bribery Policy and external business entertainment.
- Instructor-led training on the Joint Initiative to Prevent Bribery and Corruption, for groups identified as working in the construction sector.
- An explicit reference to the Joint Initiative to Prevent Bribery and Corruption was added to Swedavia's Bribery Policy.
- The Joint Initiative to Prevent Bribery and Corruption was integrated as an appendix to Swedavia's construction contracts.
- As of December 2017, Swedavia's online training on the Company's Bribery Policy and guidelines for external business entertainment was made mandatory for all employees at Swedavia.

The degree of monitoring and implementation of the online training among leaders at Swedavia in 2017 was 89 per cent.

Social relations and employees

Employees and Swedavia

Swedavia is currently in an expansionary phase, and for Swedavia the capability to recruit and retain competent and engaged employees is a critical success factor. The objective is to provide a workplace in which all employees have the conditions needed for them to carry out their work duties, further develop their competence and achieve set goals and targets. Based on Swedavia's values and with a focus on sustainable development, leaders and employees shall together create an engaging and inclusive culture that provides potential for higher performance, creativity and innovation. An engaging culture is the basis for achieving Swedavia's Group-wide objectives and targets, and Swedavia shall be an attractive employer for everyone in order to attract, develop and retain the best employees.

In early 2017, Swedavia's annual measurement of engagement among leaders and employees was carried out. In the measurement for the year, Swedavia had 67 per cent engaged leaders and employees, compared to a benchmark of 63 per cent. The target at Swedavia is 75 per cent engaged leaders and employees by 2020. At the end of 2017, the total number of employees, regardless of their form of employment, was 3,681 (3,476). Restated as the average number of employees during the financial year (see the definition on page 137), the number was 3,074 (2,949). The increase in employees is mostly due to growing traffic at Swedavia's airports and the increase in passenger volume. This increase is mostly in airport operations. The breakdown by gender is (35) per cent women and 64 (65) per cent men. Additional information about employees can be found on pages 61-67.

Talent management

Swedavia has developed a process for setting overall and individual Personal Engagement and Performance (PEP) objectives and targets. Employees who work in teams and have similar duties shall be able to identify and monitor Group-wide objectives and targets and in that way be more involved. The process is part of the work to achieve the Company's overall objectives, targets and strategies

and is based on Swedavia's business plan as well as the operational plan of each airport/unit. PEP is based on a continuous dialogue between employees and leaders. The objective for Swedavia is for all employees to develop and get the training that is needed. Swedavia is developing its work on its competence inventory and in 2017 appointed a special service with responsibility for talent and career development.

Leadership

Swedavia's leaders play an important role in creating opportunities for employees to grow and develop in an inclusive environment. Continuous work is carried out to strengthen the Company's leaders, in part through training and communication tools for their dialogue with employees. Mandatory leadership training is carried out to create a Group-wide platform for leadership and individual development. Leaders are the key to ensuring that Swedavia's purpose, vision and values are spread across operations, and in the work to increase engagement Swedavia works actively with inclusion to create a culture that involves and includes people even more. Swedavia's leaders gather in so-called leader meetings several times a year in order to work across functions to learn and work on issues that are important to the Company. Examples of issues that were given focus cross-functionally are a customer-focused way of working, a proactive workplace environment, safety and security, the environment and climate change, diversity and inclusion.

Workplace environment

The workplace environment and health is a high priority, and Swedavia has a zero vision for serious workplace accidents. Swedavia works continuously to enhance its proactive, systematic work with the workplace environment. In 2017, extensive work was carried out to develop more effective and proactive work with the workplace environment in which procedures for reporting and information about accidents and incidents were introduced. The objective is to achieve a cultural shift with clearer responsibilities, increased engagement and learning in every phase of the work with the workplace environment. Leaders' responsibilities for the workplace environment are also clearer. Safety walks and safety talks, where leaders visit operations and talk with employees about workplace environment risks, are important tools along with the usual safety rounds.

All employees have an employee insurance programme for illness and occupational rehabilitation through Swedavia aimed at quickly providing the help they need. Swedavia has a zero tolerance policy on victimisation and harassment.

Inclusiveness

For Swedavia, diversity and an inclusive approach are a strategic issue and a priority. Having well-thought-out and inclusive diversity work is of utmost importance to business since Swedavia operates from the assumption that people's differences make us richer. Swedavia shall be an attractive employer and has a zero tolerance of all forms of discrimination and victimisation. In 2017, Swedavia continued the work to create clear objectives and targets in terms of diversity and gender equality in its operations. To further drive the development to achieve gender equality and increased diversity, in 2017 Swedavia launched recruitment guidelines. In 2018, Swedavia shall have an even breakdown by gender in its professional categories. At the end of 2017, three of the six professional categories had gender equality. Swedavia's ambition in 2018 is to also have at least 23 per cent of employees with a foreign background. At

Swedavia at the end of 2017 15.2 per cent (15) of employees had a foreign background. Swedavia also takes part in external partnerships to find better ways of working to achieve increased diversity among Swedavia's employees, for example, via its partnership with the Royal Swedish Academy of Engineering Sciences and with Entry Hub, which is focused on new arrivals in Sweden, but also in its investments in universal design, with a focus on accessible workplaces for everyone.

Leadership and employee principles and ethical guidelines

Swedavia's approach to leaders and employees is clarified in five principles which are based on Swedavia's values and are aimed at providing a standard platform for the day-to-day work. These principles, which are based on Swedavia's vision, values and Code of Conduct are: a focus on business, a good role model, courage to be better and clear communication and One Swedavia. To ensure that everyone at Swedavia is familiar with our employee principles and our Code of Conduct, all new employees complete the training programme "Welcome to Swedavia". Moreover, as of December 1, 2017, all new leaders complete online training in Swedavia's Bribery Policy and guidelines for external business entertainment. Leader and employee compliance with these principles and guidelines in their day-to-day work is monitored through our performance review process, in which behaviour is assessed and strengths and areas for development are identified in order for them to continuously develop in line with these principles

Policy/governance

The work in the area of social relations and employees is carried out internally at Swedavia through governing documents, training, advice and support as well as through monitoring and assessment. Externally, the work is carried out through the inclusion of Swedavia's Code of Conduct in Swedavia's contracts with suppliers.

Governing documents:

- Code of Conduct for Employees
- Gender Equality and Diversity Policy
- Gender equality and diversity plan
- Guidelines against victimisation
- Workplace Environment and Drug Policy
- Safety and Security Policy
- Guidelines for training
- Employee Planning Policy
- Recruitment guidelines
- Information and Communication Policy

Results/KPIs

Swedavia measures a number of parameters and selected key performance indicators (KPIs) each year, which are:

- Absence due to illness
- 100 per cent systematic work with the workplace environment (as well as work with the workplace environment locally in management teams and at local levels of cooperation)
- Gender equality
- Engagement among employees and leaders (Employee Survey)

Given the change in the Swedish Discrimination Act in January 2017, work is under way internally to review the KPIs in the area of equal treatment (combatting discrimination and promoting equal rights and opportunities).

REPORT OF THE DIRECTORS

Human rights

Policy/governance

The basis of Swedavia's work with human rights consists of Swedavia's Codes of Conduct for employees and suppliers. Overall responsibility for coordinating the Group's work lies with Human Resources, whereas operational responsibility lies in the different parts of operations.

Swedavia's highest priority issue in human rights is aviation safety and security. Responsibility for this lies with the Board of Directors and is discussed on a continuous basis as part of the Board's work. Responsibility for the issue of the workplace environment in the Company's own operations and in ongoing development projects lies with the Group's executive management.

Results/KPIs

Based on the mapping of risks and transparency, Swedavia will create an action plan for its continued work with human rights. This includes the design of relevant KPIs to supplement those the Company measures today, for instance, in gender equality, absence due to illness and accidents.

SENSITIVITY ANALYSIS

A sensitivity analysis shows how a change in different parameters, both internal and external, affects the Company's performance and financial position. The three parameters that have the greatest impact on performance are passenger volume, staff expenses and interest rates. Swedavia's situation can generally be described as one where revenue essentially is variable while costs are relatively fixed. That means flexibility is limited in terms of the ability to adjust costs in case revenue should fall.

Parameter	%	Effect on profit SEK M/year
Parameter	+1	+38
Passenger volume	+1	-19
Salary level	+1	-12.3

Passenger volume

The number of passengers who fly to or from one of Swedavia's airports constitutes the basic condition for all revenue the Company generates. About 62 per cent of Swedavia's revenue comes from Aviation Business and consists of infrastructure services aimed at airlines and ground handling companies. This revenue consists of airport charges, including passenger and take-off charges, which are related to the number of passengers, the number of aircraft movements and aircraft take-off weight in tonnes. A change in the number of aircraft movements, aircraft tonnage and the number of passengers directly affects Swedavia's revenue. Swedavia's other revenue comes from Commercial Services, which is revenue from commercial services connected with the airport. This consists of revenue from car parking and the leasing of premises for shops, offices, restaurants and logistics. Rental income is based largely on its tenants' sales, which in turn depend directly on the number of passengers at the airport. An increase in passenger volume means increased revenue for Swedavia while a decrease means decreased revenue. The correlation between percentage change in passenger volume and percentage change in revenue is not linear but is an effect of growth discounts and price differences, partly because

rental income is dependent on revenue and is affected by shopping behaviour. A change in passenger growth of 1 per cent has an impact on Swedavia's revenue of SEK 38 M (37) on an annualised basis.

Salary level

With an average of 3,074 employees (2,949), Swedavia's staff expenses totalled SEK 1,911 M (1,761). A 1 per cent change in staff expenses would have an effect of SEK 19 M (17) on an annualised basis.

Interest rates

As of December 31, 2017, Swedavia had external borrowings of SEK 6,533 M (4,298), which is 37 per cent (29) of the balance sheet. Swedavia is sensitive to changes in interest rates, which affect the Company's financial expenses. As of December 31, 2017, 81 per cent of external funding was hedged via financial instruments, which means a 1 per cent increase in interest rates would have a SEK 12.3 M (3.5) effect on Swedavia's interest expense. However, given the current interest rate situation, a 1 per cent decrease in interest rates would have a SEK 6.2 M (23) effect on Swedavia's interest expense. Current lock-in periods and financial instruments are taken into account in calculating the sensitivity analysis.

Other factors affecting performance

There are also other factors that could have an impact on profits in both the short and long term. One critical factor, especially in the long term, is the environmental permits required for Swedavia's operations. A change in these could affect operations on a large scale. In the short term, any extreme weather conditions or natural disasters constitute the main factors that have an immediate impact on air traffic and thus a negative impact on revenue. Interest rate changes also affect Swedavia's pension liability, which means that if the discount rate falls, Swedavia must add funds to the provision for its pension liability. Swedavia is also sensitive to policy decisions that can affect air traffic as well as to changes in the general public's attitudes to air traffic.

ONGOING LITIGATION AND DISPUTES

Swedavia is a party to ongoing litigation and disputes. Legal proceedings and disputes are unpredictable by nature, and the actual outcome may deviate from the assessments Swedavia has made.

REMUNERATION TO EXECUTIVE OFFICERS

The term "executive officers" refers to the people who together constitute the executive management and/or report directly to the President and CEO. The Swedish government adopted new guidelines for remuneration and other terms of employment for executive officers in companies with State ownership on December 22, 2016. These guidelines for remuneration and other terms of employment for executive officers were then adopted at Swedavia's Annual General Meeting on April 27, 2017. Swedavia follows the State's guidelines for executive officers in companies with State ownership. These principles are presented in the Corporate Governance Statement. Information about those involved and the Company's process for handling remuneration to executive officers is presented in Note 8 on pages 106–110.

EVENTS AFTER THE BALANCE SHEET DATE

Swedavia has received the approval of the Swedish Financial Supervisory Authority to increase the scope of its medium-term

note (MTN) programme, which was established in 2012. The size of the programme was increased from SEK 5 billion to SEK 15 billion.

On February 7, 2018, Johan Bill was appointed the new director of Swedavia's implementation organisation, the name of which has also been changed to the Major Projects unit. Johan Bill has worked most recently at the Swedish Transport Administration and will assume the new position by August 2018 at the latest. He will report to the President and CEO and be part of the executive management. Until Johan Bill assumes his position, Joakim Kedbrant will be acting head of the unit.

THE PARENT COMPANY

The Parent Company's net revenue for the full year totalled SEK 5,713 M (5,492), which is an increase of SEK 221 M. Operating profit totalled SEK 450 M (662) and the operating margin was 7.9 per cent (12.1). Operating profit was negatively affected by SEK 157 M (74) attributable to impairment losses and disposals on investments and SEK 49 M attributable to a lower interest rate in the valuation of its pension liability. Operating profit in 2016 was positively affected by a capital gain attributable to the sale of land of SEK 19 M. Profit before tax was SEK 1,388 M (1,219), and profit for the period was SEK 1,279 M (1,095). Dividends from subsidiaries had a positive effect on profit for the period.

DISTRIBUTION OF PROFIT

The statement of the Board of Directors in accordance with the Swedish Companies Act, chap 18 sec 4

In view of the Board of Directors' proposed distribution of profit, the Board of Directors for Swedavia AB, corporate identity no. 556797-0818, hereby issues the following statement in accordance with chap 18 sec 4 of the Swedish Companies Act. The proposed distribution of profit is based on the Annual Report 2017. The proposed distribution of profit, the Parent Company's income statement and balance sheet, and the statement of comprehensive income and the report on the financial position of the Group will be presented at the Annual General Meeting on April 26, 2018.

In its proposal for the distribution of profit, the Board proposes that the shareholder at the AGM 2018 agree to Swedavia paying a dividend of SEK 0.08471 kronor per share, for the 2016 calendar year, which means a total dividend of SEK 122 M.

The Board furthermore proposes that the shareholder at the AGM adopt May 9, 2018, as the date of payment.

The following unrestricted equity is at the disposal of the Annual General Meeting, SEK:

Share premium account	2,161,354,539
Retained earnings	1,159,768,121
Profit for the year	1,279,254,490
	4,600,377,150

The Board proposes that the profit be appropriated as follows:

Paid to shareholder SEK 0.08471 per share	122,101,250
Brought forward	4,478,275,900
	4,600,377,150

The owner's financial targets for Swedavia AB are a return on operating capital of at least six per cent and a debt/equity ratio of 0.7–1.5 times. Decisions on dividends shall take into consideration the Company's operations and capital structure targets. Furthermore, in accordance with the Company's dividend policy, the dividend shall be between 30 and 50 per cent of the profit for the year, excluding capital gains from property sales, changes in valuations and the tax attributable to them.

Return on operating capital for 2017 was 5.1 per cent, which is not in line with Swedavia's profitability target. The debt/equity ratio was 1.0 times, which is within the range of the capital structure target of 0.7–1.5 times. The proposed dividend constitutes 30 per cent of consolidated profit after tax in accordance with the Company's dividend policy. The proposed dividend totals SEK 122 M.

The Group's debt/equity ratio is 1.0 times before the dividend and 1.0 times after the dividend. The equity/assets ratio of the Parent Company and the Group will fall in the years ahead but is still considered satisfactory given the industry the Company operates in and the strong cash flow that is generated. The Parent Company will thus be able to fulfil its obligations in the short and long term even after the proposed distribution of profit.

Justification

In view of what is indicated above,, the Board of Directors believes that the proposed dividend is justifiable given the requirements stipulated in chap 17 sec 3, para 2 and 3 of the Swedish Companies Act. It is also the Board's view that the proposed distribution of profit is justifiable taking into account the Group's and the Parent Company's financial position and continued freedom of action and taking into account the requirements that the nature, scope, risks and future expansion plans of operations place on the equity and liquidity of the Group and the Parent Company.

ANNUAL GENERAL MEETING

Swedavia AB's Annual General Meeting takes place on April 26, 2018, at Stockholm Arlanda Airport. The Annual Report and other financial reports are available on Swedavia's website, www.swedavia.com.

CALENDAR

Annual Report 2017	Mar 29, 2018
Annual General Meeting 2018	Apr 26, 2018
Interim report, Jan-Mar 2018	Apr 26, 2018
Interim report, Jan-Jun 2018	Jul 17, 2018
Interim report, Jan-Sep 2018	Oct 26, 2018
Year-end report 2018	Feb 14, 2019

For other matters concerning the Company's results and position, see the income statements and balance sheets below.

Corporate Governance Statement

Swedavia AB (publ)

Swedavia AB is a Swedish limited liability company with its registered office in the Municipality of Sigtuna. Swedavia's operations are described in the Company's Articles of Association as financing, owning, managing, operating and developing airports with their appurtenant buildings and facilities. Swedavia shall also take an active part in the development of the Swedish transport sector and help achieve the transport policy goals set by Parliament based on sound business principles.

All shares in Swedavia AB are owned by the Swedish State. The Ministry of Enterprise and Innovation represents the Swedish State's shares at Swedavia's Annual General Meeting and thereby nominates Board members in Swedavia.

CORPORATE GOVERNANCE

Swedavia's corporate governance is regulated by external legal frameworks such as the Swedish Companies Act and other applicable Swedish laws, the State's ownership policy and the Swedish Code of Corporate Governance (the Code). The Government conveys its position on important matters of principles concerning corporate governance of all State-owned companies in its ownership policy. Among other things, the decision has been made that all companies in which the State owns a majority shall apply the Swedish Code of Corporate Governance. The Code is applied based

on the "comply or explain" principle, which means that deviations from the Code are allowed but must be explained.

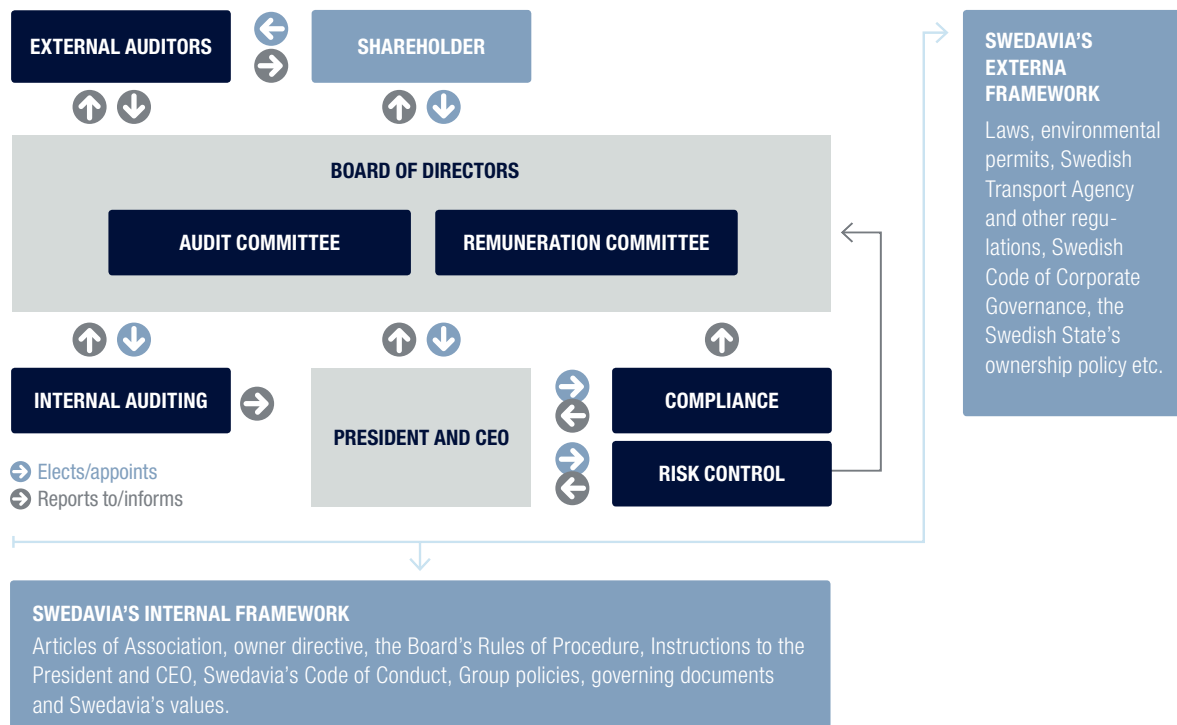
The Board of Directors is responsible under the Swedish Companies Act and the Code for Swedavia's internal control. The Board has decided that Swedavia shall apply a framework for documentation and analysis of internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Swedavia's structure for corporate governance is illustrated in the chart below.

DEVIATIONS FROM THE CODE

Swedavia is wholly owned by the Swedish State, and the principles that the Swedish State applies in its ownership policy are generally in agreement with the rules in the Code. However, under the State's ownership policy and 2017 guidelines for companies with State ownership ("the State's ownership policy"), Code regulations regarding the selection of Board members and auditors are replaced by a special nomination process that applies to companies wholly owned by the State. The primary reason for deviations from the Code is that Swedavia has only one owner whereas the Code is aimed at listed companies with dispersed ownership.

The State's ownership policy also deviates in reporting the independence of Board members relative to major shareholders. The State's ownership policy specifies that the relevant provisions in the Code are primarily aimed at protecting minority shareholders in companies with dispersed ownership so there is no reason to report such independence.



Code requirement	Deviation	Explanation/comment
Code rules 1.2-1.3, 2.1-2.7, 8.1 and 10.2 The company has a Nomination Committee that represents the Company's shareholder.	No Nomination Committee has been set up.	The Nomination Committee has been replaced by the owner's nomination process.
Code rules 4.5 and 4.6 The Corporate Governance Statement shall include information about whether Board members are independent of major shareholders.	Dependency relationship with major shareholders is not reported.	The State's ownership policy states that the relevant provision in the Code is mainly aimed at protecting minority owners in companies with dispersed ownership. In State-owned companies, there is no reason to report such independence.

GENERAL MEETING

The General Meeting (GM) is the company's highest governing body, where shareholders exercise their influence. The matters considered at the GM are regulated by the Swedish Companies Act.

According to the Swedish Companies Act, an Annual General Meeting (AGM) shall be held each year. Under the State's ownership policy, the AGM shall be held no later than April 30. Members of Parliament are entitled to take part in the meeting and ask questions in conjunction with this. The general public shall also be given the opportunity to take part in the meeting. Among other activities, the AGM shall appoint the Board and auditors, decide on remuneration to them and adopt the income statement and balance sheet. The Board shall also present principles for remuneration to executive officers at the AGM.

Decisions at the GM are adopted by a simple majority of the votes given. However, for decisions concerning a change in the Articles of Association, a qualified majority is required.

ANNUAL GENERAL MEETING

Swedavia's Annual General Meeting 2017 was held on April 27 at Stockholm Arlanda Airport. Outsiders were entitled to attend the AGM. Minutes from the AGM are available on Swedavia's website. The AGM decided to elect Mikael Norman as a new Board member and to re-elect Lars Backemar, Adine Grate Axén, Lottie Knutson, Lotta Mellström, Lars Mydland, Lottie Svedenstedt and Åke Svensson as Board members. Åke Svensson was elected Chairman of the Board by the AGM.

The AGM adopted the Annual Report 2016 submitted by the Board of Directors and the President and CEO and discharged the Board members and the President and CEO from liability for the financial year 2016. The AGM also decided, in accordance with the Board's proposed distribution of profit, that a dividend of SEK 143,001,594 was to be paid to the owner. The decision was in conformity with the dividend policy.

The AGM also decided to adopt guidelines for remuneration to executive officers.

EXTRAORDINARY GENERAL MEETING

Swedavia held an extraordinary general meeting (EGM) on October 9, 2017, at Stockholm Arlanda Airport. Outsiders were entitled to attend the meeting. Minutes from the meeting are available on Swedavia's website.

At the EGM, two changes in Swedavia's economic targets were adopted. Return on operating capital was changed from 7 per cent to 6 per cent. The debt/equity ratio, which measures leverage, was changed from 1.0–1.5 times to 0.7–1.5 times.

NOMINATION PROCESS FOR THE BOARD OF DIRECTORS

For companies that are wholly owned by the Swedish State, a nomination process that complies with the Swedish State's ownership

policy is applied, replacing the Code's rules for appointing Board members and auditors.

