

Annual and Sustainability Report 2018



Swedavia
Airports

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This is Swedavia's Annual and Sustainability Report for the financial year 2018. 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 29, 2018.

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

► Read more at: www.swedavia.se

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Swedavia's overall targets

85%

satisfied
passengers,
2025

75%

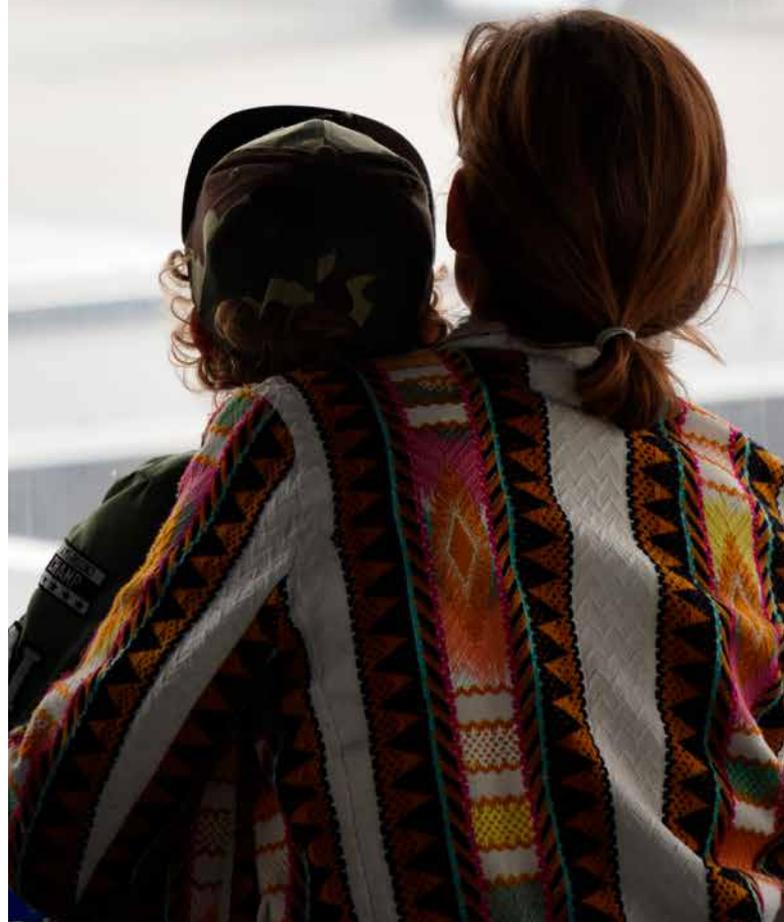
engaged
leaders and
employees,
2025

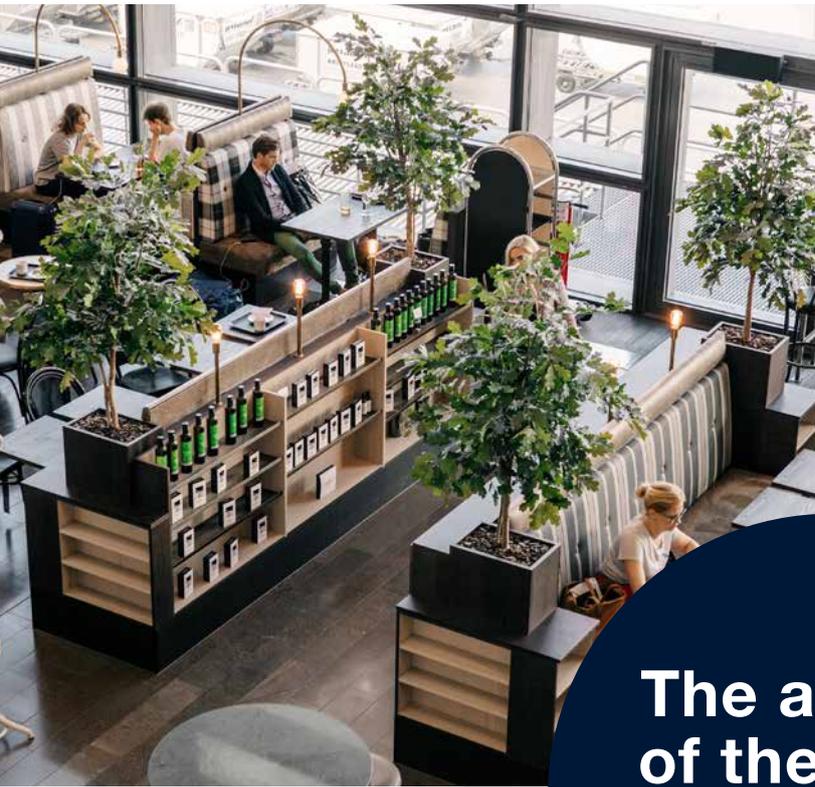
6%

return on
operating capital
annually

0 tonnes

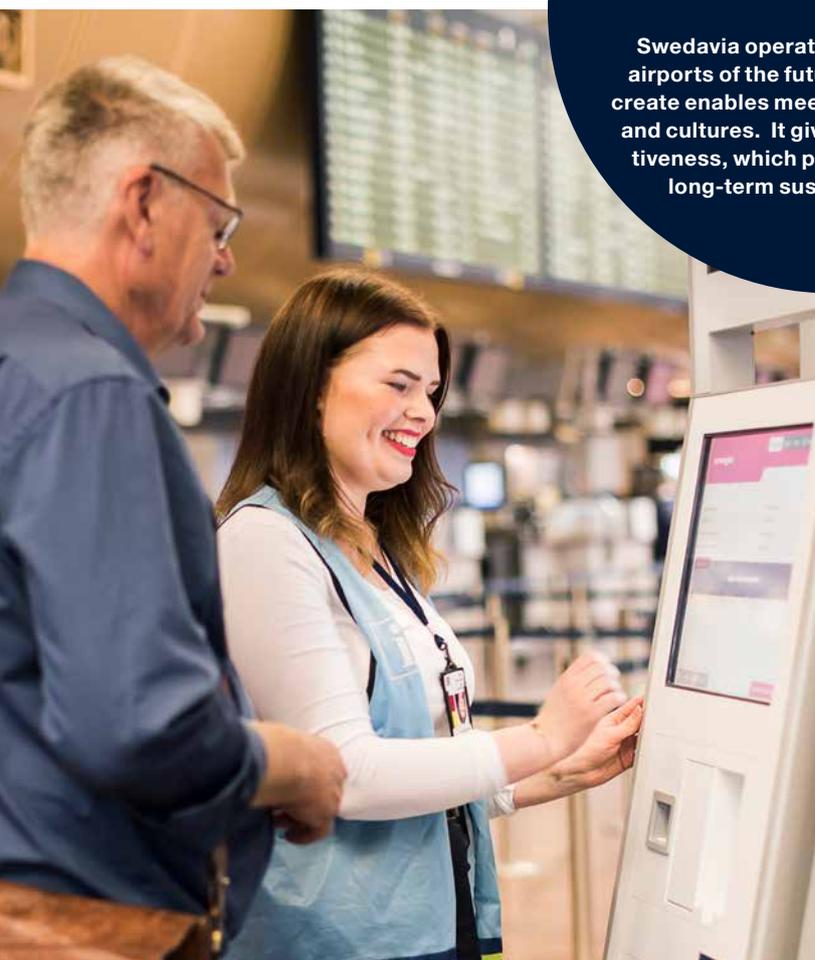
fossil carbon dioxide
emissions from
own operations,
2020





The airports of the future

Swedavia operates and develops the airports of the future. The access they create enables meetings between people and cultures. It gives Sweden competitiveness, which provides the basis for long-term sustainable growth.



The year in brief

The Group in numbers

The Group

SEK M, unless otherwise indicated	2018	2017	2016	2015
Net revenue	5,922	5,745	5,546	5,416
Operating profit	682	651	966	1,755
Operating margin, % ¹	11.5	11.3	17.4	32.4
Profit for the year	517	407	717	1,410
Return on operating capital, % ²	4.6	5.1	8.5	14.6
Debt/equity ratio, times ²	1.1	1.0	0.7	0.6
Investments	3,195	3,866	2,138	1,120
Dividend	- ³	122	143	232
Average number of employees	3,217	3,074	2,949	2,787
Number of passengers, million	42.0	41.9	39.5	37.6
Operating costs per departing passenger, SEK ⁴	205.4	197.3	197.3	195.2
Commercial revenue per departing passenger, SEK	75.2	75.7	75.5	76.1
Satisfied passengers, %	74	75	77	76
Engaged leaders and employees, % ⁵	65	67	64	na
Fossil carbon dioxide emissions, tonnes	1,305	1,896	2,723	3,066

For key metrics and definitions, see pages 134–135.

¹ Operating margin excluding extraordinary items was 12.0 per cent in 2018, 14.1 per cent in 2017, 13.1 per cent in 2016 and 15.4 per cent in 2015.

² As of 2017, the Company's pension provision and receivable for the related employee pension tax are offset. Comparative 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; comparative 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.

SEK **5,922**_M
in net revenue

42
million
passengers

SEK **3,195**_M
in investments

Performance in 2018

► For the full year, Swedavia's airports had 42.0 million (41.9) passengers, which is a 0.2 per cent increase

► Net revenue increased to SEK 5,922 M (5,745)

► Operating profit was SEK 682 M (651). It was negatively affected by SEK 84 M (160) attributable to impairment losses and disposals. The operating profit in 2018 was

positively affected by an earnout of SEK 55 M attributable to the sale of Sävle Airport. Excluding these items affecting comparability, operating profit was SEK 711 M (811)

► The Group's investments totalled SEK 3,195 M (3,866). The pace of investment in the Group's development programmes remains high

► The Board of Directors proposes that Swedavia AB brings forward the retained earnings for 2018

Swedavia is developing the climate-smart airports of the future and creating sustainable growth for Sweden



Swedavia's mission is to operate and develop the ten airports included in Sweden's national basic infrastructure and contribute to good access for Sweden and for the country's different regions.

Purpose

Together we enable people to meet.

Vision

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

Business concept

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.

International role model

Swedavia is a world leader in developing airports with the least possible climate impact. Swedavia's objective is to produce zero fossil carbon dioxide emissions from its own operations by 2020. At year-end, Visby Airport and Luleå Airport had already achieved this target, and in 2019 Åre Östersund Airport is also expected to reach this target. Ronneby Airport achieved the target in 2017. Swedavia also contributes to fossil-free air transport by taking a driving role in the industry's large-scale shift to bio fuel, with the target of achieving fossil-free Swedish air transport by 2045.

Swedavia is important to Sweden



Swedavia has an important and engaging task – creating the conditions needed to link Sweden together, and to link Sweden with the rest of the world. In developing the airports of the future, the primary task of the Board of Directors is to ensure that Swedavia's operations are run with long-term profitability and a focus on sustainability, which includes operational and economic as well as environmental and social aspects. In the longer term, it is a matter of meeting future social needs and creating access and favourable conditions for Sweden in the decades ahead.

The essence of Swedavia's task is indeed to meet airlines' and travellers' need for access.

Investments in measures to increase capacity

Since Swedavia was formed in 2010, passenger growth has been about five per cent a year. Cargo volume has also increased as a result of growing trade. Although passenger growth slowed in 2018, a need to increase capacity at its airports has built up over time, and the Company is now in a phase in which extensive investments are needed.

We are planning for the travel of the future in the very long term, without the certainty of knowing how air traffic will develop. We make sure that current investments are carried out taking into consideration future investment needs and plan for different scenarios both in terms of technological advances and the development of society's overall transport infrastructure. We do this in part through long-term

so-called master plans, which have a planning horizon of several decades.

Swedavia is working to increase capacity at all ten of its airports through extensive infrastructure projects and process development. The development projects entail challenges in maintaining a high level of service and customer satisfaction despite extensive construction at and in the vicinity of the airport.

Top priority is safety and security

Swedavia's first and foremost priority is safety and security. That means aviation safety and security as well as safety in the workplace, for customers as well as for partners and employees. A high level of safety and security is an essential requirement to enable operations to be run successfully and in a long-term manner. Jonas Abrahamsson, Swedavia's president and chief executive officer, has further highlighted this important work, and we are also doing so at the Board level. Our Board meetings begin with a review of the general situation from an occupational safety perspective and a discussion of how any incidents have been handled so that they can be avoided in the future.

Sustainable operations and a sustainable industry

Sustainability is more than safety and security. Swedavia is a world leader today in climate-smart airports. We are constantly improving our operations and are working at the same time to reduce fossil carbon dioxide emissions and increase the use of bio fuel in air transport.

When Swedavia set the target of zero emissions of fossil carbon dioxide from its own operations by the end of 2020, we set our sights high. Now that this target is in reach, we are aiming even higher. The next step in Swedavia's climate work is to raise the focus from the airports to the transformation of the entire air transport industry. We have thus set the target to have five per cent of jet fuel used at Swedish airports be renewable by 2025. This target can only be achieved through close collaboration between companies and other organisations in the industry as well as outside it, but it is important to achieve this since it is in line with what is required for the Swed-

ish air transport industry to achieve fossil-free domestic air transport by 2030. The transformation of aviation requires effective policy instruments that enable reduced emissions from increased air traffic.

The Board's work in 2018

During the year, we maintained a regular dialogue with our owner concerning the Company's operations and long-term development. The Board's work was largely characterised by the restructuring programme initiated during the year, which is aimed at creating better cost-effectiveness and a long-term economically sustainable Swedavia. An important part of this is ensuring efficient implementation of the many large development projects now being carried out at Swedavia's airports.

Over the next few years, we will carry out investments of about four billion Swedish kronor each year in these development projects. Since Swedavia finances its own infrastructure development, this places stringent demands on both profitability and implementation capability.

A company with strength to develop

In my view, Swedavia is well equipped for the years ahead. The Company has stable operations, good cash flow, good funding opportunities and an owner that takes a long-term perspective. We are also in a market that is growing globally. But in order to sustainably fund our investments, maintain competitive airport charges and also meet our owner's return, gearing and dividend targets, continued focused work is required. I look forward to driving this work together with the Board, the president and CEO, and the management team.

On behalf of the Board of Directors, I would like to thank all of Swedavia's leaders, employees, customers and partners for their engaged work during the year. I would also like to welcome all passengers to our airports – we are developing the airports of the future and creating sustainable growth for Sweden to enable you to meet and to create access for Sweden.

Åke Svensson
Chairman of the Board



Swedavia is driving the shift to fossil-free Swedish air transport

Swedavia makes it possible for people to meet. That is the very purpose of our operations, and we are proud of that. In 2018, we successfully continued to enhance access through new routes, while passenger growth at our airports slowed. During the last quarter of the year, we even saw a decrease for the first time in many years. Meanwhile, we have made great advances in our development programmes and in our work to create the conditions needed for a transformation of the air transport industry in order to tackle climate change.

Some 42 million passengers flew to or from Swedavia's airports in 2018, which is a slight increase compared to 2017. International travel was up more than two per cent, while domestic travel fell more than three per cent. Globally, air travel shows strong growth, driven in part by globalisation, a growing middle class and people's desire to encounter new cultures.

For Sweden, a country that is dependent

on exports, geographically spread out and located in remote northern Europe, aviation plays an important role. I am convinced that air transport is absolutely crucial to our economic development and to our country's continued competitiveness. But I am also convinced that air transport must be transformed and become sustainable in order to be one of the transport modes of the future.

Increased access

Good air links create better conditions to compete for meetings and events, attract visitors from new markets and cultures, and contribute to business opportunities and job creation, both in society and at our airports. In this way, enhancing access for Sweden is thus one of Swedavia's most important tasks, and in 2018 we were very successful in that respect, with more than



40 new routes established.

During the year, among other additions, we launched a number of new intercontinental direct routes. Direct routes improve links to markets that are critical to Swedish business, promote tourism and attract capital and knowledge to the region. One of these is Qatar Airways' newly established route from Göteborg Landvetter Airport to Doha. With Doha as a hub, business and leisure travellers in western Sweden can continue on to the airline's 160 destinations in Asia and Africa. The new direct route also means good cargo potential for export companies.

The leading airport in the Nordic region

Our goal is for Stockholm Arlanda Airport to be the leading airport in the Nordic region. To achieve this, we must be competitive and have support from political leaders and the business community. One important collaborative forum that the Swedish government took the initiative on in 2017 was the Arlanda Council, which continued its work in 2018. The advisory body considers broad questions and interests when Stockholm Arlanda is developed and creates conditions for a broader consensus on what is needed to achieve this goal. The initiative also sends a clear signal about Stockholm Arlanda Airport's importance to Sweden as a successful export country and as an attractive country for investment, tourism and business start-ups. A strong Stockholm Arlanda is also an essential condition for good access in other parts of Sweden, both to elsewhere in the country and to the rest of the world.

Investments and capacity improvements

In order to ensure increased access, Swedavia is carrying out extensive development programmes at the airports. Over the period 2018-2021, we are investing 16 billion Swedish kronor in infrastructure, digital technology and better flows. That is equivalent to investing 10 million kronor a

day. The objective is to increase both efficiency and capacity to meet the demand for air transport and airport services and at the same time build for the air transport of the future.

During the year, among other things we inaugurated an expanded departure hall at Bromma Stockholm Airport. We also sold a hotel property adjacent to Göteborg Landvetter Airport – for which a hotel management contract has been signed – and continued the expansion of the airport's terminal building. At Visby Airport, we made important capacity improvements in our terminal. At Stockholm Arlanda Airport, work continued on a new hotel and the Office One complex as well as a new airport maintenance area, while a new VIP facility was completed. We are working continuously to promote the establishment of operations that strengthen the airports as hubs for mass transit.

The extensive development programmes also mean that we have needed to further develop our own ability to manage and run these kinds of complex building projects, in part by developing a stronger implementation organisation, which has been in place since the start of 2018.

Innovation for a better customer experience

The ultimate focus of Swedavia's operations is our customers – airlines, passengers and tenants. At an airport, the passenger is the centre of focus. That means Swedavia needs to work together on and understand the needs of our airline customers and tenants, in order to develop the travel experience in the long term. During the year, we carried out a number of measures to work more systematically with innovation projects in order to better facilitate the generation of ideas and the development of innovative solutions in our organisation together with partners and start-up companies.

At Stockholm Arlanda Airport, we installed a queue measurement system that provides passengers with real-time information about estimated queue times at the

security checkpoint while providing data and statistics to Swedavia for analysis. This enables us to continue optimising flows and improving the passenger experience. We are also the first in Scandinavia to launch an AI-based chatbot – Swea – which answers questions 24/7 about flights, arrival times, current waiting times at the security checkpoints and the services on offer at our airports.

Another innovation that I am proud of is our smart take-off and landing runway at Bromma Stockholm Airport. Representatives of some of the world's most advanced airports have visited in order to get inspiration from and observe the system and its 57 sensors, which are installed on the runway and indicate when ploughing and anti-skid treatment are needed. Above all, this technology provides positive environmental effects through reduced chemical use and reduced fuel consumption for the vehicles used to keep the runway in good condition. For instance, in February we used about 48 per cent less anti-skid agent than in a comparable month the year before.

The right conditions for sustainable air transport

During the year, the discussion in society about climate change and the impact of aviation intensified. Reducing its impact on the climate is the air transport industry's foremost challenge. Air travel has become 70 per cent more fuel-efficient over the past 40 years, but since air travel continues to increase globally, efforts for a full-scale transformation of the air transport industry to tackle climate change must also intensify.

Swedavia works actively to accelerate the development of sustainable air travel. During the year, we adopted a new strategic target – five per cent of jet fuel used at Swedish airports must be renewable by 2025 at the latest. That corresponds to the pace needed to achieve fossil-free domestic air travel by 2030, which is an important target for the Swedish air transport industry's road map to fossil-free air travel. This

“Our company is currently in a phase of intense development. We are doing this in order to meet our customers’ needs and we are doing this together with all our employees and partners.”

target raises Swedavia’s level of ambition in its climate work. We already have a target of zero fossil carbon dioxide emissions from our own operations by 2020, a target that was very challenging when we set it but which we are firmly resolved to achieve. We also purchase bio jet fuel each year that corresponds to the amount used in the Company’s own air travel for business purposes. We do this to show that even today it is possible to fly sustainably and to inspire other companies and government agencies to do the same.

In April 2018, a Swedish national aviation tax was introduced. The effects of the tax have not yet been determined, but it has probably suppressed demand for air travel. Unfortunately, the tax does not contribute to the transformation of air transport in order to tackle climate change. In the short term, bio jet fuel may do the most to reduce the climate impact of aviation. To bring about a large-scale shift to bio jet fuel, long-term well-functioning policy instruments are needed. I would thus welcome a proposal to implement a Swedish reduction quota scheme as an alternative to the aviation tax. A reduction quota scheme would begin the necessary transformation to a sustainable air transport industry, reduce the climate impact of air travel and stimulate Swedish large-scale production of bio fuel. Using by-products from Swedish forests as raw materials, we have fantastic potential for bio fuel production and for creating a new industry in which Sweden can take a leading position.

Together

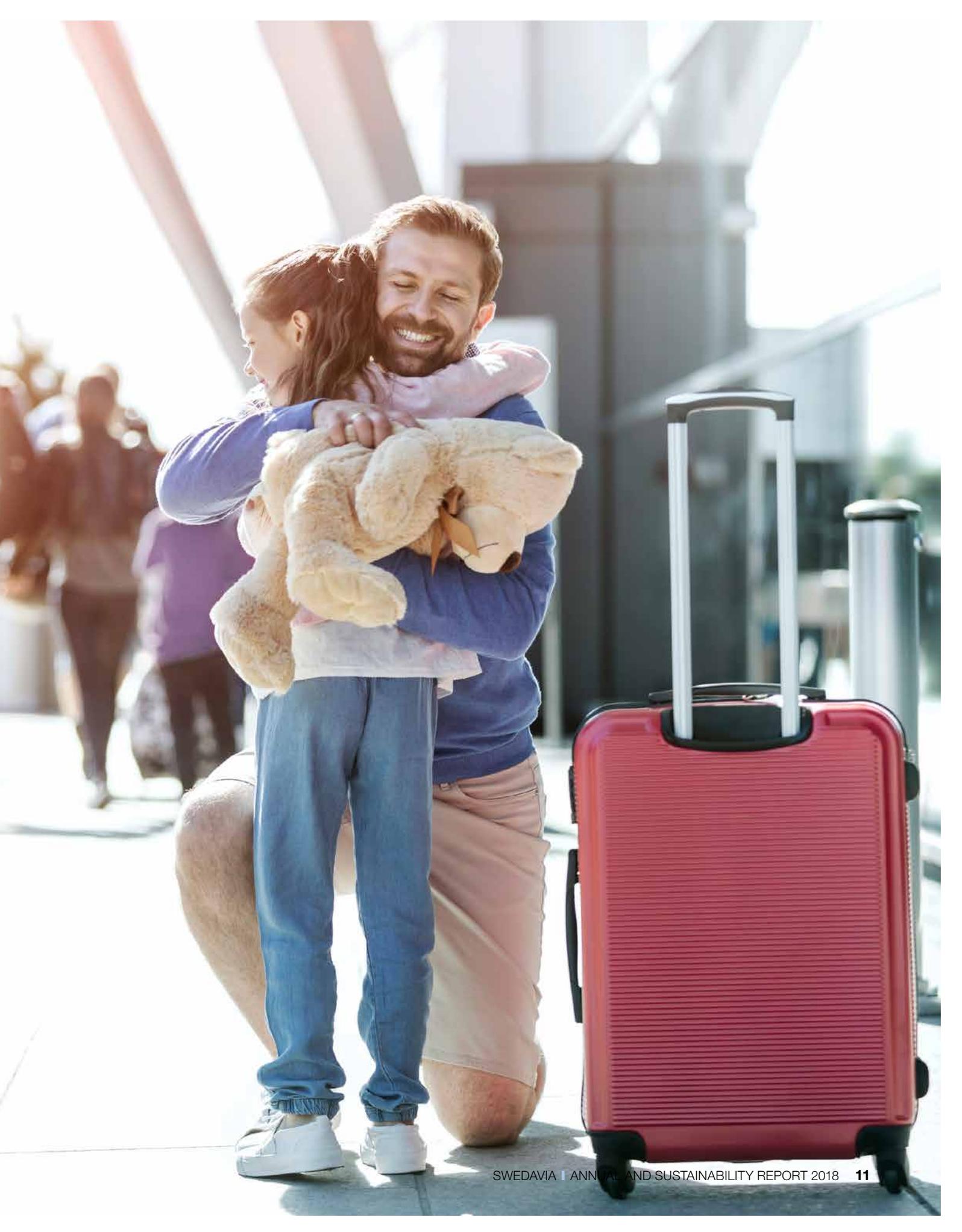
During the year, Swedavia initiated a transformation programme in order to handle cost challenges and create the conditions needed for long-term profitable and sus-

tainable operations. We shall not just shape the airports of the future but also the Swedavia of the future.

Our company is currently in a phase of intense development. We are doing this in order to meet our customers’ needs and we are doing this together with all our employees and partners. In development phases, it is perhaps even more important than at other times to focus on what must be the foundation of all operations – that they are safe and secure and that the physical and psychosocial workplace environment at our airports is as good as it can be. This work is always a priority at Swedavia and will continue to be so in 2019.

Running our operations from a social, environmental and economic sustainability perspective is a fundamental condition for everything we do and is necessary for long-term profitability. In 2019, I look forward to continuing running and developing our airports together with all our engaged, capable employees and through our operations being a growth engine for Sweden. A sustainable Sweden is an essential condition for long-term competitiveness. Similarly, a competitive Sweden is an essential condition for pursuing sustainability issues in earnest over the long term with the energy that is needed. The transport modes of the future must be sustainable, and air transport is an integral part of the transport of the future. Together we make it possible for future generations to benefit from the opportunities provided by air travel, and as a result long-term competitiveness and prosperity for Sweden are created.

Jonas Abrahamsson
President and Chief Executive Officer



Swedavia contributes to increased access for Sweden and the country's different regions

Swedavia's main task is to create access – within as well as to and from Sweden. Through its operations, employment and business opportunities are created. Swedavia also contributes jobs, tax revenue, diversity and the exchange of culture and knowledge to the Company's stakeholders.

As a State-owned company, Swedavia shall be a role model in sustainable development. That means we must especially understand and take into consideration the impact that decisions and activities have in our value chain and on our stakeholders.

Value for our stakeholders

With Swedavia enabling people to meet, this creates business opportunities, jobs, increased exchange of culture and knowledge, greater diversity and higher tax revenue. This provides positive effects for all of Swedish society – locally, regionally and nationally, for companies and other organisations as well as for individuals.

For its owner, the Swedish State, Swedavia creates economic value by running airport operations based on solid business principles that generate a return on invested capital and create access for the entire country.

Swedavia's operations give rise to some impact on the environment. For long-term, sustainable profitability, Swedavia invests in measures to reduce the effect of aviation noise, improve energy efficiency and reduce fossil carbon dioxide emissions as well as other measures to improve the environment. At the same time, the Company supports the industry's transformation to tackle climate change, for instance, by working with the increased use of bio fuels.

With Swedavia enabling meetings between people and contributing to increased access, this creates value for many people as well as economic growth for Sweden.

Swedavia's business model

In order for Swedavia to create value, four different kinds of input are required. These are capital to develop and fund operations, goods and services from suppliers and partners, labour and competences from employees, and strong relations and good collaborations with all of the Company's stakeholders.

Swedavia's fundamental values specify that the Company should be reliable, engaged, innovative and welcoming – and that these should be integral to all relations with stakeholders. Based on its customer needs and working from its fundamental values and different inputs, Swedavia creates products and offerings in its Aviation Business, Commercial Services and Real Estate operational areas. Swedavia provides safe, effective infrastructure, functional premises, attractive environments, and sustainable, personal airport services, experiences and transports. Together with its partners, Swedavia offers the opportunity to travel to attractive destinations, both within Sweden and beyond.

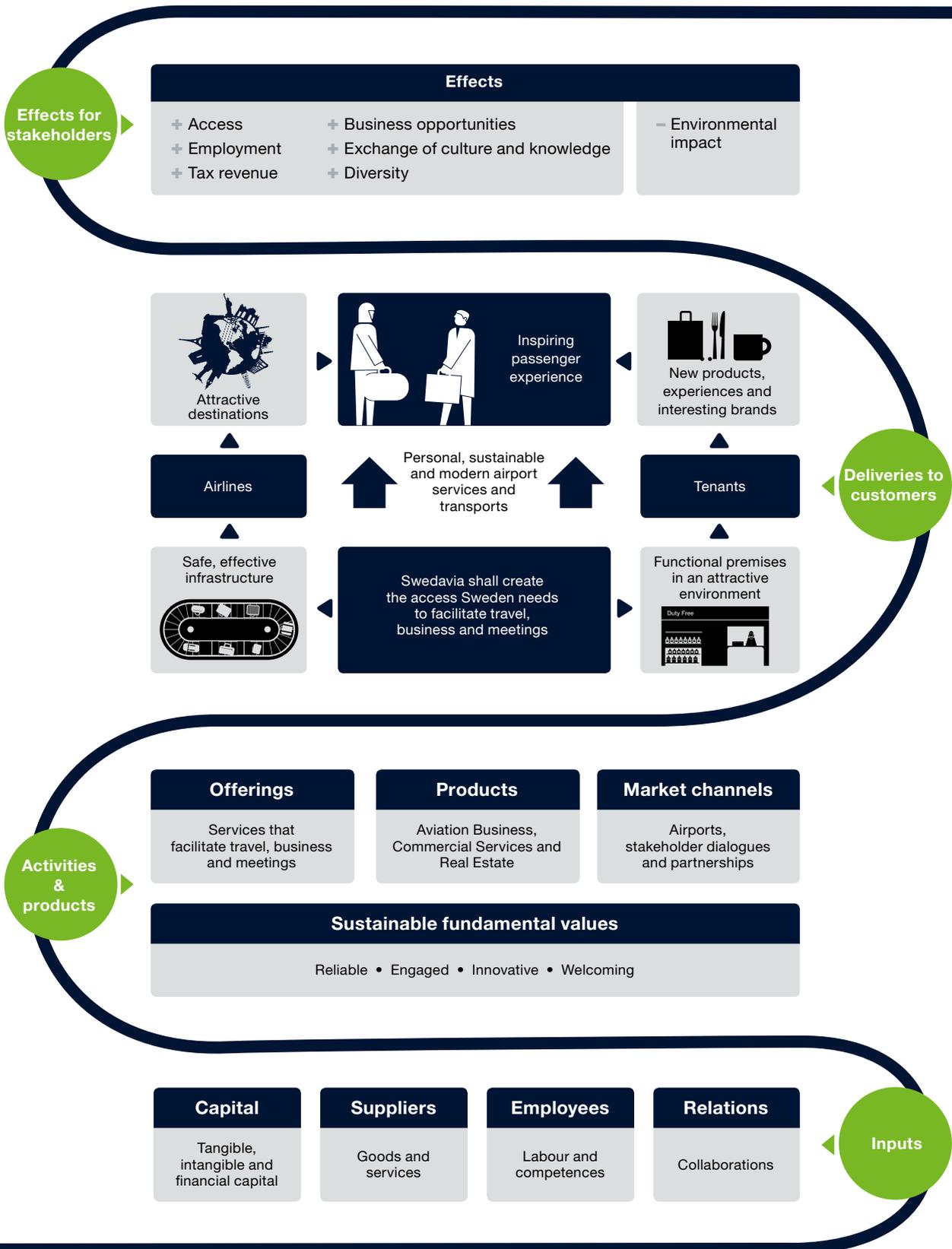
Critical factors in this work are efficient operations and infrastructure, attractive commercial offerings and a strong framework for governance and follow-up.

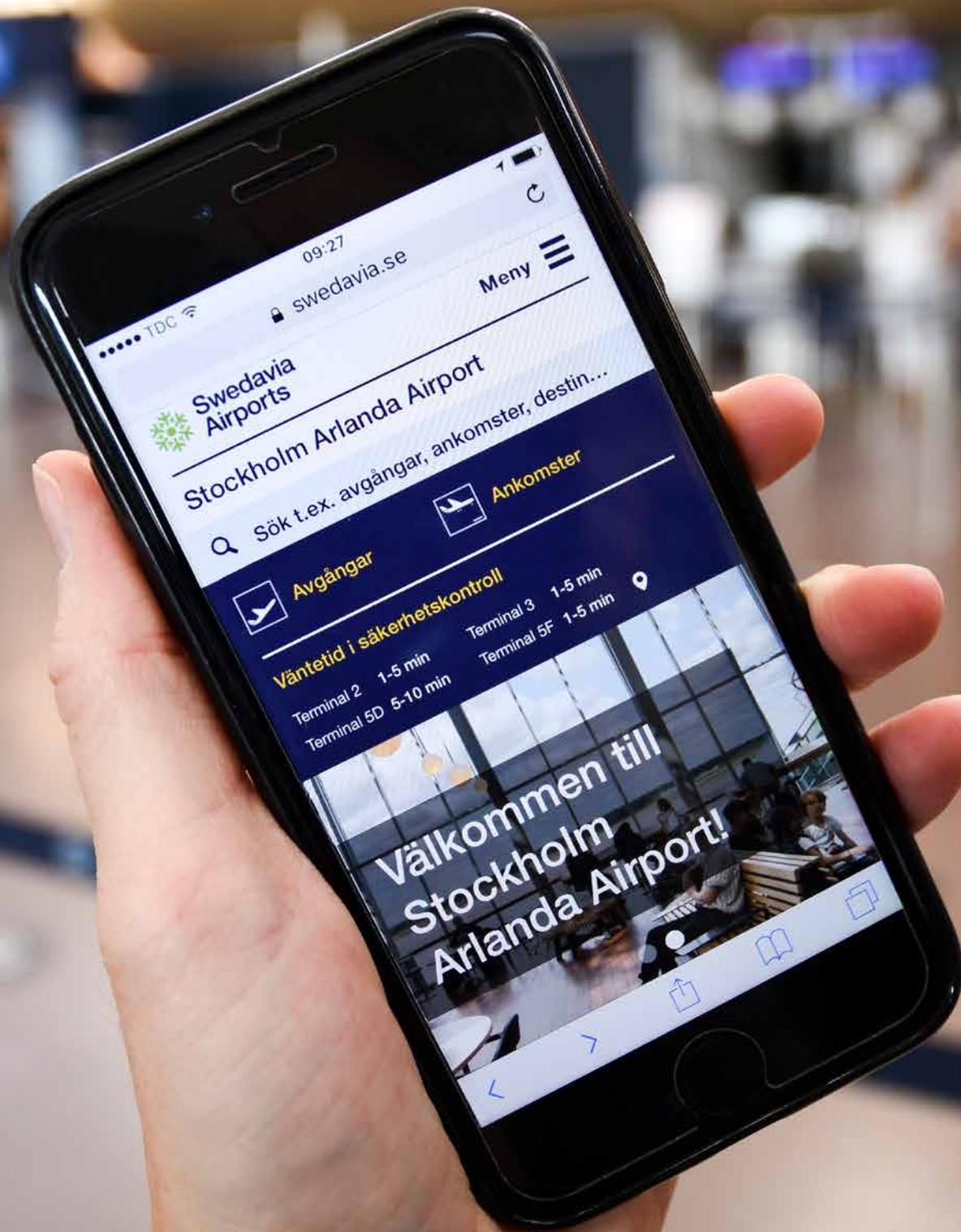
Alongside Swedavia's collaboration with its strategic business partners, this is an essential condition for having satisfied customers in the form of passengers, airlines and tenants, which is ultimately necessary for long-term profitability.

“Aviation is of great importance to Sweden's economy and competitiveness and plays a vital role in meeting the needs of people and businesses for long-distance travel and transport, both domestic and international.”

Excerpt from the Swedish Government's aviation strategy, 2017







New conditions and opportunities in a changing market

To best create maximum value for Swedavia's stakeholders, a good understanding is needed of the market and the changes that affect customer needs, regulatory requirements and ways of working.

The air transport industry's foremost challenges are to reduce its climate impact, to develop along with digitisation and continuously improve safety and security, taking into consideration the effects of geopolitical conflicts such as terrorism as well as different forms of IT crimes. At the same time, the industry must be able to handle increased passenger volume and a fluctuating market in which low cost carriers are gaining new ground and airlines rapidly adjust their business models to meet new needs. The air transport industry also faces a number of economic challenges such as changes in the general economic trend, fluctuating oil prices, excess capacity and the consolidation of European airlines.

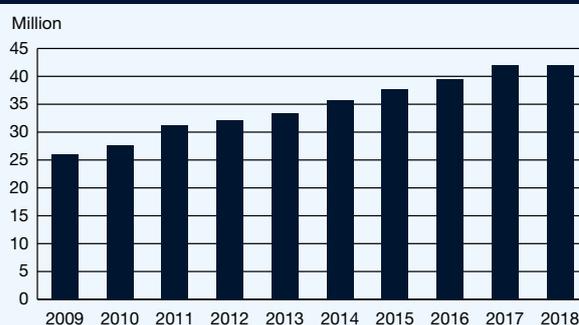
Swedavia follows these developments closely and below presents a number of trends and challenges that are considered to be especially important to the Company.

Increased passenger volume requires increased capacity

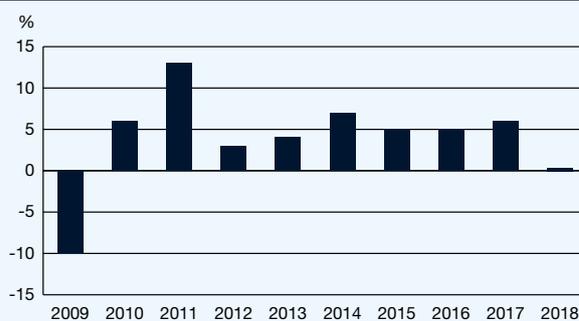
Population growth has increased exponentially in the past century, and the Earth's population is expected to reach almost ten billion people by 2050. Increased prosperity, from a global perspective, has created conditions for more people to travel and is driving an increase in travel. Globalisation has also meant increased access to information and an exchange of experiences, which is driving the desire for people to travel and see the world. Visiting new places and acquaintances – on the job or in one's leisure – or travelling to visit friends and family is part of people's everyday lives. The global economy, with increased international trade, is and has been a critical factor that makes this possible.

Despite decelerating growth in passenger volume at Swedavia's airports in 2018, largely in the form of declining spending on domestic travel in the workplace, passenger volume is expected to rise in the foreseeable future. Primarily leisure travel is expected to increase, and in Sweden's case air travel is primarily to destinations in Europe. Elsewhere in the world, rapidly growing emerging markets such as China and India account for the sharp rise in travel. More and more travellers are also coming to Sweden. That places requirements not just on service and on being able to receive information from and provide information to foreign travellers, but also on airport capacity. Major refurbishments are under way at some of Swedavia's big airports to meet the increased demand and ensure their competitiveness.

PASSENGER VOLUME TREND AT SWEDAVIA'S AIRPORTS



PASSENGER GROWTH TREND AT SWEDAVIA'S AIRPORTS



MONTHLY PASSENGER GROWTH TREND IN 2018 AT SWEDAVIA'S AIRPORTS



The discussion about climate change, Sweden's national aviation tax and the industry road map

During the year, the discussion in society about climate change and the negative impact of air travel intensified. One of the great challenges for the air transport industry going forward is to reduce its impact on the climate while air travel continues to grow.

In April 2018, a Swedish national aviation tax was introduced, which some people thought would be a concrete measure to bring about a reduction in air travel and thus reduce emissions, while others believe it has no effect or is directly harmful. The air transport industry's view is that emissions are to be reduced – not air travel, with all of its social benefits. The aviation tax means higher air fares, with the size of the increase depending on the destination. The longer the flight, the more expensive it is for passengers. The debate on the aviation tax continued to divide Sweden's political parties prior to national elections in 2018.

The Swedish air transport industry works actively with climate change and in April submitted its road map for fossil-free air travel to the Swedish government. The industry's road map, developed within the scope of the government initiative Fossil-Free Sweden, includes concrete measures for how domestic air travel can be fossil-free by 2030 and Sweden's international air travel can be fossil-free by 2045. A large-scale shift to bio fuels is one of the most important solutions presented. The road map also includes measures for, among other things, energy efficiency improvements and electrification that involve the airports.

Digitisation and automation

Digitisation entails a number of challenges and opportunities, including for the air transport industry. A digital connection today is an essential requirement in order to communicate and collaborate as well as to access information and social services. That means expectations about access and how quickly companies deliver products and services.

Information should be accessible and easy to understand. The enormous flow of information makes passengers aware but also tired of information, which can make it more difficult for companies to reach them with their messages.

Digital solutions and bricks-and-mortar stores together form a whole, with the two components reinforcing one another, and there are opportunities for companies that can adjust their customer offering. Purchases are situation-dependent, and smart concepts, ancillary services and customer service take on added importance. Personal interaction is still important, and fast, efficient service is expected. Travellers still also expect to use their time at the airport efficiently to do errands, work or relax. With limited time, it should be easy for them to find their way around the airport and nearby areas.

Digitisation and automation are a priority material issue for Swedavia. The Company works with this through a number of different initiatives.

Use of data

Artificial intelligence is increasingly available and developing rapidly, and will replace many functions at the airport. Robots will be able to show passengers their way to the gate, take care of baggage and read electronic tickets. Identification methods using biometrics will increase and make it possible to identify people quickly and securely.

Automated computer systems, using artificial intelligence, will replace or assist in jobs previously performed by humans. New technology allows companies to collect large quantities of data. Based on these data, offerings and solutions can be customised to passengers. For this to work, it requires that consumers are aware of data storage and that the information is handled in a legitimate manner. Methods of verification and consent will play a critical role.

Uncertainty

The air transport industry is also affected to a great degree by the geopolitical situation, with tensions intensifying in recent years. Terrorist attacks and terrorist threats are a reality in Europe, and according to the Swedish Security Service airports have been identified as one of many strategic functions with a particularly relevant link to terrorists. In the short term, terrorist threats can have some effect on which destination passengers choose. Armed conflicts have more serious consequences, especially if they have been under way for a longer period. Flight patterns change, while tourism and industry in the country involved are adversely affected.

Extreme weather is increasingly common and can affect the airports and aircraft both directly and indirectly – directly through a disruption in communication systems and indirectly through delays. The air transport industry works actively with both communication strategies and local modifications of airports to handle and prevent adverse effects of this type of event.

Collaboration

Airlines and airport operators need to work together in both the short and long term to satisfy passengers, although they face different conditions for doing this. Airlines need to quickly adapt to how travel patterns and cargo flows change. Airport operators need to safeguard capacity in the form of infrastructure as well as ensure competitive charges. When information – thanks to new technology, increased digitisation and automation – can be shared in real time between the companies and other organisations in the industry, this has positive effects in a number of areas. More efficient approaches and take-offs, and new processes that entail shorter waiting times both at the gate and on the runway, create concrete gains, both economically in the form of lower fuel consumption and environmentally in the form of reduced emissions.

The growth in air travel also places requirements on capacity adjustments for airports and destinations. When expansions and refurbishments are being carried out, good collaboration between the airport and airlines is important in order for passengers to have a smooth and pleasant travel experience – despite some effect on their journey.



Operations that 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 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 Sustainable Development Goals are closely linked to Swedavia's sustainability perspective. The goals that are most relevant to the Company and which the Company can primarily make a positive contribution to 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 road to reducing aviation’s impact on climate change

Sweden is a country that is dependent on exports and geographically spread out. Air transport makes it possible for people to live and work all across Sweden and is an essential condition for Swedish competitiveness. Increased air travel requires continued measures to reduce greenhouse gas emissions. The Swedish air transport industry is addressing this with a common road map, while Swedavia is doing so through focused, consistent actions to achieve the ambitious goals that have been set.

Efficient, well-functioning air links are a key factor that will enable companies to work and grow. Well-functioning air traffic benefits employment and regional development throughout Sweden. Foreign visitors are increasingly important to the country’s economic growth and employment. Visitors arriving at Swedish airports spend about 80 billion kronor a year in Sweden. Tourism also contributes more than two per cent to Sweden’s GDP and creates over 100,000 jobs.

Air links to the rest of the world are crucial

Access to a well-developed air transport network is critical to Sweden’s economic growth, in order to gain influences from the rest of the world and for Sweden to influence the rest of the world. Sweden is one of the most export-dependent countries in Europe and has a relatively large impact on the rest of the world. Swedish design, industrial production, music, fashion and innovation have put Sweden on the map. Much of Sweden’s prosperity stems from the country’s trade and business throughout the world. Tourism also accounts for a significant share of its exports. Revenue from this so-called reverse export during the year totalled 134 billion kronor. That would never have been possible without air transport.

Reduced emissions through innovation

While aviation fulfils an important function, there is an urgent need to reduce its greenhouse gas emissions. Air travel accounts for 5.3 per cent of carbon dioxide emissions in Sweden. Globally, the figure is 2 per cent. International air travel in Sweden accounts for 4.4 per cent while domestic air travel accounts for 0.9 per cent.

The air transport industry is working intensely to reduce emissions. Companies in the industry are making major investments in new technology and a modern fleet of aircraft to reduce emissions. The new generation of aircraft reduce fuel consumption by about 20 per cent per passenger/kilometre compared to the aircraft they are

replacing. Advances in electrification and hybrid solutions are accelerating faster than many people previously predicted. Both new and established aircraft manufacturers are now developing electrified aircraft, and in Norway it is hoped that electric aircraft will be used in commercial traffic as early as 2025. In June 2018, the first electric aircraft flew over Stockholm – from Bromma Stockholm Airport.

Emissions per passenger/kilometre have fallen over several decades, but further measures are needed to accelerate this trend. During the year, the Fossil-Free Sweden Initiative in partnership with the Swedish air transport industry produced a road map for how domestic air transport can be fossil-free by as early as 2030, and how all flights taking off from Swedish airports are to be fossil-free by 2045, in line with the Swedish government’s climate targets.

Renewable jet fuel is key

A large-scale shift to bio fuels in the shorter term is one of the most important solutions for air transport. Bio fuel can reduce emissions by 80 per cent and already works with today’s aircraft engines. One challenge is that not enough bio fuel is being produced, and the industry cannot bring about large-scale bio fuel production on its own. This must be done with the support of political leaders and in partnership with, among others, buyers and producers.

However, this kind of shift requires political leaders and the industry to together develop effective, long-term policy instruments. Swedavia believes that a Swedish reduction quota scheme would be one such policy instrument. Properly designed, it would reduce the climate impact of air transport and at the same time stimulate Swedish, large-scale production of bio fuels. The Swedish government’s inquiry into policy instruments for sustainable bio fuels in air transport, led by Maria Wetterstrand, has proposed the introduction of a reduction quota scheme starting in 2021.

0

2020: No emissions of fossil carbon dioxide from Swedavia’s operations

2020

5%

2025: The share of renewable jet fuel shall be five per cent.

2025

Swedavia's contribution

Swedavia works actively to speed up the development of sustainable air transport. During the year, the Company adopted a new environmental target – five per cent of jet fuel used at Swedish airports shall be renewable by 2025 at the latest. A five per cent mixture in 2025 corresponds to the pace needed to achieve fossil-free domestic air travel by 2030, which is an important target in the industry's road map to fossil-free Swedish air transport. The environmental target constitutes the next logical step and a continuation of Swedavia's target of zero fossil carbon dioxide emissions from its own operations by 2020, a target the Company is expected to achieve.

With this new target, Swedavia wants to accelerate the development by expanding the focus from the transformation of airports to the transformation of the entire industry in tackling climate change. The target

can only be achieved through close collaboration. Swedavia will work together with and drive the companies in the air transport industry while challenging political leaders to create appropriate policy instruments and regulations. In 2019, Swedavia will take the initiative to establish a joint public tender procedure for renewable jet fuel, together with other industry participants, for an agreement in 2020.

Swedavia is convinced that it is possible to reduce the climate impact of air transport and create conditions for continued sustainable air travel. This is an essential requirement for Sweden's continued competitiveness..



What the industry is doing

In recent years, a number of companies in the aviation industry have launched initiatives to transform air transport in order to tackle climate change. In 2018, the Swedish fuel company Preem and the carrier Scandinavian Airlines System (SAS) signed a declaration of intent to enter a partnership that will lead to significant bio fuel deliveries starting in 2023. The goal is for SAS to replace its current fuel volume for domestic air travel with bio fuel by 2030. SAS and the Swedish carrier Braathens Regional Airways (BRA) also have a partnership with the Municipality of Kalmar, Kalmar Öland Airport and AirBP to ensure that an equivalent of 5 per cent of jet fuel used on the Kalmar-Stockholm route will consist of renewable bio fuels.

The Swedish carrier BRA has taken the initiative to help tackle climate change by now offering its customers the option of bio fuel at an additional fixed cost.

The airline KLM, together with the Swedish forest owner association Södra, has launched a Corporate Biofuel Program. The initiative enables companies to fly on bio jet fuel by paying the cost difference between fossil and fossil-free fuels for their flights.

RISE Research Institutes of Sweden has established the innovation

cluster Fossil-Free Air Transport 2045. The objective is to create new collaborative consortiums and pave the way in transforming this segment of aviation.

Advances in hybrid and electric aircraft are rapidly being made, and both established and new aircraft manufacturers are developing aircraft models that in some cases are expected to be in service by 2025. The Norwegian airport operator Avinor hopes that the first commercial routes in Norway to be served by electric aircraft will be operating as early as 2025.

The consortium for electric air transport in Sweden, ELISE, was formed in December 2018 with the objective of developing a commercial electric aircraft by 2025. The consortium brings together participants in the aviation industry, government agencies and academic researchers, among others. Swedavia is closely following the development of electrified air transport over the long term in order to be able to provide infrastructure that is adapted for this kind of aircraft.

Initiatives like these have potential to significantly reduce the climate impact of air travel and drive the development towards a long-term sustainable air transport industry.



2030: Swedish domestic air transport will be fossil-free.

2030



2045: All Swedish air travel, domestic and international, will be fossil-free.

2045

Value creation through dialogue and managing material issues

Swedavia creates value by meeting the expectations of its stakeholders – the groups that affect or are affected by the Company’s operations. In order to identify their top priorities, Swedavia maintains a number of stakeholder dialogues each year.