The nomination process for Board members is managed and coordinated by the State ownership unit at the Ministry of Enterprise and Innovation. A working group analyses the need for talent based on the Company's operations, situation and future challenges, the composition of the Board and Board assessments carried out. After this, it is determined whether there are any recruitment needs and recruitment work is initiated. Members are selected from a broad recruitment base. When the process has ended, the nominations are announced in accordance with the provisions of the Code.

BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors shall consist of at least six and no more than nine members, excluding deputy members. Under Swedish law, employee organisations are also entitled to appoint regular members and their deputies. Swedavia's Chief Legal Counsel is the Board secretary. The President and CEO is not included on the Board but makes presentations at the Board meetings. None of the Board members is on the executive management team. For information about the appointment and removal of Board members, reference is made to the Swedish State's ownership policy.

The work and responsibilities of the Board

According to the Swedish Companies Act and the Swedish State's ownership policy, Swedavia's Board is responsible for the Company's organisation and management of the Company's operations. The Board establishes the Rules of Procedure each year for the Board's work, instructions for the division of labour and responsibilities between the Board and the President and CEO, and instructions for economic reporting to the Board. The Board's duties include determining the Company's overall strategies, mission objectives and targets as well as ensuring that there are appropriate systems for monitoring and controlling the Company's operations and the risks to the Company in connection with its operations. The Board governs the Company in a sustainable and responsible way to ensure long-term value creation. The Board's Rules of Procedure also regulate the Chairman's duties and information to the Board.

Under the Board's Rules of Procedure, at least eight Board meetings for which preparations are made in advance shall be held per calendar year in addition to the statutory Board meeting. Additional meetings may be held when justified by events of major importance. The Board is responsible for financial reporting and has regular meetings through the Audit Committee with the Company's auditors. In addition, the auditors meet the full Board at least once a year, when no member of executive management is in attendance.

The Board assesses its work and that of the President and CEO on a continuous basis and gives particular consideration to this matter at least once a year.

Composition of the Board

Until the AGM on April 27, 2017, Swedavia's Board of Directors consisted of nine members elected by the AGM, including the Chairman. Since the 2017 AGM, the Board consists of eight members elected by the AGM. In addition, the Board had two regular employee representatives and their two deputies. An account is given on pages 86–87 of each Board member's age, education, main work experience, other important duties outside the Company and number of years as a member of Swedavia's Board. Swedavia's executive management adopted a gender equality and diversity policy with the aim of being an inclusive employer that sees to people's competence, capability and right attitude. Swedavia shall be a role model in sustainable development by working actively for the equal rights and value of all people and affirming diversity and differences. This policy is applied by the Board of Directors in the recruitment of executive officers and by the entire Group in all other recruitment. The owner follows the Swedish State's ownership policy and applies the ownership policy's Board nomination process and the policy's principles for the composition of the Board, which also takes diversity aspects into consideration. The AGM elected eight members, four of which were men and four women. The employee representatives in 2017 were two men. The average age of Swedavia's Board members, including the employee representatives, was 58.

Chairman of the Board

The Chairman of the Board is elected at the AGM. Under the Rules of Procedure for Swedavia's Board of Directors, the Chairman shall ensure that the Board's work is managed effectively and that the Board fulfils its duties. The Chairman's duties include organising and managing the Board's work, keeping in regular contact with the President and CEO and ensuring that the Board is given sufficient information and material to make decisions in its work. The Chairman is also responsible for coordinating the Board's views in relation to the owner on issues of critical importance to the Company, maintaining a dialogue with the owner concerning the monitoring of objectives and economic targets and communicating these to the Board.

The Board's work in 2017

The Board held nine regular Board meeting, one statutory meeting and one meeting by correspondence in 2017. Among the matters dealt with were business operations including strategic development, instructions for economic reporting and the Annual and Sustainability Report and reports related to this. The Board also dealt with investments, procurements and Swedavia's pricing model for airlines. During the year, the Board also held theme meetings about innovation at Swedavia, Stockholm Arlanda Airport's development programme and Sweden's national basic infrastructure of airports.

Among the main issues dealt with by the Board in 2017 were:

- Strategic development
- Sustainability objectives and targets, mission objectives and economic targets
- Access and new air links
- US preclearance
- Development plans at Stockholm Arlanda Airport, Bromma Stockholm Airport and Göteborg Landvetter Airport
- Development plan for Real Estate operations
- Development of Commercial Services
- Remote air traffic control service
- Implementation organisation for Major Projects
- Major investments and procurements

- Governing documents*
- Internal control
- Risk management and risk assessment
- Financial reports
- Reporting from internal and external audits
- Safety and security
- IT

* In addition, at the annual statutory meeting the Board adopts a Code of Conduct, a number of Group policies, the Rules of Procedure for the Board and the committees, instructions to the President and CEO and governing documents adopted by the Board.

The Board's committee work

Swedavia's Board of Directors has an Audit Committee and a Remuneration Committee. The committees prepare matters for the Board meetings. Guidelines for the committees' work are found in the Rules of Procedures for each committee.

The Audit Committee's tasks include being responsible for preparing the Board's work to quality assure and prepare the Company's financial reports and maintain an ongoing dialogue with the Company's auditors. Minutes for each committee meeting are attached to the minutes for the following Board meeting. In 2017, the Audit Committee held eight meetings for which minutes were kept, one of which was held by correspondence. The Company's internal and external auditors attended the meetings. During the year, among the matters dealt with by the Audit Committee were financial reports and up-to-date risk reporting, internal audit logs and the external auditors' reporting on internal audits. The Audit Committee also dealt with Internal Auditing's reports and a detailed review of Swedavia's credit management process and of the Swedish Annual Accounts Act's requirements for a new sustainability report. The committee also assessed its internal and external auditors, examined and monitored the impartiality and independence of its external auditor and examined whether the external auditor did not provide any advisory services that affected its impartiality. The committee then submitted its recommendation for the election of an external auditor at the AGM. Since the 2017 statutory Board meeting, the Audit Committee includes Board members Mikael Norman, Adine Grate Axén and Lotta Mellström. The committee appointed Mikael Norman as Chairman.

The Remuneration Committee's task is to prepare matters concerning remuneration and other terms of employment for executive officers. The committee shall also assess compliance with decisions regarding remuneration that were made at the AGM. Minutes for each committee meeting are attached to the minutes for the following Board meeting. In 2017, the Remuneration Committee held six meetings for which minutes were kept, one of which was an extraordinary meeting. During the year, among the matters dealt with by the Remuneration Committee were overall remuneration and terms of employment for the team of executive officers and the head of Internal Auditing. The committee also worked with the assessment of the Board of Directors, including an assessment of the work of the President and CEO, which was carried out by an external independent party. The committee furthermore reviewed the results from Swedavia's employee survey and follow-up of action plans well as the President and CEO's succession planning, organisational change and leadership development for executive officers. Since the 2017 constituent Board meeting, the Remuneration Committee includes Åke Svensson as chair, Lotta Mellström and Lottie Svedenstedt as members, and Robert Olsson as employee representative.

Assessment of the work of the Board of Directors, 2017

During the year, the work of the Board and of the President and CEO was assessed, at the Chairman of the Board's initiative, through a

methodical, structured process by an external independent party. The assessment is aimed at, among other things, developing a good basis for the Board's own development work. The results of the assessment are reported to the Board and by the Chairman of the Board to the owner. Based on this assessment, the Board adopts measures to develop the Board's working methods and effectiveness. In addition to the annual assessment, the Board conducts an assessment after every Board meeting at which the Company's executive management is not in attendance.

Remuneration of the Board

Compensation to the Board is decided by the AGM. The Chairman of the Board is paid a fee of SEK 440,000, and each member is paid SEK 220,000. It was also decided at Swedavia's AGM that no specific remuneration should be paid to the Board's employee representatives or members employed in the Swedish Government Offices. The Chairman of the Audit Committee is paid a fee of SEK 35,000 and the committee members are each paid SEK 20,000. A fee of SEK 25,000 for the Chairman of the Remuneration Committee and SEK 20,000 each for the members was decided.

The President and CEO and the executive management

The Board of Directors appoints the Company's President and CEO. On January 2, 2017, Jonas Abrahamsson assumed the position of Swedavia's President and CEO. In 2017, Karl Wistrand, CEO of Commercial and Real Estate, was named deputy CEO. The President and CEO is responsible for the day-to-day management of the Company in conformity with the Board's guidelines and instructions. Within the bounds determined by the Board, the President and CEO manages operations and keeps the Chairman of the Board continuously informed about significant business matters. The President and CEO shall organise the Company's management to meet the aims set

for governance and control of operations. Other executive officers are appointed by the President and CEO. The executive management team is a forum for information, discussions and decisions for Group matters. The team's meetings are chaired by the President and CEO and are held each month. Swedavia's executive management, including the President and CEO, is presented in more detail on pages 86–87.

Remuneration to executive officers

At Swedavia's AGM on April 27, 2017, the owner decided on the principles for remuneration and other terms of employment for executive officers. For remuneration and other terms of employment, Swedavia shall apply the principles adopted by the Government on December 22, 2016, in the Guidelines for Terms of Employment for Executive Officers in Companies under State Ownership. Similar principles are applied in Swedavia's subsidiaries. Swedavia does not use variable remuneration for executive officers.

Subsidiaries and associated companies

Swedavia had three subsidiaries at year-end 2017 – Swedavia Real Estate AB, which in turn is the parent company of a property group, Arlanda Development Company AB and Bromma Stockholm Airport Fastigheter AB. Through Swedavia Real Estate, Swedavia also has two associated companies – Swedish Airport Infrastructure and Landvetter Logistik Center, strategic partnerships in the form of joint ventures – which means Swedavia does not have a controlling interest in these. There is an officer from Swedavia's executive management represented on the Board of every subsidiary and associated company in the Group.

The Parent Company, Swedavia AB, has adopted an owner directive that is applied to all companies in the Group and is aimed at ensuring consistent management principles.

Facts about the Board

Members elected at the AGM	Main Board	Attendance, Board meetings	Year elected	Attendance, Audit Committee	Attendance, Remuneration Committee
Åke Svensson	Chair	11/11	2016		6/6
Karin Apelman ¹	Member	3/11	2010	3/8	
Lars Backemar	Member	10/11	2010		
Anna Elgh ¹	Member	3/11	2010		
Adine Grate Axén	Member	10/11	2010	7/8	
Lottie Knutson	Member	10/11	2015		
Lotta Mellström	Member	11/11	2015	8/8	6/6
Mikael Norman ²	Member	6/11	2017	5/8	
Lars Mydland	Member	11/11	2014		
Lottie Svedenstedt	Member	9/11	2010		5/6

Employee representatives

Lars Andersson	Member	10/11	2010		
Robert Olsson	Member	11/11	2010		6/6
Agne Lindbom	Deputy member	1/11	2010		
Birgitta Svärd	Deputy member	0/11	2017		

¹ Karin Apelman and Anna Elgh were Board members until the 2017 AGM.

² At the 2017 AGM, Mikael Norman was elected as a new Board member. He was appointed by the Board to be a member of the Audit Committee, after which the Audit Committee on May 1, 2017, in minutes by correspondence appointed him chairman.

CORPORATE GOVERNANCE REPORT

AUDITORS

External audit

Under the Swedish State's ownership policy in effect at the AGM 2017, the company's Board of Directors submits proposals for the election of an auditor after a recommendation from the Audit Committee. The final decision on the choice of auditors was made by the owner at the AGM. The auditors' duties are to examine the financial reporting of the Company and the Group as well as the administration of the Company by the Board and the President and CEO. At Swedavia's AGM on April 27, 2017, the auditing firm Ernst & Young was elected as auditors. Auditing duties are to be performed until the end of the AGM held in 2018. Ernst & Young appointed authorised public account Magnus Fagerstedt as the principal auditor. On June 30, 2017, Magnus Fagerstedt left the auditing firm Ernst & Young, which then appointed Åsa Lundvall as the new principal auditor. Neither Magnus Fagerstedt nor Åsa Lundvall had duties in other companies that affect their independence as an auditor for Swedavia. Remuneration has been paid to the auditors and auditing firm for auditing and audit-related advice. KPMG AB has been engaged for other accounting and tax advice.

Internal audits

The Board has a special internal auditing function at Swedavia to support the Board in carrying out its oversight and assessment of the Company's operations which reports to the Board. The Board has adopted instructions for internal auditing, which in 2017 consisted of two auditors.

THE BOARD'S REPORTING ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Under the Swedish Companies Act and the Code, the Board is responsible for internal control of financial reporting. Under the Code and the Annual Accounts Act, the Board must submit a description each year of the most important features of the Company's system for internal control and risk management over financial reporting. The Board has a formalised procedure for ensuring that there is compliance with the established method for financial reporting and internal control. The Board receives reports with feedback on monitoring the status of measures taken based on self-assessments in operations as well as recommendations from Internal Auditing and external auditing concerning internal control at the Company. Internal control over financial reporting is aimed at providing reasonable assurance as to the reliability in the external reporting prepared in compliance with laws, appropriate accounting principles, specific requirements from the owner and other requirements for limited liability companies.

This Corporate Governance Statement has been prepared in accordance with the Annual Accounts Act and the Code of Corporate Governance and is restricted to internal control over financial reporting.

The Board has decided that Swedavia shall follow the established Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal control. The COSO framework consists of five interdependent components: control environment; risk assessment; control activities; information and communication; and monitoring and assessment.

Governance and control environment

The basis of Swedavia's internal control consists of the control environment, which consists mainly of the organisational structure and governing documents such as the Code of Conduct and Group policies. Swedavia's Board has established Rules of Procedure for its work and the work of the committees. Some of the Board's work

entails developing, updating and adopting a number of basic Group policies in line with the Swedish State's ownership policy that govern the Company's work. The control environment is aimed at providing operations with the conditions for carrying out their tasks in a clear way in accordance with the Board's objectives, targets and intentions as well as influence control and risk awareness in the organisation. This is done by delegating responsibility and authority to the managers and employees of the Company. The control environment consists essentially of external documents such as laws, agreements, generally accepted accounting principles, the ownership policy and guidelines as well as other internal governing documents. The control environment also consists of the Board's Rules of Procedure and instructions to the President and CEO. The President and CEO has adopted rules of procedure for Swedavia that among other things have delegated responsibility and authority to members of the executive management team concerning their mandate to enter agreements, make investment decisions and authorise invoices. All Group policies are reviewed annually and adopted by the Board or executive management and are then available on the Company's intranet, which employees have access to.

The table of Swedavia's governing documents below specifies what policies the Annual General Meeting, the Board of Directors and executive management decided on.

Swedavia's governing documents	Decided by
The Board of Directors' Rules of Procedure	Board of Directors
Instructions to the President and CEO	Board of Directors
Instructions for Economic Reporting	Board of Directors
Guidelines for Remuneration and Other Terms of Employment for Executive Officers	Annual General Meeting
Code of Conduct	Board of Directors
Financial Policy	Board of Directors
Credit Policy	Board of Directors
Environmental and Energy Policy	Board of Directors
Tax Policy	Board of Directors
Risk Policy	Board of Directors
Safety and Security Policy	Board of Directors
Workplace and Drug Policy	Executive management
Fire Safety Policy	Executive management
Crisis Management Policy	Executive management
Aviation Safety and Security Policy	Executive management
Insurance Policy	Executive management
Information Security Policy	Executive management
Procurement Policy	Executive management
Gender Equality and Diversity Policy	Executive management
Communication, Information and Insider Policy	Executive management
Competition Policy	Executive management
Quality Policy	Executive management
Bribery Policy	Executive management
Employee Planning Policy	Executive management
Portfolio, Programme and Project Policy	Executive management

Risk management

The Board has ultimate responsibility for the Company's risk management and has assigned the President and CEO the task of managing this operationally. Swedavia's risk management is aimed at identifying potential events that can affect the organisation's ability to achieve the objectives and targets set. The risk management method used by the Company is based on a model with three lines of defence. The first line of defence consists of the Company's operations, in the form of airports and Group-level functions that have responsibility for identifying, assessing and reporting risks on a continuous basis.

The second line of defence consists of the Company's Risk Manager, whose task is to facilitate and develop support for the risk management processes and methods used in operations as well as consolidate and report on the Company's risks.

The third line of defence consists of the Company's internal auditing, which examines Swedavia's operations and reports to the Board. Risks are monitored on a continuous basis by the airports and corporate functions and are reported to the Risk Manager, who together with the Risk Committee consolidates them on a quarterly basis. Swedavia's greatest risks are then compiled in a risk report which is approved by the President and CEO and then prepared by the Audit Committee before it is adopted by the Board. Financial risks are always reported as part of the risk report.

Control activities

Swedavia's control activities for financial reporting consist of three parts – monitoring and analysis of economic results, the risk report and monitoring of key controls in the process.

The Chief Financial Officer (CFO) monitors and analyses economic results on a monthly basis and reports this to the President and CEO. The CFO also monitors and analyses processes for bookkeeping, financial statements and financial reports on a quarterly basis through a special monitoring programme in which key controls are self-assessed and reported.

Swedavia's Board of Directors receives reports of economic results with analysis and comments from the Company's President and CEO on a monthly basis. Swedavia's publicly available reports are compiled by the CFO and the President and CEO for preparation in the Audit Committee before they are adopted by the Company's Board of Directors and then published. In addition to the Annual Report, at least one of the interim reports is examined by the Company's auditors, who report on their review work to the Audit Committee and

the Board of Directors. Swedavia's Internal Auditing also conducts reviews in different areas in order to ensure quality in financial processes and in the financial reporting. The Audit Committee also has the possibility to conduct in-depth dialogue and follow-up on accounting matters with the Company's CFO and auditors taking part in the committee's meetings.

Information and communication

Swedavia is a State-owned company and under the Swedish State's guidelines shall follow the same regulations for accounting and reporting as publicly listed companies. Swedavia has issued financial instruments listed on the Nasdaq OMX exchange, which means the Company is obliged to apply Nasdaq OMX's regulations for issuers, the EU Market Abuse Regulation and other regulations that arise regarding this. Swedavia has therefore developed a Communication, Information and Insider Policy that regulates the spread of information internally and the disclosure of information to the market. Swedavia's public financial reports consist of four interim reports and annual and sustainability accounts which include the new sustainability report stipulated in the Swedish Annual Accounts Act. External financial reporting shall be characterised by openness and transparency and is aimed at giving the Company's different stakeholders a relevant picture of operations.

Monitoring and assessment

The executive management team meets on a monthly basis and reviews operations and related risks. The Board also evaluates the development, economic results, financial position and cash flow of operations on a monthly basis and likewise monitors the Company's sustainability and mission objectives and targets on a quarterly basis. At the Group level, there are corporate functions, including a control and an accounting unit, that analyse and monitor results compared to the budget and forecasts which are reported to the Company's President and CEO and to the CFO. All people with responsibility for business units regularly report results and annual forecasts to the CFO. These reports are subsequently consolidated for the Company's two operating segments and then submitted to the Company's President and CEO. The President and CEO submits financial reports on a monthly basis to the Board of Directors. The Board evaluates the information provided by the President and CEO on a continuous basis. There is also an internal auditing function that serves as an independent examination function.

INCLUDED IN OPERATIONS



Swedavia's Board of Directors



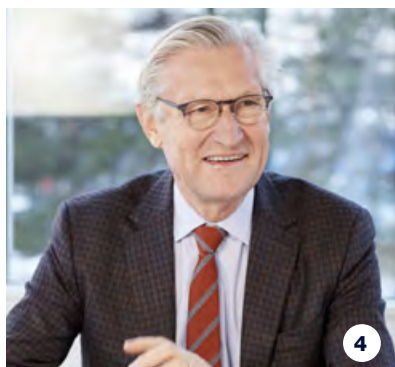
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1. ÅKE SVENSSON

**Chairman of the Board (elected 2016),
Chairman Remuneration Committee**

Born: 1952

Other Board duties: Parker Hannifin Corporation (US), Business Sweden, member of Swedish National Agency for Public Procurement's Advisory Council

Education: MS in Applied Physics and Electrical Engineering, Linköping University

Work experience: Formerly CEO, Saab AB; CEO, Association of Swedish Engineering Industries

2. MIKAEL NORMAN

**Member (elected 2017),
Chairman Audit Committee**

Born: 1958

Other Board duties: Cloetta AB, Bygghem Group AB, Bravida Holding AB, Bonava AB

Education: Law degree and business administration, Stockholm University

Work experience: Own company, Mikael Norman AB. Formerly CFO, Nobia AB; Group controller, AB Electrolux; senior manager, Price Waterhouse Stockholm and Brussels; public prosecutor, Stockholm Court of Appeal

3. ADINE GRATE AXÉN

**Member (elected 2010)
Member Audit Committee**

Born: 1961

Other Board duties: Sky Ltd, Sampo Oy, Three Scandinavia, Sjunde AP-fonden (Deputy Chair), Madrague AB

Education: MBA, Stockholm School of Economics; Executive MBA (AMP), Harvard, Boston, US

Work experience: Own company. Formerly chair, NASDAQ Stockholm Listing Committee; Executive Vice President and Managing Director, Investor AB; Vice President Corporate Finance, Gota Group and Hägglöf & Ponsbach. Formerly member of Swedish Securities Council, Carnegie Investment Bank AB, Gambro AB, Grand Hotel Holdings, Ericsson Project Finance AB, EDB Ergo Group A/S, Spray Ventures BV, Swedish Industry and Commerce Stock Exchange Committee and Government Council for Reduced State Ownership

4. LARS BACKEMAR

Member (elected 2010)

Born: 1950

Other Board duties: Backemar Consulting AB (Chair) and City i Samverkan AB (Chair)

Education: Business administration and marketing, Köpmannainstitutet, Stockholm; marketing and consumer policy, Uppsala University

Work experience: Senior Advisor, Backemar Consulting AB. Formerly various executive positions at Hufvudstaden, Jones Lang LaSalle

5. LOTTIE KNUTSON

Member (elected 2015)

Born: 1964

Other Board duties: Stena Line BV, STS Alpresor AB, Cloetta AB, Scandic Hotels AB, Tality AB and Actic AB

Education: Journalisthögskolan i Stockholm, Diplôme de Culture Française, Paris IV

Work experience: Own company, executive management in a global company. Formerly Communications Director, TUI Nordic; writer, account manager and project manager, JKL and Bates; information officer, SAS; journalist, Svenska Dagbladet

**6. LOTTA MELLSTRÖM**

Member (elected 2015),
member Remuneration Committee,
member Audit Committee

Born: 1970

Other Board duties: AB Svensk Exportkredit,
Jernhusen AB and SOS Alarm Sverige AB

Education: BS in Economics, Lund University

Work experience: Senior advisor and administrator, Division for Companies with State Ownership, Ministry of Enterprise and Innovation. Formerly management consultant Resco AB; controller in the Sydkraft and ABB Groups

7. LARS MYDLAND

Member (elected 2014)

Born: 1954

Other Board duties: mydland ehrling AB (Chair), Special Adviser, Board of Directors, Veling Ltd
Education: Fighter pilot training RNAF/USAF, Norwegian Air Force

Work experience: Chairman, SESAR Performance Partnership; Senior Consultant, IATA. Formerly SVP & Accountable Manager, Scandinavian Airlines; airline captain SAS; CEO, SAS Flight Academy AB; fighter pilot and officer, Norwegian Air Force. Formerly member of SAS Commuter AB, SAS Sverige AB, SAS Norge AS, SAS Danmark AS, SAS Technical Services (STS). Formerly Chair, EAC (Spain) and Norwegian Aviation College

**8. LOTTIE SVEDENSTEDT**

Member (elected 2010),
member Remuneration Committee

Born: 1957

Other Board duties: MIL Institute (Chair), Tillväxt Helsingborg (Chair), MIL Foundation, Byggmax Group AB, ITAB Shop Concept AB, Gullberg & Jansson AB, Vanna AB and Helsingborg IF

Education: Law degree, Uppsala University

Work experience: Own company. Formerly CEO, Kid Interiör A/S; Business Area Manager, IKEA of Sweden; Deputy General Manager, IKEA Systems BV; CEO, Inter IKEA Systems A/S; Regional Director, H&M AB

**9. LARS ANDERSSON**

Employee representative (elected 2010)

Born: 1953

Other Board duties: Chair, Union for Service and Communications Employees Swedavia negotiations organisation

Education: First repairman

10. ROBERT OLSSON

Employee representative (elected 2010)

Born: 1966

Other Board duties: Chair, Swedish Union of Civil Servants

Education: High school, trade union training etc. Safety officer/security guard, Swedavia

DEPUTY MEMBERS

AGNE LINDBOM

Born: 1961

BIRGITTA SVÄRD

Born: 1954

AUDITOR

ÅSA LUNDVALL

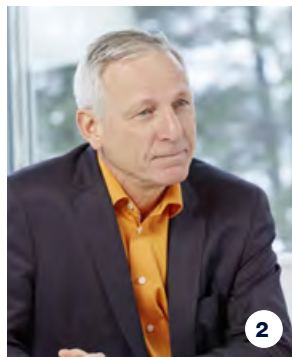
Principal auditor, Ernst & Young AB

Born: 1970

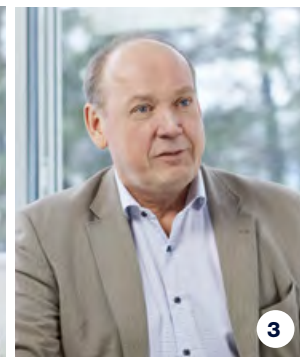
Swedavia's executive management*



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1. JONAS ABRAHAMSSON

President and CEO, assumed office January 2017

Born: 1967

Education: MBA, Lund University
Work experience: President and CEO, E.ON Sverige AB; CFO, E.ON Energy Trading SE and a number of different leading executive positions and Board duties in the E.ON Group. Formerly Chairman, Fennovoima Oy; Board member, Enerjisa Enerji A.S.

Board duties: Board member, Åförsik Foundation and Almega Tjänsteförbundet; member, Royal Swedish Academy of Engineering Sciences (IVA))

2. KARL WISTRAND

Deputy CEO of Swedavia since July 2012 and CEO of Swedavia Real Estate AB. In charge of Commercial and Real Estate since February 2014

Born: 1957

Education: Degree in corporate and business management law, School of Business, Economics and Law, University of Gothenburg

Work experience: CEO, Coop Sverige AB; Deputy CEO and CFO, ICA AB; various positions at ICA

Board duties: Member, Coop DK A/S, Coop Holding A/S, Metria AB, Airport City Stockholm AB, Landvetter Logistik Center2 AB and Swedish Airport Infrastructure AB

3. PER ARENHAGE

Chief Technical Officer since July 2011

Born: 1956

Education: MS in Engineering, KTH Royal Institute of Technology, Stockholm

Work experience: Chief Operating Officer and Chief Technical Officer, Stockholm Arlanda Airport; acting Airport Director, Stockholm Arlanda Airport; CEO, Uppsala Stadsnät Song; Head of Business Area, City Systems Vattenfall Connection; Chief Technical Officer, Uppsala Energi

Board duties: Chairman, Swedavia Energi AB and Swedavia Airport Telecom AB

4. LENNART BERGBOM

Chief Strategic Officer since December 2010

Born: 1969

Education: BS in Economics, Uppsala University

Work experience: Head of Strategic Development, Stockholm Arlanda Airport; investigator and market analyst, Luftfartsverket; Desk Officer, Ministry of Finance

Board duties: None

5. ANNA BOVALLER

Chief Legal Counsel since April 2010

Born: 1963

Education: Law degree, Lund University; IHM Master in Leadership and Executive Management Program, IFL at Stockholm School of Economics

Work experience: Chief Legal Counsel, LFV; Assistant Chief Legal Counsel, Posten AB; commercial lawyer, Posten AB; lawyer, Dahlman Magnusson Advokatbyrå, law clerk, Nacka District Court; legal assistant, Michelsons Advokatbyrå

Board duties: None

6. PEDER GRUNDITZ

Airport Director, Bromma Stockholm Airport since December 2013

Born: 1963

Education: Executive MBA, M-gruppen

Work experience: Director of Regional Airports; various duties at LFV including Airport Director, Visby Airport and acting Division Head; Director of Passenger Services Malmö Aviation; Director of Ground Operations, Braathens Sverige; Head of Traffic, Transwede Airways

Board duties: None

7. CHARLOTTE LJUNGGREN

Airport Director, Göteborg Landvetter Airport since August 2012

Born: 1967

Education: Management, Finance & Law, IHM Business School, Gothenburg

Work experience: Route Director, Stena Line Scandinavia AB; Route Director, SeaCat AB; Finance & HR Manager Sea Containers Ltd; Route Director, Silja Line Eesti Oy; Route Director, Color SeaCat AS; various positions at B&B Fondkommission AB

Board duties: Board member, Swedish Exhibition and Congress Centre and Thomas Concrete Group AB



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**8. SUSANNE NORMAN**

Airport Director, Regional Airports since December 2013 and Airport Director, Åre Östersund Airport since November 2008

Born: 1966

Education: BS in Information Systems, Mid Sweden University, Östersund

Work experience: CEO, Recall AS Oslo; Head of Production/Site Manager, Recall AB Sverige; Head of Sales, Central Region, Cap Gemini AB; operations developer, Jämtkraft AB

Board duties: Board member, Svensk Turism AB

9. MATS PAULSSON

Director of Security & Safety since February 2016

Born: 1960

Education: Swedish National Police Academy, Economics for Non-Economists, SSE Executive Education

Work experience: Head of security, Stockholm Arlanda Airport; Stockholm Police; administrator, Swedish Security Service (SÄPO); operations manager, counterespionage, SÄPO; unit manager; security protection, SÄPO; unit manager, counterterrorism, SÄPO

Board duties: Board member, Rollercoaster AB

10. MATS PÅHLSON

Chief Financial Officer since August 2014

Born: 1963

Education: Economics, Växjö University

Work experience: CFO, Acade-Media; CFO, Poolia; CFO, Lernia; CFO, AGA S/A Brazil; CFO, AGA Gas Sverige

Board duties: Board member, Criar AB and Swedavia Real Estate AB

11. LINDA SJÖDIN

Chief Market and Communication Officer since 2015

Born: 1976

Education: Professional Board work and the Board's digital challenges and opportunities, Michaël Berglund Board Value, Stockholm; Communication Executives Program, Stockholm School of Economics; Masters of Media in IT, Stockholm; BS in Media and Communication, University of Gävle; political science and sociology, Örebro University

Work experience: Director of Communication, Swedavia; Head of Communication Services at Vattenfall; various executive positions in the SAS Group, including Head of Information, SAS Sverige AB; journalist on the news and sports desks, TV4

Board duties: Board member, Svenskt Flyg Intresseaktiebolag

12. KJELL-ÅKE WESTIN

Airport Director, Stockholm Arlanda Airport since September 2011

Born: 1957

Education: Aviation College of Sweden, FTS Swedish Air Force, War College F20

Work experience: Swedish Air Force; SAS Flight Academy; CEO, Skyways Express AB; CEO, Direktflyg AB, President, Aviation College of Sweden; CEO, Örebro Airport AB; Airport Director, Bromma Stockholm Airport

Board duties: Board member, Destination Sigtuna AB; deputy Board member, Airport City Stockholm AB and Arlanda Development Company AB

13. MARIE WIKSBORG

Chief Human Resources Officer since October 2013

Born: 1965

Education: MBA, School of Business, Economics and Law, Gothenburg University

Work experience: HR Director, Stockholm Arlanda Airport; Director of HR and Employees, KF Group, including Coop; Business Support Director, KF Fastigheter AB; HR Director, Sheraton Stockholm Hotel & Towers; Training Director, Sheraton Stockholm Hotel & Towers

Board duties: None

* Swedavia's executive management on December 31, 2017.

Consolidated income statement

Amounts in SEK M	Note	2017	2016
Net revenue	3,4,5	5,745	5,546
Other operating profit	6	36	283
Own work capitalised		145	127
External expenses*	7	-2,270	-2,224
Staff expenses	8	-1,911	-1,761
Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets*	9	-1,052	-988
Other operating costs	10	-42	-17
Operating profit		651	966
Profit from financial items	11		
Profit from holdings in associated companies and joint ventures		37	41
Interest income and similar items		5	6
Interest expenses and similar items		-118	-144
Profit after financial items		575	869
Tax	13	-167	-152
Profit for the year		407	717
Earnings per share			
Earnings per share before and after dilution, SEK		0.28	0.50
Number of shares		1,441,403,026	1,441,403,026

* SEK 27 M in impairment losses on investment projects for 2016 was reallocated from external expenses to depreciation, amortisation and impairment losses

Consolidated statement of comprehensive income

Amounts in SEK M	Note	2017	2016
Profit for the year		407	717
Other comprehensive income:			
Items that can be reclassified to the income statement			
Cash flow hedges:			
Reclassified to the income statement		2	13
Change in fair value for the year		70	57
Tax		-16	-15
Other comprehensive income joint ventures, net		0	-12
Items that cannot be reclassified to the income statement			
Revaluations of defined benefit pensions		-8	-51
Tax		2	11
Total other comprehensive income, net after tax		50	3
Comprehensive income for the year		457	720

Consolidated balance sheet

Amounts in SEK M	Note	2017-12-31	2016-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	618	632
Other tangible fixed assets	15,16,17,18,19	13,988	11,530
Investment properties	20,21	664	283
Biological assets	20,22	88	84
Non-current financial assets	20,23,24,25,27	1,089	1,022
Total non-current assets		16,447	13,552
CURRENT ASSETS			
Materials and supplies	28	44	43
Trade receivables	45	571	420
Receivables from associated companies and joint ventures	31	129	58
Other receivables	32	140	178
Prepaid expenses and accrued income	33	194	225
Derivative instruments	20,27	4	2
Liquid assets	27,42	58	170
Total current assets		1,140	1,096
TOTAL ASSETS		17,587	14,648

* Pension provision and related salary tax receivable are offset. The comparable year has been adjusted.

CONSOLIDATED ACCOUNTS

Consolidated balance sheet (cont.)

Amounts in SEK M	Note	2017-12-31	2016-12-31
EQUITY AND LIABILITIES			
Equity	34		
Share capital		1,441	1,441
Other paid-in capital		2,162	2,162
Hedge reserve		-63	-119
Retained earnings		4,125	3,866
Total equity		7,665	7,351
Non-current liabilities	45		
Provisions*	35,36,37	993	980
Deferred tax liability	38	496	447
Interest-bearing liabilities	18,39,41	4,426	3,321
Derivative instruments	20,27	97	161
Other non-current liabilities		7	8
Total non-current liabilities		6,019	4,917
Current liabilities	45		
Provisions	37	14	42
Interest-bearing liabilities	18,39,41	2,192	1,010
Derivative instruments	20,27	0	–
Trade payables		854	601
Liabilities to associated companies and joint ventures		0	0
Other liabilities	43	105	107
Prepaid expenses and accrued income	44	738	621
Total current liabilities		3,903	2,380
TOTAL EQUITY AND LIABILITIES		17,587	14,648

* Pension provision and related pension tax receivable are offset. The comparable year has been adjusted.

Changes in equity

Amounts in SEK M	Share capital	Other paid-in capital	Hedge reserves	Retained earnings	Total capital
2017					
Equity, opening balance	1,441	2,162	-119	3,866	7,351
Dividend paid	–	–	–	-143	-143
Comprehensive income for the year	–	–	56	401	457
Equity, closing balance 2017-12-31	1,441	2,162	-63	4,125	7,665
2016					
Equity, opening balance	1,441	2,162	-175	3,435	6,863
Dividend paid	–	–	–	-232	-232
Comprehensive income for the year	–	–	56	664	720
Equity, closing balance 2016-12-31	1,441	2,162	-119	3,866	7,351

Consolidated cash flow statement

Amounts in SEK M	Note	2017	2016
Operating activities	47		
Profit after financial items		575	869
Adjustments for items not included in cash flow etc.		922	739
Tax paid		-167	-125
Cash flow from operating activities before changes in working capital		1,330	1,483
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in materials and supplies		-1	12
Increase(-)/Decrease(+) in operating receivables		-189	-167
Increase(+)/Decrease(-) in operating liabilities		397	322
Cash flow from operating activities		1,537	1,650
Investing activities			
Disposal of subsidiaries		95	274
Acquisition of intangible non-current assets		-22	-42
Acquisition of tangible fixed assets		-3,844	-2,094
Disposal of tangible fixed assets		9	19
Acquisition of financial assets		-3	-12
Cash flow from investing activities		-3,765	-1,855
Financing activities			
Borrowings raised		7,383	2,141
Borrowings repaid		-5,148	-1,548
Dividend paid		-143	-232
Increase (+)/Decrease (-) in other financial liabilities		25	9
Cash flow from financing activities		2,117	370
Cash flow for the year		-112	164
Liquid assets at the beginning of the year		170	6
Liquid assets at the end of the year		58	170

Parent Company income statement

Amounts in SEK M	Note	2017	2016
Net revenue	4,5	5,713	5,492
Other operating profit	6	29	41
Capitalised work for own account		145	127
External expenses*	7	-2,367	-2,240
Staff expenses	8	-1,959	-1,733
Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets*	9	-1,068	-1,007
Other operating costs	10	-42	-17
Operating profit		450	662
Profit from financial investments	11		
Profit from holdings in Group companies		1,039	757
Interest income and similar items		17	4
Interest expenses and similar items		-120	-128
Profit after financial items		1,387	1,295
Appropriations	12	2	-76
Profit before tax		1,388	1,219
Tax	13	-109	-125
Profit for the year		1,279	1,095

* SEK 27 M in impairment losses on investment projects for 2016 was reallocated from external expenses to depreciation, amortisation and impairment losses

Parent Company statement of comprehensive income

Amounts in SEK M	Note	2017	2016
Profit for the year		1,279	1,095
Other comprehensive income		–	–
Comprehensive income for the year		1,279	1,095

Parent Company balance sheet

Amounts in SEK M	Note	2017-12-31	2016-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	568	608
Tangible fixed assets	15,16,17,18,19	13,851	11,467
Financial non-current assets	23,24,26,38	1,091	1,070
Total non-current assets		15,510	13,145
CURRENT ASSETS			
Materials and supplies	28	42	40
Current receivables	29,30,31,33	2,344	1,653
Liquid assets	27,42	54	165
Total current assets		2,440	1,859
TOTAL ASSETS		17,950	15,003
EQUITY AND LIABILITIES			
EQUITY	34		
Restricted equity			
Share capital		1,441	1,441
Reserve for development costs		25	22
Total restricted equity		1,466	1,463
Unrestricted equity			
Share premium		2,162	2,162
Retained earnings		1,160	210
Comprehensive income for the year		1,279	1,095
Total unrestricted equity		4,600	3,467
Total equity		6,067	4,931
Untaxed reserves	12	2,000	1,943
Provisions	35,36,37	1,361	1,332
Non-current liabilities	18,39,40,41	4,402	3,324
Current liabilities	18,39,40,41,42,44	4,120	3,475
TOTAL EQUITY AND LIABILITIES		17,950	15,003

Changes in equity

Amounts in SEK M	Restricted equity		Unrestricted equity		
	Share capital	Reserve for development costs	Share premium	Retained earnings	Total capital
2017					
Equity, opening balance	1,441	22	2,162	1,305	4,931
Dividend paid	–	–	–	-143	-143
Reclassification between restricted and unrestricted equity	–	3	–	-3	–
Comprehensive income for the year	–	–	–	1,279	1,279
Equity, closing balance 2017-12-31	1,441	25	2,162	2,438	6,067
2016					
Equity, opening balance	1,441	–	2,162	465	4,068
Dividend paid	–	–	–	-232	-232
Reclassification between restricted and unrestricted equity	–	22	–	-22	–
Comprehensive income for the year	–	–	–	1,095	1,095
Equity, closing balance 2016-12-31	1,441	22	2,162	1,305	4,931

Parent Company cash flow statement

Amounts in SEK M	Note	2017	2016
Operating activities	47		
Profit after financial items		1,387	1,295
Adjustments for items not including in cash flow etc.		1,121	981
Tax paid		-138	-125
Cash flow from operating activities before changes in working capital		2,370	2,152
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in materials and supplies		-1	-8
Increase(-)/Decrease(+) in operating receivables		-658	-166
Increase(+)/Decrease(-) in operating liabilities		-383	-167
Cash flow from operating activities		1,328	1,810
Investing activities			
Acquisition of intangible non-current assets		-22	-49
Acquisition of tangible fixed assets		-3,403	-1,971
Disposal of tangible fixed assets		9	19
Cash flow from investing activities		-3,416	-2,001
Financing activities			
Borrowings raised		7,383	2,141
Borrowings repaid		-5,148	-1,548
Dividend paid		-143	-232
Increase (+)/Decrease (-) in other financial liabilities		0	10
Group contribution received/paid in		-115	-18
Cash flow from financing activities		1,977	353
Cash flow for the year		-111	163
Liquid assets at the beginning of the year		165	2
Liquid assets at the end of the year		54	165

Notes

NOTE 1. Corporate information

Swedavia AB (publ), Swedish corporate identity number 556797-0818, has its registered officer in the Municipality of Sigtuna, Sweden. The address of the main office is 190 45 Stockholm-Arlanda (Flygvägen 1), Sweden. Swedavia AB is wholly owned by the Swedish State. Swedavia's task is to own, operate and develop the national basic infrastructure of airports decided by the Swedish Government. That consists of ten airports: Bromma Stockholm Airport, Göteborg Landvetter Airport, Kiruna Airport, Luleå Airport, Malmö Airport, Ronneby Airport, Stockholm Arlanda Airport, Umeå Airport, Visby Airport and Åre Östersund Airport.

Regulations governing operations

Swedavia's operations are mostly regulated by Swedish and European regulations, with the most important regulations for running airport operations consisting of, among others:

- Swedish Environmental Code (1998:808), with subsequent regulations requiring a permit for airport operations
- Swedish Civil Aviation Act (2010:500), with subsequent regulations governing, among other issues, permission to establish an airport
- Swedish Civil Aviation Security Act (2004:1100) concerning searches of persons and baggage in security screening
- Swedish Aerodrome Ground Services Act (2000:150) concerning the responsibilities of the airport operator in opening up airports with more than 2,000,000 passengers/year to external ground services providers
- Swedish Act on Airport Charges (2011:866) regulating requirements for consultation on airport charges with the users, airlines

NOTE 2. Accounting principles

Conditions for preparation of the Parent Company's and consolidated financial reports

The consolidated accounts for Swedavia and its subsidiaries have been prepared in conformity with the International Financial Reporting Standards (IFRS) to the extent these have been adopted by the European Union (EU).

The Parent Company applies Sweden's Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities. The differences arising between the Parent Company and consolidated accounting principles are due to restrictions on applying IFRS in the Parent Company as a result of Sweden's Annual Accounts Act and Pension Obligations Vesting Act as well as, in some cases, the connection between accounting and taxation.

In this report, the Swedavia Group is called "Swedavia" or "the Group", and Swedavia AB is called either by its full name or "the Parent Company".

Reporting for the Group and the Parent Company is in millions of Swedish kronor (SEK M) unless otherwise indicated. Swedish kronor is abbreviated as SEK, and thousands of kronor is abbreviated as SEK T. The amounts recognised have in some cases been rounded off. In cases where the amount is less than SEK 1 M and rounded down, this is presented as a zero (0). If there is no value, a dash (–) is used. It means that tables, charts and calculations do not always add up. Figures in parentheses are for the previous year.

Non-current assets, non-current liabilities and non-current provisions consist in all essential respects only of amounts that are expected to be recovered or paid after more than twelve months calculated from the balance sheet date. Current assets, current liabilities and current provisions consist in all essential respects only of amounts that are expected to be recovered or paid within twelve months calculated from the balance sheet date.

Assets, provisions and liabilities have been recognised at cost unless otherwise indicated below. Financial assets and liabilities have been recognised at amortised cost, apart from derivative instruments, which are recognised at fair value. Biological assets are recognised at fair value; see Note 22. For information concerning valuation and information about fair value under IFRS 13, see Note 20.

New accounting principles

Only a few changes in IASB standards entered into force in 2017. None of these had any effect on Swedavia's reporting.

New and amended standards and interpretations that enter into force in 2018 or later

- IFRS 9 Financial instruments is a new standard that replaces IAS 39. The standard is divided into three areas: classification and measurement of financial assets and liabilities, impairment of financial assets and liabilities, and hedge accounting. The standard enters into force on January 1, 2018. Classification and measurement of financial assets and liabilities in accordance with IFRS 9 did not entail any change in items recognised. Due to changed principles in the provision for and impairment of credit losses, a loss allowance is recognised in the first reporting period and not as previously, in IAS 39, first in conjunction with when a loss has occurred. Swedavia has implemented a new procedure for assessment and recognition of credit losses. The new procedure has not had any material effect on the opening balance, and there will be no restatement. For hedge accounting, Swedavia has chosen to continue applying IFRS 39 Financial instruments: Recognition and measurement. Hedge accounting in accordance with IAS 39 may continue to be applied until the IASB's Dynamic Risk Management project has been completed. The new regulations for hedge accounting are not expected to affect Swedavia, but the Group has decided to wait for the ongoing project to end and an assessment of the practice before implementation is carried out. The transition entails changed disclosure in the annual accounts for 2018, when disclosure requirements for hedge accounting shall also be applied even if no transition is made to IFRS 9.
- IFRS 15 Revenue from contracts with customers is a new standard that replaces IAS 11 and 18, IFRIC 13, 15 and 18 as well as SIC-31. This standard concerns the recognition of revenue from contracts and from the sale of some non-financial assets and includes greater disclosure requirements. The effective date is January 1, 2018. Furthermore, a clarification to the recommendation was issued in 2016 which was adopted by the EU in October 2017. The

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transition to IFRS 15 has not entailed any change in the timing or amounts in the recognition of revenue for what are Swedavia's material revenue streams. Swedavia's main revenue streams are in the Aviation Business area, which accounts for 60 per cent of net revenue, and are related to the provision of infrastructure aimed at airlines and ground handling companies for take-offs and landings. A performance obligation in Aviation Business is considered to be satisfied at a time similar to that under the current accounting standard. Revenue streams in Commercial Services are related to services connected to the airports' operations such as the leasing of premises, parking operations and provision of advertising space. Rental income will be recognised in accordance with IFRS 16 while property-related service revenue, such as from property maintenance and heating, will be recognised in accordance with IFRS 15. Swedavia has not identified any difference in the accounting treatment of time or amounts for any of the revenue streams mentioned.

- IFRS 16 Leases is a new standard that replaces IAS 17 Leases and accompanying interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that lessees recognise assets and liabilities for all leases unless the lease term less than 12 months or the underlying asset has a low value. Accounting for lessors will be substantially unchanged. The effective date is the financial year that begins January 1, 2019, or later. Earlier application is permitted provided that IFRS 15 is also applied. Swedavia has decided not to apply the standard in advance. In the income statement, depreciation will be recognised on the asset and interest expenses will be calculated based on the liability. The standard also includes more extensive disclosure requirements compared to the current standard. An analysis is under way at Swedavia, and in conjunction Swedavia has identified leases that will affect its financial position and key metrics. After analysis and identification, the work will continue with the adoption of assumptions and quantification.

Significant judgements and assumptions

In the preparation of financial reports in conformity with IFRS, the executive management is required to make judgements and assumptions that affect the application of the accounting principles and the amounts recognised for assets, liabilities, revenue and costs. These judgements and assumptions are based on historical experience and a number of other factors that seem reasonable under prevailing conditions. The actual outcome may differ from these assumptions and judgements. Judgements and assumptions are reviewed on a regular basis. Changes in assumptions are recognised in the period the change is made if it only affected that period, or in the period the change is made and future periods if the change affects both the current and future periods.

Below is a description of the areas that have a material effect on judgements and assumptions.

Valuation of goodwill

Goodwill is allocated to the segment Airport Operations and tested for impairment at least annually. The recoverable amount is based on calculations of its value in use. These calculations are based on estimated cash flows in the business plan adopted and forecasts. Significant assumptions in determining the value in use are passenger trends, future interest rates and cost trends. See also Note 14.