In order to develop the airports of the future and create sustainable growth, an ongoing, fruitful dialogue with Swedavia’s stakeholders is needed. The Company’s main stakeholders are customers, its owner, its own organisation, suppliers, legislators, non-governmental organisations or NGOs, and Swedish society in general – both regionally and locally in the form of its airports’ neighbours.

In order to understand and identify what material issues – in other words, value-creating factors – are most important to its stakeholders and thus to Swedavia’s operations, the Company maintains a continuous dialogue with stakeholders and conducts materiality analyses. The aim of these inside-out analyses is to ensure that the Company is always aware of how its stakeholders view its operations and offerings. During the year, for example, Swedavia carried out a new segmentation of its airline customers in order to ensure that the Company meets the demands and expectations of the different groups in terms of its offerings, products and service levels.

Materiality analysis

Swedavia’s materiality analysis serves as the basis for the Company’s strategic sustainability plan. This contains a description of the Company’s objectives, targets and strategies. The overall objectives in the sustainability plan are broken down each year in Swedavia’s business plan. In 2018, Swedavia carried out a minor update of its earlier materiality analysis. In this analysis, the work was aimed at identifying material issues, a number of which were determined to have highest priority and thus have served as the basis of the Company’s strategy work and for the implementation plan which describes in practical detail what must be done. As a result of this update, “Aviation’s impact on climate change” has been added as a priority material issue. This replaces the material issues “Be a driver in reducing greenhouse gas emissions from air transport” and “Reduce atmospheric emissions from the Company’s own operations”. With this update, emphasis is also given to the importance of the entire value chain taking a shared approach to the climate change issue.

Governance and follow-up

This report presents Swedavia’s top priority material issues, which are grouped into four areas – customer, environmental care, economy and social responsibility. Other issues are handled as needed in the ongoing business planning. Governance is carried out through policies, which are fundamental governing documents at the Company and define at a general level how Swedavia shall manage and oversee our objectives, targets and strategies.

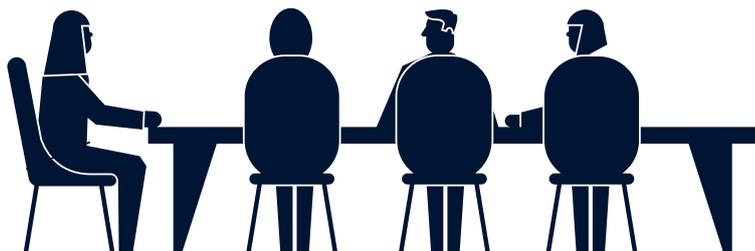
These material issues form the basis of Swedavia’s long-term strategic plan, with its objectives, targets and strategies. These are broken down each year in the organisation’s operational plans. The strategic focus is thus integral to governance all the way from long-term plans to every employee’s day-to-day work.

Each strategic objective has a related governing document and assigned responsibilities. Actual performance is measured and monitored on a quarterly basis by the executive management team and the Board of Directors.

In addition, Swedavia’s Code of Conduct and management systems for quality, aviation safety and security, and environment and energy support the work with many of our most material issues. Using these tools, these material issues are integrated in regular planning and follow-up at the Company.

Model for sustainable development

Swedavia’s governance and communication incorporate every level of sustainable development, with the focus placed on the customer. To give Swedavia the legitimacy to grow and develop, work is required in the operations that are close to customers and in all three sustainability dimensions – social development, economy and environmental care. Swedavia’s model for sustainable development is the basis of operations. This illustrates how the Company takes into consideration the customer as well as all sustainability dimensions, which is carried out through Swedavia’s five strategies, in order to achieve the Company’s objectives and targets.



Targets have been set for all of Swedavia’s priority material issues, which have related governing documents and assigned responsibilities.

Swedavia's materiality analysis



Priority material issues

Swedavia has chosen to group its priority material issues in four areas – customer, environmental care, economy and social responsibility.

Customer



Customer satisfaction	Digitisation and automation	Capacity and flows at airports	Range of routes and destinations
<p>Swedavia offers customers a combination of infrastructure and services. A clear customer focus is an essential requirement for long-term sustainable operations. The customer thus constitutes the core of Swedavia’s model for sustainable development. Swedavia measures customer satisfaction on a continuous basis.</p> <p>Passengers assign a high value to issues concerning atmosphere, customer service, convenience, cleanliness and the commercial offering. For airlines, competitive airport charges, efficient processes and well-functioning infrastructure are essential. For tenants, premises, service and rents are especially important.</p>	<p>New technology provides potential for improved efficiency and the automation of operations and processes. Customers presume that the Company works with these issues. Swedavia develops its business and its business-mindedness by digitising and automating processes and flows, thus building operating and commercial capacity that meets customer demand over time.</p>	<p>Swedavia shall have sufficient capacity to meet future needs for air travel and contribute to Sweden’s development. Swedavia’s stakeholders expect the Company to work with punctuality since that is an important aspect in choosing transport modes. Punctuality at the airports is one indicator of capacity. Capacity is determined in part by infrastructure and environmental permits as well as by the airports’ operative capability.</p>	<p>Good access is important to Swedavia’s customers and other stakeholders. Airline customers are an essential requirement for operations and enable the Company to carry out its assigned task. This has an impact on aviation operations, in which Swedavia is to provide good services at the right price, develop the market and work with its partners to ensure access and a range of destinations.</p>

Environmental concern



Aviation's impact on climate change

Swedavia shall be an international role model in all aspects of sustainable business operations, especially from an environmental perspective. As an airport operator, Swedavia is responsible for a small percentage of the air transport industry's overall environmental impact. Swedavia's environmental impact is mainly in the form of fossil carbon dioxide emissions from its own operations. Other significant environmental aspects are discharges to water of organic materials and metals, chemical use, waste generation, PFAS, energy use and noise from air traffic.

Swedavia can help to reduce its environmental impact by setting requirements for suppliers in construction processes and in tender offers, for example, for energy, propellants and vehicles. By working for a switch to bio jet fuel and contributing to industry-related research and development, the Company can also contribute to sustainable development in the aviation industry in general.

Economy



Range of retail and other services, Competitive airport charges, Economic results and return, Cost-effectiveness

Long-term profitability is necessary to fund investments to increase capacity as well as measures to improve environmental performance, maintain competitive airport charges and achieve financial targets.

Swedavia strives for results and return that are in line with the owner's targets. Sources of income are mainly airport charges, revenue from commercial operations and rents from the lease of premises. By providing an attractive range of products and services, competitive airport charges and cost-effectiveness, Swedavia creates the conditions needed to be the role model in sustainable business operations that stakeholders expect it to be.

Social responsibility



Engaged leaders and employees

Swedavia strives for an engaging corporate culture that is based on clear ethical guidelines, in which employees are given the opportunity to develop in an inclusive environment. Swedavia sees differences as an asset and works actively with inclusion to achieve diversity, since diversity contributes to increased innovation, customer insights and profitability. Such a culture is the basis for engaged leaders and employees and thus necessary for Swedavia's development.

Employee health and safety

Swedavia shall provide a safe, secure workplace and conditions for employees to carry out their duties and achieve their goals. In order to create a healthy psychosocial workplace environment, Swedavia's proactive and systematic work with the workplace environment is a priority area. This has an effect through all employees and consultants working at the Company.

Customer health and safety

At Swedavia, aviation safety and security are the top priority and affect all operations. A high level of safety and security contributes to safe, secure passengers and a positive travel experience.

Swedavia's sustainability targets

Swedavia strives to be an international role model in sustainability. We shall also provide a smooth, inspiring travel experience, offer the most important meeting places in Scandinavia and be a growth engine for Sweden. To achieve this, overall targets have been defined.

Based on its business focus and materiality analysis, Swedavia follows a set of targets that are to be achieved by 2025 at the latest. All the target areas ultimately depend on one another. Long-term, stable profitability provides the basis for sustainable growth and vice versa. Swedavia's targets for operations and the activities that are carried out to achieve them impact one another to a high degree.

Engaged leaders and employees are an essential condition for having satisfied passengers. By reaching its target for engaged employees, Swedavia can ensure good, high quality services and offerings, which contributes to even more satisfied customers. Satisfied customers have a positive impact on Swedavia's revenue. Revenue streams in turn are critical to Swedavia's return target and its ability to continue investing in measures that provide further customer satisfaction and help to reduce the environmental impact.

Engaged leaders and employees (%)

Swedavia strives for an inclusive corporate culture that is based on clear ethical guidelines and values. Engaged leaders and employees are vital to this work and to Swedavia's development. Performance will be measured every two years starting in 2019 and was 65 per cent in 2018.

Customer satisfaction, passengers (%)

The target for satisfied passengers in 2025 is set at 85 per cent. Customer satisfaction in 2018 was 74 per cent. The large-scale expansion and refurbishment projects that were begun to increase capacity at many of Swedavia's airports are considered to have a temporary negative effect on customer satisfaction. In Swedavia's view, however, measures to increase capacity and efficiency and the work to develop airport experiences going forward will result in the achievement of this long-term target.

Return on operating capital (%)

Along with Swedavia's long-term return target of six per cent annually, Swedavia's 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 equal to 30–50 per cent of the profit for the year.

The owner has also adopted five so-called mission goals/indicators. The aim of these is to ensure that, in line with its mission, Swedavia helps to achieve the Swedish government's transport policy and infrastructure objectives. This means that Swedavia shall help to ensure socioeconomically efficient, long-term sustainable transport for Sweden's citizens and businesses throughout the country.

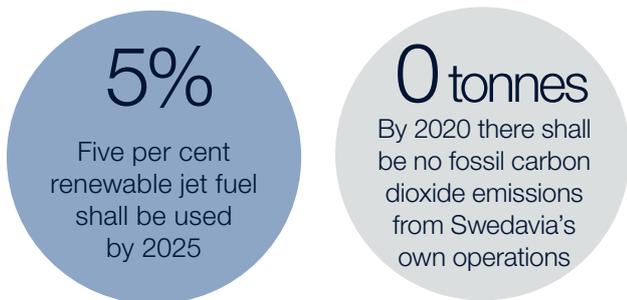
Return on operating capital in 2018 was 4.6 per cent.

Own emissions of fossil carbon dioxide (tonnes)

Swedavia shall be an international role model in all aspects of sustainable business operations, especially in terms of emissions from its own operations. Swedavia has thus set the target that it will not generate any fossil carbon dioxide emissions from its own operations by 2020. Fossil carbon dioxide emissions from its own operations in 2018 totalled 1,305 tonnes.

Increased share of renewable jet fuel (%)

Swedavia's targets were revised in June 2018 in advance of the next business planning period. In conjunction, a new target was added. Starting in 2019, Swedavia shall work so that the share of renewable jet fuel used at Swedish airports shall be five per cent by 2025. The share in 2018 was 0.4 per cent.



During the year, Swedavia adopted a new sustainability target – five per cent of jet fuel used at Swedish airports shall be renewable by 2025. Swedavia has already set the target of zero fossil carbon dioxide emissions from its own operations by 2020.



Swedavia's sustainability targets

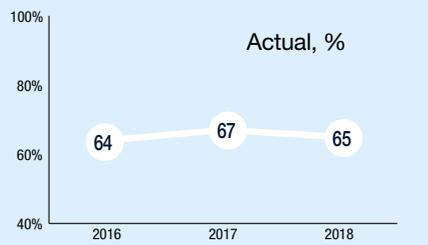
Actual, 2014–2018

Indicators for the owner

ENGAGED LEADERS AND EMPLOYEES*

75%
(2025)

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



MISSION TARGETS/INDICATORS

Satisfied passengers
74% (75%)

Number of passengers, domestic/international
13.5 million/28.5 million
(14.0 million/27.9 million)

Number of international destinations
324 (313)

Carbon footprint, tonnes***
528,000 (524,000)****

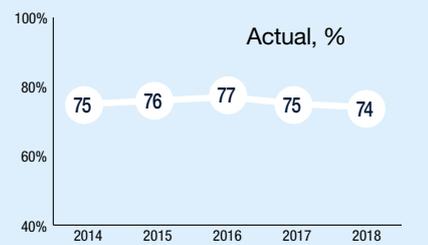
Number of accidents and serious incidents
Accidents **1** (3)
Serious incidents **2** (0)

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

**** Footprint per airport, which includes ground transport and air traffic, is shown on pages 58-59.

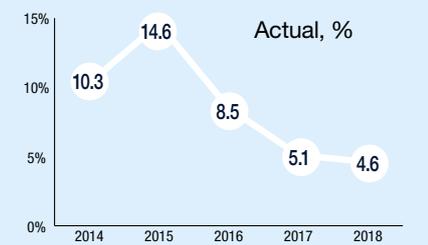
SATISFIED PASSENGERS

85%
(2025)



RETURN ON OPERATING CAPITAL

6%
(annually)



FOSSIL CARBON DIOXIDE EMISSIONS**

0 tonnes
(2020)

** The overall environmental target of 0 tonnes of fossil carbon dioxide emissions applies to Swedavia's own operations.



ECONOMIC TARGETS

Capital structure
Debt/equity ratio 0.7–1.5 times

Profitability
6% return on operating capital

Dividend*
30–50%

*Pertains to the dividend adopted at the Annual General Meeting 2018. For the Annual General Meeting 2019, a new dividend policy has been prepared.



Swedavia's strategies for sustainable development

With a focus on the customer and based on the operations' long-term work for sustainable development, Swedavia has formulated five strategies that make the Company's focus areas concrete through 2025. These strategies enable the Company to achieve its operational objectives and targets.

Swedavia's strategies shall together contribute to achieving all of the Company's objectives and targets. One important factor for successful implementation is that the strategies provide the conditions needed for cross-functional collaboration throughout the Group.

Commercial excellence

Swedavia's operations enable the establishment of attractive air links. We create an innovative customer offering in retail, services and property. The basis of this is understanding customers' current and future needs and ensuring that Swedavia has the ability to offer and deliver products and services that are competitive and create value for the customer and for Swedavia. Swedavia evaluates its core operations on a continuous basis, reviews its business models and develops business through innovation and digitisation.

Swedavia intends to develop new business and revenue models, establish its airport cities as attractive marketplaces, establish methods for customer-centred ways of working, strengthen and develop good external relations and communicate the Company's drive and success to Swedavia's customers.

Operational excellence

Swedavia works to deliver efficient, flexible and automated infrastructure. It means Swedavia delivers services and products that meet customers' demands and expectations by optimising the use of available infrastructure and resources, automating processes and flows and adopting digitisation and innovative solutions. It means Swedavia works in an efficient, cost-effective way and that the Company continuously improves and develops its delivery and cost-effectiveness. It also means that Swedavia has clearly defined products, services and processes, operationally and commercially.

It is important to have active strategic work for operational excellence, but this is also a challenge when many of Swedavia's airports have capacity restrictions and at the same time major development projects are being carried out to enhance this capacity.

Swedavia works to improve flows and processes, to increase cost-effectiveness in the Company's processes, and to ensure an optimal, clearly defined governance model.

Increased capacity

Swedavia enhances both its operational and commercial capacity by developing the airports of the future, in order to meet both current and future customer needs. Increased capacity means that Swedavia, in its own operations and through partners and contrac-

tors, ensures that resources and skills are available to carry out current and future development programmes on time, on budget and with no worksite accidents.

Engaging culture

Swedavia creates opportunities for employees to grow and develop in an inclusive environment. This is the basis for ensuring that all employees together will be able to work towards and achieve Swedavia's shared objectives and targets. It means that employees are offered opportunities and rights to develop. At the same time, they must take responsibility, meet obligations and act in accordance with our values. An engaging culture means that Swedavia actively works with inclusion to achieve diversity. This contributes to better performance, creativity, innovation and understanding of Swedavia's customers. Swedavia also strives to be an attractive employer that can attract, develop and retain the best employees. That is an essential condition for our long-term success.

An engaging culture is a matter of ensuring access to skills in the short and long term, creating an inclusive culture that involves and develops people, enhances the conditions needed for innovation and builds pride in Swedavia and the Company's sustainability work.

Responsibility for society and people

Swedavia works proactively for safety, security, the environment and the health of customers, employees and society in general. It means that safety and security are fundamental to everything Swedavia does, that the Company uses resources and energy in a responsible and efficient way and that it gives priority to the physical and psychosocial workplace environment. Swedavia goes farther than it is legally obliged to, which serves as a basis for the Company's ambition to be an international role model in sustainability.

In assuming its social and environmental responsibility, Swedavia works among other things to raise the level of safety and security at the airports, strengthen its proactive and systematic workplace environment work, be a driving force in the aviation industry's switch to renewable jet fuel and adopt climate-smart energy solutions. Swedavia has also identified and is carrying out initiatives that entail safeguarding and developing the Company's business ethics and further developing its risk and crisis management and its continuity planning.

Purpose

Together we enable people to meet

Vision

We develop the airports of the future and create sustainable growth for Sweden

Business concept

Together with our partners, we shall create added value for our customers through access and attractive airports

Objectives and targets

85% satisfied passengers, 2025

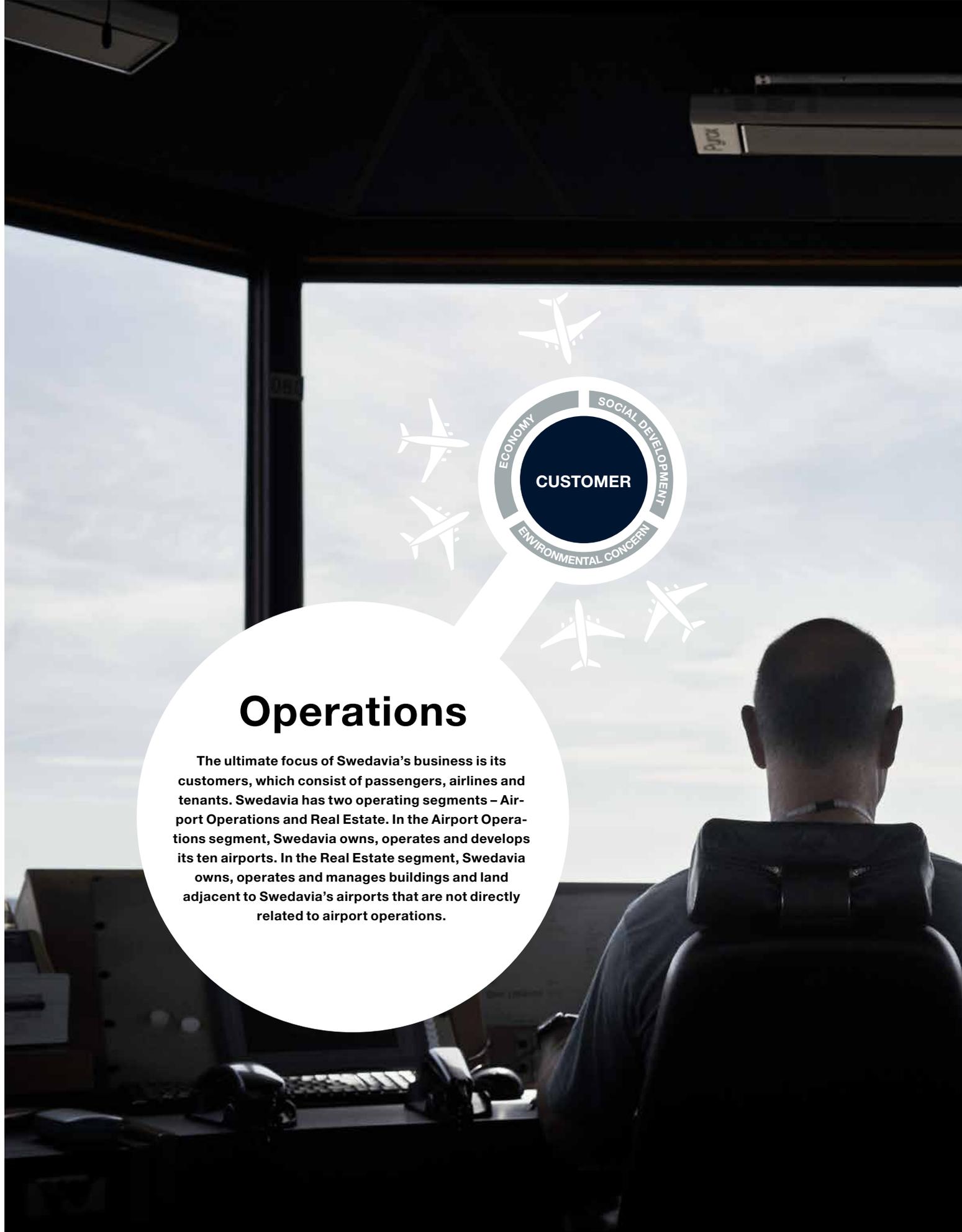
75% engaged leaders and employees, 2025

6% return on operating capital annually

0 tonnes fossil carbon dioxide emissions, 2020

Strategies

- Commercial excellence
- Operational excellence
- Increased capacity
- Engaging culture
- Responsibility for society and people



Operations

The ultimate focus of Swedavia's business is its customers, which consist of passengers, airlines and tenants. Swedavia has two operating segments – Airport Operations and Real Estate. In the Airport Operations segment, Swedavia owns, operates and develops its ten airports. In the Real Estate segment, Swedavia owns, operates and manages buildings and land adjacent to Swedavia's airports that are not directly related to airport operations.



With a focus on the customer

The business of an airport ultimately revolves around passengers. Passengers are the main focus of operations that the airport operator, airlines, suppliers and tenants carry out at Swedavia’s airports.

Swedavia’s customers can be divided into three groups – all of which are equally important to Swedavia’s business. Along with passengers, airlines and tenants are Swedavia’s main customers. Each customer group has different drivers and needs, which affects how Swedavia organises and carries out operations.

Swedavia has two operating segments. In its Airport Operations segment, Swedavia owns, operates and develops ten airports. In its Real Estate segment, we own, develop and manage properties and developable land at and in the vicinity of the Group’s airports.

Airport Operations

Airport Operations consists of two operating areas: Aviation Business and Commercial Services. Aviation Business includes much of the logistics that passengers encounter at the airport, from security screening, passenger services and ground handling services to terminal and en route services to take-off and landing services. This also includes destination and route development, which is a key aspect of Swedavia’s task to improve access.

Commercial Services provides the range of commercial products and services at the airports, which include for example the rental of premises for shops and restaurants as well as airport car parking. The objective for this part of operations, alongside creat-

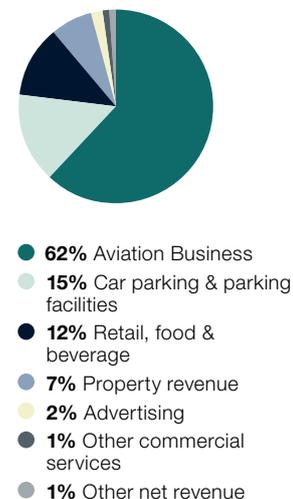
ing value for Swedavia, is to create a more attractive environment at the airports for all customers and an attractive retail, food and beverage (RFB) offering.

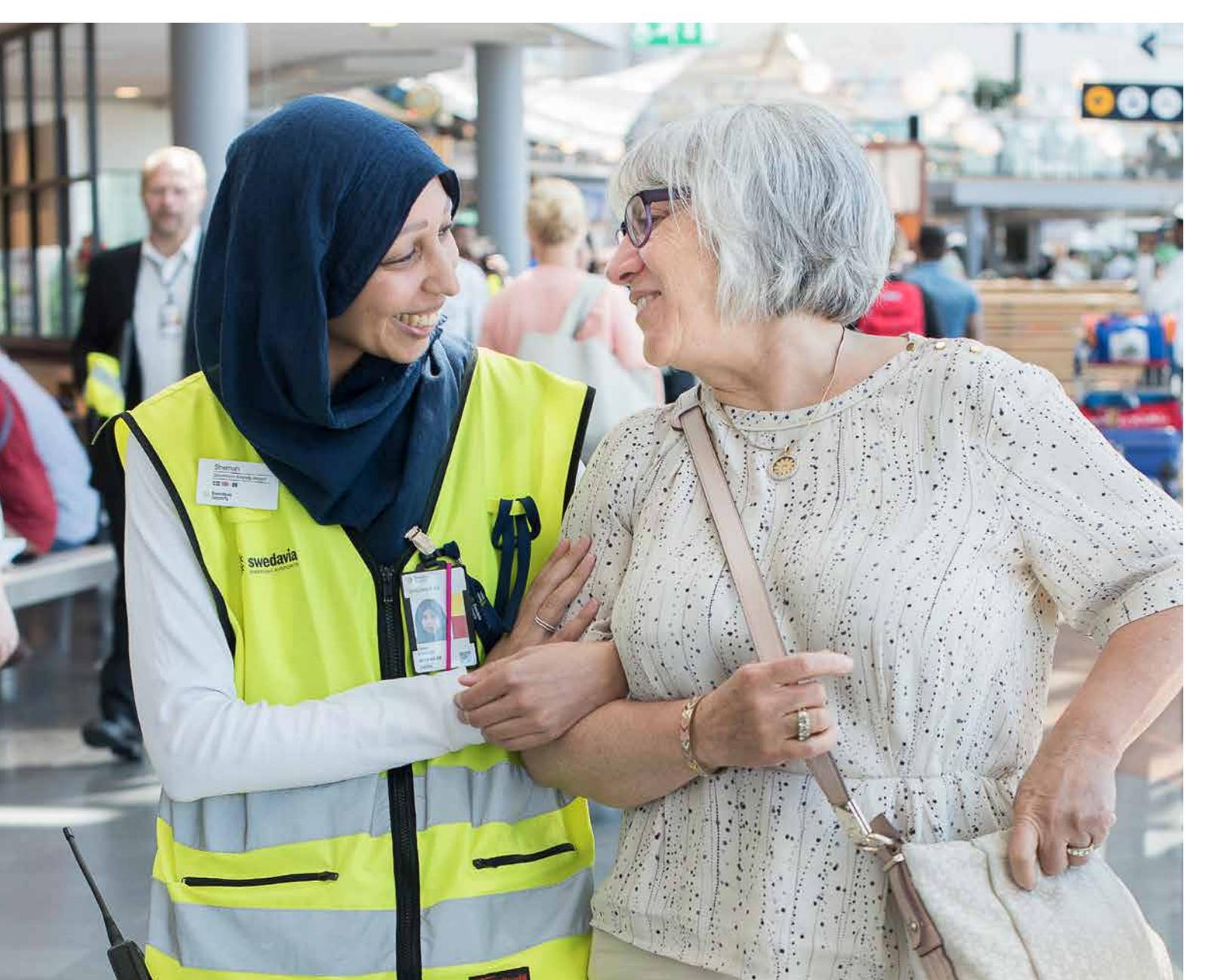
Real Estate

In Swedavia’s Real Estate operations, land at and in the vicinity of the Company’s airports that is not directly related to airport operations is owned, developed and managed through the subsidiary Swedavia Real Estate AB. This operating segment is responsible for property development projects to enhance the attractiveness of the airports and generate revenue that can be invested in infrastructure projects and the portfolio of existing properties. The objective of Real Estate operations is to develop in the long term an offering that meets customer expectations of access, comfort and efficiency. Since demand for premises near an airport where businesses can set up operations is on the rise, the Real Estate segment is increasingly important for the attractiveness and competitiveness of airports.