Valuation of pension liability

Defined benefit pension commitments were taken over in conjunction with the division of operations at LFV and the formation of Swedavia. These commitments consist of the present value of expected future payments, and the amount is determined annually by independent actuaries. The size of the provision is affected by assumptions about the discount rate, which is assigned based on the duration, and inflation, which is assigned based on market expectations. See also Note 36.

Other

The executive management's best judgement is also used in

conjunction with recognition of amounts involved in disputes since litigation and disputes are unpredictable in nature.

Consolidation principles

The consolidated financial accounts include the Parent Company and all the companies over which the Parent Company directly or indirectly has controlling interest. Controlling interest is assumed to exist when ownership entails at least 50 per cent of the votes in the subsidiary, but can also be achieved if controlling interest can be exercised over the operational and financial management. The Parent Company in all cases owns, directly or indirectly, shares/holdings in the companies included in the consolidated financial accounts. Subsidiaries are included in the consolidated financial accounts starting from the time controlling interest is achieved and are excluded from the consolidated financial accounts from the time controlling interest is no longer exercised. Where necessary, adjustments are made in the subsidiaries' financial statements to adapt their accounting principles to those used by the Group.

Business combinations

Acquisitions of businesses are recognised using the acquisition method. Cost is calculated as the total fair value on the transaction date of assets purchased, liabilities that have arisen or are assumed, and equity instruments issued as payment in exchange for controlling interest over the acquired entity. Identifiable assets, liabilities and contingent liabilities acquired are recognised at fair value on the acquisition date. The premium that consists of the difference between the cost of the acquired holdings and the total fair value of the identifiable net assets acquired is recognised as goodwill. A discount is charged to the income statement.

Associated companies and joint ventures

Holdings in associated companies and joint ventures are recognised in the consolidated accounts using the equity method. The equity method entails that the carried amount of shares in the associated company or joint venture is equivalent to the Group's share of the associated company's or joint venture's equity and any residual value of the consolidated premiums or discounts. The Group's share of the associated company's or joint venture's profit adjusted for any amortisation on or liquidation of premiums or discounts on acquisitions is recognised in the consolidated income statement as "Profit from holdings in associated companies and joint ventures".

Elimination of transactions between Group companies

Intra-Group receivables and liabilities and transactions between Group companies as well as unrealised gains in conjunction with these are eliminated in full. Unrealised gains arising from transactions with associated companies and joint ventures are eliminated against "Holdings in associated companies and joint ventures" to the extent that the Group owns shares in the company. Unrealised losses are eliminated in the same way as unrealised gains as long as there is no need for impairment.

Revenue

Swedavia's recognised net revenue is revenue from Aviation Business, revenue from Commercial Services and Other net revenue.

Revenue from Aviation Business consists of passenger-related revenue, aircraft-related revenue, external regulated charges, ground handling and other supplementary services. This revenue is related to the provision of infrastructure aimed at airlines and ground handling companies for take-offs and landings and is recognised in conjunction with the airlines' and ground handling companies' use of Swedavia's range of services on offer, that is, when there is a departure from one of Swedavia's airports.

Revenue from Commercial Services consists of revenue from car parking services, retail, food & beverage, property revenue, advertising and other commercial services. This revenue is related to services associated with the airports such as the leasing of premises, car park facilities and the provision of advertising space. Revenue from car

parking and parking facilities is recognised in conjunction with a parking customer using a parking space. Rental income from retail, food & beverage is revenue-based, and preliminary revenue is recognised on a monthly basis, with final settlement at the end of the year. Property revenue consists of fixed rental charges, which are recognised during the period of the lease, and revenue from the sale of energy and telecom services, which is recognised when the service is provided. Advertising revenue consists of the sale of advertising space, and revenue is recognised during the period the space is used. For other services, revenue is recognised when such a service is provided. Discounts provided have reduced net revenue.

Revenue is recognised as the fair value of what has been received or will be received. Revenue is only recognised if it is likely that economic benefits will flow to the Group and these benefits can be reliably estimated. If there is later uncertainty as to the likelihood of receiving payment for amounts already recognised as revenue, the amount for which payment is no longer likely is recognised as a cost instead of as an adjustment in the amount of revenue originally recognised. Given that IFRS 9 Financial Instruments enters into force on January 1, 2018, Swedavia has changed its principles in the provision for and write-down of credit losses; see also Note 45 "Financial risks".

Financial income and expenses

Financial income consists of income on invested funds, dividends, the gain on a change in value in financial assets recognised at fair value through profit or loss and such gains on hedging instruments as are recognised in net financial items.

Financial expenses consist of interest expenses on liabilities to credit institutions, medium-term notes and commercial paper, effects of reversing provisions calculated at their present value, the loss on a change in value in financial assets recognised at fair value via profits or losses and such losses on hedging instruments as are recognised in net financial items.

Interest income and interest expenses on financial instruments are recognised using the effective interest method. Dividend income is recognised when the right to receive a dividend is established. Foreign exchange gains and losses are offset.

Tax

The Group's total tax consists of current tax and deferred tax. Tax is recognised in the income statement except when the underlying transaction is recognised in other comprehensive income. Current tax is tax that is to be paid or received during the current year. Current tax is calculated based on the taxable profit for the year. Taxable profit is distinguished from profit recognised in the income statement. The difference concerns revenue that is subject to tax and expenses that are deductible in other years (temporary differences) as well as items that are not subject to tax or are not tax-deductible (permanent differences). The Group's current tax liability is calculated using the tax rates that are in effect on the balance sheet date. An adjustment in current tax attributable to earlier periods is also recognised as current tax.

Deferred tax is calculated using the balance sheet method based on the temporary differences between book and tax values of assets and liabilities. Deferred tax is calculated using the tax rates and tax regulations that are decided or advised on the balance sheet date. Temporary differences attributable to consolidated goodwill and asset acquisitions are not taken into account, and normally nor are differences attributable to holdings in subsidiaries, associated companies and joint ventures that are not expected to be taxed within the foreseeable future. Untaxed reserves including deferred tax liability are recognised for legal persons. However, in consolidated accounts, untaxed reserves are divided into deferred tax liability and equity. Deferred tax assets for temporary differences and loss carryforwards that are tax-deductible are only recognised to the extent it is likely that a taxable profit occurs against which tax-deductible temporary differences can be used. The book value of deferred tax assets is reviewed on each closing date. Deferred tax liabilities are normally recognised for all temporary differences subject to tax.

Intangible non-current assets

The Group's intangible non-current assets consist of goodwill and other intangible non-current assets. Goodwill arises when the cost for the acquisition of shares in a subsidiary exceeds the fair value of the identifiable net assets of the company acquired. Goodwill is recognised at cost less any impairment loss. Goodwill has an indeterminate expected useful life, and an impairment review is carried out at least once a year. Other intangible non-current assets consist mostly of noise insulation for the properties of others. Straight-line amortisation is used for noise insulation measures and is reviewed annually. Useful life shall correspond to the time the environmental permit or conditions contained therein are in effect but never more than 25 years. Other intangible non-current assets also consist of assets developed by the Company with a useful life of 5-10 years.

Tangible fixed assets

Tangible fixed assets excluding biological assets are recognised at cost minus accumulated depreciation and any accumulated impairment losses.

Cost comprises the purchase price and expenditures directly attributable to the asset in order to convey it to its location and to use it for the purpose for which it was acquired. Borrowing costs directly attributable to major renovation or new construction projects where the completion time is longer than 12 months are included in the cost of the fixed asset to the extent they have arisen during the construction period. Interest expenses are calculated based on the Group's average interest rate on all borrowings.

Additional expenses are added to the asset's book value or recognised separately when it is likely that the Company will derive future economic benefits attributable to the asset and the cost of the asset can be calculated in a reliable way. Other expenses that arise are recognised as a cost in the period in which they arise.

Depreciation is recognised based on the expected and estimated useful life using the straight-line depreciation method. For cases where parts of the Group's assets consist of different components, where each part has an expected useful life that differs significantly from the asset as a whole, depreciation of such components occurs on an individual basis using the estimated useful life of each component.

Depreciation begins when the assets are ready for their intended use. Scheduled depreciation is based on cost minus estimated residual value. The residual value and useful life are reviewed on an annual basis and adjusted if necessary. The Group's field structures consist of various assets such as parking facilities, roads, ditches and ponds, where the useful life varies. The Group's buildings consist of different types of property such as terminal buildings and buildings with simpler constructions, which have a different useful life.

Useful life for the Group is:

Buildings and investment properties	
- Foundation and frame	20 – 60 years
- Roof	20 – 60 years
- Facade	20 – 60 years
- Internal structures and room functions	10 – 25 years
- Electrical installations	7 – 30 years
- District networks	15 – 50 years
Equipment, buildings	5 – 30 years
Equipment, land	10 – 60 years
Field structures, runway systems	
- Load-bearing surfaces	60 years
- Sealants	4 years
- Other parts	12 – 40 years
Field structures, other	30 – 70 years
Electrical installations, vehicles and equipment	3 – 10 years
Modifications for tenants	Length of lease

NOTES

Biological assets – standing timber

The Group's forest assets are divided into standing timber, which is recognised as a biological asset, and land. Standing timber is valued and recognised at fair value on each reporting date. Changes in fair value are recognised in the income statement. Fair value has been calculated as the present value of the discounted future return from long-term sustainable forest operations, that is, the expected future cash flow from forest operations. For further information, see Notes 20 and 22.

Leasing

Leases are classified in the consolidated financial accounts as well as in the Parent Company's financial accounts as either financial leases or operating leases. Leases in which Swedavia to all intents and purposes assumes economic risks and benefits associated with direct ownership of the asset are classified as financial leases. Recognition of financial leases entails entering the fixed asset as an asset in the Group's balance sheet at the lower of the amount of the asset's market value or the estimated present value of the underlying lease payments, and a corresponding liability is recognised initially. The asset is depreciated according to a set schedule over the asset's useful life while lease payments are recognised as interest and principal payments on the liability. For operational leases, lease payments are carried as an expense over the leasing period.

Impairment losses

On each balance sheet date, the Group analyses the book values of tangible fixed assets and intangible non-current assets to determine whether there is anything to indicate that these assets have decreased in value. If there is an indication of this, the replacement value is calculated in order to determine the value of any impairment loss.

In valuation of the airports, a systems approach is applied. Since the airports included in the national basic airport infrastructure are operated as a system, integrated and mutually dependent, the individual airports have been valued according to their systemic useful life rather than based on recognised profit. Operating the airports as a system means that it is not possible to isolate cash flow attributable to individual airports included in the system on a meaningful basis. Therefore the system of airports that are included in Sweden's national basic infrastructure is treated as a single cash-generating unit.

An impairment loss is recognised in the income statement. If an impairment loss is reversed, it is done so only to the extent that the book value of the asset does not exceed the book value, minus depreciation, if no impairment loss had been made. A reversal of an impairment loss is recognised in the income statement. A reversal of an impairment loss is never recognised for goodwill.

Materials and supplies

Inventories are recognised at the lower of cost using the first-in first-out method or fair value. As a result, obsolescence risks are mitigated.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been translated at the exchange rate on the balance sheet date. Exchange rate differences for operating receivables and operating liabilities are included in the operating profit, while exchange rate differences for financial receivables and liabilities are recognised in financial items.

Liquid assets

Liquid assets comprise cash and banking holdings that are immediately available.

Trade payables

Trade payables have a short expected maturity and are valued without discounting their nominal amount.

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when an asset or liability arises under the terms of the instrument

stipulated in the contract. A financial asset is derecognised from the balance sheet when the contractual rights are realised, expire or when the Company loses control over it. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in any other way eliminated.

Financial instruments that are not derivatives are recognised at fair value plus or minus transaction costs, except for those financial assets belonging to the category of financial asset or liability recognised at fair value through profit or loss. Derivative instruments are recognised at fair value; increases and decreases in value are recognised on a regular basis as revenue or costs in other comprehensive income in cases where hedge accounting is appropriate. Financial assets and liabilities are offset and recognised as a net amount in the balance sheet when there is a legal right to offset and when the intention is to settle the items with a net amount or to realise the asset and settle the liability simultaneously.

On each balance sheet date, the Company evaluates whether there are objective indications that an impairment loss needs to be taken on a financial asset or group of financial assets as a result of events that have occurred. Objective indications could be a breach of contract such as a default or delay of payment of interest or capital, significant financial difficulties for debtors or deterioration in the creditworthiness of customers.

The book value after impairment losses on assets is calculated as the present value of future cash flow discounted by the effective interest rate that applied when the asset was recognised for the first time. Assets with a short maturity are not discounted. An impairment loss is charged to the income statement. The asset is eliminated from the balance sheet in the event of bankruptcy.

Loans and customer receivables

This category includes loan receivables, trade receivables, receivables from associated companies and joint ventures, other receivables and liquid assets. These assets are valued at accumulated cost. Loan receivables and trade receivables with short maturities are valued at their nominal cost with no discounting. Trade receivables are recognised at the amount that is expected to be received minus any bad debts, which are judged on an individual basis.

Other financial liabilities

Borrowings and other financial liabilities, apart from derivatives, are recognised at amortised cost. Amortised cost is determined based on the effective interest rate calculated at the time the amount was borrowed. This means that discounts/premiums and the direct costs of share issues are allocated over the maturity of the loan. Trade payables have short expected maturities and are recognised without discounting their nominal amount.

Non-current liabilities have an expected maturity of more than one year whereas current liabilities have a maturity less than one year.

Derivatives identified as hedging instruments

Derivative instruments are recognised at fair value. Gains and losses in value are recognised on an ongoing basis as revenue or cost in other comprehensive income.

Financial liabilities recognised at fair value through profit or loss

This category includes derivatives with a negative value that are not intended for hedge accounting. Financial instruments in this category are measured at fair value with value changes recognised in the profit for the year. Fair value is the amount at which an asset could be transferred or a liability could be paid between knowledgeable and independent parties. In determining fair value, in the first place the official price in an active market or other observable market data are used. If these do not exist, fair value is calculated using the methods that in each case are assumed to give the best estimate of fair value. Financial assets are valued at fair value based on hierarchy level 2; see Note 20.

Financial liabilities valued at fair value via the income statement

In this category are derivatives with a negative value that are not subject to hedge accounting. Financial instruments in this category are valued on an ongoing basis at fair value with changes in value recognised in profit for the year.

Hedge accounting

General

Derivative instruments are recognised in the balance sheet on the contract date at fair value, both initially and in subsequent revaluations. The method for recognising profit or loss arising from revaluation depends on whether the derivative has been identified as a hedging instrument and, if so, the nature of the item hedged. The Group identifies some derivatives as a hedge of a given risk which is connected to a recognised liability or a very likely forecast transaction (cash flow hedge).

The Group uses derivative instruments to limit exposure to the negative effect of financial fluctuations on the Group's income statement, balance sheet and cash flow.

When the transaction is entered into, the relationship between the hedging instrument and the item hedged is analysed and assessed against the Group's risk management objectives for hedging. The analysis is documented at the inception of the hedge and on a continuous basis, to ensure that the derivative instruments used in hedging transactions are effective in evening out changes in fair value or changes in cash flow for hedged items. Gains and losses on hedges are recognised in the profit for the year at the same time the gains and losses on the items hedged are recognised.

Changes in fair value for derivative instruments that do not meet the criteria for hedge accounting are recognised directly in the income statement.

Cash flow hedges

To hedge uncertainty in highly likely forecast interest cash flows related to borrowings at floating interest rates, interest rate swaps – in which the Company receives a floating rate and pays a fixed rate – are used. Interest rate swaps are recognised at fair value on the balance sheet. The interest coupon portion is recognised directly in the profit for the year as part of interest expenses. Unrealised changes in fair value on the interest rate swaps are recognised in other comprehensive income and are included in the hedge reserve until the hedged item affects the profit for the year and as long as the criteria for hedge accounting and effectiveness are fulfilled. The gain or loss attributable to the non-effective portion of unrealised value changes on the interest rate swaps is recognised in profit for the year.

Hedge accounting has also been applied for commodity and currency derivatives. Currency derivatives are used mainly to lock in the exchange rate for future flows of foreign currencies, which arise mostly in conjunction with investments and with electricity trading. Commodity derivatives are used to hedge the risk of electricity prices that arises in the Group's business operations. Changes in the fair value of these derivative instruments are recognised in other comprehensive income and are accumulated in the hedge reserve under equity. The accumulated gains or losses in the hedge reserve are reclassified to the income statement in the same period that the hedged item affects profit.

When a hedging instrument or hedging relationship is terminated but the hedged transaction is still expected to occur, the accumulated gains and losses in the hedge reserve remain and are recognised in the profit for the year when the contracted or projected transaction is recognised in the income statement. However, if the hedged transaction is no longer expected to occur, the accumulated gains and losses in the hedge reserve are immediately reclassified to profit for the year.

Provisions

A provision is recognised in the balance sheet when the Company has a formal or informal obligation as a result of an event occurring, it is

likely that an outflow of resources is required to settle the obligation, and a reliable estimate of the amount can be made. A present value calculation is made to take into account significant time effects of future payments. Provisions are divided into non-current and current provisions.

Restoration reserve

In conformity with the Group's published environmental principles and applicable legal requirements, a provision to restore contaminated assets shall be recognised when the asset is contaminated.

Restructuring reserve

A provision is recognised when a detailed restructuring plan has been adopted and the restructuring has either begun or been publicly announced.

Other provisions

Other provisions consist of provisions related to estimated amounts for disputes, onerous contracts, social security funds and other commitments. A provision for onerous contracts is recognised when the expected economic benefits the Group expects to receive from a contract are lower than the unavoidable costs of fulfilling the terms of the contract.

Contingent liabilities

A contingent liability is a possible obligation resulting from past events and whose occurrence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events, which are not entirely in the Company's control, or there is an obligation resulting from past events but which is not recognised as a liability or provision since it is not likely that an outflow of resources will be required to settle the obligation, or the size of the obligation cannot be estimated with sufficient accuracy. No accounting is necessary when the likelihood of an outflow of resources is extremely limited.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company prepares its financial reports in conformity with Sweden's Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities. The differences between the consolidated and Parent Company accounting principles are presented below. The accounting principles specified for the Parent Company have been applied consistently in all the periods presented in the Parent Company's financial reports.

Group contributions

Group contributions received and paid are recognised as appropriations.

Associated companies and joint ventures

Holdings in associated companies and joint ventures are recognised in the Parent Company using the cost method. Dividends received are recognised in the income statement. In cases where joint ventures are limited partnerships, the value of the holding is adjusted by the value of the Parent Company's share of the limited company's net profit.

Group companies

Holdings in Group companies are recognised in the Parent Company using the cost method. The recognised value of holdings in a limited partnership changes annually by the Parent Company's share of the limited partnership's net profit and any withdrawals or contributions made during the year.

Equity

Equity is divided between unrestricted and restricted reserves in accordance with the Annual Accounts Act. Group contributions paid are recognised by the donor as an increase in holdings in Group companies. The recipient recognises the contribution as unrestricted equity.

NOTES

Untaxed reserves

In the Parent Company, untaxed reserves are recognised in their entirety without being divided between equity and deferred taxes.

Financial instruments

The Parent Company does not apply IAS 39; instead, financial instruments are recognised based on their cost in conformity with Sweden's Annual Accounts Act. This means that non-current financial assets are recognised at cost minus any impairment loss, and current financial assets are valued based on the lower of cost or market rule.

Interest rate swaps that effectively hedge cash flow risk for interest payments on liabilities are recognised at the net of the accrued asset on floating interest and accrued liability on fixed interest. The difference is recognised as an interest expense or interest income.

Pensions

The Parent Company complies with the statutes in the Swedish Pension Obligations Vesting Act and the instructions of the Swedish Financial Supervisory Authority since that is a requirement for making tax deductions. The most significant differences compared to reporting in the consolidated financial accounts and in that case with the regulations in IAS 19 are the way the discount rate is determined, with the calculation of the defined benefit obligation based on the current salary level without any assumption of future salary increases, and any gains and losses recognised in the income statement. The Parent Company's total commitments for defined benefit pensions are covered by credit insurance with FPG/PRI.

NOTE 3. Segment reporting

An operating segment is defined as a part of the Group that carries out business operations from which it can generate revenue and costs, whose operating profit is regularly examined by the Company's highest executive officer and for which there is independent financial information. At Swedavia, the highest executive officer is identified as the chief executive officer of the Parent Company. Swedavia's operations are organised and run as two operating segments, Airport Operations and Real Estate.

- **Airport Operations** owns, operates and develops Swedavia's airports. Most revenue consists of passenger-related revenue

- **Real Estate** owns, develops and manages properties and developable land at and in the vicinity of Swedavia's airports. Most revenue consists of revenue from properties

The basis of segment reporting is internal reporting. Executive management mostly uses operating profit by segment in accordance with Swedish accounting principles for monitoring. The capitalisation of borrowing fees, financial expenses, financial income and income tax is handled at the Group level. The accounting principles conform with those applied in the consolidated financial accounts. The item "Revenue, external" consists of net revenue, other operating profit and own work capitalised.

	Airport Operations		Real Estate		Eliminations/adjustments		Group	
Income statement Jan–Dec	2017	2016	2017	2016	2017	2016	2017	2016
Revenue, external	5,761	5,555	161	401	4	–	5,926	5,956
Revenue, internal	128	114	343	336	-471	-450	–	–
Total revenue	5,888	5,669	504	737	-466	-450	5,926	5,956
Operating costs	-4,321	-4,039	-372	-411	471	450	-4,223	-4,001
Depreciation, amortisation and impairment losses	-1,043	-983	-9	-5	–	–	-1 052	-988
Operating profit	523	646	124	321	4	–	651	966

	Airport Operations		Real Estate		Eliminations/adjustments		Group	
Balance sheet, on December 31	2017	2016	2017	2016	2017	2016	2017	2016
Non-current assets	15,407	13,018	1,708	1,234	-668	-700	16,447	13,552
Current assets	2,440	1,858	458	1,263	-1,757	-2,025	1,140	1,096
Total assets	17,847	14,876	2,165	2,497	-2,425	-2,725	17,587	14,648
Equity	7,825	6,749	582	1,421	-742	-819	7,665	7,351
Liabilities	10,022	8,126	1,583	1,076	-1,683	-1,906	9,922	7,297
Total equity and liabilities	17,847	14,876	2,165	2,497	-2,425	-2,725	17,587	14,648

One customer in 2017 accounted for 17 per cent (16) of consolidated revenue, equal to SEK 1,022 M (958), allocated to both segments.

Of the Group's total capital spending in 2017, SEK 3,866 M (2,138), SEK 3,425 M (2,019) is attributable to Airport Operations and SEK 441 M (119) is attributable to Real Estate.

NOTE 4. Net revenue

Revenue by source	Group		Parent Company	
	2017	2016	2017	2016
Aviation Business				
Passenger-related revenue	1,714	1,638	1,714	1,640
Aircraft-related revenue	642	625	642	622
Externally regulated charges	699	727	699	725
Ground handling	278	257	278	256
Other supplementary services	219	198	219	198
Total Aviation Business	3,552	3,446	3,552	3,442

Revenue by source	Group		Parent Company	
	2017	2016	2017	2016
Commercial Services				
Car parking & parking facilities	894	845	894	845
Retail, food & beverage	691	645	691	645
Property revenue	405	401	340	337
Advertising	101	99	101	99
Other commercial products	61	72	90	76
Total Commercial Services	2,152	2,062	2,116	2,002
Other net revenue	41	38	45	48
Total net revenue	5,745	5,546	5,713	5,492

NOTE 5. Related party transactions

Related party transactions involve transactions with State-owned companies or operations that conduct business in which the State has controlling interest. Related parties also include companies over which Swedavia may exercise controlling interest or a significant influence in terms of operational and financial decisions made; for transactions with them, see the table below. Concerning Swedavia AB's receivables from and liabilities to Group companies, see Note 30 "Receivables from Group companies" and Note 31 "Receivables and liabilities from associated companies and joint ventures". Shares in Group companies are described in detail in Note 26 "Holdings in Group companies" and in Note 25 "Holdings in associated companies and joint ventures". Transactions are carried out on market terms, and operations are subject to competition.

Physical persons who are related parties are defined as executive officers, Board members and immediate family members of such persons. For information about remuneration to executive officers and Board members, see Note 8 "Employees and staff expenses". There are no securities pledged by or contingent assets from Swedavia for executive officers or Board members.

	Group		Parent Company	
	2017	2016	2017	2016
Sales of goods and services				
Subsidiaries	–	–	128	119
Associated companies and joint ventures	28	17	5	2
Total sales of goods and services	28	17	133	121
Sales of immovable property or other assets				
Subsidiaries	–	–	0	10
Associated companies and joint ventures	–	19	–	19
Total sales of property and other assets	–	19	0	29
Purchases of goods and services				
Subsidiaries	–	–	319	322
Associated companies and joint ventures	30	51	31	23
Total purchases of goods and services	30	51	350	345
Interest, net				
Subsidiaries	–	–	13	0
Total interest	–	–	13	0

Transactions with the Swedish State

Swedavia AB is wholly owned by the Swedish State. The Swedavia Group's products and services are provided to the State, government agencies and State-owned companies (hereinafter called other related parties) in competition with other suppliers on commercial terms. Similarly, Swedavia AB and its Group companies purchase products and services from government authorities and State-owned companies at market prices and on commercial terms. Costs for other related parties consist mostly of the purchase of meteorological services, fees to government authorities and air navigation services, which are largely included in the costs covered via remuneration from the Swedish Transport Agency for security screening and parts of air traffic management services. The Group's sales of goods and services to other related parties totalled SEK 173 M (131) and its purchase of goods and services totalled SEK 274 M (195). Transactions with the Swedish State pertaining to taxes and payroll fees have not been included.

NOTE 6. Other operating profit

	Group		Parent Company	
	2017	2016	2017	2016
Other operating profit				
Capital gains	16	266	9	23
Other	20	18	20	18
Total	36	283	29	41

Capital gains in 2016 pertain to the sale of subsidiaries, SEK 241 M, the sale of land, SEK 20 M, and other capital gains of SEK 5 M.

NOTE 7. Remuneration and compensation for auditors

	Group		Parent Company	
	2017	2016	2017	2016
Ernst & Young				
Auditing assignments	3	3	3	3
Other services	0	0	0	0
Total	3	3	3	3

"Auditing assignments" refers to the statutory auditing of the annual accounts, the administration of the Board of Directors and the President and CEO and auditing and other examination performed in accordance with agreements or contracts. This includes other duties incumbent upon the Company's auditors as well as advice or other assistance stemming from observations made during such audits or the performance of other such duties.

"Other services" refers to advice on accounting issues as well as advice on processes and internal auditing.

NOTE 8. Employees and staff expenses

	2017			2016		
	Total	Share of women	Share of men	Total	Share of women	Share of men
Average number of employees, Sweden						
Parent Company	3,074	37%	63%	2,941	35%	65%
Subsidiaries	0	0%	0%	8	25%	75%
Group	3,074	37%	63%	2,949	35%	65%

	2017-12-31		2016-12-31	
	Share of women	Share of men	Share of women	Share of men
Gender breakdown of executive management				
Group				
Board of Directors	40%	60%	55%	45%
Other executive officers including CEO	43%	57%	40%	60%

	Group		Parent Company	
	2017	2016	2017	2016
Salaries, other remuneration, and payroll taxes, SEK M				
Salaries and remuneration				
Board of Directors	2	2	2	2
CEO and executive officers	26	27	26	27
Other employees	1,248	1,147	1,248	1,141
Total	1,276	1,175	1,276	1,171
Payroll taxes	623	509	623	506
of which pension expenses including special pension tax for CEO and executive officers	9	8	9	8
of which pension expenses including special pension tax for other employees	158	114	182	113
Other staff-related expenses	61	57	61	57
Group-related adjustments	-48	20	—	—
Total staff expenses	1,911	1,761	1,959	1,733

Remuneration to the Board 2017, SEK T	Board fee	Audit Committee	Remuneration Committee	Other benefits
Chairman of the Board				
Åke Svensson	440	–	25	–
Board members				
Karin Apelman ¹	73	12	–	–
Lars Backemar	220	–	–	–
Anna Elgh ¹	73	–	–	–
Adine Grate Axén	220	20	–	–
Lottie Knutson	220	–	–	–
Lotta Mellström	–	–	–	–
Lars Mydland	220	–	–	–
Mikael Norman ²	147	23	–	–
Lottie Svedenstedt	220	–	20	–
Total	1,833	55	45	–

¹ Karin Apelman and Anna Elgh were Board members until the Annual General Meeting 2017.

² Mikael Norman was elected as a Board member at the Annual General Meeting 2017. He was then appointed Chairman of the Audit Committee.

Remuneration to the Board of Directors consists of a fee decided at the Annual General Meeting. The Board fee is paid as a salary or as an invoice from the Board member's sole proprietorship or company. In cases where the Board fee is invoiced, an amount equivalent to the payroll taxes that Swedavia AB does not have to pay as a result is added.

Guidelines for remuneration to the Board of Directors

Swedavia follows the State's guidelines for remuneration to the Board. A fee is paid to the Chairman and Board members based on a decision at the Annual General Meeting (AGM) on April 27, 2017. No pension contribution is paid for Board members. No remuneration is paid to Board members who are employed in the Swedish Government Offices. No Board fee is paid to employee representatives or their deputies. Board fees are paid as salary or are paid to the Board member's company. No Board fee is paid to Board members in any subsidiary since all members are employees of companies in the Swedavia Group.

Remuneration for the Audit Committee is based on a decision taken at the AGM held on April 27, 2017. Since the Annual General Meeting 2017, the Audit Committee includes the Board members Mikael Norman as Chairman plus Adine Grate Axén and Lotta Mellström as members.

Remuneration for the Remuneration Committee is based on a decision taken at the AGM held on April 27, 2017. Since the 2016 constituent Board meeting, the Remuneration Committee includes Chairman of the Board Åke Svensson as Chairman and Board members Lotta Mellström and Lottie Svedenstedt as members as well as Robert Olsson as employee representative.

Remuneration to the Board 2017, SEK T	Board fee	Audit Committee	Remuneration Committee	Other benefits
Chairman of the Board				
Åke Svensson ^{1,2}	293	–	17	–
Ingemar Skogö ¹	147	–	8	–
Board members				
Karin Apelman	220	35	–	–
Lars Backemar	220	–	–	–
Anna Elgh	220	–	–	–
Adine Grate Axén	220	20	–	–
Lottie Knutson	220	–	–	–
Lotta Mellström	–	–	–	–
Lars Mydland	220	–	–	–
Lottie Svedenstedt	220	–	20	–
Total	1,980	55	45	–

¹ At the Annual General Meeting 2016, Åke Svensson was elected as a new Board member and as Chairman of the Board, replacing departing Board member and Chairman Ingemar Skogö.

² At the Annual General Meeting 2016, Åke Svensson was elected as a new member of the Remuneration Committee, replacing departing member Ingemar Skogö.

NOTES

Remuneration to executive officers Parent Company ¹ , 2017 SEK T			Base salary	Other benefits ⁶	Pension expenses	Total remune- ration	Employer's period of notice of termination + number of months ¹ severance pay
President and CEO	Jonas Abrahamsson ²	as of Jan 2, 2017	4,058	7	1,202	5,268	6 + 12
Deputy CEO and CEO, Commercial & Real Estate	Karl Wistrand ³	as of Jan 2, 2017	2,584	9	761	3,354	6 + 9
Chief Financial Officer	Mats Pålsson		2,164	11	637	2,813	6 + 6
Chief Human Resources Officer	Marie Wiksborg		1,713	0	471	2,184	6 + 6
Chief Legal Counsel	Anna Bovaller ⁴		1,497	6	415	1,918	6 + -
Chief Information Officer	Linda Sjödin		1,520	0	385	1,906	6 + 6
Director of Security & Safety	Mats Paulsson		1,384	11	347	1,742	6 + 6
Director of Strategy & Sustainability	Lennart Bergbom		1,397	11	349	1,758	6 + 6
Chief Technical Officer	Per Arenhage ⁴		1,693	7	507	2,207	6 + -
Airport Director, Bromma Stockholm Airport	Peder Grunditz		1,655	3	431	2,089	6 + 6
Airport Director, Regional Airports	Susanne Norman		1,471	2	372	1,844	6 + 6
Airport Director, Göteborg Landvetter Airport	Charlotte Ljunggren		1,823	2	541	2,366	6 + 6
Airport Director, Stockholm Arlanda Airport	Kjell-Åke Westin ⁴		1,964	7	588	2,558	6 + 6
Director of Aviation Business	Elizabeth Axtelius ⁵		1,044	11	207	1,262	3 + -
Total			25,966	90	7,212	33,267	

¹ Remuneration has been recognised based on the period each executive officer was included in executive management. Base salary reported is based on a fixed monthly salary, statutory holiday entitlement, any salary increase and severance pay. Other benefits include a parking benefit and a mass transit allowance. Pension cost includes the effect of any exchange of salary for benefits and premiums for supplementary health insurance.

² Jonas Abrahamsson assumed the position of President and CEO on January 2, 2017.

³ Karl Wistrand stepped down from his position as President and CEO on January 1, 2017. At the same time, the supplementary salary and increased severance pay were reduced from 12 months to the previously agreed 9 months.

⁴ These employment contracts do not include any severance package terms.

⁵ Elisabeth Axtelius reports to the President and CEO but is not included in Swedavia's executive management. Her employment contract does not include any severance package terms.

⁶ Benefits consist primarily of benefits in the form of parking and mass transit allowances.

Remuneration to executive officers Parent Company ¹ , 2016 SEK T		Base salary	Other benefits ⁸	Pension expenses	Total remune- ration	Employer's period of notice of termination + number of months' severance pay	
President and CEO	Karl Wistrand ²	3,032	12	895	3,938	6 + 12	
Chief Financial Officer	Mats Pålsson	2,120	12	626	2,757	6 + 6	
Chief Human Resources Officer	Marie Wiksborg	1,684	0	464	2,148	6 + 6	
Chief Legal Counsel	Anna Bovaller ³	1,460	11	380	1,852	6 + -	
Chief Information Officer	Linda Sjödin	1,437	12	385	1,834	6 + 6	
Director of Security & Safety	Mats Paulsson	as of Feb 1, 2016	1,256	8	328	1,592	6 + 6
Director of Security & Safety	Anders Lennerman ⁴	until Jan 31, 2016	1,782	5	323	2,111	6 + 6
Director of Strategy & Sustainability	Lennart Bergbom		1,329	11	323	1,662	6 + 6
Chief Technical Officer	Per Arenhage ³		1,655	7	497	2,159	6 + -
CEO, Commercial & Real Estate	Torbjörn Wiberg ⁵	period Feb 16–Dec 31, 2016	2,736	–	–	2,736	–
Airport Director, Bromma Stockholm Airport	Peder Grunditz		1,621	3	422	2,046	6 + 6
Airport Director, Regional Airports and Airport Director, Åre Östersund Airport	Susanne Norman		1,366	2	306	1,673	6 + 6
Airport Director, Göteborg Landvetter Airport	Charlotte Ljunggren		1,839	2	545	2,385	6 + 6
Airport Director, Stockholm Arlanda Airport	Kjell-Åke Westin ³		1,920	7	576	2,503	6 + 6
Director Aviation Business ⁶	Elizabeth Axtelius ³		1,028	12	202	1,241	3 + -
Director of Commercial Services ⁷	Magnus Ros ³	period Sep 20–Dec 31, 2016	389	0	73	462	6 + -
Total		26.653	105	6.343	33.101		

¹ Remuneration has been recognised based on the period each executive officer was included in executive management. Base salary reported is based on a fixed monthly salary, statutory holiday entitlement, any salary increase and severance pay. Other benefits include a parking benefit and a mass transit subsidy. Pension cost includes the effect of any exchange of salary for benefits and premiums for supplementary health insurance.

² Karl Wistrand assumed the position of President and CEO on December 17, 2015. During the time he was President and CEO, he was paid a supplementary salary and increased severance pay of 12 months if the Company were to terminate his employment.

³ These employment contracts do not include any severance package terms.

⁴ In conjunction with the restructuring of Security & Safety, Mats Paulsson assumed the position of Director of Security & Safety on February 1, 2016. In conjunction with this restructuring, there was a redundancy, which meant that Anders Lennerman left his position as Director of Security & Safety on January 31, 2016. Anders Lennerman stayed on during the period February 1–March 18, 2016, as a senior adviser at Security & Safety. Remuneration recognised for 2016 includes remuneration and a pension provision during his period as senior adviser and during his period of notice of SEK 992 T and SEK 290 T, as well as a severance package for a period of 6 months of SEK 674 T. The maximum total remuneration was SEK 1,956 T. Severance is paid out on a monthly basis and is offset against any other profit; the cost of the severance package including payroll taxes was expensed in 2016.

⁵ The acting Director of Commercial & Real Estate was a co-opted member of Swedavia's executive management for the period February 16–December 31, 2016. He was hired as a consultant, with remuneration paid as a consulting fee.

⁶ Reports to the President and CEO but is not included in Swedavia's executive management.

⁷ The Head of Commercial Services was a co-opted member of Swedavia's executive management for the period September 20 to December 31, 2016.

⁸ Benefits consist primarily of benefits in the form of parking and mass transit allowances.

NOTES

Remuneration to executive officers

"Executive officer" refers to the people who together with the CEO constitute the Company's executive management or report directly to the CEO. The executive management is appointed by the CEO. Remuneration to the CEO, Deputy CEO and head of Internal Auditing is determined by Swedavia's Board of Directors after the matter has been prepared in the Remuneration Committee. The CEO determines remuneration to other executive officers, following preparation in the Remuneration Committee and a decision in the Board at an aggregate level.

The Board's proposed principles for remuneration and other terms of employment for the Company's executive management entail that Swedavia AB (publ) shall strive for remuneration and terms of employment that are competitive and well informed. Remuneration shall be characterised by reasonableness and transparency as well as contribute to good ethics and corporate culture. Remuneration shall not be such that it drives salaries relative to comparable companies but shall instead be characterised by moderation.

For matters concerning remuneration and other terms of employment, Swedavia applies the principles decided in the Guidelines for Terms of Employment for Executive Officers in Companies under State Ownership adopted by the Government on December 22, 2016. These guidelines shall result in remuneration that is competitive, capped, reasonable and appropriate. The principle is a fixed base salary, which means there may not be any incentive programmes or other types of variable pay for executive officers.

The cost of the severance package for former President and CEO Torborg Chetkovich including payroll taxes was expensed in 2015. The severance package is paid on a monthly basis and offset against any other profit. The final payment in the severance package was made on September 25, 2017.

Pensions

A pension provision of 30 per cent of fixed salary was made as a premium-based pension to the CEO. A pension provision was made to other executive officers in accordance with the ITP 1 defined contribution plan with the exception of the Airport Director of Göteborg Landvetter Airport, who has an agreement for a premium-based pension which includes a provision equivalent to 30 per cent of that person's fixed salary. Executive officers who were employed in the transition from LFV to Swedavia on April 1, 2010, are also covered by an age-related graduated pension premium for the ITP plan 1 as determined through a collective bargaining agreement. An extra pension contribution in addition to the defined contribution plan under the ITP 1 plan was agreed for some executive officers not covered by the graduated pension premium for ITP 1. However, these pension benefits shall not exceed the Swedish State's guidelines in effect at any time. The retirement age for the CEO and other executive officers is 65.

Dismissal and severance pay

For notice of termination given by the Company, the period of notice of termination and severance pay are specified in the table. Severance pay is equal to a fixed salary. If that person gets a new position, is given another salaried assignment or earns income from some business activity, termination pay and the severance package shall be reduced by the amount equal to the new income during the period in question. Severance pay is not pensionable income and is not subject to statutory holiday pay. The CEO and other executive officers have six months' notice of termination by mutual consent, except for one person who must give four months' notice of termination and one person who is included in a three months' notice of termination by mutual consent. All executive officers are entitled to all employment benefits that apply during the period of notice.

Other employees

Employees in the Swedavia Group receive remuneration in the form of a fixed base salary, a fixed hourly wage, benefits and pension provision in accordance with collective bargaining agreements. For

some age groups whose positions were transferred from LFV to Swedavia on April 1, 2010, there is also an age-related graduated pension premium for the ITP plan 1 as determined through a collective agreement. As a supplement to their fixed base salary, advertising sales representatives also have a variable portion of their salary which is commission-based, which is capped.

NOTE 9. Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets

	Group		Parent Company	
Depreciation and amortisation	2017	2016	2017	2016
Goodwill	–	–	25	25
Other intangible non-current assets	31	32	31	32
Buildings and land	301	323	300	323
Investment properties	1	1	–	–
Field structures	188	165	188	165
Electrical installations, vehicles and equipment	412	409	406	404
Total	933	930	950	949
Impairment losses				
Buildings and land	–	24	–	24
Field structures	–	4	–	4
Electrical installations, vehicles and equipment	–	3	–	3
Construction in progress	119	27	118	27
Total	119	58	118	58
Total	1,052	988	1,068	1,007

NOTE 10. Other operating costs

	Group		Parent Company	
Other operating costs	2017	2016	2017	2016
Divestment costs	40	16	40	16
Other	2	1	2	1
Total	42	17	42	17

NOTE 11. Financial income and expenses

	Parent Company			
Profit from holdings in Group companies	2017		2016	
Dividend	1,038		757	
Capital gain	1		–	
Total	1,039		757	

	Group		Parent Company	
Profit from holdings in associated companies and joint ventures	2017	2016	2017	2016
Portion of earnings of associated companies and joint ventures for the year	37	41	–	–
Total	37	41	–	–

	Group		Parent Company	
Financial income	2017	2016	2017	2016
Interest income	2	3	14	2
Net changes in foreign exchange rates	3	3	3	2
Total	5	6	17	4

	Group		Parent Company	
Financial expenses	2017	2016	2017	2016
Interest expenses, financial liabilities	22	32	44	39
Derivative instruments	71	85	71	85
Portion of interest on pension expenses for the year	20	23	–	–
Other financial expenses	5	4	5	4
Total	118	144	120	128

The interest expense from financial liabilities is attributable to liabilities to credit institutions, medium-term notes and commercial paper. Borrowing expenses attributable to refurbishment and rebuilding projects totalling SEK 22 M (6), were capitalised during the year. The average interest rate for 2017 was 1.9 per cent (3.0).

NOTE 12. Appropriations and untaxed reserves

	Parent Company	
	2017	2016
Appropriations		
Change in accelerated depreciation	-57	39
Group contribution paid	-55	-203
Group contribution received	113	89
Total appropriations	2	-76
Untaxed reserves		
Accumulated accelerated depreciation	1,790	1,733
Tax allocation reserves	210	210
Total untaxed reserves	2,000	1,943

Accumulated amortisation and depreciation pertain to other intangible assets, electrical installations, vehicles and equipment.

NOTE 13. Tax

	Group		Parent Company	
	2017	2016	2017	2016
Current tax expense (-)/ tax income (+)				
Tax expense/tax income for the year	-133	-156	-110	-135
Deferred tax expense (-)/ tax income (+)				
Deferred tax for temporary differences	-34	4	1	10
Total tax expense recognised	-167	-152	-109	-125
	2017		2016	
Group	Per cent	Amount	Per cent	Amount
Reconciliation of effective tax				
Profit before tax		575		869
Tax calculated using Swedish tax rate in effect	22.0	-127	22.0	-191
Tax pertaining to taxation for the previous year		-8		-1
Deficit not capitalised		–		15
Tax effect of non-deductible costs		-28		-35
Tax effect of non-taxable revenue		–		52
Other		-5		8
Recognised effective tax	29.0	-167	17.5	-152
	2017		2016	
Parent Company	Per cent	Amount	Per cent	Amount
Reconciliation of effective tax				
Profit before tax		1,388		1,219
Tax calculated using Swedish rate for the Parent Company	22.0	-305	22.0	-268
Tax pertaining to taxation for the previous year		-3		–
Tax effect of non-deductible costs		-30		-24
Tax effect of non-taxable revenue		229		167
Recognised effective tax	7.9	-109	10.3	-125

In the consolidated accounts, non-taxable revenue in 2016 is mostly capital gains from the sale of shares and holdings. In the Parent Company's accounts, the corresponding item for 2017 and 2016 is mostly dividends from subsidiaries.

NOTES

NOTE 14. Intangible non-current assets

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Intangible non-current assets				
Goodwill	352	352	302	327
Other intangible non-current assets	266	281	266	281
Total	618	632	568	608
	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Goodwill				
Accumulated cost				
Opening balance	352	352	493	493
Closing balance	352	352	493	493
Accumulated scheduled amortisation				
Opening balance	–	–	-166	-142
Scheduled amortisation for the period	–	–	-25	-25
Closing balance	–	–	-191	-166
Book value, closing balance	352	352	302	327

Goodwill

In conjunction with the conversion of airport operations into a limited liability company on April 1, 2010, assets and liabilities from LFV were transferred to Swedavia at an estimated market value. In conjunction with the transaction, goodwill of SEK 493 M arose in the Parent Company. In the consolidated accounts, goodwill totalled SEK 377 M, with the difference due to the valuation of defined benefit pension commitments in accordance with IAS 19. In the transition to IFRS, goodwill totalled SEK 352 M.

Goodwill impairment testing

Goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. Goodwill in the consolidated financial reports is derived from the cash-generating unit Airport Operations (operating segment). The airports that are included in Sweden's national basic infrastructure of airports are operated as a system which is cohesive and mutually dependent. This notion of system means that it is not possible to isolate cash flows attributable to individual airports included in the system in a meaningful way so the airports that are included in the national basic infrastructure are treated as a single cash-generating unit. Goodwill has an indeterminable useful life. Impairment testing is carried out annually or more frequently if there is an indication of a decline in value. The recoverable value is determined based on calculations of value in use. The calculations for the first four-year period are based on estimated cash flows in the business plan adopted. The Swedavia Group works with strategic plans and long-term scenarios, based on industry assessments, which run through 2032. After the end of the business plan, impairment testing is based on the estimated cash flows in the strategic plan adopted. Significant assumptions in the value in use are passenger trends, the level of investment and cost trends. Cash flows beyond 2032 are assumed to have annual growth equivalent to 2.0 per cent (2.0) per year. The discount rate used before tax is 8.2 per cent (7.9). This testing has not entailed any impairment loss on goodwill, and reasonable changes in assumptions would not lead to any need for impairment.

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Other intangible non-current assets				
Accumulated cost				
Opening balance	412	363	412	363
Reclassifications for the year	17	49	17	49
Disposals and divestments for the year	0	–	0	–
Closing balance	429	412	429	412
Accumulated scheduled amortisation				
Opening balance	-131	-100	-131	-100
Reversal of amortisation on disposals	0	–	0	–
Scheduled amortisation for the year	-31	-32	-31	-32
Closing balance	-162	-131	-162	-131
Book value, closing balance	266	281	266	281

Other intangible non-current assets pertain to noise insulation for the properties of others and the Group's proprietary assets.