Swedavia’s operating segments	
<p>Airport Operations Owns, operates and develops Swedavia’s airports across Sweden</p>	<p>Real Estate Owns, develops and manages properties and developable land at and in the vicinity of Swedavia’s airports</p>
<p></p> <p>Aviation Business</p> <ul style="list-style-type: none"> • 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 <p>* * People with reduced mobility **Ground handling services: include baggage handling and refuelling</p>	<p></p> <p>Commercial Services</p> <ul style="list-style-type: none"> • Rental of premises for retail, restaurants, offices, warehousing and logistics • Car parking • Advertising, data and other services
<p></p> <p>Real Estate operations</p> <ul style="list-style-type: none"> • Preparation of property development projects for hotels, offices, logistics, retail etc. • Administration and updating of information about properties • Services in construction project management • Development of jointly-owned property companies 	

Revenue, % of net revenue





Punctuality as a target

To measure capacity, Swedavia and other airport operators use punctuality as an indicator. Punctuality is usually defined as an aircraft being off block – in other words, rolling out of the gate – within 15 minutes of scheduled departure time. Customers give a high value to on-time departures and arrivals. Swedavia's airports have individual punctuality targets as well as an overall aggregate target. In 2018, the overall punctuality target for Swedavia's airports was decreased from 90 to 85 per cent. Prevailing circumstances such as insufficient capacity and crowded airspace were the reason for the adjustment.

In 2018, Swedavia's airports had overall punctuality for domestic and international flights of 76.3 per cent, compared to 79.6

per cent in 2017. This is mostly the result of insufficient capacity at Stockholm Arlanda Airport and Göteborg Landvetter Airport and crowded airspace over Europe, which creates traffic disruptions and delays.

For international departures, punctuality was 72.6 per cent, compared to 77 per cent in 2017. Punctuality is generally higher for domestic departures. In 2018, Swedavia had punctuality of 81.3 per cent for domestic departures, compared to 85.4 per cent in 2017. There are several explanations for the difference with international departures. One is that, for domestic traffic, Swedavia usually operates both the departing and arriving airport and can more easily affect traffic. Another is that smaller aircraft types usually

serve domestic traffic, so there is a smaller number of passengers and bags that must be handled than for international departures.

The number of delays caused by the airports increased from 1.51 per cent in 2017 to 2.90 in 2018. That too is mainly due to crowded airspace and insufficient capacity at the airports.

	2018	2017
Domestic	81.3%	85.4%
International	72.6%	77.0%
Total	76.3%	79.6%

Master plans for the airports of the future

Through its master plans, Swedavia lays out the long-term direction of the airports' development and ensures that short-term decisions and investments are in line with the airports' long-term needs and development.



Stockholm Arlanda Airport

Since 2016, Swedavia works with master plans. These are long-term visionary development plans for Swedavia's airports, both for airport-related and commercial operations as well as for property development at the airports and in their vicinity. A master plan is a guiding document that describes where and how different operations at Swedavia's airports can develop in the very long term. The time horizon for these plans is as long as 50 years.

Swedavia's so-called Master Planning function is carried out in close collaboration with the airports and Swedavia Real Estate to ensure long-term, sustainable planning and a single Group-wide structure for planning documents.

Decisions and investments in line with long-term needs

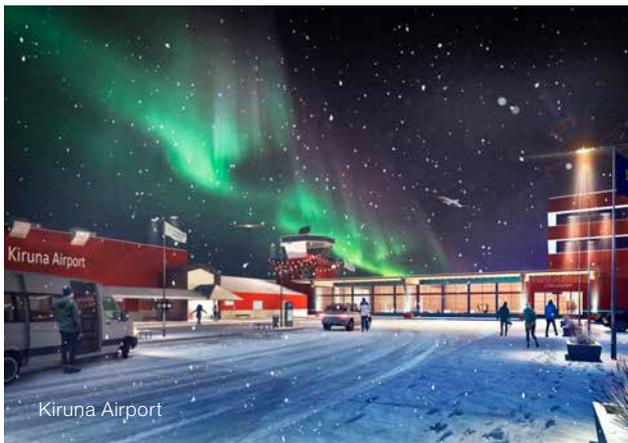
Master plans constitute support for Swedavia as well as other companies and organisations that carry out operations at or in the vicinity of the airports. Using the master plan as a tool, Swedavia

ensures that short-term decisions and investments are in line with the airport's long-term needs and development. Future operational needs are identified in the plans, which show how the airports can meet them, with a focus on the layout of properties and passenger volume. The plans do not include binding commitments from Swedavia but are instead part of a planning process that is gradually developed in detail through in-depth reports and in collaboration with other companies and organisations. The master plans are firmly embedded and provide a clear, balanced approach to the airports based on current knowledge, key metrics and future prospects.

Master plans are adopted by Swedavia's Board of Directors, and today nine of Swedavia's ten airports work according to this structure. In 2018, Malmö Airport's master plan was adopted. A decision was also made on the path to be taken for Stockholm Arlanda Airport's master plan. In this phase to determine the



Göteborg Landvetter Airport



Kiruna Airport



Malmö Airport

path to be taken, a number of development alternatives were identified, and the decision lays out which ones are recommended and will thus be further investigated in the work on the future master plan. For Stockholm Arlanda, the decision on the path to be taken recommends an expansion of Terminals 2 and 3 as well as a new pier west of Runway 3. This alternative has also served as the basis for the Arlanda Council's road map.

Swedavia is currently in a critical investment phase with extensive development programmes under way at a number of airports as well as the airport cities taking shape adjacent to several airports. The master plans are a crucial planning tool here.

Long-term perspective

50 years

That is how long Swedavia's planning perspective is for the airports of the future. Using a 50-year horizon in its master plans, Swedavia is at the cutting edge compared to other infrastructure planning in Sweden but also relative to master plans for many other international airports.

Operations at Swedavia's ten airports

Stockholm Arlanda Airport



STOCKHOLM ARLANDA AIRPORT

Swedavia's objective is for Stockholm Arlanda Airport to be the leading airport in the Nordic region and offer by far the smoothest and most inspiring travel experiences. The Swedish government's national aviation strategy states that it is crucial to develop Stockholm Arlanda's role as a major airport and hub. Meanwhile, the airport shall maintain its position as an international role model in sustainability. The total number of passengers who flew to or from Stockholm Arlanda in 2018 was 26.8 million, compared to 26.6 million in 2017. This passenger growth is associated with international air travel, where operations increased 2 per cent, while domestic air travel fell 3 per cent. The decrease in domestic air travel is mostly due to reduced business travel.

Stockholm Arlanda is served by a total of 328 routes. During the year, new routes to and from Stockholm Arlanda were established, including non-stop service to New Delhi and a number of US destinations. China Eastern Airlines started operating the first direct

route between Stockholm and Shanghai on June 16. This is expected to be of great significance to Swedish businesses and help make Sweden and Stockholm a more attractive destination for Chinese tourists.

During the year, Norwegian Air Shuttle established routes to Krabi, Thailand and Orlando, Florida, while SAS launched service to Oulu, Finland, which enhances access in the vicinity.

The growth in passenger volume represents a major challenge for Swedavia and its partners. In order to provide passengers with the best possible travel experience, flows through the airport need to go smoothly. This will be temporarily more difficult due to the numerous development projects that have been launched and that will take over space at the airport. To handle this, Swedavia's airports are working to a greater extent to provide advance communication and signage for passengers in order to affect their expectations and in that way create a sense of security about their journey, which in turn leads to more satisfied customers.

Development programme

Stockholm Arlanda Airport has the ambition to be Sweden's gateway to the world and the world's gateway to the Nordic region. Swedavia is carrying out an extensive development programme aimed at developing the airport so that it can handle nearly 40 million passengers by 2040. During the period 2016-2025, Swedavia intends to invest 29.1 billion Swedish kronor at Stockholm Arlanda. That includes Swedavia's development programmes as well as the airport's master plan.

In order to increase capacity in line with forecasts, more terminal space will be needed. Work has thus begun to expand Terminal 5 by adding a new pier. During the summer months, the share of remote-stand departures – in other words, passengers are bussed between the gate and aircraft parking stand – was ten per cent. Expectations are that the new pier can be inaugurated in 2024.

Terminal 5 is being expanded to improve the passenger flow, and Terminal 4 is being further developed to maintain high efficiency in domestic traffic. In the long term, Terminal 2 will also be expanded with one or two piers in order to handle this passenger growth.

During the year, a new VIP facility was inaugurated at Stockholm Arlanda. It is a stand-alone building close to Terminal 2. The airport maintenance area was moved to a new location and expanded.

Customer satisfaction and punctuality

Smooth, efficient flows, friendly customer service and a welcoming atmosphere are the factors with the greatest impact on passengers' travel experience. Swedavia strives to offer efficient, well-planned traffic with smooth transfers and the shortest possible waiting times in order to provide a seamless travel offering.

Customer satisfaction at Stockholm Arlanda in 2018 was 74 per cent compared to 75 per cent in 2017. Customer satisfaction and punctuality were both affected by capacity challenges and the effects of them, for instance, increased remote handling.

As Stockholm Arlanda grows to handle increased passenger growth, more flights will be from remote stands. This is completely natural at an airport of Stockholm Arlanda's size and an essential condition for increasing the airport's capacity. Moving more flights to remote stands may have some negative effect on the customer experience, since passengers may see it as a new phenomenon at Stockholm Arlanda. As a result, Swedavia is working intensely to make this form of travel as smooth as possible for passengers and to minimise the negative effect on punctuality.

Punctuality in 2018 was 72.4 per cent compared to 76.6 per cent in 2017. Swedavia expects customer satisfaction and punctuality to trend positively again once these capacity challenges have been addressed.

During the summer, Runway 1 at Stockholm Arlanda for take-offs and landings was temporarily closed for maintenance work. Traffic continued on the other two runways, but the closure had some negative effect on customer satisfaction and punctuality.

Collaborations and stakeholder relations

A total of about 19,800 people work in the day-to-day operations at Stockholm Arlanda. Of these, 1,124 are employed by Swedavia. The operations closely associated with aircraft are operated under the Company's own management – for instance, the runway system, field service and passenger assistance services. In those operations

where Swedavia works in partnership with sub-contractors, there is a crucial need to ensure effective supplier relations.

The airport's security operations, which employ 1,000 people, are one of many different operations carried out by sub-contractors. Air traffic management is another. During the year, Swedavia together with its suppliers automated the security screening process and introduced a digital solution that allows queue formation to be monitored in real time, providing passengers with a forecast of how much time it is expected to take to get through the security checkpoint. Automating aspects of security screening is a clear example of how Swedavia works with its suppliers to produce a better customer experience. Swedavia has set the target that 95 per cent of passengers at Stockholm Arlanda should not queue longer than five minutes, which places demands on both Swedavia and its suppliers.

Airlines are planning for continued growth in travel and have high expectations for the ongoing development programme. The programme plays an important role in Swedavia's plan to continue providing a good product to airlines.

Continued close collaboration with the Municipalities of Sigtuna, Upplands Väsby, Vallentuna and Knivsta is important since Swedavia is a major employer. In a few decades, the joint investments in Airport City Stockholm will double the number of jobs to about 50,000. Ambitious infrastructure projects are crucial to meet the new needs being created in the region and to encourage companies to set up operations, which can promote development and further bolster growth.

Other important collaborations, for the development of Stockholm Arlanda and of international access in Sweden and the Stockholm region, are the Arlanda Council and Connect Sweden, which both bring together a number of important organisations with the aim of strengthening Stockholm Arlanda Airport.

Remote Tower Services

In 2017, Swedavia signed an agreement with LfV, the Swedish Civil Aviation Administration, which provides air traffic management services. The agreement enables the establishment of remote air traffic management at four of Swedavia's airports: Kiruna Airport, Umeå Airport, Åre Östersund Airport and Malmö Airport.

Remote traffic management ensures a vibrant Sweden, with access to airports even in places where there is low traffic intensity.

A centralised remote tower centre for remote air traffic management will be located at Stockholm Arlanda Airport, in connection with LfV's other operations.

The work to introduce this technology continued in 2018. Among other steps, measurements and the installation of masts that are part of the remote tower system were carried out at the airports that will become remote traffic service (RTS) airports, while extensive aviation safety work will ensure that the systems meet the stringent requirements set.

In 2019, the work will continue, with the aim being to place the technology in service in 2020.



GÖTEBORG LANDVETTER AIRPORT

The airport has a unique location in Scandinavia, centrally located between Oslo, Copenhagen and Stockholm, and is western Sweden's international airport. Continued passenger growth in 2018 characterised operations at Göteborg Landvetter Airport, although the pace of growth was well below that in recent years. The airport set another passenger record and handled six million passengers.

International travel was up, due largely to traffic growth at the Lufthansa Group, Wizz Air and Ryanair. The airport also welcomed new airline customers such as easyJet, which took over a large share of Air Berlin's former traffic, Aeroflot and Qatar Airways. The decline in domestic air travel was mostly caused by a decrease in business travel.

The establishment of new routes continued in 2018. During the year, Wizz Air launched service to both Wrocław and Bucharest, Aeroflot started a route to Moscow, and SAS began flying to Berlin. In 2018, Qatar Airways started flying between Gothenburg and Doha, which opens up new possibilities to reach destinations further east. For the many multinational companies in western Sweden, the new direct route offers a faster journey to business partners in Asia and Africa. For exporting companies, this means great potential to ship greater cargo volumes by air between Gothenburg and Asia.

Altogether, airlines fly from Göteborg Landvetter to more than 100 destinations. Low cost carriers are growing rapidly at the airport and, together with legacy airlines, set high demands for efficiency and well-functioning processes in order to have rapid turnarounds at the airport – in other words, to turn traffic around as quickly as possible. This is a driving force in the development work that the airport is carrying out and faces in the future.

Development programme

Göteborg Landvetter Airport is going through its most expansive phase since it launched operations 40 years ago. During the period 2016-2025, Swedavia intends to invest 3.5 billion kronor in expansions and improvement processes at Göteborg Landvetter. The airport is being extended both to the north and south in order to address the current capacity deficit. The target is to handle up to eight million passengers by 2025 – one million more than today.

In the southern section of the airport, three gates with passenger bridges will be added to the current eight. The gates are being built with flexibility so that they can be used for passengers from the Schengen area as well as passengers travelling to and from destinations outside the Schengen area. The new gates will mean great efficiency improvements in transport operations at the airport and thus a better passenger experience. Today 46 per cent of passengers are bussed to aircraft parking stands.

Around the airport, the work with Airport City Göteborg is intensifying. As the airport becomes an increasingly important hub in the region, its location is also becoming more attractive. More than two million square metres of land is being developed for logistics operations, commercial premises, hotels and office facilities, among other uses. Within 15 years, the number of people who work in the area is expected to increase from 4,000 today to 14,000. A rail link to the airport is planned to handle the increased traffic in the area. A 60-kilometre long railway will run between the Swedish cities of Borås and Gothenburg via Mölndal and Göteborg Landvet-

ter Airport. The Swedish Transport Administration plans to start construction in 2025-2027.

Customer satisfaction and punctuality

Customer satisfaction at Göteborg Landvetter Airport in 2018 was 77 per cent, which is the same figure as in 2017. It is a great challenge to carry out development projects while the airport continues its full-scale operations. The top priority in all these development projects is not to compromise on safety and security. In addition, Swedavia is working to ensure that flows at the airport can function without any effect on the customer's travel experience. Examples of measures that the airport has taken to reduce the risk of queues forming is to make the process more efficient for passengers by using self-service solutions for check-in and boarding. The two greatest factors contributing to customer satisfaction are having airport staff who provide good customer service and not compromising on clean premises.

The negative trend for punctuality continued in 2018 as a result of capacity deficiency and increasingly crowded airspace over Europe. In 2018, punctuality was 76.5 per cent compared to 78.9 per cent the previous year. An increased percentage of late arrivals represented a challenge in ensuring that flights depart on schedule.

Collaborations and stakeholder relations

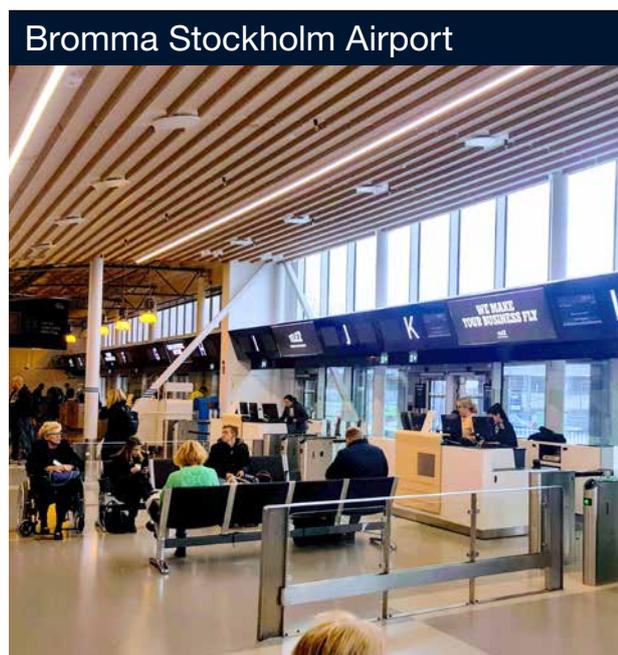
About 3,600 people work at Göteborg Landvetter Airport at some one hundred companies. Of these, 813 are employed by Swedavia. To maintain the highest possible level of safety and security in every aspect of operations, the airport works in partnership with different suppliers to a great extent. Strategic and operational collaborations between Swedavia and the airlines are crucial since these operations are highly interdependent. Establishing communication channels with the different suppliers and Swedavia for the best possible interaction between operations is an essential condition and success factor.

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

Queue measurement system

To facilitate and improve the travel experience, in 2018 Swedavia introduced a new function that shows the waiting time at the security checkpoint. On the airport's homepage, in Swedavia's app and on monitors at the security checkpoint, passengers can see in real time how long the wait is for security screening. In the long term, passengers will also be able to get information about estimated waiting times even several days before their departure. A total of nearly 36 million passengers at Stockholm Arlanda Airport, Göteborg Landvetter Airport and Bromma Stockholm Airport have had a better start to their journey thanks to the queue measurement system.

Swedavia also benefits from data and statistics produced by the system to better optimise flows and make processes at the airports more efficient.



BROMMA STOCKHOLM AIRPORT

Bromma Stockholm Airport is Stockholm's nearest airport. The distance to central Stockholm is almost 10 kilometres. That gives the airport unique conditions and the fastest travel options to and from Stockholm. Bromma is Sweden's third largest airport.

Bromma Stockholm Airport is above all an important domestic airport. Today 17 destinations are served from Bromma Stockholm, 14 of them domestic. Malmö, Gothenburg and Umeå are the three destinations with the most passengers flying via Bromma Stockholm. The airport is used primarily by business travellers but it has also seen growth in leisure travel, although this growth is not as strong at Bromma Stockholm as at Swedavia's other airports. Growth in general aviation, primarily the business jet segment, is good.

In 2018, passenger volume decreased. The decline in domestic travel was caused mainly by a decrease in business travel. International travel increased 7 per cent compared to 2017, due largely to Finnair, which increased traffic to and from Helsinki.

Development programme

The airport has been in a development phase for a number of years. During the period 2016-2025, Swedavia intends to invest 1.6 billion kronor in expansions and other improvements at Bromma Stockholm Airport. The bulk of these investments have now been completed.

In 2018, the work to modernise and modify capacity at the airport continued. This affected the customer experience while some phases of the work ended during the year, which led to improved capacity.

Bromma Stockholm Airport today has a land lease that runs until 2038. In view of this time horizon, all investments in operations must be given extremely close consideration. At the same

time, Bromma has not had a complete makeover since the 1950s. There has thus been a great need for modernisations and capacity modifications.

Since large parts of the airport are protected by its landmark status, the airport must be developed in keeping with past tradition. The investment programme under way includes measures to improve terminal capacity as well as safety and security and reduce aviation noise to meet the requirements set by the Swedish Transport Agency in certifying the airport as class 3C in 2013.

The terminal is being refurbished to meet today's needs, and the refurbishment will take place in phases in order to maintain full-scale operations. The new arrival hall was inaugurated in 2017, and in 2018 the new departure hall, built as an extension of the existing hall, opened. Renovation of the older section of the departure hall then began. After the refurbishment, Bromma will have a total of 13 gates, compared to what were once eight.

A large part of this development work pertains to transport links at the airport. The nearby shopping mall Bromma Blocks is growing and so is traffic to the area. Swedavia needs to ensure smooth transport to the airport so that passengers can get all the way to the airport and on time, to avoid delays. A connection to the cross-Stockholm Tvärbanan railway at the airport is now being prepared. The construction work will intensify in 2019 and is expected to be completed in 2023. The airport's parking options are also being reviewed and new infrastructure for taxis, buses, rental cars and bicycles is being put in place. The hope is that smooth flows will make Bromma's location even more attractive to passengers.

Smart landing runway at Bromma

Bromma is often a test airport for innovation and new solutions, since its size is just right for test projects and it has a significant number of passengers. During the year, Bromma Stockholm Airport installed a runway weather information system (RWIS). A total of 57 sensors were installed on the runway and a weather station collects data on the maintenance the runway needs.

The new system helps, for example, give snow removal supervisors a safer work situation and indicates when ploughing and the use of anti-skid agent are needed. In February 2018, about 48 per cent less anti-skid agent was used on the runway than in a comparable month the year before. Decreased use of chemicals reduces the airport's environmental impact and discharge of chemicals into the airport's immediate vicinity. The use of diesel fuel is also reduced when vehicles at the airport are used less, as are noise and disruptions, which are really important since Bromma Stockholm Airport is located close to commercial and residential buildings. An investigation studying the conditions needed to implement the system as well as other Swedavia airports is now under way.

Customer satisfaction and punctuality

Customer satisfaction at Bromma in 2018 was 60 per cent, compared to last year's figure of 61 per cent. Capacity deficiency and the ongoing development projects had a negative effect on customer satisfaction during the refurbishment.

Bromma has a high level of punctuality. In 2018, the figure was 87.1 compared to 86.7 per cent in 2017. Punctuality and customer satisfaction have potential to be even better once the development projects and modernisations have been completed.

Collaborations and stakeholder relations

About 1,200 people work at Bromma Stockholm Airport. Of these, 250 are employees of Swedavia. Bromma's proximity to central Stockholm and the densely populated area around it means that the environmental requirements that the airport must meet are especially stringent. There are special requirements for aircraft to operate at Bromma Stockholm Airport, in particular concerning aviation noise levels.

Swedavia conducts annual studies on noise levels at nearby properties and when necessary implements measures to reduce noise in nearby properties.

Braathens Regional Airways (BRA) is the largest airline at the airport and carries out 90 per cent of all flights at Bromma Stockholm. It is crucial to operations that Swedavia and BRA, as with other airline customers, partners and suppliers, work to achieve a shared view concerning how the customer offering should be developed.