NOTE 15. Tangible fixed assets

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Buildings and land (Note 16)	4,996	4,890	5,007	4,904
Field structures (Note 17)	2,858	2,364	2,858	2,364
Electrical installations, vehicles and equipment (Note 18)	2,544	2,171	2,482	2,120
New construction in progress related to tangible fixed assets (Note 19)	3,589	2,106	3,503	2,079
Total	13,988	11,530	13,851	11,467

NOTE 16. Buildings and land

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Accumulated cost				
Opening balance	6,946	6,827	6,944	6,758
Acquisitions/reclassifications for the year	424	168	422	210
Disposals/divestments for the year	-71	-49	-60	-24
Closing balance	7,299	6,946	7,305	6,944
Accumulated scheduled depreciation				
Opening balance	-2,006	-1,686	-2,000	-1,681
Reversal of depreciation on disposals	30	3	28	3
Depreciation for the year	-301	-323	-300	-323
Closing balance	-2,277	-2,006	-2,272	-2,000
Accumulated impairment losses				
Opening balance	-50	-30	-40	-20
Reversal of impairment losses from previous year	24	4	14	4
Impairment losses for the year	–	-24	–	-24
Closing balance	-26	-50	-26	-40
Book value, closing balance	4,996	4,890	5,007	4,904
Of which land				
Opening balance	380	399	357	309
Acquisitions for the year	0	18	–	58
Disposals for the year	-2	-37	-2	-10
Book value, closing balance	378	380	355	357

NOTE 17. Field structures

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Accumulated cost				
Opening balance	3,362	3,162	3,362	3,156
Reclassifications for the year	698	209	698	215
Disposals/divestments for the year	-28	-8	-28	-8
Closing balance	4,032	3,362	4,032	3,362

Accumulated scheduled depreciation

Opening balance	-994	-820	-994	-820
Reversal of depreciation on disposals	12	-10	12	-10
Depreciation for the year	-188	-165	-188	-165
Closing balance	-1,170	-994	-1,170	-994

Accumulated impairment losses

Opening balance	-4	-12	-4	-12
Recovery of impairment losses on disposal	–	12	–	12
Impairment losses for the year	–	-4	–	-4
Closing balance	-4	-4	-4	-4

Book value, closing balance	2,858	2,364	2,858	2,364
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Net field structure assets acquired have been treated for tax purposes as land. Field structures consist mostly of take-off and landing runways.

NOTE 18. Electrical installations, vehicles and equipment

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Accumulated cost				
Opening balance	4,585	4,383	4,528	4,365
Reclassifications for the year	794	246	776	207
Disposals/divestments for the year	-64	-44	-64	-44
Closing balance	5,315	4,585	5,240	4,528
Accumulated scheduled depreciation				
Opening balance	-2,412	-2,036	-2,405	-2,034
Reversal of depreciation on disposals	54	34	54	34
Depreciation for the year	-412	-409	-406	-404
Closing balance	-2,770	-2,412	-2,757	-2,405
Accumulated impairment losses				
Opening balance	-3	-4	-3	-4
Reversal of impairment losses	2	4	2	4
Impairment losses for the year	–	-3	–	-3
Closing balance	-1	-3	-1	-3
Book value, closing balance	2,544	2,171	2,482	2,120

NOTES

Financial leases – the Group as lessee

Financial leases pertain to the leasing of vehicles for a leasing period of between three and five years. Leased items that the Group has under leasing agreements are recognised under the item "Electrical installations, vehicles and equipment" for the following amounts.

Book value	Group	
	2017-12-31	2016-12-31
Cost – capitalised financial leases	93	60
Accumulated depreciation	-37	-33
Book value, closing balance	55	27

Leasing fees for the year totalled SEK 13 M (9) for the Group.

Future payments for assets used under financial lease agreements fall due as follows:

	2017		2016	
	Future minimum leasing fees	Present value of future minimum leasing fees	Future minimum leasing fees	Present value of future minimum leasing fees
Future leasing fees				
Within one year	15	15	9	9
Between one and five years	33	32	22	21
More than five years	–	–	1	1
Total	48	47	32	31

Operational leases – the Group as lessee

Leasing costs under operational leasing agreements arise mostly from leased premises and facilities. The agreement period is usually between 15 and 20 years. Total variable fees included in the profit for the period is SEK 7 M (7).

Future payments for non-cancellable operational leasing agreements fall due as follows:

Due date	Group	
	2017	2016
Within one year	91	91
Between one and five years	303	303
More than five years	883	958
Total	1,277	1,353

NOTE 19. New construction in progress related to tangible fixed assets

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Opening balance	2,106	731	2,079	702
Acquisitions for the year	3,503	2,051	3,427	2,079
Disposals for the year	–	-10	-2	-10
Reclassifications for the year	-1,901	-640	-1,883	-666
Impairment losses for the year	-119	-27	-118	-27
Book value, closing balance	3,589	2,106	3,503	2,079

New construction in progress related to tangible fixed assets mostly consists of investments in infrastructure and terminals. Reclassification of the asset class in question occurs when the asset is placed in service. Beginning in 2017, capitalised projects are recognised as impairment losses and comparable figures have been adjusted. Impairment losses in 2017 are mostly attributable to US preclearance and operation development projects.

NOTE 20. Fair value

The table below presents the assets and liabilities that are valued at fair value or for which fair values are given for information purposes. Fair value is defined as the price at the time of valuation that would be received in the sale of the asset or charged in the transfer of a liability in an orderly transaction between market participants. Assets and liabilities that are valued at fair value are classified in a hierarchy with three different levels based on the information used to determine their fair value. Level 1 applies when fair value is determined based on listed prices (unadjusted) in active markets for identical assets and liabilities. Level 2 applies when fair value is determined based on observable data for the asset or liability other than listed prices included in Level 1. Level 3 applies when fair value is determined based on input for the asset or liability that are not based on observable market data.

Valuation at fair value

Hierarchy levels in valuation of fair value Dec 31, 2017	Level 1	Level 2	Level 3	Total
Derivative instruments (Note 27) ¹	–	81	–	81
Biological assets (Note 22) ¹	–	–	88	88
Long-term interest-bearing liabilities (Note 27) ²	–	4,351	–	4,351
Investment properties (Note 21) ²	–	–	1,369	1,369
Total	–	4,432	1,457	5,889

Hierarchy levels in valuation of fair value Dec 31, 2016

	Level 1	Level 2	Level 3	Total
Derivative instruments (Note 27) ¹	–	153	–	153
Biological assets (Note 22) ¹	–	–	84	84
Long-term interest-bearing liabilities (Note 27) ²	–	3,333	–	3,333
Investment properties (Note 21) ²	–	–	1,059	1,059
Total	–	3,486	1,143	4,629

¹ Recognised at fair value in the consolidated balance sheet.

² Recognised at cost in the consolidated balance sheet. The amounts above are fair values for information purposes.

The fair value of biological assets is determined based on Level 3; data for the comparable year have been adjusted.

Derivative instruments

Interest rate swaps

For interest rate swaps, fair value is calculated as the present value of expected future cash flows based on current market interest rates.

Electricity derivatives

For electricity derivatives, fair value is calculated based on listed rates. If there are no listed rates, fair value is calculated by discounting the difference between the contracted forward rate and the forward rate available on the balance sheet date for the remainder of the contract period.

Currency futures

Fair value of currency futures is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the balance sheet date for the remainder of the contract period. Discounting is done at a risk-free interest rate based on Swedish sovereign bonds.

Biological assets

Swedavia's biological assets consist of large forest holdings adjacent to Swedavia's airports, with standing timber assessed at fair value.

The holdings are valued on each balance sheet date. Valuation is made by an external appraiser in conjunction with the year-end closing at least once every two years or at another time if there are any indication of changes in market value. For other balance sheet dates, the stock of standing timber is valued through an internal valuation.

The valuation method used for external valuation is in accordance with the Swedish land registration authority Lantmäteriet's forest valuation method. This method is based on a discounted cash flow valuation of expected future cash flows from long-term sustainable forestry. Important input are local pricelists for timber and pulp with average prices for the past ten years, potential harvestable volume in accordance with the Swedish Forestry Act's restrictions on clear-cutting, and discount rates based on the age of the forest. A change in fair value is recognised in the income statement as other profit or other external costs. Fair value is determined based on hierarchy level 3, which means that the fair value of the biological assets cannot be directly attributable to observable market data.

In internal valuations, the stock is compared on the valuation date with the stock on the date of the previous external valuation. After this, an interview is/interviews are carried out with a key person/key people to determine whether any factors have had an effect on the stock and thus the market value. An external valuation was carried out in conjunction with the 2017 annual accounts.

Long-term interest-bearing liabilities

For information purposes, fair value is calculated for interest-bearing liabilities. The fair value of a loan is calculated by discounting future cash flows. The calculation also takes into account any change in Swedavia's credit risk since the loan was taken out. For some borrowings, the book value is considered to reflect the fair value, given the short remaining maturity of the liabilities.

Investment properties

Swedavia's investment properties are recognised at accumulated cost. The properties are valued to determine their fair value, that is, their estimated market value. The portfolio of investment properties is valued annually in conjunction with the year-end closing. Valuation is made either by external independent appraisers or through internal valuation. An external valuation was carried out in conjunction with the 2017 annual accounts.

The valuation of properties is based on the cash flows the asset is expected to generate, discounting net operating profit. To estimate net operating profit, estimates are made of inflation, rents, vacancies, and operating and maintenance costs. The value of the property is based on the expected cash flows of each property appraised over the next ten years. For properties with rental contracts or leaseholds longer than ten years, the calculations have been extended. For the last year of the calculation period, a residual value is calculated, which shall constitute an estimated market value at that time. The information used to determine the fair value of the investment properties is classified as Level 3, which means that the fair value of the investment properties cannot be directly attributed to observable market data.

NOTE 21. Investment properties

Swedavia recognises the properties classified as investment properties at cost. Investment properties are found in the Real Estate operating segment, and the portfolio consists of cargo and office properties as well as land at Göteborg Landvetter Airport, Malmö Airport and Stockholm Arlanda Airport. Revenue from investment properties totalled SEK 2 M (3) and direct costs totalled SEK 17 M (3). For information about the depreciation method and estimated useful life, see Note 2 "Accounting principles". For information about valuation assumptions, see Note 20 "Fair value". Fair value increased from SEK 1,059 M to SEK 1,369 M. The increase in value is due to investments made mostly within TreDoffice AB, Office Arlanda AB and Airport Hotel 2 AB.

	Group	
	2017-12-31	2016-12-31
Accumulated cost		
Opening balance	293	191
Acquisitions for the year	384	88
Disposals for the year	0	–
Reclassifications for the year	-2	14
Closing balance	675	293
Accumulated scheduled depreciation		
Opening balance	-4	-3
Scheduled depreciation for the year	-1	-1
Closing balance	-5	-4
Accumulated impairment losses		
Opening balance	-6	-6
Impairment losses for the year	–	–
Closing balance	-6	-6
Book value, closing balance	664	283
Fair value (Note 20)	1,369	1,059

Operational leases – the Group as lessor

The Group's operational leasing agreements, which generate rental revenue, involve the leasing of premises in commercial areas of owner-occupied properties and a small number of contracts on investment properties. Rental revenue is generated from both fixed and revenue-based rents. Total variable fees included in profit for the period amounted to SEK 591 M (578).

Agreed leasing fees for existing contracts fall due as follows:

	Group	
	2017	2016
Due date		
Within one year	703	656
Between one and five years	2,519	878
More than five years	1,961	6
Total	5,183	1,540

NOTES

NOTE 22. Biological assets

	Group	
	2017-12-31	2016-12-31
Accumulated cost		
Opening balance	84	85
Change in fair value	4	-1
Book value, closing balance	88	84

Swedavia's biological assets consist of large forest holdings adjacent to Swedavia's airports, with standing timber assessed at fair value. The stock is valued on each balance sheet date. Valuation is made by an external appraiser in conjunction with the year-end closing at least every two years or at another time if there are any indication of changes in market value. For other balance sheet dates, the stock of standing timber is valued through an internal valuation. An external valuation was carried out in conjunction with the 2017 annual accounts. Any change in fair value is reported in the income statement as other profit or other external expenses. For information about valuation assumptions, see Note 20 "Fair value".

NOTE 23. Non-current financial assets

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Holdings in Group companies	–	–	889	889
Holdings in associated companies and joint ventures	896	856	–	–
Other long-term receivables	181	160	181	160
Derivative receivables	12	6	–	–
Deferred tax assets	–	–	21	20
Total	1,089	1,022	1,091	1,070

NOTE 24. Other long-term receivables

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Accumulated cost				
Opening balance	160	105	160	87
New receivables	21	73	21	73
Receivables settled	–	-18	–	–
Book value, closing balance	181	160	181	160

A pension provision of SEK 802 M (803) attributable to a receivable for the special employee pension of SEK 72 M (68) has been offset in the Group using net accounting. The comparable year has been adjusted.

NOTE 25. Holdings in associated companies and joint ventures

	Group	
	2017-12-31	2016-12-31
Accumulated cost		
Opening balance	856	815
Acquisitions for the year	3	12
Share of profit	37	29
Book value, closing balance	896	856

Acquisitions for the year pertained to a shareholder contribution to Landvetter Logistik Center AB.

Specification of the Parent Company's and Group's holdings in associated companies and joint ventures on December 31, 2017

Company, corporate identity number, registered office	Profit for the year Swedavia's share,	Number of shares	Ownership in %	Value of holding in Group	Book value in the Parent Company	Classification
Swedish Airport Infrastructure AB, 559012-5182, Stockholm County, Municipality of Sigtuna	–	25,000	50.0	0	–	Joint venture
Swedish Airport Infrastructure KB, 969775-2609, Stockholm County, Municipality of Stockholm	37	1	49.9	878	–	Joint venture
Landvetter Logistik Center AB, 556986-7236, West Götaland County, Municipality of Gothenburg	–	250	50.0	18	–	Joint venture
Airport City Stockholm AB, 556872-9619, Stockholm County, Municipality of Sigtuna	–	495	33.0	0	–	Associated company
Total				896	–	

A summary of the balance sheet and income statement for Swedish Airport Infrastructure KB based on the Swedavia Group's accounting principles:

SEK M	2017-12-31	2016-12-31
Investment properties	4,432	4,189
Liquid assets	103	168
Other assets	42	37
Long-term interest-bearing liabilities	2,440	2,540
Current liabilities	381	172
Equity	1,756	1,682
Consolidated book value of holding	878	841

SEK M	2017	2016
Revenue	358	328
Depreciation and amortisation	-150	-113
Other expenses	-87	-103
Net interest	-41	-27
Profit before tax	80	85
Tax	-6	-3
Profit for the year	74	82
Other comprehensive income	1	-24
Total comprehensive income	75	58
Group's portion of comprehensive income for the year	37	29

No dividend was paid by Swedish Airport Infrastructure in 2017.

NOTE 26. Holdings in Group companies

	Parent Company	
Parent Company's holdings in Group companies	2017-12-31	2016-12-31
Accumulated cost		
Opening balance	1,212	1,212
Disposal for the year	-177	–
Closing balance	1,035	1,212
Accumulated impairment losses		
Opening balance	-322	-322
Recovery of impairment loss on disposal	177	–
Closing balance	-145	-322
Book value, closing balance	889	889

During the year, Cityflygplatsen i Göteborg AB was disposed of with a book value of SEK 0 M.

Specification of the Parent Company's holdings in Group companies

Subsidiary, corporate identity number, registered office	Number of shares	Owner-ship in %	Book value 2017-12-31	Book value 2016-12-31
Swedavia Real Estate AB, 556858-9872, Stockholm County, Municipality of Stockholm	500,000	100	870	870
Arlanda Development Company AB, 556653-6628, Stockholm County, Municipality of Sigtuna	10,000	100	2	2
Bromma Stockholm Airport fastigheter AB, 556932-3537, Stockholm County, Municipality of Stockholm	50,000	100	17	17
Book value, closing balance			889	889

Other important Group companies wholly owned by Swedavia Real Estate

Subsidiary, corporate identity number, registered office

Swedavia Energi AB, 556951-8185, Stockholm County, Municipality of Sigtuna
Swedavia Airport Telecom AB, 556951-8193, Stockholm County, Municipality of Sigtuna
Logistic City 1 AB, 556876-7007, Stockholm County, Municipality of Sigtuna
Office Arlanda AB, 556876-6983, Stockholm County, Municipality of Sigtuna
TreDOffice AB, 556844-2932, Stockholm County, Municipality of Sigtuna

NOTES

NOTE 27. Financial assets and liabilities

The Group's financial assets and liabilities, excluding the Group's derivative instruments, are recognised at cost in the balance sheet. The Group's derivative instruments are recognised at fair value in the balance sheet. Other financial assets and liabilities are valued at fair value for information purposes. For information about fair value regarding derivative instruments, see the Group's valuation below as well as Note 20. For current receivables and liabilities, such as trade

receivables and trade payables, with a remaining useful life of less than six months, the book value is considered to reflect fair value.

No financial assets and liabilities are offset in the balance sheet in accordance with IAS 32. For derivatives, the Group has ISDA agreements, which allow offset in the event of a bankruptcy. As of December 31, 2017, there were no significant financial liabilities or assets that should be offset in the event of a bankruptcy.

The Parent Company recognises its financial instruments at amortised cost.

Group			Book value		Fair value	
Financial assets	Category	Valuation	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Other long-term receivables ¹	Loan and trade receivables	Amortised cost	181	160	181	160
Trade receivables	Loan and trade receivables	Amortised cost	571	420	571	420
Receivables from associated companies	Loan and trade receivables	Amortised cost	129	58	129	58
Other receivables	Loan and trade receivables	Amortised cost	60	75	60	75
Derivative instruments ²	Derivatives identified as hedging instruments	Fair value	15	8	15	8
Liquid assets	Loan and trade receivables	Amortised cost	58	170	58	170
Total			1,014	892	1,014	892

Group			Book value		Fair value	
Financial liabilities	Category	Valuation	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Long-term interest-bearing liabilities	Other financial liabilities	Amortised cost	4,352	3,297	4,351	3,333
Current interest-bearing liabilities	Other financial liabilities	Amortised cost	2,181	1,000	2,181	1,000
Derivative instruments ²	Derivatives identified as hedging instruments	Fair value	97	161	97	161
Liabilities to leasing companies	Other financial liabilities	Amortised cost	61	33	61	33
Other long-term liabilities	Other financial liabilities	Amortised cost	32	8	32	8
Trade payables	Other financial liabilities	Amortised cost	854	601	854	601
Other liabilities	Other financial liabilities	Amortised cost	21	8	21	8
Accrued interest expenses	Other financial liabilities	Amortised cost	13	34	13	34
Total			7,611	5,142	7,609	5,178

¹ A pension provision of SEK 802 M (803) attributable to a receivable for the special employee pension tax of SEK 72 M (68) has been offset in the Group using net accounting. The comparable year has been adjusted.

² Derivative instruments pertain to derivatives that are hedged.

Valuation at fair value

Assets and liabilities that are valued at fair value are classified in a hierarchy with three different levels based on the information used to determine their fair value. The Group's financial assets and liabilities are valued at fair value based on Level 2. For more information about valuation at fair value, see Note 20.

	Level 1	Level 2	Level 3
Derivative instruments ³	–	81	–
Long-term liabilities ⁴	–	4,351	–
Total	–	4,432	–

³ Recognised at fair value in the Group's balance sheet.

⁴ Recognised at cost in the Group's balance sheet. The amounts above are fair value for information purposes.

There was no change in levels in 2017 compared to 2016.

Net gain from items for which hedge accounting is not applied

	2017	2016
Financial assets/liabilities that are valued at fair value ⁵	–	–
Total	–	–

⁵ The subcategory held for sale.

Other long-term receivables

For information purposes, fair value for long-term receivables is calculated by discounting future cash flows based on current market interest rates.

Derivative instruments

Interest rate swaps

Fair value for interest rate swaps is calculated as the present value of expected future cash flows based on current market interest rates.

Electricity derivatives

For electricity derivatives, fair value is calculated based on listed rates. If there are no listed rates, fair value is calculated by discounting the difference between the contracted forward rate and the forward rate available on the balance sheet date for the remainder of the contract period.

Currency futures

Fair value of currency futures is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the balance sheet date for the remainder of the contract period. Discounting is done at a risk-free interest rate based on Swedish sovereign bonds.

Interest-bearing liabilities

For information purposes, fair value is calculated for interest-bearing liabilities. The fair value of a loan is calculated by discounting future cash flows. The calculation also takes into account any change in Swedavia's credit risk since the loan was taken out. For some borrowings, the book value is considered to reflect the fair value, given the short remaining maturity of the liabilities.

Other receivables and liabilities

For current receivables and liabilities such as trade receivables and trade payables, with a remaining useful life of less than six months, the book value is considered to reflect the fair value.

NOTE 28. Materials and supplies

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Supplies	34	32	34	32
Gravel stocks	3	3	3	3
Supplies, buildings and land	3	3	3	3
Other stocks	4	6	2	3
Total	44	43	42	40

NOTE 29. Current receivables

	Parent Company	
	2017-12-31	2016-12-31
Trade receivables	552	398
Receivables from Group companies	1,352	925
Receivables from associated companies	126	53
Other receivables	78	133
Tax receivable	54	26
Prepaid expenses and accrued income	118	118
Total	2,344	1,653

NOTE 30. Receivables from Group companies

	Parent Company	
	2017-12-31	2016-12-31
Swedavia Real Estate AB	592	539
Logistic City 1 AB	44	42
TreDoffice AB	376	85
Airport Hotel 2 AB	59	4
Swedavia Airport Telecom AB	66	50
Swedavia Energi AB	64	48
Cargo City 1 AB	53	55
Other Group companies	99	101
Book value, closing balance	1,352	925

Swedavia's wholly owned Group companies are funded through a consolidated account structure.

NOTE 31. Receivables and liabilities from associated companies and joint ventures

Receivables from associated companies and joint ventures to the Group totalled SEK 129 M (58) and pertain mostly to the receivable from Altuna Hangar KB. Liabilities to associated companies and joint ventures totalled SEK 0 M (0). Receivables from associated companies and joint ventures to the Parent Company totalled SEK 126 M (53) and liabilities totalled SEK – M (0).

NOTE 32. Other receivables

	Group	
	2017-12-31	2016-12-31
Tax receivables	57	83
Other receivables	84	96
Total	140	178

NOT 33. Prepaid expenses and accrued income

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Accrued income, aviation business	15	13	15	13
Accrued income retail, food & beverage	73	54	73	54
Accrued income, energy	11	11	–	0
Prepaid material and maintenance costs	17	14	17	14
Prepaid operational services	13	10	13	10
Prepaid property and rental costs	25	12	25	12
Other accrued income and prepaid expenses	40	111	39	14
Total	194	225	182	118

In 2016, other accrued income and prepaid expenses included income derived on the earnout from the previous sale of TreDhotel AB.

NOTE 34. Equity**Group**

Equity attributable to the Parent Company consists of share capital, other paid-in-capital, hedge reserves and retained earnings.

Share capital

Share capital is divided into 1,441,403,026 shares with a stated value of SEK 1.

Other paid-in capital

Other paid-in capital pertains to the premium in connection with new share issues.

Hedge reserves

The reserve for cash flow hedging consists of unrealised changes in the value of interest rate, electricity and currency derivatives (net of deferred tax). Hedge accounting entails that the change in value has been charged to equity in the balance sheet via other comprehensive income.

Retained earnings

Retained earnings includes profit for the year and the portion of untaxed reserves that constitutes equity. This also includes revaluations of defined benefit pensions in accordance with IAS 19 (net of deferred tax).

Capital management	2017		2016	
	Actual	Target	Actual	Target
Group financial targets				
Return on operating capital	5.1%	6.0%	8.5%	7.0%
Debt/equity ratio	1.0 times	0.7–1.5 times	0.7 times	1–1.5 times

Parent Company**Restricted and unrestricted equity**

Equity is divided between restricted and unrestricted (payable as dividends) capital in accordance with the Annual Accounts Act.

A dividend may only be paid if there is full coverage for restricted equity after the payment of dividends. Dividends are also regulated by the precautionary principle, which means that a dividend may only be paid if this is justifiable taking into consideration the risks that the nature and scope of operations place on the size of the Parent Company's and consolidated equity as well as the Group's consolidation requirements, liquidity and financial position in general.

In the Parent Company, restricted capital consists of share capital of SEK 1,441 M (1,441) and a reserve for development costs of SEK 25 M (22). The unrestricted capital in the Parent Company is SEK 4,600 M (3,467) consists of a share premium fund of SEK 2,162 M, retained earnings of SEK 1,160 M (210) and profit for the year of SEK 1,279 M (1,095).

Proposed distribution of profit

The following unrestricted equity is at the disposal of the Annual General Meeting, SEK:

Share premium account	2,161,354,539
Retained earnings	1,159,768,121
Profit for the year	1,279,254,490
	4,600,377,150

The Board proposes that the profit be appropriated as follows:

Paid to shareholders SEK 0.08471 per share	122,101,250
Brought forward	4,478,275,900
	4,600,377,150

NOTE 35. Provisions

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Provisions for pensions	730	735	1,099	1,084
Other provisions	263	245	262	248
Total	993	980	1,361	1,332

A pension provision of SEK 802 M (803) attributable to a receivable for the special pension tax of SEK 72 M (68) has been offset in the Group using net accounting. The comparable year has been adjusted.