SEVEN REGIONAL AIRPORTS

Swedavia's seven regional airports, with the Company's three largest airports, form an infrastructure network covering Sweden from Kiruna in the north to Malmö in the south. Kiruna Airport, Luleå Airport, Umeå Airport, Åre Östersund Airport, Visby Airport, Ronneby Airport and Malmö Airport together create the access that Swedavia is entrusted by the Swedish State to provide and contribute to development and growth throughout the country. At the same time, the regional airports fulfil a vital role by creating a connection by which passengers can travel to and from the country's major airports, where international traffic operates. Many of the regional airports also offer direct international routes.

In 2018, passenger growth slowed. Declines in domestic air travel are a consequence of factors such as the intensifying climate debate, rising fuel prices and market adjustments following unusually high growth in domestic travel. This is considered to have had the greatest impact on business travel. Tourism-related travel, however, did not change, and many airports saw a higher number of visitors. For example, easyJet's continued expansion at Åre Östersund Airport contributed to a rise in travellers coming to the region. At Malmö Airport, Wizz Air and Ryanair continued to increase their international traffic, and today the airport is a complement to the airport in Copenhagen, offering quick, smooth flows with a wide range of destinations in eastern Europe.

Many of the regional airports currently have no scheduled international service and only offer international charter flights, which also saw a decline in growth. Charter traffic was adversely affected by the warm summer. Åre Östersund's service to London with easyJet and Wizz Air's service from Malmö Airport to a number of destinations in central and eastern Europe remain popular scheduled routes with strong traffic. EasyJet also expanding its traffic to England during the year with a new route to Bristol from Åre Östersund.

International traffic accounts for 20 per cent of flights from the regional airports, and Malmö Airport alone in turn accounts for 80 per cent of this traffic.

Development projects

During the period 2016-2025, Swedavia intends to invest 1.8 billion kronor in the regional airports' expansions and improvement processes. The projects are aimed at creating the conditions needed to maintain capacity and make operations flexible and adaptable when passenger volume fluctuates over time.

One challenge for the regional airports is to continue developing their efficiency. In 2016, the Basic Airport 2.0 project was launched with the aim of creating operations solutions for passenger and air transport processes. The project also includes a plan for systematic work for continuous improvements, which is aimed at measuring and identifying bottlenecks in operations on a daily basis so that continuous improvements can be carried out to create operational excellence, increased cost-effectiveness and precision. In 2018, Luleå, Umeå, Ronneby and Malmö Airports implemented these methods while the remaining airports began planning for implementation. In 2019, the regional airports will operate under process-oriented management in order to meet changes in demand and capacity.

Customer satisfaction and punctuality

Customer satisfaction at the regional airports was above target and on the rise in a number of cases due to a clear customer focus as a result of an increasingly process-oriented way of working. Integrated services enable employees to meet passengers throughout the flow and customers get better service. The overall figure for customer satisfaction in 2018 was 79 per cent, compared to 80 per cent in 2017. To maintain a high level of customer satisfaction, communication is crucial. Punctuality is also a challenge for the regional airports. The most common cause of delays is late arriving flights. The introduction of a Group-wide operating system is planned in order to coordinate flight times and arrival/departure times for Swedavia's entire network. Overall punctuality in 2018 was 81.7 per cent compared to 85.1 per cent in 2017.

Collaborations and stakeholder relations

The airlines that provide the regional airports' domestic traffic are primarily BRA, Norwegian and SAS. At Malmö Airport, Wizz Air is the largest airline. Swedavia's objective is to have at least two operators providing domestic traffic at each airport since the airports' operations benefit from having several operators offering competitive service. It is important to continuously monitor the traffic situation in close collaboration with the airlines to minimise the risk to the smaller airports and their customer offering if an operator cuts its service.

The regional airports have made great progress in their climate work. As early as 2017, Ronneby Airport met its own target as part of Swedavia's target of fossil-free operations. In 2018, it was the turn of Visby Airport and Luleå Airport. In 2019, Åre Östersund Airport is expected to achieve this target.

Swedavia's airports in 2018

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



Stockholm Arlanda Airport

Length of runways 3,301, 2,500 and 2,500 metres Take-offs and landings 240,115	Passenger volume 26.8 million Routes 279 international 49 domestic	Most popular destinations London, Copenhagen, Oslo
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Ronneby Airport

Length of runway 2,231 metres Take-offs and landings 4,198	Passenger volume 467,857 Routes 6 international 14 domestic	Most popular destinations Stockholm, Gothenburg, Malmö
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Umeå Airport

Length of runway 2,400 metres Take-offs and landings 7,414	Passenger volume 1.0 million Routes 10 international 14 domestic	Most popular destinations Stockholm, Helsinki, Gran Canaria
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Visby Airport

Length of runways 2,000 and 1,100 metres Take-offs and landings 9,962	Passenger volume 467,857 Routes 6 international 14 domestic	Most popular destinations Stockholm, Gothenburg, Malmö
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Göteborg Landvetter Airport



Length of runway 3,300 metres Take-offs and landings 69,477	Passenger volume 6.8 million Routes 164 international 19 domestic	Most popular destinations Stockholm, London, Frankfurt
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Bromma Stockholm Airport



Length of runway 1,668 metres Take-offs and landings 49,513	Passenger volume 2.5 million Routes 3 international 14 domestic	Most popular destinations Malmö, Gothenburg, Visby
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Åre Östersund Airport



Length of runway 2,500 metres Take-offs and landings 7,614	Passenger volume 511,986 Routes 8 international 6 domestic	Most popular destinations Stockholm, London, Gran Canaria
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Kiruna Airport



Length of runway 2,502 metres Take-offs and landings 2,938	Passenger volume 276,516 Routes 2 international 4 domestic	Most popular destinations Stockholm, Umeå, London
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Luleå Airport



Length of runway 3,350 metres Take-offs and landings 11,748	Passenger volume 1.2 million Routes 14 international 6 domestic	Most popular destinations Stockholm, Gothenburg, Gran Canaria
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Malmö Airport



Length of runways 2,800 and 797 metres Take-offs and landings 26,437	Passenger volume 2.1 million Routes 54 international 14 domestic	Most popular destinations Stockholm, Gdansk, Skopje
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Destination and route development is critical to access

The Aviation Business operational area includes services focused on air transport operations. Destination and route development works to make Sweden more accessible. Take-off and landing services, ground handling services, aircraft parking for airlines and various kinds of passenger services enable the airports to provide their customers with an attractive comprehensive offering.

A well-functioning airport offers its customers necessary and well-designed services to enable travel. A wide range of attractive destinations draws passengers to and from Sweden. Similarly, a good offering and an attractive destination are important for airlines to want to run their operations at Swedavia's airports.

Destination and route development is a key part of Swedavia's task to develop access. Sweden and Stockholm are an increasingly popular destination for foreign visitors. Good access to air transport is an essential condition for tourism, for attracting foreign corporate investment in Sweden, and for Swedish export companies. Swedavia's airports are growth engines in the country's different regions and for Sweden as a whole as well as important meeting places in their own right.

A number of airlines are expanding at Swedavia's airports. In 2018, more than 20 new direct routes were established at Swedavia's airports along with another 17 direct routes to seasonal destinations. Six new airlines have been flying to and from Swedavia's airports since the start of 2018.

Increased passenger growth in Europe

There is a link between the number of direct routes to and from an airport, the airport's capacity and growth in travel. The more direct routes there are and the greater the capacity, the better the conditions are for passenger growth.

Today demand for air travel is growing rapidly, but not enough capacity has been built to keep up with this pace of growth. As a result, virtually every major European airport is working to increase its capacity through refurbishments and expansions, new technology and new processes. One way to meet this capacity challenge is to work with peak traffic spreading so that more flights land and take off at times when traffic is not at its peak. A larger share of leisure travel and intercontinental air traffic can contribute to this since this type of traffic often flies at other, off-peak times. At the same time, intercontinental airlines with increased transfer traffic also help with peak spreading. However, peak spreading entails a bigger work load and places other requirements on the organisation, for instance, in terms of staffing at other times compared to previously.

Diverse customer needs

For the airports, it is also a matter of being able to meet different

kinds of needs. Swedavia's many airline customers have business models and passenger segments that differ from one another. For Swedavia, it is important to be able to meet these needs, regarding both airlines and passengers.

Low cost carriers often want simple, preferably automated services, while the big network airlines usually also want personal service as well as services that match their own premium profile.

While it is important to meet the needs of these different segments with flexible solutions, the aviation market is undergoing change. The differences between the various airlines' business models – especially for traditional network airlines and low cost carriers – are narrowing, and the customer offering to passengers is becoming increasingly flexible. A number of airlines have disappeared from the market due to poor profitability. Meanwhile, the major airlines and airline groups in Europe are getting bigger and bigger. Margins for Swedavia's airline customers are often small, and airlines are sensitive to changes in the general economic trend and to higher prices, especially for oil. Good relations between Swedavia and its airline customers and a good understanding of the conditions that each faces are thus key to success.

Growing intercontinental traffic and air cargo

The customer category that is still growing fastest is leisure travelers, and by far the strongest growth is among those arriving from international destinations. Meanwhile, intercontinental traffic is rapidly on the rise. These two factors are correlated to some extent. Thanks to more intercontinental routes, air cargo capacity has increased significantly. More and more goods, particularly high-value goods – that is, with a high value relative to their weight and volume – are transported by direct flights in the cargo hold on passenger aircraft in scheduled service. Increased online trade contributes to increased cargo volumes, but in relative terms air cargo accounts for a small percentage of all goods transported globally. In 2018, 280,430 tonnes of air cargo were handled at Swedavia's airports. That is a 1.9 per cent increase compared to 2017.





The commercial offering at the airport is an important part of the customer experience

The commercial offering at the airports in the form of retail and other services – together with cleanliness, customer service, atmosphere and smooth flows – is critical to the customer experience and, in the long term, customer satisfaction. One objective that Swedavia is working with in its development projects is for the airports to be even more attractive meeting places and marketplaces.

The airport's business

Airports with an attractive offering and good infrastructure for travel and retail get passengers to come earlier and stay longer. The economic value that Commercial Services creates is increasingly important as a basis for the investments needed to increase the airports' capacity and attractiveness. In particular, airport charges need to be competitive to ensure that airlines will want to operate at the airport.

Commercial Services operations include, for instance, responsibility for car park facilities near the airport and the rental of premises to tenants, who among other things carry out tax- and duty-free sales, restaurant operations or hotel operations in Swedavia's properties. This operating segment also faces capacity challenges when there is a rapid increase in travel. For example, they need to handle the formation of longer queues. Commercial areas are sometimes used for airport operations when refurbishments are carried out. Smooth, efficient flows, such as short queues, are important in providing passengers with the best possible conditions for exploring the airport's commercial offering.

Retail, food & beverage

The food & beverage area – which covers the sale of food and beverages at the airports – grew faster in percentage terms than passenger volume in 2018. Growth in retail operations – the other main commercial operation at the airports – was not as strong. Today Swedavia's revenue from retail sales at the airports is lower as a percentage of total revenue compared to many other airports. This can be partly explained by differences in passenger behaviour depending on what destination people travel to and with what airline. Among Swedavia's customers, a large share are domestic passengers, and they tend to spend less on average at the airports than international passengers. At the same time, commercial revenue at the airports is important in the long term for creating even better conditions for Swedavia to develop its airports in a sustainable manner. Enhancing the commercial offering is thus an important part of the airports' development.

As digitisation continues, customer behaviour is changing rapidly, and to meet increased demands for access and comfort Swedavia needs to develop new services to create the best possible travel experience. Through new collaborations that include airlines, airport operators and tenants, innovative solutions can be included in the offering. For example, Swedavia is developing its

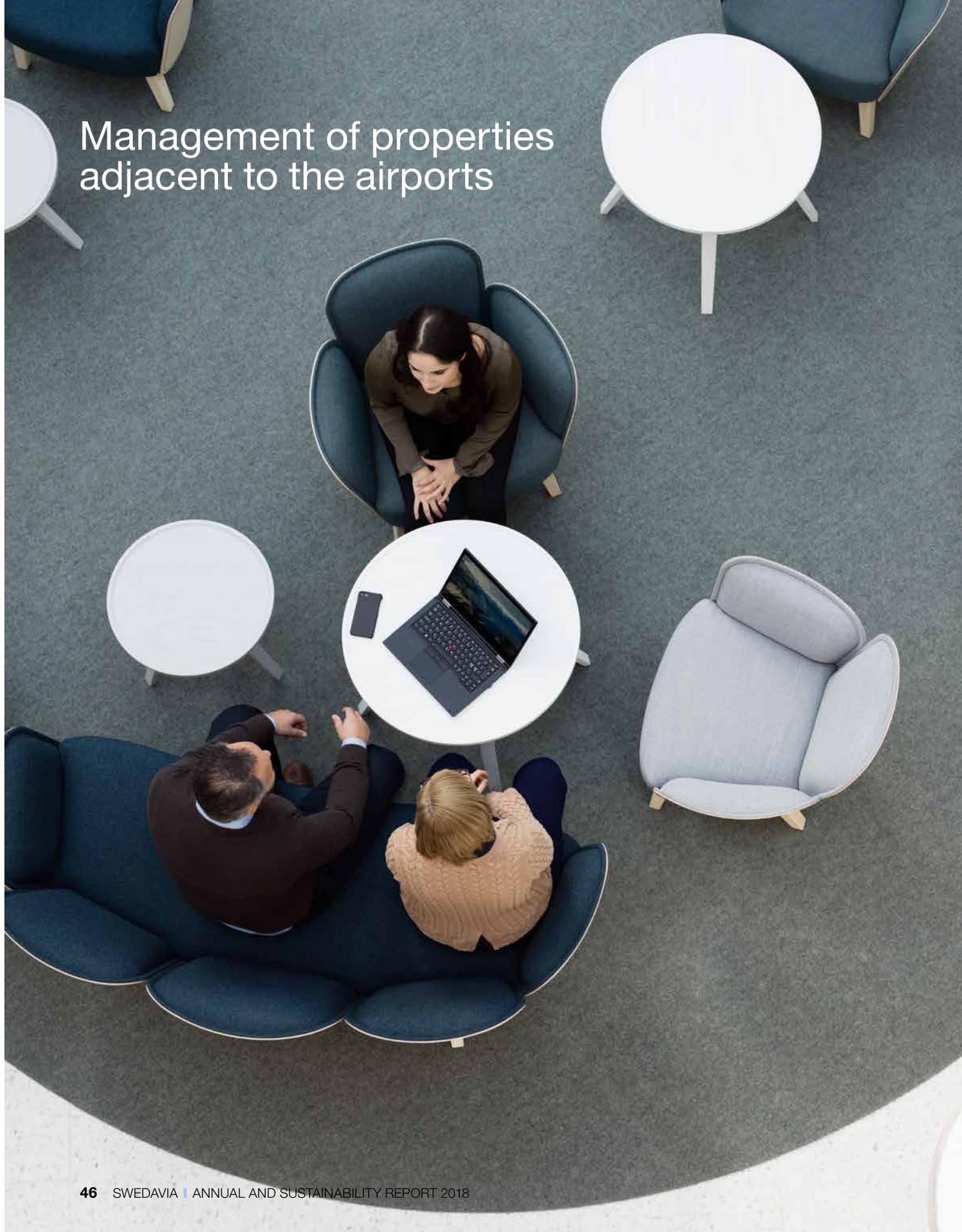
e-commerce services, which will be linked to physical sales in the airports' shops. That provides potential in the long term for customers to have products they bought at the airport transported to their home or, for instance, they can order their groceries on the flight home and then pick them up when they arrive at the airport.

In accordance with Sweden's new Public Procurement Act, commercial operations at Swedavia will discontinue its lease agreements and switch to concession agreements and offer suitable formats to meet its customers' needs and demands. In 2018, the Company conducted a dialogue with tenants affected about what the change entails and how it intends to proceed.

Swedavia sets out environmental requirements in all of its lease agreements, and compliance with these requirements is monitored on a regular basis following an established procedure. An assessment of the tenants' environmental impact determines how often monitoring takes place. In 2018, a new "green" standard rental agreement was drawn up. The environmental requirements in the agreement are more extensive and are predicated on the mutual expressed desire to reduce the negative environmental impact of operations.



Management of properties adjacent to the airports



Real Estate is responsible for properties and land adjacent to Swedavia's airports that are not directly related to airport operations. This task consists primarily of developing and selling properties.

City centres have always developed around infrastructure hubs such as airports. Today too, as air travel grows, airports are become increasingly important hubs, and the demand for Real Estate's properties is on the rise.

Properties included in this part of operations include hotel and conference facilities, business premises, office buildings and logistics facilities. Airport cities are being developed around Stockholm Arlanda Airport and Göteborg Landvetter Airport. They create new conditions for carrying out and funding infrastructure projects, which in turn also help make the airports' operations and business more attractive. Revenue from Real Estate is very important to Swedavia's operations since revenue streams from the sale of fully developed properties help fund major investments in infrastructure projects.

Construction of the 15,000 square metre Office One complex, immediately adjacent to Sky City at Stockholm Arlanda Airport, was completed in 2018, and the first tenants moved in. In 2020 the largest airport hotel in the Nordic region will open under the auspices of Nordic Comfort Hotel. These two properties constitute the initial development phase of the airport city taking shape here, which will cover 800 hectares, with Stockholm Arlanda Airport as the hub.

Strategic partners

Swedavia has established collaborations with strategic partners that have specific, complementary competences. One such partner is Alecta, with whom the Company jointly owns Swedish Airport Infrastructure in order to manage and develop properties around its airports. At Göteborg Landvetter Airport, the property devel-

oper Bockasjö is an important partner in the development of Landvetter Logistics Park, which is located immediately adjacent to the airport. In order to develop Airport City Stockholm, Swedavia has partnerships with Arlandastad Holding and with the Municipality of Sigtuna.

Sustainability in the construction process

Sustainability in the construction process is an important issue for Swedavia. Priority areas include a toxin-free environment, resource and energy efficiency, a reduced climate impact and a good workplace environment. Swedavia's construction and property development operations are managed with the help of sustainability requirements in these areas, which are called Swedavia's building contractor requirements. Each client that represents Swedavia as a building contractor has great responsibility to ensure that Swedavia's building contractor requirements are met through effective project procedures. Management usually includes clear objectives and targets and effective project procedures for risk management, reporting and monitoring as well as tender requirements. Swedavia is also a member of Keep Zero, a Swedish collaborative initiative for zero accidents in the construction industry. Swedavia also has corporate functions that work continuously to develop procedures, documentation and training programmes in order to improve quality, knowledge and awareness about sustainability in the construction process.

Swedavia's supplier work

A well-functioning supply chain is an essential condition for Swedavia to run and develop operations. It is therefore important that Swedavia has an understanding of its suppliers' market, the challenges found in the different areas we carry out procurements in and where there are sustainability risks. Swedavia has worked for several years with category-based purchasing, in which the categories are based on what the suppliers' market looks like. Today the Company has 14 main categories, some 90 sub-categories and purchasing volume of about 6 billion kronor.

Swedavia has about 4,000 suppliers and framework agreements with about 750 of them. In Swedavia's view, 75 of these are

strategically important to operations, so greater focus is placed on related monitoring work. Of the 75 suppliers, Swedavia has determined that 20 are top risk suppliers from an operational perspective. Swedavia has established monitoring work for its top risk suppliers, where great emphasis is placed on sustainability issues with a focus on environmental concern.

In the IT category, Swedavia monitors all of its strategically important suppliers and holds dedicated follow-up meetings on sustainability twice a year. Based on this follow-up, the suppliers work with action plans that Swedavia then monitors in the next phase. Swedavia intends to improve coordination and its methods for monitoring suppliers in

2019 and apply the work being done in IT to a number of other purchasing categories.

During the year, Swedavia conducted a risk analysis of the general environmental and social risks in our purchasing categories. This is a step in determining the priority of our resources, our requirements and our monitoring work where great risks are involved. These risks thus determine where Swedavia will focus its work going forward. It is clear that the challenges are largely in categories such as construction, field structures and other facility services, vehicles, safety, security and IT. Swedavia needs to develop in these areas in order to realise our ambition to be an international role model in sustainability.



Sustainable development

Swedavia takes sustainable development as its starting point in the running and development of its operations. Customers are Swedavia's primary focus, while economic, social and environmental sustainability is an essential requirement to win the trust of its customers and to ensure long-term sustainable operations.



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Access affects Swedish competitiveness

The value Swedavia creates extends beyond its own operations. Swedavia creates access by maintaining infrastructure related to national and international air transport. This has a positive impact on Sweden’s competitiveness and GDP.



More than half of the world’s population lives in urban areas. By 2050, that figure is expected to rise to 70 per cent. Sustainable transport systems that provide high-quality infrastructure are increasingly important in an urbanised world.

With the increase in urbanisation and globalisation, there is a growing need to travel efficiently between the world’s cities but also between smaller settlements in rural areas. In many cases, aviation is a crucial transport mode and airports are increasingly important national resources that link regions and countries geographically and economically.

Efficient, well-functioning air links are a key factor enabling companies to work and grow, especially in a country like Sweden. Well-functioning air traffic promotes employment and regional development throughout the country. The air transport industry creates millions of jobs directly and indirectly. According to the analytical firm InterVISTAS, 200,000 of these jobs are in Sweden. Half are directly related to the air transport industry. Altogether, they contribute more than 175 billion kronor annually to Sweden’s GDP. Well-functioning, sustainable infrastructure generates a number of positive effects and promotes economic growth and development.

The UN’s Sustainable Development Goal 9 stipulates that political leaders, companies and other organisations shall work to develop infrastructure, carry out inclusive, sustainable industrialisation and promote innovation. More specifically for the air transport industry, it is a matter of building reliable, sustainable and resistant high-quality infrastructure and inclusive regional and cross-border infrastructure to support economic development and people’s well-being, with a focus on economically affordable and equal access for everyone. Swedavia contributes to this in a number of ways.

Access and growth throughout Sweden

Swedavia has taken on the challenge of developing the airports of the future. All across Swedavia’s network of airports, and primarily at Stockholm Arlanda Airport and Göteborg Landvetter Airport, extensive development programmes are now under way. Meanwhile Swedavia’s other airports are creating the conditions needed for a network of domestic routes that contributes access and growth in every region of the country. Swedavia thus works with development and modernisation as well as with long-term plans for this. Over the next decade, the Company will make major investments in infrastructure, digital technology and better flows at its ten airports. The objective is to increase both efficiency and capacity. Swedavia’s objective is also to create smoother and more inspiring travel experiences, make the airports the most important meeting places in the Nordic region and also international role models in sustainability. Swedavia’s airports shall be growth engines for all of Sweden and be important to the development of the different regions and of the whole country.

Collaboration crucial for growth

Together, the different companies at the airport must face changing trends in the world and adjust to them. Together, they create this essential access. Growing air travel means not just new kinds of travellers and new business opportunities, but also demands on capacity and strains on the environment. At the same time, new technology provides new opportunities for increased efficiency and a reduced environmental impact. Collaboration is needed to meet these challenges, and the airport operator is at the centre of this kind of collaboration.

The airport operator, airlines, suppliers and tenants are the key players at the airports, sometimes as partners and sometimes as each other’s suppliers or customers. These players

9 HÅLLBAR INDUSTRI, INNOVATIONER OCH INFRASTRUKTUR
Sustainable 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 improved national and international access, by continuously making environmental improvements in existing infrastructure and in infrastructure now being developed within the scope of its development programmes.

11 HÅLLBARA STÄDER OCH SAMHÄLLEN
Sustainable cities and societies

Swedavia contributes to increased sustainability through its task of linking Sweden’s regions together and linking 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 regarding issues related to business and the environment.

need to work in symbiosis and understand what creates value, for them individually and together, but above all for passengers, who are the reason that air transport exists and is needed.

Together the operator, airlines and tenants deliver inspiring experiences that provide increased passenger satisfaction and increase the attractiveness of the destination. They contribute to access that provides jobs, tax revenue, business opportuni-

ties, meetings and diversity. Together they can also reduce the environmental impact of air transport 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 efficient ways of working and collaborating. Altogether, Swedavia and its customers contribute to increased employment as well as both national and regional growth.

Investments to ensure access

Swedavia develops airports for the air travel of the future. To do this, the Company plans to invest 44.4 billion kronor between 2016 and 2025. The biggest investments are being made in capacity improvements at Stockholm Arlanda Airport. During the period 2016–2018, 9.2 billion kronor was invested.

Stockholm Arlanda Airport

Stockholm Arlanda Airport shall be developed into the leading airport in the Nordic region and be an international role model in sustainability. During the period 2016–2025, 29.1 billion kronor is being invested in, among other things, the expansion of Terminal 5, a new airport maintenance area, more aircraft parking stands, improved baggage systems and more security flows. The objective is 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 shall continue to be western Sweden's gateway to the world. The airport will get more new gates, expanded terminal capacity, improved baggage handling and new traffic solutions in the airport area. Hotels, logistics facilities, retail space and workplaces are taking shape in a new airport city. The airport shall thus contribute to the region's development to an even greater extent. Total investments for 2016–2025 are expected to be 3.5 billion kronor.

Bromma Stockholm Airport

Bromma Stockholm Airport shall be an even more efficient city airport. The airport is being modernised in several phases. A new arrival hall was completed in 2018 and a roof extending from the terminal to the aircraft parking stands is now in place. A modernised departure hall was inaugurated during the year. The airport has a terminal that can handle 1,200 passengers an hour in peak traffic. Preparations are under way for the planned expansion of Stockholm's cross-town Tvärbanan rail service and the flows for bus and taxi traffic are thus continuously being improved. During the period 2016–2025, about 1.6 billion kronor is being invested in the airport, with the bulk of this already completed.