NOTE 36. Provisions for pensions

The Group has both premium and defined benefit pension commitments.

Defined contribution pension commitments

The defined contribution plan, ITP 1, was applied with the formation of the Company and is secured through payments to insurance companies or trust funds. A defined contribution pension plan is a pension plan in which a company pays fixed contributions to a separate legal entity. The Company subsequently has no legal or informal obligations to pay additional contributions related to the pension earned by the employee.

Defined benefit pension commitments

Most of the defined benefit pension commitments pertain to PA91 and PA03 government employee pension agreements that were taken over from LfV in conjunction with the division of operations.

No new pension rights accrue for these commitments; instead the commitments are in the form of paid-up pension policies. The actuarial bases for calculating the value of capital are the provisions in FFFS 2007:24 adopted by the Swedish Financial Supervisory Authority, which include interest rate assumptions. The remaining defined contribution plans consist mostly of pension obligations under collective bargaining agreements and pension obligations as specified in transitional provisions adopted in conjunction with the conversion into a limited liability company of operations run previously under LFV. The Company's obligations are calculated at least once a year by independent actuaries. This assumption is based on current expectations of future payments. The Group bears the risk of ensuring that the payments determined are effected. A special pension tax is recognised as a receivable or liability depending on whether the pension cost is lower or higher than the pension cost determined by a legal entity and the present-day value is not calculated. Unvested pension commitments are entered as a liability at 60 per cent in both the Parent Company and the Group. The unvested pension commitments pertain to a small number of employees who have the option of taking early retirement at the age of 63.

The Parent Company complies with the statutes in the Swedish Pension Obligations Vesting Act and the instructions of the Swedish Financial Supervisory Authority since that is a requirement for making tax deductions. The most significant differences compared to the regulations in IAS 19 are the way the discount rate is determined, the fact that the calculation of the defined benefit obligation is calculated based on the current salary level without any assumption of future salary increases, and the fact that actuarial gains and losses are recognised in the income statement. The Parent Company's total commitments for defined benefit pensions are covered by credit insurance with FPG/PRI.

Actuarial assumptions

A discount rate curve is used in determining the discount rate used in the Group. The discount rate curve is produced through an analysis of mortgages of different durations in which an interpolation is made to arrive at an adjusted rate for a duration that corresponds to the length of the commitment. The duration was 14 years (14). The assumption on the discount rate used in 2017 was 2.7 per cent (2.5), with the increase attributable to the prevailing interest rate situation.

The assumption for inflation was 1.75 per cent (1.50), with the increase based on the actual trend and market expectations.

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Actuarial assumptions				
The following important actuarial assumptions have been applied in calculating the obligations (weighted average values):				
Discount rate	2.70%	2.50%	-0.60%	-0.40%
Future changes in price base amount (inflation)	1.75%	1.50%	2.00%	2.00%
Changes in the present value of defined benefit obligations				
Obligations as of January 1	803	765	1 084	1 121
Payments made during the year	-29	-27	-29	-27
Cost of vesting, current period	1	1	1	1
Interest expense	20	23	–	–
Actuarial gains (-)/losses (+)	7	41	43	-10
Obligation as of December 31	802	803	1,099	1,084

	Group		Parent Company	
Cost recognised in profit for the year	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Defined benefit plans				
Cost of pensions vested during the year	1	1	1	1
Actuarial gains (-)/losses (+)	–	–	43	-10
Cost of defined benefit plans	7	11	5	5
Special employee income tax	5	8	10	-3
Interest expense	20	24	–	–
Cost of defined benefit plans	33	44	58	-7
Cost of defined contribution plans	107	103	107	102
Special employee pension tax	26	25	26	25
Cost of defined contribution plans	133	128	133	127
Total cost of remuneration after termination of employment in the profit for the year	166	172	191	120

	Group	
Cost recognised in other comprehensive income	2017-12-31	2016-12-31
Defined benefit plans		
Revaluation including special employee pension tax		
Actuarial gains (-)/losses (+) on change in financial assumptions	8	-51
Tax	-2	11
Recognised in other comprehensive income	6	-40

	Group			
	2017		2016	
Sensitivity analysis	Increase	Decrease	Increase	Decrease
	0.5% per-centage points	0.5% per-centage points	0.5% per-centage points	0.5% per-centage points
Change in discount rate				
Effect on obligation	-53	59	-55	61
	0.5% per-centage points	0.5% per-centage points	0.5% per-centage points	0.5% per-centage points
Change in inflation				
Effect on obligation	59	-53	61	-55

	Group	
The obligation broken down by members in the plans as follows	2017-12-31	2016-12-31
Active members	46	49
Paid-up pension policyholders	2,234	2,326
Pensioners	548	482
Total number of obligations	2,828	2,857

The duration of the pension liability was 14 years (14).

NOTES

Effect of payments for the pension liability on consolidated cash flow:

	2017-12-31	2016-12-31
Within one year	33	31
Between one and five years	143	135
More than five years	1,047	1,035
Effect of discounting	-421	-398
Total	802	803

Since the defined benefit plans are generally fully vested and the commitment is in the form of a paid-up policy, no payments were made in these pension plans. For plans that are not paid up, no payments are made since they are secured through a provision in the balance sheet.

NOTE 37. Other provisions

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Restoration reserve, opening balance	181	141	181	133
Provision for the year	20	73	20	73
Provisions used during the year	0	0	0	0
Reversal of unused provisions during the year	–	-34	–	-25
Restoration reserve, closing balance	201	181	201	181
Restructuring reserve, opening balance	13	22	12	19
Provision for the year	9	17	9	18
Provisions used during the year	-16	-27	-16	-25
Restructuring reserve, closing balance	5	13	5	12
Other provisions during the year	92	66	55	39
Provision for the year	7	51	7	16
Provisions used during the year	-28	-25	-7	–
Other provisions, closing balance	71	92	55	55
Of which current portion	-14	-42	–	–
Total other provisions	263	245	262	248

Current provisions constitute SEK 14 M (42). The current portion consists of a restructuring reserve of SEK 5 M (12) and other provisions of SEK 9 M (29). The definition of provisions can be found in the accounting principles on page 103.

NOTE 38. Deferred tax

Group, 2017-12-31	Deferred tax asset	Deferred tax liability
Temporary difference goodwill	-5	–
Temporary difference tangible fixed assets	-14	–
Temporary difference biological assets	–	8
Temporary difference financial instruments	-18	–
Temporary difference untaxed reserves	–	445
Temporary difference pensions	–	80
Offset	37	-37
Total	–	496

Group 2016-12-31	Deferred tax asset	Deferred tax liability
Temporary difference goodwill	-11	–
Temporary difference tangible fixed assets	-20	–
Temporary difference fixed biological assets	–	7
Temporary difference financial instruments	-34	–
Temporary difference untaxed reserves	–	430
Temporary difference pensions	–	75
Offset	65	-65
Total	–	447

Parent Company 2017-12-31	Deferred tax asset	Deferred tax liability
Temporary difference tangible fixed assets	19	–
Other temporary differences	2	–
Total	21	–

Parent Company 2016-12-31	Deferred tax asset	Deferred tax liability
Temporary difference tangible fixed assets	18	–
Other temporary differences	2	–
Total	20	–

NOTE 39. Interest-bearing liabilities

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Non-current interest-bearing liabilities				
Medium-term notes issued	4,352	3,298	4,352	3,298
Liabilities to leasing companies	49	24	49	24
Other interest-bearing liabilities	25	–	–	–
Total	4,426	3,321	4,401	3,321

Current interest-bearing liabilities

	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Medium-term notes	730	–	730	–
Commercial paper	1,451	1,000	1,451	1,000
Liabilities to leasing companies	11	10	11	10
Total	2,192	1,010	2,192	1,010

	Group			
	2016-12-31	Cash flows	Changes not affecting cash flow	2017-12-31
Changes in liabilities attributable to financing activities				
Medium-term notes	3,298	1,785	–	5,082
Commercial paper	1,000	451	–	1,451
Liabilities to leasing companies	33	–	27	61
Other liabilities	–	25	–	25
Changes in liabilities attributable to financing activities	4,331	2,260	27	6,619

Cash flow in the Parent Company totalled SEK 2,236 M, and changes not affecting cash flow totalled SEK 27 M.

NOTE 40. Long-term and current liabilities

	Parent Company	
	2017-12-31	2016-12-31
Long-term liabilities		
Medium-term notes	4,352	3,298
Liabilities to leasing companies	49	24
Other long-term liabilities	1	1
Total	4,402	3,324

	2017-12-31	2016-12-31
Current liabilities		
Medium-term notes	730	–
Commercial paper	1,451	1,000
Liabilities to leasing companies	11	10
Trade payables	771	575
Liabilities to Group companies	366	1,232
Other liabilities	99	77
Accrued expenses and prepaid income	691	581
Total	4,120	3,475

NOTE 41. Borrowings

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Medium-term notes and bonds	5,082	3,298	5,082	3,298
Commercial paper	1,451	1,000	1,451	1,000
Total	6,533	4,298	6,533	4,298

Capital market programme

Swedavia has a medium-term note (MTN) programme denominated in SEK for medium-term borrowing in the Swedish capital market. The limit is set at SEK 5,000 M (5,000) and borrowings via notes issued totalled SEK 4,832 M (3,048). In addition, Swedavia has corporate bonds totalling SEK 250 M (250) via private placement. Swedavia also has a Swedish commercial paper programme. The limit is set at SEK 5,000 M (5,000) and borrowings under this programme totalled SEK 1,451 M (1,000). Swedavia also has a loan agreement with the Nordic Investment Bank for SEK 2,000 M for loans with a duration of up to ten years.

NOTE 42. Overdraft facilities

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Overdraft facilities approved	200	200	200	200
Unutilised portion	200	200	200	200
Credit amount used	–	–	–	–

As of December 31, 2017, Swedavia had overdraft facilities of SEK 200 M, SEK – M (–) of which was utilised on the balance sheet date.

NOTE 43. Other liabilities

	Group	
	2017-12-31	2016-12-31
Current tax liabilities	–	23
Other liabilities	105	84
Total	105	107

NOTES

NOTE 44. Accrued expenses and prepaid income

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Accrued staff-related expenses	190	158	190	157
Accrued interest	13	34	13	34
Accrued construction and property costs	161	139	141	129
Prepaid aviation income	44	26	44	26
Prepaid property income	57	57	56	57
Prepaid income retail, food & beverage	60	66	60	66
Prepaid parking income	15	14	15	14
Prepaid advertising income	19	13	19	13
Other accrued expenses and prepaid income	179	113	153	84
Total	738	621	691	581

NOTE 45. Financial risks

The Group is exposed to a number of different financial risks in its operations, which in turn have an impact on the Company's profit, cash flow and valuation. Swedavia's financial policy identifies and defines these risks and governs the risk mandate and principles for calculation, reporting, monitoring and control. This financial policy is characterised by a low risk level, and compliance is ensured through quarterly reports to the Board of Directors. The Board adopted the policy each year, and assessment is on a continuous basis.

The Group's financial operations and financial risk management are centralised in the corporate economy and finance unit and are part of Swedavia's overall risk management methodology. The objective is to minimise the Group's capital cost through effective funding solutions while ensuring efficient management and control of the Group's financial risks.

Swedavia has exposure to changes in exchange rates, commodity prices and interest rates as well as when current market conditions and the Group's capital structure give rise to refinancing and credit risks. To minimise the Group's exposure to fluctuations in interest rates, electricity prices and exchange rates, different kinds of derivatives are used.

Exchange rate risks

"Exchange rate risk" is defined as the risk that movements in currency prices will have a negative impact on the Group's profit, financial position and/or cash flow. Since all subsidiaries are Swedish and use SEK as their currency, there is no translation exposure.

Transaction exposure

Most revenue is not affected by any foreign exchange fluctuations since invoices are largely denominated in SEK. When invoicing is in a foreign currency, an internal match against supplier invoices is made in the corresponding foreign currency. For other payments in foreign currencies, currency hedges are entered into that match the foreign flow. Currency hedges are entered into in conjunction with the signing of a contract or upon receipt of an invoice.

Interest rate risks

"Interest rate risk" is defined as the risk that changes in market

interest rates will have a negative impact on the Group's net interest income/expense.

As of December 31, 2017, Swedavia had external borrowings of SEK 6,533 M (4,298). To reduce the sensitivity to interest rate changes, Swedavia works actively to reduce interest paid through interest rate swaps and borrowing at fixed interest rates. On December 31, 2017, 81 per cent of external funding was hedged via financial instruments. On the balance sheet date, the nominal amount of interest rate swaps was SEK 2,500 M (2,500) with a fair value of SEK -98 M (-161). Funding at fixed interest rates totalled SEK 2,800 M. Based on those hedges, a 1 per cent increase in the interest rate would have a negative effect of SEK 12.3 M (3.5) whereas a 1 per cent decrease would have a negative effect of SEK 6.2 M (23.0). Under Swedavia's financial policy, interest rates shall be locked in for a period not less than one year and not more than four years. On the balance sheet date, the interest rate lock-in period was 3.4 years (2.2).

Commodity price risks

Swedavia's commodity price risk is concentrated on the purchase of electricity, and the way this is handled is governed in its financial policy. There is continuous hedging of electricity prices in accordance with the financial policy. Hedging is done through electricity derivatives as well as through bilateral agreements with producers. The hedge ratio was 84 per cent (83) of projected use. A 1 per cent increase/decrease in the price of electricity for the unhedged volume would not have a material effect on profit, less than SEK 0.1 M (0.1), given the current level of hedging.

Hedge accounting

The Group applies cash flow hedging for its interest rate risk, foreign exchange risk and electricity price risk. The effective portion of the changes in fair value recognised in other comprehensive income during the year was SEK 70 M (57). The ineffectiveness recognised in the income statement during the year was SEK - M (-).

Liquidity and refinancing risk

"Liquidity and refinancing risk" refers to the risk that financing opportunities will be limited and the cost will be higher when loans are to be re-negotiated. It also comprises payment obligations that cannot be met due to insufficient liquidity. The Group's target capital structure is to have the Group's fixed assets funded by equity and have no more than 40 per cent of borrowings maturing in the same twelve-month period.

According to Swedavia's financial policy, its loan portfolio shall have a capital tie-up period of not less than two years and not more than five years. The average maturity on its borrowings on December 31, 2017, was 3.4 years (2.0) with an average interest rate of 1.4 per cent (2.8). The liquidity risk is minimised by Swedavia having a diversified portfolio of borrowings, which ensures access to capital and flexibility. In accordance with the financial policy, the Group has overdraft facilities of SEK 1,200 M (700).

On the balance sheet date, there were unutilised bank loan guarantees of SEK 2,000 M (500) and overdraft facilities of SEK 200 M (200), of which SEK - M (-) was utilised. The Group believes there are no risks associated with its refinancing potential.

	Group	
Key financial figures, financial risks	2017-12-31	2016-12-31
Average interest rate, %	1.4	2.8
Interest rate lock-in period, years	3.4	2.2
Capital tie-up period, years	3.4	2.0

The following tables show the undiscounted cash flows for financial liabilities as well as net settled derivatives at the prices on the reporting date. Floating interest rates on borrowings and interest rate swaps in effect on the reporting date are assumed to apply for the remaining maturity of the respective instruments.

Group	2017-12-31						
Financial liabilities (including future interest expenses and derivative instruments) – Maturity structure	< 1 year	2 years	3 years	4 years	5 years	> 5 years	Total
Medium-term notes	762	881	275	823	2,020	454	5,215
Commercial paper	1,451	–	–	–	–	–	1,451
Liabilities to leasing companies	11	49	–	–	–	–	61
Trade payables	854	–	–	–	–	–	854
Other liabilities	2	25	–	–	–	–	27
Derivative liabilities	101	75	32	18	17	23	266
Total	3,181	1,031	307	841	2,037	477	7,874

Group	2016-12-31						
Financial liabilities (including future interest expenses and derivative instruments) – Maturity structure	< 1 year	2 years	3 years	4 years	5 years	> 5 years	Total
Medium-term notes	36	2,036	611	254	2	456	3,395
Commercial paper	1,000	–	–	–	–	–	1,000
Liabilities to leasing companies	10	24	–	–	–	–	34
Trade payables	601	–	–	–	–	–	601
Other liabilities	8	–	–	–	–	–	8
Derivative liabilities	68	52	34	14	2	2	171
Total	1,723	2,112	645	268	4	458	5,210

Credit risks and counterparty risks

The Group's commercial and financial transactions give rise to credit risks against its counterparties. "Credit risk" refers to the risk of loss if the counterparty does not meet its obligations agreed. The credit risk that Swedavia is exposed to consists of financial credit risk and credit risk for customer receivables.

Financial credit risk

The credit risk for financial transactions arises when the Group invests liquid assets as well as in the form of counterparty risks when the Group enters into an agreement on financial instruments with banks. The maximum credit risk consists of the book value of financial assets including derivatives with a positive market value. The Group's policy is to work with banks with a good credit rating, and Swedavia has entered ISDA master agreements with its counterparty banks.

Credit risk in customer receivables

The credit risk for commercial transactions arises when there is a risk that customers will not meet their payment commitments to the Group. This risk is managed by the Group assessing customers' creditworthiness on a frequent basis. For trade receivables, operations are run in accordance with a provision regulating credit terms and working methods. Terms of payment are in most cases net 30 days. As of December 31, 2017, there was no significant credit risk. The quality of credits appears to be good based on credit assessments carried out in accordance with the Group's credit policy.

	Group		Parent Company	
Age analysis	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Trade receivables not due	533	343	521	327
Trade receivables past due 1–30 days	40	76	32	67
Trade receivables past due 31–90 days	0	-1	0	-1
Trade receivables past due >90 days	0	2	0	2
Total	573	420	553	396

Doubtful trade receivables	2017	2016	2017	2016
Doubtful trade receivables, opening balance	3	4	3	3
Reversed doubtful trade receivables	-3	-3	-3	-2
Bad trade debt declared	0	-1	0	-1
Provision for bad debts	3	3	2	3
Doubtful trade receivables, closing balance	3	3	2	3

Given that IFRS 9 Financial Instruments enters into force on January 1, 2018, Swedavia has changed its principles in the provision for and write-down of credit losses. Under the new principle, a loss allowance is recognised in the first reporting period and not as previously, in IAS 39, first in conjunction with when a loss has occurred. This procedure is based in part on future-oriented information as well as historical data about credit losses in different customer categories and maturity intervals.

NOTES

NOTE 46. Pledged assets and contingent liabilities

	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Pledged assets	878	841	–	–
	Group		Parent Company	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Contingent liabilities	89	89	89	89

Swedavia's pledged assets consist of shares and holdings in the joint ventures Swedish Airport Infrastructure KB and Swedish Airport Infrastructure AB. Book value totalled SEK 878 M (841).

Swedavia's contingent liabilities consist of pension commitments in Company-owned endowment insurance plans of SEK 8 M (8), a guarantee of SEK 81 M (81) for the joint venture Landvetter Logistik Center AB, which it owns together with Bockasjö. In addition to the contingent liabilities above, Swedavia has contingent liabilities stemming from environmental requirements for running airport operations. In its operations, Swedavia handles chemical substances and is responsible for waste, emissions, pollution and other effects on the environment at Swedavia's airports. Swedavia's obligations concern events after the Company was formed.

NOTE 47. Cash flow

	Group		Parent Company	
SEK M	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Adjustments for items not included in the cash flow				
Profit from holdings in associated/Group companies	-37	-41	–	–
Capital gain on sale of operations/subsidiaries	–	-146	–	–
Capital gain on sale of fixed assets	–	-19	–	-19
Depreciation, amortisation and impairment losses	965	979	982	980
Change in pension provisions	-74	38	15	-37
Change in other provisions	-9	-16	14	57
Other	76	-56	110	–
Total	922	739	1,121	981
Dividend received	–	–	1,038	757
Interest received	5	6	17	4
Interest paid	-140	-151	-120	-128

Short-term borrowings (maturity of three months or less) that are raised and repaid during the same month are offset. In 2016, capital gains for the Group from the disposal of operations/subsidiaries pertained to the disposal of Söve Airport. In 2016, capital gains for the Parent Company pertained to the disposal of land at Göteborg Landvetter Airport.

NOTE 48. Supplementary information for financial metrics

Supplementary information for financial metrics. For definitions and justification, see page 137, "Key metrics and definitions".

Net liabilities

The pension liability, less the special employee pension tax, was SEK 730 M on December 31, 2017, and SEK 735 M on December 31, 2016.

Operating profit excluding capital gains

For the period January-December 2016, capital gains totalled SEK 241 M.

Operating profit excluding capital gains, impairment losses and disposals

Operating profit for January-December 2017 totalled SEK 651 M. Excluding impairment losses and disposals of SEK 160 M, adjusted profit was SEK 811 M. Operating profit for January-December 2016 was SEK 966 M. Excluding capital gains of SEK 241 M and impairment losses and disposals of SEK 74 M, adjusted profit was SEK 799 M.

NOTE 49. Events after the balance sheet date

Expanded borrowing programme

Swedavia received approval from the Swedish Financial Supervisory Authority to increase the scope of its programme for medium-term notes, which was established in 2012. The size of the programme has been increased from SEK 5 billion to SEK 15 billion.

New director of implementation organisation

On February 7, Johan Bill was named the new director of Swedavia's implementation organisation, which also changed its name to the Major Projects unit. He has worked most recently at the Swedish Transport Administration and will assume the new position by August 2018 at the latest. Johan Bill will report to the President and CEO and be part of Swedavia's Group management team. Until he assumes the position, Joakim Kedbrant will serve as acting head of the unit.

SIGNATORIES TO THE ANNUAL REPORT

The undersigned certify that the consolidated accounts and Annual Report have been prepared in conformity with international financial reporting accounting standards (IFRS) such as have been adopted by the EU in line with generally accepted accounting principles and give a true and fair picture of the financial position and results of the Group and the Parent Company.

The Report of the Directors gives a true and fair picture of the performance of the Group's and the Parent Company's operations, financial position and results and describes significant risks and uncertainty factors faced by the companies included in the Group.

Stockholm-Arlanda March 22, 2018

Åke Svensson

Chairman of the Board

Adine Grate Axén

Board member

Lars Backemar

Board member

Lottie Knutson

Board member

Lotta Mellström

Board member

Lars Mydland

Board member

Mikael Norman

Board member

Lottie Svedenstedt

Board member

Lars Andersson

Board member
Employee representative

Robert Olsson

Board member
Employee representative

Jonas Abrahamsson

President and CEO

Our Auditor's Report was submitted on March 22, 2018

Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant

The income statements and balance sheets of the Group and the Parent Company will be subject to approval at the Annual General on April 26, 2018.

Auditor's report

To the general meeting of the shareholders of Swedavia AB (publ), corporate identity number 556797-0818

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Swedavia AB (publ) except for the corporate governance statement on pages 80–85 and the statutory sustainability report on pages 73–77 for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 70–127 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2017, and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2017, and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 80–85 and the statutory sustainability report on pages 73–77. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated

accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

Description

Consolidated net revenue for the year 2017 amounted to SEK 5,745 M and net revenue for the Parent Company amounted to SEK 5,713 M. As shown in Notes 2 and 4 of the Annual Report, net revenue is divided into a number of important revenue streams directly related to aircraft and passenger movements (Aviation Business) as well as to closely related commercial services (Commercial Services). There are many revenue streams, and there are a large number of transactions generated by these streams, which therefore places high demands on the Company's internal control and administrative processes. In view of the number of transactions connected to different revenue streams, we have judged revenue recognition to be a key audit matter.

How our audit addressed this key audit matter

We have examined the accounts to ensure that revenue was consistent with IFRS. For the "passenger revenue" revenue stream, we tested the controls established by the Company. For other revenue streams, we took a selection of samples to examine revenue recognition. We also conducted a detailed analytical review using data-based analytical tools, a review of agreements and samples of accruals in conjunction with financial statements to assess the recognition of revenue. We examined the appropriateness of information submitted in the Annual Report.