Regional airports

All seven regional airports shall be accessible to residents, businesses and tourists. The airports are being developed and modernised to increase both efficiency and capacity and to constitute important meeting places. In many ways, they are crucial to development in these regions. During the period 2016–2025, about 1.8 billion kronor is being invested in the airports.

Real Estate

Swedavia's work with the development of properties close to the airports' terminals is carried out in the Real Estate operating segment. The objective is to develop land adjacent to the airports to realise value, which can then be used in the development of the airports. During the period 2016–2025, 5.1 billion kronor is being invested in the Real Estate segment, including a new hotel and office complex at Stockholm Arlanda Airport and a new hotel at Göteborg Landvetter Airport.

Summary, 2016-2025

SEK billion	Planned 2016-2025	Of which carried out, 2016-2018
Stockholm Arlanda	29.1	4.1
<i>Of which the development programme</i>	<i>17.3</i>	<i>2.8</i>
<i>Of which the master plan</i>	<i>7.2</i>	<i>0.0</i>
Göteborg Landvetter	3.5	1.1
Bromma Stockholm	1.6	1.3
Regional Airports	1.8	0.5
Real Estate	5.1	1.2
Corporate units	3.3	1.0
Total	44.4	9.2

Competitiveness of airport charges

The level of airport charges paid by airline customers is a crucial competitive means. Swedavia's competitiveness is assessed annually based on a weighted average of charges for typical flights at the Company's airports compared to similar flights at competing and comparable airports. In 2015, Swedavia's airport charges were reduced and an overview of comparable traffic was carried out. Competitiveness in 2018 was affected by a favourable exchange rate for the Swedish krona and a reduction in airport charges. Swedavia's decision to raise charges for 2019 as a result of major capacity investments will probably mean a higher index value in the next measurement. In 2018, the index was 74 compared to 80 in 2017.

Comparative index



Safety and security for customers, employees and partners

For Swedavia, social development is a matter of safety, security, diversity and inclusion. Swedavia’s airports shall be safe, secure workplaces where engagement and accountability characterise the workplace environment – today and tomorrow.



Swedavia’s work with safety and security

Work with aviation safety and security is integral to all of Swedavia’s operations and the focus of continuous development work. Security work is aimed at preventing criminal acts while safety work is aimed at preventing accidents. Safety work is adapted to the new air safety regulations developed by the European Union Aviation Safety Agency (EASA). All of Swedavia’s airports are certified under these regulations, with the exception of Ronneby Airport and Luleå Airport, which are both operated in partnership with the Swedish Armed Forces and thus covered by special regulations.

Continuity planning and risk management

Swedavia works with continuity planning and risk management. The Company designs concrete action plans to ensure that the airports handle disruptions such as a major power outage or water supply problem. A number of Swedavia’s airports have made great progress in this area.

Carrying out proactive risk management is important in Swedavia’s drive to provide a high level of access for passengers and other customers. Decisions, priorities and change work are governed through continuous, systematic risk management in order to achieve Swedavia’s overall goals. All of the risks and risk types in operations are assessed and compiled in risk banks that are continuously updated within the scope of management’s review and its work with sustainability and business planning. Risks in the risk banks are aggregated and reported on a quarterly basis.

At Stockholm Arlanda Airport, there is an operations center (OPC) that facilitates the work with crisis management at a practical level. The operations center and adjacent crisis room are also to be used when airports other than Stockholm Arlanda are involved.

Quality work and zero vision

Swedavia’s target is zero accidents or serious incidents caused by the Company. Swedavia reports all incidents that have an impact on safety to the Swedish Transport Agency and reports to the Swedish Accident Investigation Authority in the event of an accident or serious incident. In 2018, there was one accident (three accidents in 2017) and two serious incidents (none in 2017). Swedavia’s infrastructure and procedures had no effect on any of these incidents. No incidents resulted in casualties, injuries or major damage to aircraft. The Accident Investigation Authority decided not to investigate any of the three incidents.

During the year, the Swedish Transport Agency noted three serious deficiencies in conjunction with its reviews of the airports’ aviation safety work (19 deficiencies in 2017). Two of these are based on deficiencies in the functionality of technical instruments used to monitor the area. The airports involved replaced the equipment in question, and a follow-up audit indicated that the new technology complies in full with Swedish Transport Agency requirements.

In 2017, Swedavia began work to improve self-inspections in operations in order to detect any deficiencies in time. The work continued in 2018, and serious deficiencies decreased during the year as a result.

New technology

The development of new technology contributes to Swedavia’s work by continuously improving security procedures at the airports. Security scanners and X-ray equipment for cabin baggage are important parts of the passenger process. New technology is being developed so that passengers can keep liquids and electronics in their hand baggage throughout the security screening process. This makes security checks easier and faster. In a more



long-term perspective, Swedavia is working to introduce a new standard that sets more stringent requirements for X-raying checked baggage. The technology will be introduced in 2022.

Development work

The development work under way at many of Swedavia’s airports is connected to stringent security requirements. The large number of deliveries and construction workers operating at and around the airports require reliable, efficient procedures. Security on landside – in other words, before the security check-point – is especially important in this context. Swedavia shares responsibility for security on landside with the police, which means that roles and responsibilities must be clearly defined.

In 2018, Swedavia set up a workplace environment team that works specifically with workplace environment issues in development projects, where many external suppliers are employed. The ambition is to find improvement measures and raise the quality of the workplace environment.

Human rights

It is Swedavia’s responsibility to ensure that human rights are respected by employees, passengers and suppliers to the extent this is possible. A total of 42 million passengers flew via its airports in 2018. That means the Company’s operations have an impact on the lives of many people. Swedavia therefore carries out continuous work to proactively identify and manage the risks associated with human rights that can be found throughout the value chain.

Swedavia’s Code of Conduct constitutes an important basis for this work. The Code, which was adopted by the Board of Directors, expresses in clear terms how Swedavia’s employees and suppliers are expected to behave. In the autumn of 2018, documents were prepared to implement the Company’s new Code of Conduct through a dialogue about business ethics issues in workplace meetings all across operations. A training programme will be developed in 2019 and will be mandatory for all Swedavia employees.

In the long term, the training programme will include all of Swedavia’s suppliers.

The Code of Conduct is 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 important issue is that good passenger assistance services shall be offered to people who need them. The risk

of human trafficking at the airports is another important issue where Swedavia can play a critical role by taking part in networks and collaborations with the authorities involved.



Reduced inequalities

As the UN’s Sustainable Development Goal 10 prescribes, Swedavia works for reduced inequalities. Swedavia contributed to reduced equalities, in part by working actively for gender and other forms of equality in the workplace and by making the airports accessible to people with disabilities. 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.

Swedavia works following a structured, competence-based recruitment method, where competence is the basis of each recruitment. The recruitment process and related documents are reviewed on a regular basis to ensure inclusion. In 2018, Swedavia was also active in the UUA project for universally designed workplaces. Swedavia strives to ensure that workplaces reflect differences, and the UUA project is aimed at ensuring that workplaces are designed so that they are inclusive for everyone and to increase the ability to utilise people’s differences, whether they involve disabilities, poor health, language difficulties or other aspects.

Anti-corruption work

Ethical accountability is an essential condition for the sustainability work that constitutes the basis of Swedavia’s operations. An important part of the Company’s strategy is to work actively and proactively against corruption. Three main components constitute the basis for this work: clear governing documents, training on a regular basis, and an open dialogue with employees, suppliers and other stakeholders.

Having clear governing documents is crucial to Swedavia in its work to fight corruption. The Company’s Code of Conduct guides this work. The Company has also drawn up a special Bribery Policy. Anti-corruption training sessions are arranged on a regular basis for the Company’s leaders and specialists. An online course on Swedavia’s Bribery Policy and Business Entertainment Guidelines is available to all Swedavia employees, in an effort to increase awareness about corruption issues throughout the organisation. Swedavia Airport Academy monitors the completion rate of the online course among leaders at Swedavia on a regular basis. In October 2018, 94 per cent of leaders at Swedavia had successfully completed the course. Each leader is responsible for informing and maintaining an open dialogue with employees about the Company’s Bribery Policy and Business Entertainment Guidelines in an appropriate manner. The aim is for employees to be aware of the risks of corruption and bribery.

10 MÅNADERS SAMMENHENG

Reduced inequalities

Swedavia helps to reduce inequalities, in part by working for gender and other forms of equality and for an inclusive workplace as well as by making airports accessible to people with disabilities. Swedavia has zero tolerance of victimisation and discrimination, and salaries and employment terms are examined annually to ensure that all employees are treated impartially regardless of their gender. Swedavia has recruitment guidelines that cover all recruitment and also apply to the employment of external parties and the hiring of consultants. These guidelines shall help increase diversity and gender equality and combat discrimination.

Swedavia as a workplace

Inclusive and engaging culture

With an inclusive and engaging culture, Swedavia strives to create opportunities for employees to grow and develop. The ambition is to be an attractive employer for everyone, in a labour market that is becoming increasingly competitive. Hiring, developing and retaining qualified employees are crucial in achieving the Company’s long-term objectives and to develop attractive airports with satisfied customers.

Swedavia as a workplace shall be characterised by diversity, inclusion and respect for individuals at all levels. Many different competences work together within the scope of Swedavia’s operations in order for the Company to achieve its strategic objectives and targets and to provide increased passenger satisfaction and improved safety and security. The Company’s drive for diversity has a clear link to business performance since diversity increases the potential for creativity, innovation and better customer service.

Swedavia strives for an organisation that reflects society and its customers. In the same way, the Company strives for gender balance in its work teams, and half of all employees should be women.

Three focus areas for a better workplace

In the work to develop Swedavia into an even better workplace, in 2018 the Company focused on three areas. These areas are sustainable leadership and employeeship, development, and inclusion and the workplace environment.

Swedavia has a well-developed process for setting overall and individual goals – Personal Engagement and Performance or PEP – to create the conditions needed for employees to develop in their work. Employees who work in teams and have similar duties shall be able to follow up on shared objectives and targets and in that way be more involved in operations. Swedavia’s focus areas for increased engagement entail employees being involved in operational development to an even greater extent and incorporating their views and ideas in the continued operational development.

Swedavia works actively to create opportunities for employees to grow and develop in an inclusive environment. Preventive, systematic work with equal treatment and

diversity is carried out to counter discrimination and to promote the equal rights and opportunities of employees. At Swedavia, each leader is responsible for driving targeted inclusion and diversity work, and in 2018 management teams were formed on the topic of leading for inclusion.

For Swedavia, a good, safe and secure workplace environment is an essential condition, and we safeguard the health, development and satisfaction of our employees from a physical, mental and social perspective. Swedavia has zero tolerance of harassment and victimisation in all forms and encourages all employees to report irregularities, incidents and accidents as well as make suggestions for improvement.

Workplace environment

For Swedavia, the physical and psychosocial workplace environment has top priority. Safety is a fundamental aspect of operations, and its importance cannot be underestimated, but Swedavia shall also guarantee that resources and energy are used in a responsible manner. The large number of passengers and the development projects under way at several airports represent challenges in the area of the workplace environment. Swedavia’s strategy “Responsibility for society and people” is a great asset in the work to meet these challenges. By applying this strategy, Swedavia ensures that we take responsibility and highlight the need for a good workplace environment.

Swedavia’s target is to have no serious workplace accidents at the airports. Swedavia has a clear structure for effective, proactive work with the workplace environment. There are also procedures in operations for reporting accidents and incidents. The objective is to increase people’s willingness to make a report as well as their engagement in workplace environment issues regarding every aspect of operations. Safety walks and safety talks, where leaders visit operations and talk with employees about risks in the workplace environment, are important tools.

In 2018, Swedavia’s overall rate of absence due to illness increased from 4.78 per cent at the start of the year to 4.94 at year-end. The increase applied to both men and women as well as for both short- and long-term absences. The change was most apparent at Stockholm Arlanda Airport.

Average number of employees	Gender breakdown, leaders		Gender breakdown, all employees		Employees with a foreign background
	Women	Men	Women	Men	
3,217 (3,074)	36% (35%)	64% (65%)	36% (36%)	64% (64%)	18.2% (15.2%)

Airports with world-leading climate work

Swedavia’s target is to produce no fossil carbon dioxide emissions from its own operations after 2020. The Company is nearing this target. To accelerate the switch to renewable bio fuel, during the year Swedavia formulated a new sustainability target to take effect in 2019 – five per cent of jet fuel used at Swedish airports shall be renewable by 2025.



The UN’s Sustainable Development Goal 13 stipulates that the world shall take immediate action to combat climate change and the consequences of this. Swedavia helps to combat climate change by working for increased use of renewable jet fuel and by creating increased demand for such fuels. Swedavia also contributes by working at the Company for operations that produce no fossil carbon dioxide emissions.

Zero emissions of fossil carbon dioxide by 2020

Swedavia previously set the ambitious environmental target that no fossil carbon dioxide emissions shall be produced from its own operations after 2020. Ronneby Airport achieved this target in 2017, Visby Airport and Luleå Airport did this in 2018, and Åre Östersund Airport is expected to do so in 2019.

For all of Swedavia, fossil carbon dioxide emissions from its own operations totalled 1,305 tonnes in 2018, compared to 1,896 tonnes in 2017. That is an 89 per cent reduction since 2005.

New environmental target for 2025

When Swedavia set its target of zero emissions by 2020, it set its sights high. Now that this target is within reach, it is time to aim even higher. The next step in Swedavia’s work to counter climate change is to extend this from its airports to the entire air transport industry. As a result, the new target was formulated of using five per cent renewable jet fuel at Swedish airports by 2025. This target can only be achieved through close collaborations with organisations in the industry and beyond.

■ *For more examples of how Swedavia is driving change in aviation to tackle climate change, see page 18.*

Collaborations for bio fuel and electric aircraft

In 2018, 0.4 per cent of total fuel consumption in Sweden’s domestic air travel consisted of bio fuel, compared to 0.01 per cent in 2017. One challenge for a broader shift to bio fuel in aviation is that renewable fuel, which is still only produced on a limited scale and commercially only in the US, is much more expensive compared to fossil fuel. Swedavia is working together with other stakeholders, including as a partner in the economic association the Fly Green Fund, which works to increase demand for bio fuel for aviation and at the same support production of this fuel in the Nordic countries. Swedavia is a member of the Nordic Initiative for Sustainable Aviation (NISA), in which a large number of participants are working together to find an efficient supply of bio fuel for the air transport industry. 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.

RISE Research Institutes of Sweden has been entrusted by the Swedish Energy Agency with the task of driving an innovation cluster to accelerate the switch to fossil-free operations in air transport. In partnership with RISE and SAS, Swedavia will develop the innovation cluster Fossil-Free Aviation 2045. This cluster will bring together participants from the entire ecosystem, with each organisation contributing to the common goal, and incorporate a systems perspective, where consideration is given to developments in both business and technology.

The consortium for electric air transport in Sweden, ELISE, was formed in December 2018 with the objective of developing a commercial electric aircraft by 2025. Swedavia is not a member of the consortium but is studying the different forms of collaboration and partnership since today’s airports play a key role in the electric air transport of the future.

13 BEKÄMPA KLIMATFÖRÄNDRINGEN



Tackling climate change

Swedavia helps to tackle climate change by working to increase the use of renewable jet fuel and create increased demand for such fuels among government authorities, businesses 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 fuel for its own fleet of vehicles and continuous efficiency improvement work to reduce the use of energy and raw materials.

Sustainable energy and fossil-free fuel

Swedavia works to reduce its total energy use. In 2018, it used 198,764 MWh, compared to 190,529 in 2017, however, when a cold, snowy winter combined with a hot summer entailed increased energy use. Stockholm Arlanda's new airport maintenance area also entailed increased energy use. Swedavia works on a continuous basis with energy efficiency improvement measures such as switching to LED light fixtures and more energy-efficient ventilation systems and motors to reduce energy use. In 2018, energy declarations were completed for all of Swedavia's buildings. A total of 97 per cent of the energy Swedavia uses comes from renewable sources. The Company uses 100 per cent renewable district heating, 100 per cent renewable electricity, 80 per cent renewable propellants and 100 per cent renewable fuel for its own boilers.

Swedavia is also working to convert its entire fleet of vehicles to running on renewable fuels. The Company strives to replace fossil fuels as far as possible with electricity, biogas and synthetic (HVO) and continues to update its vehicle fleet and work with activities to reduce fuel use.

One remaining technical challenge is to find a fossil-free solution to the airports' back-up power supply. HVO could be a solution in this case. At present, six per cent of the back-up power supply is renewable while 45 per cent of the energy used in firefighting exercises is renewable. To achieve more of Sweden's environmental quality goals, further focus is needed, so Swedavia is looking for new innovative solutions and business models, for instance in energy and water.

Aviation noise

Aviation noise is always a relevant issue for the air transport industry. Bromma Stockholm Airport is one of Swedavia's airports that have carried out the most advanced noise protection measures. For example, the airport is closed at night. Swedavia works so that the noise load around all of its airports is seen as acceptable relative to the social benefits of aviation. There are various tools for this, such as noise control insulation for homes, higher take-off charges for noisier aircraft, curved approaches, avoiding densely populated areas on approaches and working with green approaches, in which the aircraft steadily descends from its cruising altitude to the runway. This reduces noise as well as saves fuel and reduces emissions.

In June, Stockholm Arlanda Airport introduced three new so-called curved procedures for approaches to Runway 3 from the south. The aim is to avoid flying straight over the densely populated area of Upplands Väsby. The procedures were used frequently from mid-June to mid-August, when Runway 1 was closed for repairs and Runway 3 was then used during low traffic. A total of 600 curved approaches were carried out at Stockholm Arlanda in 2018. Alongside a reduction in noise over the densely populated area of Upplands Väsby, this reduced fossil carbon dioxide emissions by about 200 tonnes. Malmö Airport has implemented a modernisation of airspace and a procedure that will result in shorter approach routes and less fuel use. This will lead to less noise over Dalby on approaches.

Water, chemicals and waste

Swedavia works continuously to limit its impact on the water environment. Chemicals are being replaced so that there is as small an impact as possible on the environment and on people's

health, while the use of chemicals is being reviewed and restricted. This is primarily a matter of limiting the discharge to water of the de-icing agents used on aircraft and anti-skid agents used on the runways. During the year, Bromma Stockholm introduced a runway weather information system (RWIS) which reduces the use of anti-skid agents by about 20-30 per cent. A number of airports have their own ponds and water treatment facilities to capture polluted water from the airport area. Water from sites for firefighting exercises, workshops, car washes and hangars is also collected and treated. In September, the new facility for recycling glycol used to de-ice aircraft at Stockholm Arlanda was inaugurated. Using new technology, Swedavia and its supplier, Vilokan, can today recycle a larger share of the glycol, which is collected, and in that way create a circular glycol production cycle that is both economically and environmentally sustainable.

In 2018, Bromma Stockholm purchased new vehicles for de-icing aircraft. By using them, glycol mixing can be optimised and glycol use reduced because the vehicles are equipped with a "weather station" that can adjust the mix automatically depending on the prevailing outdoor temperature. The airport previously mixed the agent manually based on weather forecasts and added a greater margin of safety. During the year, Swedavia assessed all chemical products used in operations in terms of their impact on the environment and human health, thereby achieving its chemicals goal. In the area of waste, the total quantity of waste per passenger is being reduced, and a number of airports have introduced the sorting of food waste. The areas that still represent challenges are the sorting of aircraft waste and getting an overview of the waste generated in construction projects.

The environment in the Company's development programmes

The extensive development programmes now under way at a number of Swedavia's airports are a challenge from an environmental perspective. Swedavia sets environmental requirements on all new construction, which stipulate among other things that the buildings' energy performance must be at least 25 per cent better than current building regulations, wood products must come from certified forests, and construction materials must meet the criteria of the Swedish construction materials assessment body Byggarbetetsrådet. Swedavia obtains environmental certifications for many of its buildings.

Top-level certifications

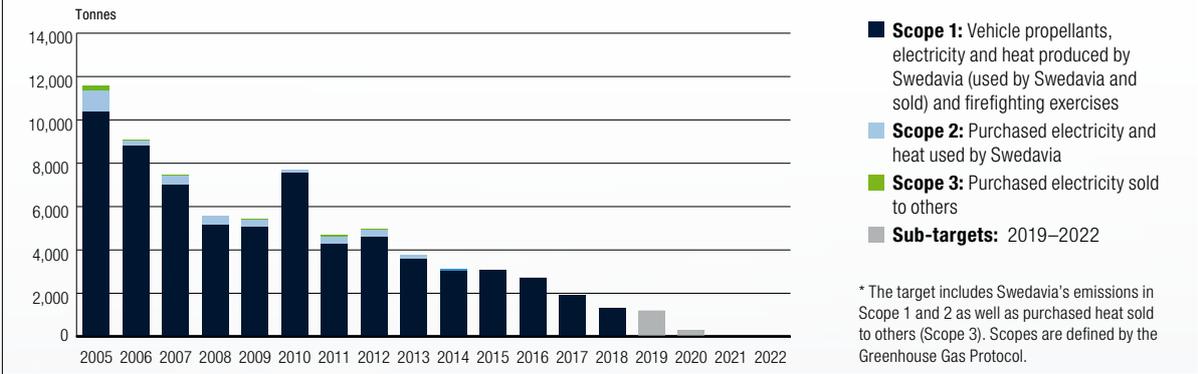
Swedavia's airports are certified at the highest level in compliance with Airport Carbon Accreditation's standards for the climate work of airports.

Swedavia's operations are certified under ISO 14001:2015 environmental and ISO 50001:2011 energy management standards.

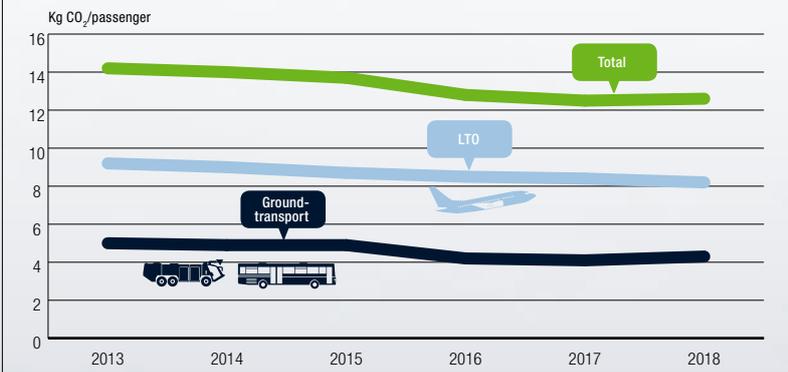
The P1 long-term car park at Stockholm Arlanda Airport is certified as Excellent under CEEQUAL standards, which assess how well construction projects address sustainability issues.

Office One at Stockholm Arlanda has been certified as Excellent under BREEAM standards. BREEAM is an environmental certification system for buildings and Excellent is the second highest rating.

Swedavia's target of zero fossil carbon dioxide emissions*

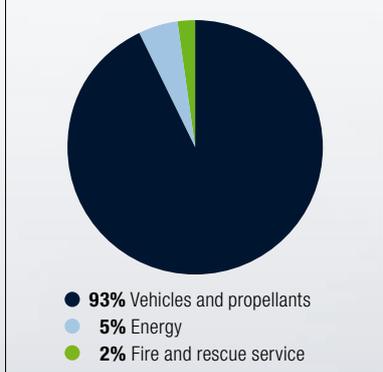


Emissions of fossil carbon dioxide in kilograms per passenger for air traffic's LTO and passengers' ground transport to and from the airports



** LTO stands for landing and take-off – in other words, flying below an altitude of 3,000 feet, including taxiing on the ground.

Swedavia's fossil carbon dioxide emissions by area in 2018, %



Carbon footprint, kilotonnes of CO₂*

Airport	Air traffic		Ground transport		Swedavia		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Stockholm Arlanda Airport	233	235	112	103	0.8	0.9	346	340
Göteborg Landvetter Airport	47	48	32	29	0.1	0.2	78	77
Malmö Airport	21	21	17	17	0.2	0.2	38	38
Bromma Stockholm Airport	18	18	3	3	0.0	0.1	21	22
Umeå Airport	8	8	6	6	0.1	0.2	14	15
Luleå Airport	9	9	6	6	0.0	0.0	15	15
Åre Östersund Airport	4	4	2	2	0.0	0.0	6	6
Kiruna Airport	2	2	1	1	0.1	0.2	3	4
Ronneby Airport	2	2	1	1	0.0	0.0	3	3
Visby Airport	3	3	1	1	0.0	0.0	4	4
Swedavia Real Estate AB	-	-	-	-	0.0	0.0	0	0
Total	346	352	181	170	1.3	1.9	528	524
<i>Percentage change 2017–2018:</i>	<i>-1.7 %</i>		<i>6.3 %</i>		<i>-31.1 %</i>		<i>0.8 %</i>	

The carbon footprint of Swedavia's airports in 2018 reported here is broken down into air traffic emissions in the landing and take-off (LTO) cycle (flying at an altitude below 3,000 feet including taxiing on the ground), passengers' ground transport to and from the airports, and Swedavia's own operations*.

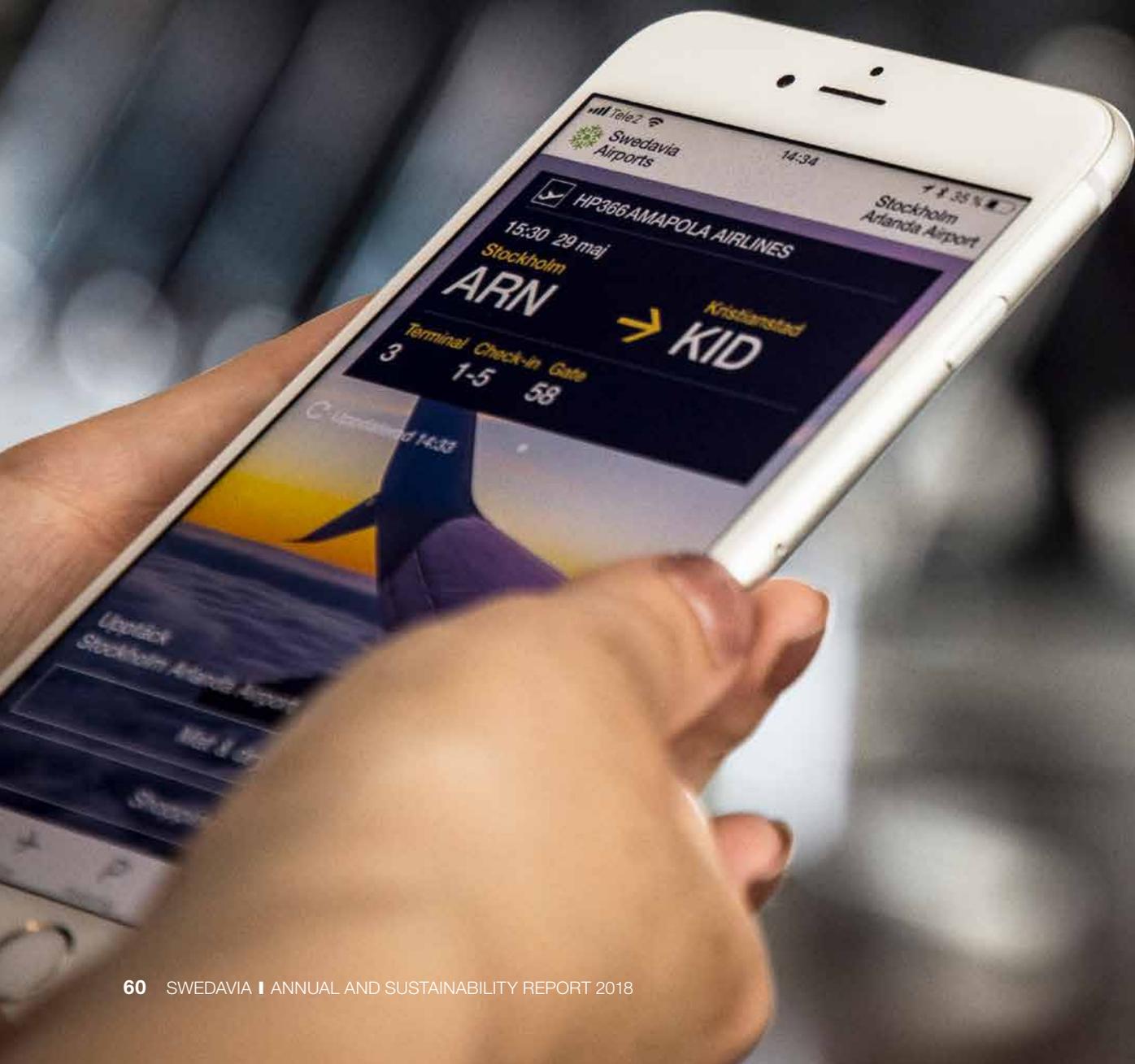
During the year, the carbon footprint of Swedavia's airports increased by about 1 per cent, from about 524 kilotonnes of CO₂ in 2017 to 528 kilotonnes in 2018. Meanwhile,

passenger volume increased 0.2 per cent, which means that the carbon footprint per passenger increased about 1 per cent.

Swedavia's own fossil carbon dioxide emissions decreased about 27 per cent, from 1,896 tonnes in 2017 to 1,305 tonnes in 2018. Measures that helped reduce emissions from its own operations include the increased use of renewables in the fuel mixture used for vehicles.

* Swedavia AB (10 airports) and Swedavia Real Estate AB.





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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 2018. 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 2018, 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 Swedish 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 "Together with our partners, we shall create added value for our customers through attractive airports and access".

IMPORTANT EVENTS DURING THE YEAR

For the eighth straight year, passenger volume increased, and during the year 42 million passengers flew to or from Swedavia's airports, an increase of 0.2 per cent compared to the previous year.

In 2018, 41 routes were launched at Swedavia's airports, which contributes to even better access. The last route added during the year was between Göteborg Landvetter Airport and Doha, Qatar, which is Swedavia's first long-haul route from western Sweden.

Swedavia received the Swedish Financial Supervisory Authority's approval to expand the loan framework for its medium-term note (MTN) programme, which was established in 2012. The programme has been expanded from SEK 5 to 15 billion.

On February 7, Johan Bill was appointed the new head of Swedavia's implementation organisation, the name of which was

also changed to the unit for Major Projects. Johan Bill worked most recently at the Swedish Transport Administration and assumed his new duties in August. He reports to the CEO and is a member of the executive management team.

The Swedish Parliament adopted a national aviation tax in conjunction with its decision on a framework budget for 2018, which was implemented on April 1, 2018. Swedavia has followed developments to determine what effects the tax may have on the Company's customers and thus on Swedavia's operations. Swedavia's previous view, that a national aviation tax will have very small effects on greenhouse gas emissions and at the same time risks being a Swedish competitive disadvantage, still holds. Swedavia continues to follow developments in order to determine what measures will need to be taken as a result of the aviation tax.

Over the next few years, Swedavia is carrying out a major expansion of Göteborg Landvetter Airport in order to meet the region's need for increased access. The agreements for the project, Terminal Expansion North, were signed on February 23, 2018, and include the construction of a new hotel linked to the terminal, a single security checkpoint for domestic and international passengers and a new baggage storage facility. The general contractor is Peab, and the hotel operator will be Scandic. May 8 was the official start of the Terminal Expansion North project, which means that construction is now under way on both the north and south sides of the terminal at Göteborg Landvetter.

At Stockholm Arlanda Airport, a new apron with new aircraft parking stands was inaugurated at Terminal 2 on May 28, 2018. Passengers and baggage are handled in other terminals, and buses transport passengers to and from the apron. The new apron is an important addition to Stockholm Arlanda's development and allows the airport to handle increased air traffic, which is essential for the construction of the new pier.

Swedavia's operations and Luleå Airport became entirely fossil-free during the year. That means these airports, together with Ronneby Airport, which achieved the target in 2017, now have zero fossil carbon dioxide emissions from their own operations. This target is one of Swedavia's four general sustainability targets – zero tonnes of fossil carbon dioxide emissions from the Company's own operations by 2020.

In June, an agreement was signed with Serneke Group AB concerning final payment of the earnout, SEK 55 M, attributable to the sale of Sæve Airport. Cash settlement was made in August 2018.

On July 6, Swedavia signed an agreement to sell the property at Göteborg Landvetter Airport on which a future hotel is under construction to Midstar Fastigheter AB. The hotel, which is expected to be ready for occupancy in early 2021, is located immediately adjacent to the airport terminal. The sale is in line with Swedavia's adopted strategy to create and deliver value in order to reinvest in the competitiveness of its airports. The capital gain on the sale is estimated to be around SEK 140 M, and the hotel is expected to open during the first quarter of 2021.

Bromma Stockholm Airport is adapting its facilities to meet the need for well-functioning travel by adding a new section to the departure hall, which is now open. The new departure hall, which was rebuilt with airier, more spacious and more efficient gates to make travel easier, was inaugurated on September 16. Improvements in the departure hall are part of the modernisation of the airport.

In May, Swedavia signed an agreement with United Spaces for a long-term partnership on the Sky City Office One building located close to the terminals. The office complex offers modern co-working spaces with close proximity to the rest of the world. The first tenants moved in on October 1, 2018.

In 2018, Swedavia signed an agreement with Securitas for the company to be the new security services contractor at Göteborg Landvetter Airport beginning May 1, 2019. Göteborg Landvetter Airport was formerly Swedavia's only big airport whose security operations were managed under Swedavia's auspices.

Since 2016, Swedavia has purchased bio jet fuel corresponding to the amount used for its employees' travel for business purposes. In 2016, Swedavia became the first company in the world to make such an investment, which it has continued to do in subsequent years. Bio jet fuel has previously been used to fuel aircraft at half of Swedavia's airports. The amount for 2018 was allocated in mid-December 2018 to Stockholm Arlanda Airport, Göteborg Landvetter Airport, Bromma Stockholm Airport, Visby Airport and Luleå Airport.

In December 2018, a new Group organisational structure for Swedavia was decided, which was implemented on January 1, 2019.

The new organisation will help ensure that Swedavia has the conditions needed to gradually change its working methods, be more result- and process-oriented and create better potential to realise the Company's strategies. In conjunction with the change, Swedavia has to some extent a new executive management team, which consists of the President and CEO, Jonas Abrahamsson, Mats Pålsson, Anna Bovaller, Marie Wiksberg, Johan Bill, Karl Wistrand, Charlotte Ljunggren, Peter Grunditz, Mona Glans and Susanne Norman. Anna Strömwall will take over as airport director at Göteborg Landvetter Airport in February and be part of the new executive management team.

Swedavia has decided to raise its charges to airlines and ground handling companies by 7.8 per cent starting January 1, 2019, in addition to the 2.7 per cent increase in effect as of January 15, 2019, under the 2018 pricing decision. The airport charge decision also includes a one-time adjustment by which Swedavia's charges will be temporarily increased a further 2.1 per cent until December 31, 2019. The reason for the higher charges is the extensive investments in new capacity being carried out by Swedavia to meet long-term demand for air travel.

THE GROUP IN BRIEF¹

SEK M, unless otherwise indicated	2018	2017	2016	2015	2014
Net revenue	5,922	5,745	5,546	5,416	5,384
Operating profit	682	651	966	1,755	1,405
Operating margin, %	11.5	11.3	17.4	32.4	26.1
Profit for the year	517	407	717	1,410	926
Return on operating capital, % ³	4.6	5.1	8.5	14.6	10.3
Debt/equity ratio, times ³	1.1	1.0	0.7	0.6	1.4
Investments	3,195	3,866	2,138	1,120	924
Dividend	- ²	122	143	232	231
Average number of employees	3,217	3,074	2,949	2,787	2,516
Number of passengers, million	42.0	41.9	39.5	37.6	35.7
Operating costs per departing passenger, SEK ⁴	205.4	197.3	197.3	195.2	186.6
Commercial revenue per departing passenger, SEK	75.2	75.7	75.5	76.1	78.5

¹ For key metrics and definitions, see pages 134–135.

² Dividend proposed to the Annual General Meeting.

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

⁴ As of 2017, capitalised work for the Company's own account has been taken into consideration; comparative years have been restated.

For 2016-2017, this metric was calculated based on Airport Operations and for 2014-2015 it was calculated based on Swedavia AB.

NET REVENUE AND PROFIT

Consolidated net revenue for the full year totalled SEK 5,922 M (5,745), an increase of SEK 177 M or 3.1 per cent compared to the same period the previous year.

Revenue from Aviation Business totalled SEK 3,696 M (3,552), which is an increase of SEK 144 M. Passenger- and aircraft-related revenue increased SEK 88 M or 3.7 per cent. Swedavia's pricing model, which includes a risk component if passenger volumes deviate from forecast levels, had a positive effect on revenue.

Increased costs due to security screening entailed increased revenue from externally paid charges. Sales of de-icing, apron and passenger services had a positive trend and contributed to increased revenue in ground handling and other ancillary services.

Revenue from Commercial Services totalled SEK 2,191 M (2,152), which is an increase of SEK 39 M. Commercial revenue per passenger was SEK 75.2 (75.7).

Revenue growth for food & beverage continued to exceed pas-

senger growth while revenue for retail trended negatively, falling below the rate of passenger growth. Revenue from car parking and parking facilities exceeded revenue for the previous year. Advertising revenue, primarily at Stockholm Arlanda, trended positively, exceeding the figure for the previous year by 22 per cent.

The key metric operating costs per departing passenger was SEK 205.4 (197.3).

External expenses were SEK 96 M higher compared to the previous year. This is due to increased costs for renting the new airport maintenance area and increased costs due to winter effects, IT, and airport security and monitoring.

Staff expenses adjusted for capitalised work carried out for the Company's own account totalled SEK 1,860 M, which is an increase of SEK 94 M compared to the previous year. More resources for development programmes, IT development, and a greater need for operational staff at the airports, together with annual salary reviews, are important explanations for the increase.

Depreciation, amortisation and impairment losses increased SEK 51 M compared to the previous year. Impairment losses for 2018 totalled SEK 71 M (119), due mostly to IT and operation development projects. Depreciation and amortisation totalled SEK 1,031 M (933), an increase of SEK 99 M, due to the increased pace of investment in recent years. Other operating costs were SEK 26 M lower compared to the previous year, when disposals had a negative effect of SEK 14 M (40).

Consolidated operating profit was SEK 682 M (651). Operating profit was negatively affected by SEK 84 M (160) attributable to impairment losses and disposals while an earnout of SEK 55 M from the sale of S ave Airport had a positive effect. Excluding the above items, operating profit was less than for the previous year, SEK 711 M (811).

Net financial items for the year totalled SEK -40 M (-76). Net interest was lower than for the previous year, which is explained by a lower average interest rate despite larger borrowings. Profit from joint ventures had a positive effect of SEK 53 M (37) on net financial items.

Profit before tax was SEK 642 M (675). The tax expense for the year was lower than for the previous year, SEK 126 M (167), due largely to a revaluation of deferred tax on temporary differences as a result of the Swedish Parliament's decision in June to lower corporate tax in two stages, first to 21.4 per cent in 2019 and then 20.6 per cent in 2021. The revaluation had a positive effect on the full year of SEK 30 M.

Profit after tax was SEK 517 M (407).

LIQUIDITY AND FINANCIAL POSITION

Consolidated equity at year-end was SEK 8,066 M (7,665).

Swedavia's net liabilities at the end of the period totalled SEK 9,195 M (7,290), which is an increase of SEK 1,905 M, due to increased borrowing as a result of the faster investment pace. Swedavia's borrowings are divided into bank loans of SEK 1,700 M (-), medium-term notes of SEK 5,150 M (5,082), and commercial paper of SEK 1,506 M (1,451). At year-end, the average capital tie-up period was 4.2 years (3.4) and the average interest rate lock-in period was 2.7 years (3.4). The average interest rate on December 31, 2018, was 1.0 per cent (1.4).

Liquid assets decreased SEK 48 M to SEK 10 M (50). The debt/equity ratio was 1.1 times, which is an increase compared to the beginning of the year, when it was 1.0 times.

On the balance sheet date, Swedavia had unused credit facilities totalling SEK 1,793 M (2,200) and a loan agreement with the Nordic Investment Bank of SEK 2,000 M, of which SEK 1,700 M has been used.

CASH FLOW

Cash flow for the year totalled SEK -48 M (-112). Cash flow from operating activities was SEK 1,359 M (1,537), which is SEK 178 M lower compared to the same period the previous year.

Cash flow from investment activities totalled SEK -3,124 M (-3,765). Investments in fixed assets decreased SEK 873 M compared to the previous year while investments in intangible non-current assets increased SEK 202 M. Cash flow was positively affected by SEK 55 M in liquid payments from the sale of S ave Airport. The previous year was positively affected by an earnout related to Clarion Hotel of SEK 95 M.

Cash flow for the year from financing activities was SEK 1,717 M (2,117). 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 122 M (143).

INVESTMENTS

During the year, investments totalled SEK 3,195 M (3,866). Important investments during the year were investments to expand capacity in Stockholm Arlanda Airport's and G teborg Landvetter Airport's development programmes and to develop the terminals. Investments

were also made in the construction of the Sky City Office One complex and a hotel at both Stockholm Arlanda Airport and G teborg Landvetter. Maintenance of the runways also accounted for a significant part of the investments for the year.

ECONOMIC TARGETS

Swedavia's economic targets are a return on operating capital of at least 6 per cent and a capital structure or debt/equity ratio of 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, 2018. The par value of a share is one (1) Swedish krona.

ACQUISITIONS AND DISPOSALS

In July 2018, Swedavia signed an agreement to sell the company that owns the property at G teborg Landvetter Airport on which a future hotel is under construction. According to the agreement, the property will be transferred when the hotel is ready for occupancy. The transaction is recognised when the buyer takes possession, which is when the risk is transferred to the buyer.

MARKET

For the eighth straight year, passenger volume increased, up 0.2 per cent for the full-year 2018. The number of international passengers continued to rise, up 2.1 per cent, while the number of domestic passengers fell 3.4 per cent. Both Stockholm Arlanda and G teborg Landvetter set new passenger records. The rolling passenger trend shows that the rate of growth slowed in 2018 after a lengthy period of strong growth.

The subdued traffic growth at Swedavia's airports is a result of a number of factors, such as higher fuel prices and air fares, the discussion about climate change, and the introduction of a Swedish national aviation tax as well as market adjustments after numerous years of high growth. The airlines' load factor decreased 0.9 percentage points during the year.

The economy remained strong both in Sweden and globally, which contributed to growing incoming tourism. Swedavia sees a strong link between new direct routes and an increased number of visitors, which benefits the entire tourism industry. However, the Swedish economy is now apparently entering a slowdown phase. Concerns about weaker Swedish economic growth and worries about the country's housing and stock markets probably had an effect on the traffic trend during the autumn.

Among leisure travellers, a shift in destinations is seen from Spain and Greece to Turkey and Egypt, which are recovering from turmoil in recent years. A weaker Swedish krona against the euro also contributes to the growth in travel to Turkey and Egypt. Intercontinental traffic was the segment that saw the strongest growth during the year.

Sustainability Report

For Swedavia, responsible business operations means integrating sustainable development in its business operations, with a focus on the customer and by taking responsibility for social development, environmental concern and economy.

Swedavia is a member of the Global Compact, a UN initiative for businesses with ten principles covering human rights, labour rights, the environment and corruption. Swedavia is committed to respecting the principles of the Global Compact.

Swedavia shall be an international role model in sustainability, which is in line with the Swedish government's ownership policy for State-owned companies. Among the guiding factors in this ownership policy are the UN's Agenda 2030 and Sustainable Development Goals. Swedavia shall also help to achieve Sweden's Generation Goal, which lays out the country's environmental ambitions, the Swedish Parliament's environmental quality objectives, and the goals agreed in the Paris Agreement on Climate Change.

In 2018, Swedavia's owner carried out a sustainability analysis of State-owned companies that have real estate operations. The results of this analysis will lead to recommendations for Swedavia's continued work with sustainability issues.

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. Environment, social relations, employees, human rights, anti-corruption and business ethics are all integrated in this business model. For a detailed description of Swedavia's business model, see page 12.

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. Swedavia's risk work and risk methodology also include areas such as anti-corruption, human rights, social relations, employees and environment. A number of focused workshops were held in order to increase awareness in these risk areas and ensure that this is part of the continuous risk work. The airports' and the corporate units' sustainability and business planning work is based on structured risk work that is integrated in Swedavia's management systems.

Definitions of risk criteria & 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.

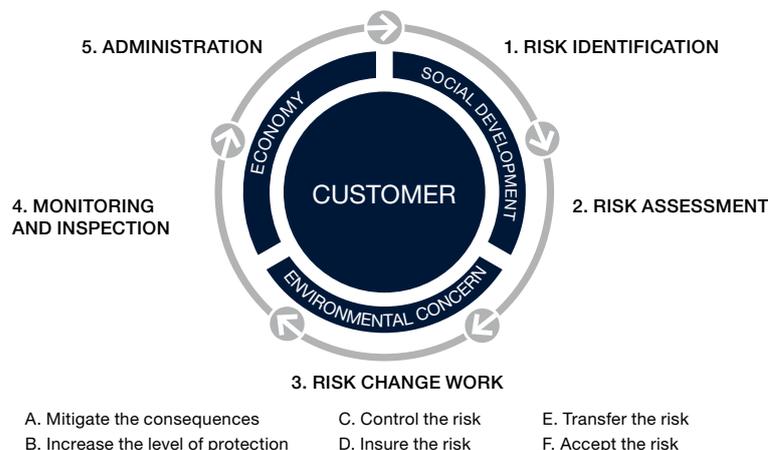
Operational risks – Risks as the result of insufficient, inefficient or non-functional internal processes, human error, problems with technical systems or external events.

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 pages 119-122, Note 46 "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 the Risk Committee may supervise the

Implementation of risk work



risk owner.

These principles are enforced through the mandatory completion of risk analyses on a continuous basis and prior to changes and projects which are reported to the Risk Committee, the Audit Committee and the Board of Directors each quarter. 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 at all levels of Swedavia's operations 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 reports, 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 inspection

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.

Events in 2018

During the year, Swedavia continued to develop its risk work and intensified its efforts in a number of sustainability areas identified such as anti-corruption, the environment and human rights. In 2018, Swedavia held focused risk workshops on anti-corruption and human rights. Environmental risks are handled on a continuous basis according to procedure. Monitoring and follow-up of projects in the development programmes are also on a continuous basis in order to ensure that disruptions in ongoing airport operations are minimised.

Risk management in the Customer perspective

Swedavia strives to continuously develop, improve and create flexibility in operations with 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. If Swedavia is not able to translate insights and customer needs into new ventures and business opportunities, this could lead to declining profitability.

Risk management in the Social Development perspective

Events such as extreme weather conditions, operational downtime,

a labour dispute or terrorist act 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. With effective safety and security work combined with effective risk work, the risk of disruptions in airport operations that affect aviation safety and security shall be minimised. 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. Attracting and retaining the right employees are an important part of Swedavia's drive to secure the supply of future talent. The Group is carrying out a large number of strategic development projects, which places high demands on leadership and implementation capability as well as management of environmental risks identified in construction-related projects. Employees are motivated and engaged through a functional breakdown of objectives and targets

Risk management in the Environmental Concern perspective

Swedavia is required to obtain environmental permits for its operations under the Swedish Environmental Code, which together with its high level of ambition to combat climate change governs the Group's environmental work. The permits and the terms of the permits define opportunities as well as limitations for Swedavia to develop its business and meet demand. Changes in these permits and permit terms can affect operations to a great extent. Environmental permit processes are lengthy 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.

Risk management in the Economy perspective

Swedavia carries out work on a continuous basis to make operations more efficient. As a consequence of changes in passenger growth and a high rate of change in the industry, investments in infrastructure with a high degree of complexity are needed. In 2018, the rate of growth in passenger volume was slower than in previous years, which entails challenges in a short-term perspective. In the long term, Swedavia believes that the rate of growth will be in line with its long-term forecast. 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 large airline customers and changes occur rapidly. The risks that Swedavia faces because of uncertainty about the economy 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 the Financial Policy, Credit

Policy and Tax 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 46 on pages 119-122.

Whistleblowing

For Swedavia's stakeholders, there are a number of options for contacting Swedavia in the event a stakeholder would need to report an irregularity or make a complaint. Swedavia's whistleblowing function is available to both employees and external stakeholders and is managed by an external party. There is also a well-defined process for handling incoming cases. The function guarantees anonymity.

Complaints

Swedavia enables airport visitors to make a complaint through the customer service counters at its airports or digitally, while nearby residents can make a complaint about noise on its website. For companies and other organisations that work at our airports, there is an online system for incident reporting.

Business ethics at Swedavia

Within the scope of Swedavia's strategy "Responsibility for society and people," the Corporate Legal Department is responsible for the initiative "Safeguard and develop business ethics at Swedavia". This is a matter of safeguarding the four areas Anti-corruption, Human rights, Social relations & employees and Environment. The illustration below shows the process for how Swedavia works with business ethics.

In each of the four areas, people work based on the business ethics process wheel. Risks are identified on an ongoing basis and analysed in part through workshops and then incorporated for management in the relevant parts of operations. Governing documents are prepared, training programmes are held and dialogues are maintained in operations – and opportunities are provided for follow-up.

In the spring of 2018, business ethics at Swedavia and this work process were incorporated into an updated Code of Conduct – with business ethics being the unifying theme. The new Code of Conduct was adopted by Swedavia's Board of Directors in April 2018 and applies to Swedavia and to Swedavia's suppliers.

During the autumn of 2018, the foundation was laid for implementing Swedavia's new Code of Conduct through a fruitful dialogue about business ethics issues and through workplace meetings across operations. A training programme on the Code of Conduct will be deve-

loped in 2019 and will be mandatory for all employees at Swedavia. The training programme will also include Swedavia's suppliers in the long term.

Environmental concern

Systematic environmental work is an essential condition for Swedavia to achieve our ambitious environmental targets, and it is also important to show trustworthiness and meet the requirements set on our operations.

Policy/governance

Swedavia directs our environmental work through our environmental and energy management systems. Our Environmental and Energy Policy has been adopted by the Board of Directors and is used as a Group-wide governing document.