Investments and ongoing projects

Description

Investments are a significant part of the Company's operations. In 2017, the Group invested SEK 3,866 M in tangible assets under construction and investment properties, as shown in Notes 3, 19 and 21 in the Annual Report. Equivalent investments in the Parent Company during the year amount to SEK 3,427 M, as shown in Note 19 in the Annual Report. The accounting principles applied are given in Note 2. These investments are largely allocated to Stockholm Arlanda Airport, Bromma Stockholm Airport and Göteborg Landvetter Airport. The audit includes a number of assumptions, including judgements concerning the classification of accrued costs, useful life and time of completion. Since investments are linked to these important assumptions, and since investments constitute significant amounts and thus have a material effect on the Company's financial reports, we have judged this to be a key audit matter.

How our audit addressed this key audit matter

We have assessed the Company's procedures for investments. We have also assessed the accounting principles applied by the Company and examined capital expenditures in detail using samples in order to assess classification, useful life and time of completion. We have examined the appropriateness of the information submitted in the Annual Report.

Valuation of tangible assets

Description

Tangible fixed assets as of December 31, 2017, amounted to SEK 13,988 M in the Group and SEK 13,851 M in the Parent Company, constituting 80 per cent of the consolidated balance sheet and 77 per cent of the Parent Company's balance sheet. A compilation of tangible fixed assets is found in Notes 15–20 of the Annual Report. The principles applied are given in Note 2. The conditions at the different airports vary in terms of profitability and duration of access right agreements. The Company believes that all of the airports' cash flows are dependent on one another and constitute a single cash-generating unit. The valuation carried out is based largely on estimations of future cash flows. Since tangible fixed assets constitute significant amounts and the valuation carried out is based on these assumptions, we have judged this to be a key audit matter.

How our audit addressed this key audit matter

We have assessed the Company's assumption that the cash flows of all the airports are dependent on one another and constitute a single cash-generating unit. We have assessed the Company's procedures for identifying any impairment losses. We have reviewed the valuation that the Company has carried out and have taken into consideration additional information that we obtained in our audit in order to make our own assessment of any need for impairment losses. We have reviewed the appropriateness of the information provided in the Annual Report.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3-68. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the

assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to the going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, intend to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the

AUDITOR'S REPORT

disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform them of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedavia AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibilities

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with a starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 80–85 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally

accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 73–77, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an

audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Jakobsbergsgatan 24, 103 99 Stockholm, was appointed auditor of Swedavia AB by the general meeting of the shareholders on April 27, 2017 and has been the company's auditor since April 28, 2011.

Stockholm, March 22, 2018

Ernst & Young AB

Åsa Lundvall
Authorized Public Accountant

Auditor's Review Report on Swedavia AB's Sustainability Report

To Swedavia AB

INTRODUCTION

We have been engaged by the Board of Directors of Swedavia AB to review Swedavia's Sustainability Report for the year 2017. Swedavia AB has defined the scope of the Sustainability Report as those areas referred to in the GRI index on pages 133–135.

THE BOARD OF DIRECTORS' AND EXECUTIVE MANAGEMENT'S RESPONSIBILITY FOR THE SUSTAINABILITY REPORT

The Board of Directors and the executive management are responsible for preparing the Sustainability Report in accordance with the applicable criteria, which are presented on page 82 in the Sustainability Report, and which consists of those parts (the framework for sustainability reporting issued by the Global Reporting Initiative (GRI)) that are applicable to the Sustainability Report, and by the accounting and valuation principles produced by Swedavia AB. This responsibility also includes the internal control considered necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Sustainability Report based on our review.

We have performed our review in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review has another aim and is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control otherwise has.

The audit firm applies International Standard on Quality Control

ISQC 1 and thus has a comprehensive quality control system which includes documented guidelines and procedures concerning compliance with professional ethics requirements, standards for professional conduct and applicable requirements in laws and other statutes. We are independent of Swedavia AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a review consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed based on an examination thus does not have the assurance of a conclusion based on an audit.

Our review is based on the criteria selected by the Board of Directors and executive management, which are defined above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we obtained during our review is sufficient and appropriate to provide a basis for our conclusion below.

OPINION

Based on our review, nothing has come to our attention that causes us to believe that the information in the Sustainability Report has not, in all material respects, been prepared in accordance with the above-stated criteria.

Stockholm, March 22, 2018

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Charlotte Söderlund
Authorised Public Accountant

GRI – content and references

Swedavia's Annual and Sustainability Report focuses on strategy, the achievement of objectives and targets, and operational results for the past year. Swedavia's general ambition for the report is to be transparent, relevant and comparable. Swedavia has used the Global Reporting Initiative (GRI)'s guidelines since 2010 and reports its sustainability work in 2017 in accordance with GRI's "Core" Standards. This report also includes relevant industry-specific indicators in accordance with GRI G4 Airport Operator Disclosures. Reported indicators have been chosen based on stakeholder valuations of Swedavia's operations with the aim of developing long-term sustainable operations. The sustainability information in the combined report for 2017 has been reviewed as per the Board of Directors' wishes by Swedavia's auditors, Ernst & Young. It has also been approved by Swedavia's Board of Directors.

REPORTING PRINCIPLES AND BOUNDARIES

All reporting principles in accordance with GRI Standards and related principles concerning materiality, communication with stakeholders, sustainability context and completeness have been applied in the definition of the content of the report. The GRI index shows where all mandatory information is provided in this report. Swedavia has chosen to base its report on the four sustainability areas customer, economy, environment and social development. Reporting is limited to those areas in which the Company exercises complete control over the collection of data and quality of information, which means that the entire Group is included unless otherwise indicated. Data for companies in which it owns a minority interest are excluded. Swedavia publishes a combined Annual and Sustainability Report each year. The reporting cycle is for the full year. Swedavia's Annual and Sustainability Report 2016 was published on March 31, 2017.

CONTENT OF THE REPORT

The sustainability report is based on Swedavia's materiality analysis, which was completed in 2016, and on the results of a review of the analysis in 2017. The materiality analysis is based on Swedavia's dialogue with stakeholders and is designed to identify the issues that are most critical to Swedavia's economic, environmental and social value creation; read more on page 20. Relevant global trends and drivers as well as Swedavia's objectives, targets and priorities provide the basis for the issues assessed in the form of stakeholder dialogues. Material sustainability aspects identified in stakeholder dialogues were given priority in Swedavia's Strategy & Sustainability Forum and then approved by the Group's executive management. The trend analysis is based on up-to-date business intelligence, market surveys, in-depth studies, an internal trend network and external trend reports which are compiled under seven overall themes. The aim is to identify the changes that can conceivably have a major impact on Swedavia's business. All of these are considered to have a major impact so that they require active management, which means that Swedavia needs to plan for them; read more on pages 9–11. The findings from the trend analysis and materiality analysis are integrated in Swedavia's vision, objectives and targets as strategies and practical operations. The 2016 materiality analysis also provides the basis for Swedavia's strategic sustainability plan.

MEASUREMENT OF INDICATORS IN SWEDAVIA'S MATERIAL TOPICS, 2017

Based on the results of the materiality analysis, Swedavia has chosen to report on thirteen materialities this year. All indicators in these material topics reflect Swedavia's comprehensive view of long-term sustainable operations. Measurement of sustainability indicators is described below.

Customer satisfaction for passengers, airlines and office tenants

Swedavia measures the customer satisfaction of passengers, airlines and tenants at the bigger airports. For Bromma Stockholm Airport, Göteborg Landvetter Airport and Stockholm Arlanda Airport, reporting is on a quarterly basis. For the other airports, reporting is every six months. Swedavia's annual results are compiled based on the airports' annual results. For Bromma Stockholm Airport, Göteborg Landvetter Airport and Stockholm Arlanda Airport, the period is for the full-year 2017. For the regional airports, the period runs from the fourth quarter of 2016 to the third quarter of 2017. The airline survey is carried out once every two years and measures airline customers' satisfaction with the airports. The most recent measurement was carried out in 2017. The tenant survey is carried out at Bromma Stockholm Airport, Göteborg Landvetter Airport, Malmö Airport and Stockholm Arlanda Airport. That survey is conducted every two years. The most recent measurement was carried out in 2016 using an established method of measurement in the industry with ten fields of questions and an overall satisfied customer index (SCI). A new feature for 2016 is that the survey only includes office tenants.

Attractive offering of routes and destinations

Swedavia also measures passenger volume, the number of routes and the number of destinations. See the definition of key metrics on page 137. Threshold values have been defined in the calculation for the 12-month period (for 2017) in order to filter out flights flown on an ad hoc basis and for which the general public cannot buy tickets.

Capacity and flows at the airports

Punctuality is measured by departures and accounts for the percentage of departures that leave the gate/aircraft parking stand at the latest 15 minutes and 59 seconds after the scheduled departure time. For delayed flights, codes are also reported for the causes of delays, with AF87 Airport Facilities – delays caused by the airport – being one of the delay codes.

Digitisation and automation

The degree of digital transformation is measured through the number of initiatives carried out associated with selected digitisation capabilities. Each capability requires implementation of two initiatives that support the establishment of the capability.

Reduced atmospheric emissions from own operations

Indicator 305-5 reports emission reductions within the scope of Swedavia's zero vision for its own fossil carbon dioxide emissions, divided into Scope 1, 2 and 3 in accordance with the Greenhouse Gas Protocol. The year 2005 was chosen as the base year for reporting

because Swedavia has worked strategically since 2006 with climate and energy issues in its operations. Emissions are reported in tonnes of fossil carbon dioxide. Emissions for 2017 calculated in carbon dioxide equivalents were 1,896 tonnes. Emissions of fossil carbon dioxide are calculated based on fuel consumption and energy use reported in the Group's SMIL environmental reporting system. Reporting includes Swedavia AB, ten airports and Swedavia Real Estate. Data for companies in which it owns a minority interest and for the office in Norrköping are excluded. Energy purchased for the office in Norrköping is not measured by Swedavia's landlord since it is included in the rent. Emissions are thus calculated under Scope 3 in accordance with the boundary principles in Airport Carbon Accreditation Guidance, which applies the Greenhouse Gas Protocol for carbon dioxide certification specifically to airport operations.

Swedavia has chosen to also report its energy use for 2017. This metric includes all purchased electricity, district heating and fuel for heating, transport, uninterruptible power supply and firefighting exercises. Heating has been adjusted for a normal year.

Be a driver in reducing greenhouse gas emissions from air transport

Materiality is monitored through the amount of renewable bio aviation fuel used for refuelling on Swedavia's behalf.

Engaged leaders and employees

Starting in 2016, materiality measures engaged leaders and employees as a percentage of engaged leaders and employees. Prior to 2016, employee satisfaction was monitored and reported as an employee satisfaction index (ESI).

Health and safety for customers

To ensure the health and safety of the Company's customers, Swedavia registers incidents at the Company's airports, recording the number of accidents, incidents and serious deficiencies in Swedish Transport Agency inspections. Definitions of key metrics are described on page 137.

GRI Index

Standard information

GRI information	Description	Page reference and comments
Organisational profile		
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A0:G4-8	Catchment area for cargo and passengers	48-49, 99
A0:G4-9	Direct destinations and other information about the size of the airports etc.	36, 48-49. The number of employees at the airports is about 27,000. The number of airline customers is 130, including scheduled and charter operations. Minimum transfer time is 15 minutes.

Standard information (cont.)

G4 information	Description	Page reference and comments
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GRI number	Description	Page	Comment and deviation
Economic results and return			
103-1 – 103-3	Management approach	26, 28	
Own indicator	Return on operating capital	4, 20, 31, 71	
Competitive charges			
103-1 – 103-3	Management approach	26, 28	Swedavia's internal metric for competitive charges is not reported this year. This metric will be studied and assessed to ensure the quality of the data.
Attractive offering of retail and services			
103-1 – 103-3	Management approach	26, 28	
Own indicator	Commercial revenue per departing passenger	4, 71	

Cost-effectiveness

103-1 – 103-3	Management approach	26, 28
Own indicator	Operating cost per departing passenger	4, 71

Attractive offering of routes and international destinations

103-1 – 103-3	Management approach	26, 27
Own indicator	Number of passengers	31, 48-49
Own indicator	Number of international destinations	31
Own indicator	Number of new routes	36

103-1 – 103-3	Management approach	26, 27
Own indicator	Customer satisfaction, passengers	31, 39, 44, 46, 47, 50
Own indicator	Customer satisfaction, airlines	39, 44, 46, 47, 50
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Capacity and flows at the airports

103-1 – 103-3	Management approach	26, 27
Own indicator	Punctuality (%)	38, 44, 46, 47, 50
Own indicator	Delays caused by the airport	38, 44, 46, 47, 50

Digitisation and automation

103-1 – 103-3	Management approach	26, 27
Own indicator	Number of capabilities established	39

Reduced atmospheric emissions from own operations

103-1 – 103-3	Management approach	26, 28
305-5	Reduced emissions of greenhouse gases	31, 57, 59
Own indicator	Energy use	57 Swedavia will initiate work to identify a metric that measures energy efficiency in 2018.

Be a driver in reducing greenhouse gas emissions from air transport

103-1 – 103-3	Management approach	26, 28
Own indicator	Amount of renewable aviation fuel used in refuelling at Swedavia's airports	58

Customer health and safety

103-1 – 103-3	Management approach	26, 29
Own indicator	Number of accidents and incidents	31, 62
Own indicator	Number of serious deficiencies in Swedish Transport Agency inspections	62

Engaged leaders and employees

103-1 – 103-3	Management approach	26, 29
Own indicator	Engaged leaders and employees	31, 64

Employee health and safety

103-1 – 103-3	Management approach	26, 29	In 2017, Swedavia carried out extensive work to develop suitable metrics for an even more proactive workplace environment and systematic assessment work for risk management, mapping and monitoring.
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Cross-reference table

UN Global Compact

Starting in 2012, Swedavia supports the United Nations Global Compact and its ten principles. Swedavia's Sustainability Report 2017 also constitutes Swedavia's Communication on Progress (COP), which is an annual update on how the Group complies with the ten principles. The table shows where each Global Compact principle can be found in Swedavia's Annual and Sustainability Report 2017.

UN Global Compact's ten principles	Page reference and comments
Human rights	
1. Businesses should support and respect the protection of internationally proclaimed human rights in the spheres they can influence	66
2. Businesses should make sure that they are not complicit in human rights abuses	66
Labour	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	62, 64-65
4. Businesses should work to eliminate all forms of forced and compulsory labour	66
5. Businesses should work to abolish child labour	Swedavia complies with the regulations in effect in laws and agreements for the protection of underage workers in the labour market. Children under 15 are not employed at Swedavia.
6. Businesses should eliminate discrimination in respect of employment and occupation	62, 66
Environment	
7. Businesses should support a precautionary approach to environmental challenges	57-59
8. Businesses should undertake initiatives to promote greater environmental responsibility	57-59
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	57-59
Corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery	63

Key metrics

ACCIDENTS AND INCIDENTS

The terms are defined by Regulation (EU) no 996/2010. An accident entails that (i) a person has died or been seriously injured in connection with the aircraft during a flight, with the exception of natural causes, (ii) an aircraft has been subject to damage that seriously affects its performance or (iii) an aircraft is completely unreachable. An incident entails that circumstances show there was a high probability that an accident with an aircraft could have occurred during the flight.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees is calculated based on hours worked. The average number of employees is restated as the total number of hours worked divided by the normal working time as defined by the Swedish Accounting Standards Board. Calculated on a rolling 12-month basis.

AVERAGE OPERATING CAPITAL

The closing balance of operating capital on the balance sheet date plus the closing balance of operating capital on the balance sheet date for the previous year divided by two.

CAPABILITY

Every capability requires completion of two initiatives/projects in the area that support the establishment of this capability.

CAPITAL TIE-UP PERIOD

Volume-weighted average remaining maturity at the end of the period for interest-bearing liabilities. The metric clarifies the Group's funding risk.

COMMERCIAL REVENUE PER DEPARTING PASSENGER*

Revenue from retail, food & beverage and from car parking & parking facilities divided by the number of departing passengers for the same period. A metric that the Group considers crucial for monitoring changes in commercial revenue.

CUSTOMER SATISFACTION (PASSENGERS, AIRLINES AND TENANTS)

Customer satisfaction is measured through customer surveys that result in a customer satisfaction index. The customer satisfaction of passengers is measured through Swedavia's participation in the ASQ Programme, a passenger survey administered by Airport Council International (ACI). The survey measures departing passengers' attitudes to and experience of the airport. Read more about the survey: <http://www.aci.aero/Customer-Experience-ASQ/Homepage>. The customer satisfaction of airlines and tenants shows airline customers' satisfaction with the airports and tenants' satisfaction with Swedavia as a landlord.

DEBT/EQUITY RATIO*

Net liabilities divided by equity. This financial ratio is what the owner uses as a capital structure or gearing target for the Group. The metric is considered to be directly linked to the Group's actual funding and financial risk.

DESTINATION/INTERNATIONAL DESTINATIONS

Destination is a city served by one or more airlines in which the total number of departures from each Swedavia airport reaches a given number during a 12-month period. The number of international destinations is determined by the total of international cities that can be reached by direct flights in scheduled or charter operations from Swedavia's airports. Threshold values have been used in the calculation in order to filter out such charter flights that take place on an ad hoc basis and for which the general public cannot buy tickets.

EARNINGS PER SHARE

Profit for the year divided by the average number of shares.

ENERGY USE

The metric includes purchased electricity, district heating and fuel for heating, transport, uninterruptible power supply and firefighting exercise.

ENGAGED LEADERS AND EMPLOYEES

Engaged leaders and employees are an index from Swedavia's Employee Survey carried out in partnership with Ipsos.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities on the balance sheet consist of liabilities to credit institutions, medium-term notes, commercial paper and liabilities to leasing companies as well as other liabilities.

INTEREST RATE LOCK-IN PERIOD

Volume-weighted average interest rate lock-in period at the end of the period for interest-bearing liabilities with regard to interest rate derivatives. The metric clarifies the Group's interest rate risk.

INVESTMENTS*

Swedavia's investments in tangible fixed assets and intangible assets including investment projects in progress. Swedavia is in an intensive development phase and its pace of capital spending is important to Swedavia's management and external stakeholders.

NET LIABILITIES

Interest-bearing liabilities plus pension liability less liquid assets.

NET REVENUE

Swedavia's net revenue includes revenue from Aviation Business and Commercial Services.

OPERATING CAPITAL

Equity plus net liabilities.

OPERATING COSTS PER DEPARTING PASSENGER*

Total of Airport Operations' external expenses and staff expenses less own capitalised work divided by the number of departing passengers for the same period. A metric that Swedavia considers crucial for monitoring improvements in cost-effectiveness.

OPERATING MARGIN*

Operating profit as a percentage of net revenue. For the operating margin excluding capital gains, see "Operating margin excluding capital gains".

OPERATING MARGIN EXCLUDING CAPITAL GAINS*

Operating profit excluding capital gains from significant transactions. A metric that is critical since Swedavia's management monitors operating profit excluding capital gains.

OPERATING MARGIN EXCLUDING CAPITAL GAINS, IMPAIRMENT LOSSES AND DISPOSALS*

Operating profit excluding capital gains as well as impairment losses and disposals. A metric that is critical since it is considered to provide a better understanding of the operating profit trend.

OWN EMISSIONS OF FOSSIL CARBON DIOXIDE AND CARBON FOOTPRINT

Own emissions of fossil carbon dioxide comprise fossil carbon dioxide emissions divided into Scope 1, 2 and 3 in accordance with the Greenhouse Gas Protocol. Scope 1 includes vehicle propellants, own-produced (own-used and sold) electricity and heating, and firefighting exercises. Scope 2 includes purchased electricity and heating for own use. Scope 3 includes purchased heating that is then sold. The carbon footprint for Swedavia's airports includes emissions from air traffic in the landing and take-off (LTO) cycle (flying below 3,000 feet including taxiing on the ground), passengers' ground transport to and from the airports and Swedavia's own operations, Scope 1, 2 and 3 as defined above.

PASSENGER

Passenger is defined as a statistical event in which a person has departed from or arrived at one of Swedavia's airports by air. A departing passenger is thus a statistical event in which a person has departed from one of Swedavia's airports by air. Departing passengers are approximated based on the number of passengers divided by two.

KEY METRICS AND DEFINITIONS

PROFIT FOR THE YEAR

Profit after tax.

PUNCTUALITY AND DELAYS CAUSED BY THE AIRPORT

Punctuality is defined as when an aircraft is off block, that is, rolling out from the gate/aircraft parking stand, no later than 15 minutes and 59 seconds after scheduled departure time. "Delays caused by the airport" is one of the codes airlines can use when reporting a delay.

RETURN ON OPERATING CAPITAL*

Operating profit plus profit from holdings in associated companies for a rolling 12-month period divided by average operating capital. This financial ratio is the owner's metric for profitability at Swedavia and one of the Group's sustainability targets. The metric reflects the Group's cost of capital.

ROUTES

A route is defined as a route served by an airline in which the number of departures reaches a given threshold value in a 12-month period.

SERIOUS DEFICIENCIES IN SWEDISH TRANSPORT AGENCY INSPECTIONS

For unannounced inspections of operations carried out by the Swedish Transport Agency, assessment levels range from Serious Deficiency to Deficiency to Recommendation to Full Compliance with Regulations. A serious deficiency is defined as deviations judged to be serious that could lead to consideration of restricting/revoking a security approval. When the inspector in charge considers classification of deviations as serious, consideration shall be given to the conditions viewed as system deficiencies or that affect a number of safety or security measures, so-called safety or security chains, before these can be classified as a "serious deficiency".

Alternative financial information according to guidelines from the European Securities and Markets Authority (ESMA) is marked with an *.

Definitions

AIRPORT OPERATIONS

Airport Operations is one of Swedavia's two operating segments. Owns, operates and develops Swedavia's airports.

AIRSIDE

Airside is the term for the area at the airport that starts at the security checkpoint and covers the gates, boarding jetties for passengers, aprons and aircraft parking stands as well as taxiways and runways. Swedavia is responsible for aviation safety and security on airside.

ASQ

Airport Survey Quality, a passenger survey administered by ACI in which some 150 airports around the world take part.

AVIATION BUSINESS

Infrastructure services aimed at airlines and ground handling companies, such as take-off and landing services and security screening.

COMMERCIAL SERVICES

Services connected to the airports such as the rental of premises for retail, offices, warehousing and logistics as well as leaseholds, parking operations and rental of advertising space.

GLOBAL REPORTING INITIATIVE (GRI)

The Global Reporting Initiative (GRI) sets guidelines for what a sustainability report should include, how it should be prepared and what indicators should be reported.

ISO 14001

ISO 14000 is an umbrella term for the internationally accepted standards for environmental management.

LANDSIDE

Landside consists of the area that includes approach roads to the airport, car parks and entrances to the airport terminals. Landside covers the area up to the security checkpoint, which is the start of airside. Swedavia and the Swedish police share responsibility for safety and security on landside.

NATIONAL BASIC INFRASTRUCTURE OF AIRPORTS

Sweden's national basic infrastructure of airports consists of ten airports that the Government decided Swedavia should own. The decision is aimed at securing long-term operations under the auspices of the State and a long-term sustainable air transport system that guarantees basic inter-regional access throughout the country.

REAL ESTATE

Real Estate is the second of Swedavia's two business segments. It owns, develops and manages properties and developable land at and in the vicinity of Swedavia's airports.

REGIONAL AIRPORTS

Swedavia's regional airports consist of Kiruna Airport, Luleå Airport, Malmö Airport, Ronneby Airport, Umeå Airport, Visby Airport and Åre Östersund Airport.

TSFS

The Swedish Transport Agency's regulations.

UN GLOBAL COMPACT

The UN Global Compact consists of ten principles based on the UN's Universal Declaration of Human Rights, the International Labour Organization's conventions on human rights in working life, the Rio Declaration and the UN's Convention against Corruption. Under the UN Global Compact, businesses are encouraged to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

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Swedavia in partnership with

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