The 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 to 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 incumbent on the executive officers to continuously improve the environmental management system to achieve better environmental performance.

Swedavia monitors our strategic objectives and targets on a quarterly basis, and these are summarised in a quarterly report sent to executive management and the Board of Directors. Local environmental targets are also monitored on a quarterly basis. Internal and external audits to check compliance with the ISO 14001 and ISO 50001 management systems are carried out on a regular basis and with Airport Carbon Accreditation (ACA). It is mandatory for Swedavia's employees to complete two online training programmes on the environment and energy.

Governing documents

- Swedavia's Code of Conduct
- Environmental and Energy Policy
- Environmental and energy management systems
- Airport Carbon Accreditation (ACA) standards

Proactive environmental work

A reduced climate impact is one of the greatest challenges to the



air transport industry. Swedavia's main environmental impact is also 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 2018, emissions were 1,305 tonnes compared to 1,896 tonnes in 2017, and energy use in 2018 was 198,764 MWh compared to 190,530 MWh in 2017. Read more about this on pages 56-57.

Swedavia's proactive environmental work covers the Company's own operations as well as the switch to renewable jet fuel. The Company works actively to reduce its own fossil carbon dioxide emissions and those of its stakeholders and to ensure that natural resources are used efficiently, with the ambition being to ensure Swedish access in the long term. Swedavia was one of three companies in the world this year to receive renewable jet fuel produced at World Energy AltAir's facility in California.

Swedavia is determined to contribute to sustainable development in the air transport industry and thus, beginning in 2019, its target is to have five percent renewable jet fuel used at Swedish airports by 2025. The total amount of renewable jet fuel used by Swedavia in 2018 was 542 tonnes, compared to 12 tonnes in 2017. Read more on page 56-57.

Swedavia takes part in a number of industry collaborations such as Fossil-Free Sweden and the 2030 Secretariat, and on the issue of perfluorinated alkylated substances or PFAS, Swedavia is involved in the PFAS network involving the Swedish Chemicals Agency, the Swedish Environmental Protection Agency, the Swedish Fortifications Agency, the Swedish Defence Forces and the Swedish Transport Administration. During the year, Swedavia was an active partner in the Royal Swedish Academy of Engineering Sciences' extensive project "Facing critical decisions on climate change". Within the scope of the ACA climate programme, there are many collaborations at the airports to reduce fossil carbon dioxide emissions. ACA also provides certification. During the year, most of Swedavia's airports were recertified under ACA standards. All of Swedavia's airports meet the requirements for the highest level of certification.

On issues related to infrastructure, Swedavia acts in accordance with its Environmental and Energy Policy through different guidelines that are applied in all construction projects. These guidelines address issues such as environmental certification, energy, handling building waste, other waste, building materials and other environmental issues related to construction. During the year, a review was begun of the anti-skid agent Swedavia uses on its take-off and landing runways in order to ensure that it works best with the asphalt that is used.

Results/KPI

Swedavia will continue to work proactively with environmental issues within the scope of the permits and regulatory requirements that govern our operations. There will be great focus on the climate change issue in 2019. We will ensure that all our airports achieve the target of zero emissions from our own operations. Once this is done, the next step will be to work to make the entire airport fossil-free by engaging other companies and organisations at the airport, including air travel to and from the airport, for instance through curved approaches, optimised approaches and departures, and renewable jet fuel

Environmental permits

Swedavia's operations require an environmental permit since they constitute environmentally hazardous operations under Chapter 9 of the Swedish Environmental Code (airport operations) and water operations under Chapter 11 (ponds, water treatment facilities and groundwater run-off). Swedavia must therefore obtain an

environmental permit for each airport in order for the Company to be allowed to run the airports. At the end of 2018, Swedavia was responsible for eight airports that require an environmental permit under the Swedish Environmental Code. For the other two airports, Luleå Airport and Ronneby Airport, the Swedish Armed Forces was responsible for the environmental permits. Swedavia's primary environmental impact is greenhouse gases emissions, mostly carbon dioxide. The greatest source of the Company's emissions is exhaust gases from vehicles and the operation of terminals and other buildings. Another significant environmental impact is the discharge to land and water primarily of oxygen-consuming substances from the anti-skid treatment of runways and de-icing of aircraft. As a result of airport operations, the areas in the vicinity of the airports are also exposed to aviation noise.

Stockholm Arlanda Airport's new 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 deficiency in Condition 5, which means that the airport cannot comply with this condition. Swedavia is investigating how we in partnership with LFV, the Swedish Civil Aviation Administration, can find alternative solutions to handle traffic governed by Condition 5. For this work to be successful, increased collaboration is required with the Swedish Defence Forces. Stockholm Arlanda's environmental permit includes a condition that requires an action plan to reduce atmospheric emissions of fossil carbon dioxide, nitrogen oxides and particulate matter. The action plan shall 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 that regulates flights over the densely populated areas of Upplands Väsby, regular straight approaches over these areas may now take place, but the airport must use other approach procedures to avoid them when possible, taking into consideration the airport's capacity, regulations for air traffic service, aviation safety and weather conditions. During the year, Swedavia tested the introduction of three curved procedures on Runway 3 at Stockholm Arlanda which avoid flying over the densely populated areas of Upplands Väsby. This reduces the noise load and shortens the flight path, which also helps reduce greenhouse gas emissions.

In 2017, Stockholm Arlanda Airport submitted an application to the Land and Environmental Court to redirect groundwater in conjunction with the construction of Pier G in the development programme. On June 5, 2018, the Land and Environmental Court ruled in Swedavia's favour.

Stockholm Arlanda Airport has also applied to build a new boiler facility. On June 13, 2018, an application was submitted to the Land and Environmental Court. A ruling is expected in the spring of 2019.

On June 17, 2015, the Land and Environmental Court issued a partial ruling on the case concerning Göteborg Landvetter Airport. The ruling was appealed by, among others Swedavia, the Swedish Environmental Protection Agency and the Western Götaland County Administrative Board. The Land and Environmental Court of Appeal's ruling on April 28, 2016, included a restriction on production volume of 90,000 aircraft movements compared to the volume applied for, 120,000 movements. Swedavia submitted leave to appeal the ruling to the Supreme Court on May 25, 2016. The Supreme Court rejected the leave to appeal, and Swedavia has decided not to place the new permit in service. The permit does not allow the production volume needed for the region, which means that in a few years, a new environmental permit application procedure must be launched. Placing the new permit in service requires a lot of resources to carry out trial period studies as specified in the permit and is difficult to handle at the same time as the airport is putting together material for

a new permit application. The airport assesses the need for a new environmental permit annually or whether the new permit should be placed in service.

During the year, Visby Airport submitted a trial period study concerning its permit condition for noise insulation.

In September 2018, Malmö Airport was given a ruling on the trial period for surface water and wastewater. Some aspects of the trial period have ended, and others have been extended until July 1, 2020. Bromma Stockholm Airport, Kiruna Airport, Umeå Airport and Åre Östersund Airport did not have any issued related to permits during the year.

Anti-corruption

The occurrence of bribery or suspicion of bribery in a company affects everyone who has a relationship with the company. Swedavia's reputation and brand would be damaged if there was corruption in operations and/or among suppliers or other companies or organisations at one of our airports. Opinions about the Company – of customers, suppliers and employees – would be adversely affected. So it is part of Swedavia's sustainability work to proactively work to prevent corruption and irregularities in the Company.

Swedavia has chosen to be more restrictive in its Bribery Policy and guidelines than the law explicitly. That is because, as a publicly owned company, we have a responsibility to administer our society's invested resources in the best way. So as a publicly owned company, we have a lower threshold for what is allowed compared to many other companies.

Employees of Swedavia may never, either explicitly or implicitly, for themselves or on someone else's behalf receive, promise to offer or request an unlawful benefit for carrying out their duties, nor give or offer such a benefit.

The risk of corruption may be considered to be latent but is not currently addressed at an overall level. Swedavia carries out a number of measures to mitigate this risk, for instance through training programmes, advice, a whistleblower function and an Ethics Committee.

Policy/governance

The work with anti-corruption is carried out internally at Swedavia through risk analysis, governing documents, training, advice and follow-up as well as externally since Swedavia's Code of Conduct is part of Swedavia's supplier agreement in a tender process.

Advice is provided to operations on issues concerning business entertainment on an ongoing basis. Follow-up is provided through the employee's immediate supervisor and through the agency of internal audit, through the whistleblower function and through Swedavia's Ethics Committee. Swedavia's whistleblower function is also available to external parties and can be accessed via Swedavia's external website.

It is also possible for Swedavia's employees to get instructor-led training on the Swedish Joint Initiative to Prevent Bribery and Corruption.

Governing documents

- Swedavia's Code of Conduct
- Swedavia's Bribery Policy
- Swedavia's Business Entertainment Guidelines
- Joint Initiative to Prevent Bribery and Corruption, an agreement between Swedish suppliers and clients in the public-financed construction and property sector.

Results/KPI

Swedavia will continue to work actively to develop its work on anti-corruption issues. In 2018, the following activities were carried out:

- Workshops and dialogues on ethical dilemmas and business

ethics with leaders

- Definition of the concept "business ethics at Swedavia"
- The process for how we work with business ethics at Swedavia was clarified through a new process wheel
- An update of the Code of Conduct – with a clear link to business ethics and the four parts of the Sustainability Report
- Overall risk analysis linked to anti-corruption – through dialogues in operations

The rate of online training on Swedavia's Bribery Policy and Business Entertainment Guidelines completed by leaders at Swedavia in 2018 was 94 per cent.

Social relations and employees

Employees and Swedavia

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 competences 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 2018, Swedavia's annual measurement of engagement among leaders and employees was carried out. In the measurement for the year, Swedavia had 65 per cent engaged leaders and employees, in line with the benchmark of 63 per cent. The target at Swedavia is 75 per cent engaged leaders and employees by 2025.

At the end of 2018, the total number of employees, regardless of their form of employment, was 3,962 (3,681). Restated as the average number of employees during the financial year (see the definition on page 134), the number was 3,217 (3,074). The increase is primarily due to increased investment volume and continued development of the organisation by replacing consultants with the Company's own employees and hiring new employees in the Major Projects unit. Another explanation is expanded regulatory requirements from the European Union Aviation Safety Agency (EASA), which has entailed an increased need for employees at some airports. The gender breakdown is 36 per cent women and 64 per cent men. Further information about employees can be found on page 55.

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 to create opportunities for employees to grow and develop in an inclusive environment. As a result, employees are offered opportunities and rights to develop in exchange for taking responsibility, carrying out obligations and respecting our values. Swedavia is developing the work to make an inventory of talent and, among activities in 2018, established a process for succession planning. The focus is on bolstering continuing learning and creating conditions so that employees and operations develop and attain good performance. Swedavia is focused on the following areas with respect to employee development:

- Create conditions for employees to further develop in their work through more challenging duties
- Make an inventory of employee competences and provide the organisation with the skills development needed to carry out current duties
- Ensure that all employees have an individual development plan that is monitored on a regular basis.

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 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 about 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.

Swedavia is focused on the following areas with respect to sustainable leadership and employeeship:

- Involve employees to a greater extent in setting team goals and ensure regular monitoring of how these goals are achieved.
- Develop collaboration in the organisation and make dependencies clear so that we can be sure that everyone takes responsibility for the entire team's/Swedavia's results and not just their own.
- Make sure that general information about what is happening at Swedavia and how it affects individuals and their work is communicated to everyone.

The workplace environment

Both the physical and psychosocial workplace environment are priority areas at Swedavia, and the goal is to have no serious workplace accidents take place at the airports. Swedavia works continuously to bolster its proactive and systematic work with every aspect of the workplace environment. The essential idea is that leaders should show their leadership in a visible and practical way for a safe workplace environment.

Safety walks and safety talks are some of the activities that are part of the systematic work to create a workplace environment without illnesses or accidents. As a result, an open dialogue is ensured and everyone is included in the work to systematically improve the workplace environment. These talks involve leaders and employees together investigating the workplace environment and increasing awareness about workplace environment risks in operations. Safety walks and safety talks are followed up annually through individual talks with leaders about goals.

Swedavia works on a continuous basis to improve procedures for reporting incidents and irregularities involving the workplace environment. Reporting covers both the physical and psychosocial workplace environment and applies both internally at Swedavia and to building contractors. Safety walks are also carried out in Swedavia's development programmes.

Inclusion

For Swedavia, diversity and an inclusive approach are a strategic

issue and a priority. Having well-thought-through, inclusive diversity work is of utmost importance to business since Swedavia operates under the idea that people's differences enrich us. Swedavia shall be an attractive employer and has zero tolerance of all forms of discrimination and victimisation. Work to create the best feasible conditions for both leaders and employees to show civil courage is carried out on a continuous basis. During the year, among other activities, Swedavia trained management groups in leading inclusion.

Swedavia's goal is to achieve gender equality and have at least the same share of employees with a foreign background as is the demographic in Swedish society. At the end of 2018, the share of employees with a foreign background was 18.2 per cent (15.2 per cent in 2017). The share of women at the Company was 36 per cent (36 per cent in 2017), and at management level, the figure was 36 per cent (35 per cent in 2017). Under the scope of Swedavia's succession planning, the corresponding figure is 49 per cent women.

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 collaborations with the Royal Swedish Academy of Engineering Sciences, the Swedish employment agency Arbetsförmedlingen, and 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, clear communication and One Swedavia. To ensure that everyone at Swedavia is familiar with our employee principles and our Code of Conduct, these concepts and guidelines and what they entail are included in our introductory training programme for all new employees, "Welcome to Swedavia". Monitoring to ensure that leaders and employees respect these principles and guidelines in their day-to-day work is carried out in the process for goal reviews and performance reviews, where conduct is assessed and strengths and areas for development are identified in order to ensure these are continuously developed in accordance 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
- Policy for Equal Treatment and Diversity
- Workplace Environment Policy
- Policy for Employee Planning
- Plan for Equal Treatment and Diversity
- Guidelines against Victimisation
- Training Guidelines
- Recruitment Guidelines
- Policy on the Workplace Environment and Drugs
- Safety and Security Policy
- Information and Communication Policy

Results/KPI

Swedavia measures a number of parameters and selected KPIs

each year, which are:

- Absence due to illness
- 100 per cent systematic work with the workplace environment
- Gender equality and share of employees with a foreign background
- Engagement among employees and leaders (employee survey)

In 2019, Swedavia will continue to boost the engagement of leaders and enhance conditions for development and good performance.

Swedavia will continue its preventive work in order to prevent injuries and accidents, reduce absence due to illness and proactively work for zero tolerance of victimisation and discrimination as well as create an inclusive culture. Methods will continue to be developed for reporting incidents and irregularities involving the workplace environment.

Human rights

Human rights are a priority issue at Swedavia. Swedavia is expected by its owner to work in line with the UN's Guiding Principles on Business and Human Rights. It is also important to create an engaging, inclusive and involving culture, in order to work towards achieving the Group's objective and targets. In 2018, risk workshops were carried out in which risks were identified and assessed. Risks are currently being managed individually in the different operations.

Policy/governance

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

Responsibility for Swedavia's highest priority issue linked to human rights, aviation safety and security, 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.

Below are the policies and guidelines that serve as the basis for this work:

- Code of Conduct
- Policy for Equal Treatment and Diversity
- Workplace Environment Policy
- Recruitment Guidelines
- Guidelines against Victimisation
- Plan for Equal Treatment and Diversity

Swedavia safeguards human rights through our risk process, in which we systematically identify and give priority to all kinds of human rights throughout the value chain. The organisation conducts workshops with people who are responsible for business or operations in order to increase knowledge about its human rights work. In addition, annual measurements are taken of gender equality and the share of employees with a foreign background, issues regarding equal treatment are included in employee surveys, and a mapping of risks in procurement is carried out.

Results/KPI

Swedavia continues to develop its human rights work and carried out the following activities in 2018:

- Bolstered mandatory certified training for the workplace environment for leaders with respect to discrimination and equal treatment
- General risk analysis linked to human rights through dialogue in operations

- Update of the Code of Conduct to clarify the process for business ethics
- Workshops and dialogue on ethical dilemmas with leaders
- Participated in the establishment of a network to combat human trafficking at Stockholm Arlanda Airport
- An in-depth analysis of Swedavia's risks in procurement

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
Passenger volume	+1	+40
Salary level	+1	-20
Interest rate level	+1	-22.5

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 40 M (38) on an annualised basis.

Salary level

With an average of 3,217 employees (3,074), Swedavia's staff expenses totalled SEK 2,030 M (1,911). A 1 per cent change in staff expenses would have an effect of SEK 20 M (19) on an annualised basis.

Interest rate level

As of December 31, 2018, Swedavia had external borrowings of SEK 8,363 M (6,533), which is 42 per cent (37) of the balance sheet. Swedavia is sensitive to changes in interest rates, which affect the Company's financial expenses. As of December 31, 2018, 73 per cent (81) of external funding is fixed rate, which consists of borrowings with a fixed interest rate and interest rate hedges. An increase in interest rates of 1 percentage point would reduce

Swedavia's interest expense by SEK 22.5 M (12.3), which means that operating profit would decrease by the same amount. However, a decrease in interest rates of 1 percentage point would reduce Swedavia's interest expense by SEK 1.8 M (-6.2) and thus improve operating profit by the same amount. 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 26, 2018. 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 102–105.

EVENTS AFTER THE BALANCE SHEET DATE

Swedavia has taken measures to ensure its competitiveness and meet changes in market conditions. These measures shall ensure efficiency and cost adjustments in the short and long term. As a result of a cost reduction and change programme, on January 15 Swedavia notified the Swedish public employment agency Arbetsförmedlingen that it would lay off employees. A total of 125 full-year equivalent employees will be affected, both in the corporate units and at Swedavia's airports. The executive management's decision now serves as a basis for coming collaborative negotiations with the trade unions. The goal is to have the new organisation and these changes implemented by July 1, 2019.

THE PARENT COMPANY

The Parent Company's net revenue for the full year totalled SEK 5,873 M (5,713), which was an increase of SEK 160 M. Operating profit was SEK 429 M (450), and the operating margin was 7.3 per cent (7.9). Operating profit was negatively affected by SEK 83 M (157) attributable to impairment losses and disposals on invest-

ments. Profit before tax was SEK 390 M (1,388) and profit for the period was SEK 272 M (1,279). Dividends from subsidiaries had a positive effect on profit in 2017 of SEK 1,039 M.

DISTRIBUTION OF PROFIT

The proposed distribution of profit is based on the Annual Report 2018. The proposed distribution of profit, income statement and balance sheet of the Parent Company, and the statement of comprehensive income and the report on the financial position of the Group will be presented for approval at the Annual General Meeting on April 17, 2019.

In its proposal for the distribution of profit, the Board proposes that the shareholder at the AGM 2019 agree to Swedavia bringing forward the profit for the financial year 2018.

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

Share premium account	2,161,354,539
Retained earnings	2,298,383,725
Profit for the year	272,411,513
	4,732,149,777

The Board proposes that the profit be appropriated as follows:

Brought forward	4,732,149,777
	4,732,149,777

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 target. 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 2018 was 4.6 per cent, which is not in line with Swedavia's profitability target. The debt/equity ratio was 1.1 times, which is within the range of the capital structure target of 0.7–1.5 times.

In light of the period of major capacity investments the Group is currently in and to create increased financial flexibility, the Board proposes that no dividend be paid for 2018. Instead, the Board has decided to propose that Swedavia's shareholder decide at the Annual General Meeting on April 17, 2019, to carry forward the profit for the year.

ANNUAL GENERAL MEETING

Swedavia AB's Annual General Meeting takes place on April 17, 2019, at Stockholm Arlanda Airport. The Annual Report and other financial reports are available on Swedavia's website, www.swedavia.com.

CALENDER

Annual Report 2018	Mar 22, 2019
Annual General Meeting 2019	Apr 17, 2019
Interim report, Jan–Mar 2019	Apr 17, 2019
Interim report, Jan–Jun 2019	Jul 16, 2019
Interim report, Jan–Sep 2019	Oct 30, 2019
Year-end report 2019	Feb 14, 2020

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

DY4119	17316	34-35	Automat	71-90
SK885	CA7019		Automat	10-17
SK2591			Automat	71-90
SK1429			Automat	71-90
SK722			Automat	71-90
SK533	AC9932		Automat	71-90
CA912	SK9512		Automat	26-3
DY4459			Automat	10-
LH2419	SK3635		Automat	71-
DY4257			Automat	10
DY821			Automat	10
OV126	SK8402	24-25		

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.

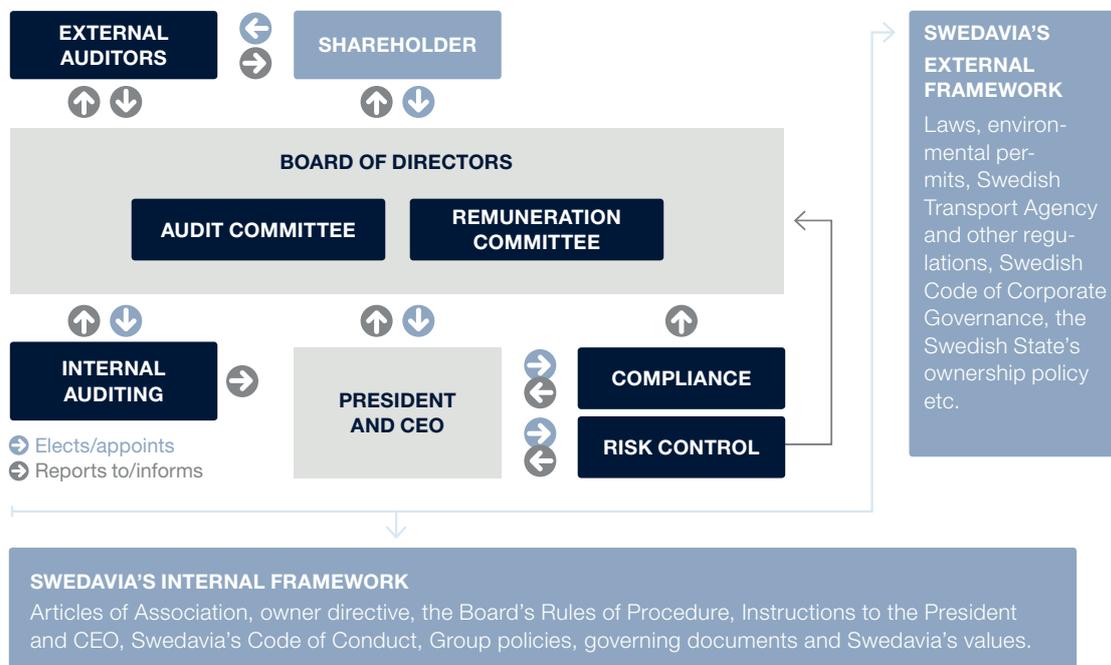
The Board of Directors is responsible under the Swedish Companies Act and the Code for Swedavia's internal control. The Board has decided that Swedavia shall apply a framework for documentation and analysis of internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (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 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 2018 was held on April 26 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 re-elect Lars Backemar, Adine Grate Axén, Lottie Knutson, Lotta Mellström, Lars Mydland, Mikael Norman, 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 2017 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 2017. The AGM also decided, in accordance with the Board's proposed distribution of profit, that a dividend of SEK 122,101,250 was to be paid to the owner. The decision was in conformity with the dividend target, and payment was made on May 9, 2018.

The AGM also decided to adopt guidelines for remuneration to executive officers, the Swedish State's ownership policy and guidelines for external reporting in companies with State ownership.

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.

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

Swedavia's Board of Directors consists of eight members elected by the AGM, two regular employee representatives and their two deputies. An account is given on pages 80-81 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 Policy on Equal Treatment and Diversity with the aim of being an inclusive employer that sees to people's competences, capabilities and appropriate attitudes. 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 2018 were two men. The average age of Swedavia's Board members, including the employee representatives, was 59.

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 2018

The Board held nine regular Board meeting and one statutory meeting in 2018. 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 the Stockholm Arlanda Airport Master Plan and implementation capability in the development programmes as well as the new Major Projects unit.

Among the main issues dealt with by the Board in 2018 were:

- Strategic development
- Sustainability objectives and targets, mission objectives and economic targets
- Access and new air links
- Development plans at Stockholm Arlanda Airport, Bromma Stockholm Airport and Göteborg Landvetter Airport
- Transformation and savings programme, including organisational adjustments
- Development of Real Estate operations
- New hotel at Göteborg Landvetter
- 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 summons for the next Board meeting. In 2018, 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 IT issues and external funding. 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 2018 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 summons to attend the next Board meeting. In 2018, the Remuneration Committee held five 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 as well as the CEO, deputy CEO and the head of internal auditing. The committee also prepared matters concerning the transformation and savings programme and the organisational adjustments. The committee furthermore prepared matters for the assessment of the Board of Directors, including an assessment of the work of the President and CEO, which was then carried out under the Board's auspices. 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 and leadership development for executive officers. Since the 2018 statutory Board meeting, the Remuneration Committee includes Åke Svensson as Chairman, Lotta Knutson, Lotta Mellström and Lottie Svedenstedt as members, and Robert Olsson as employee representative.

Assessment of the work of the Board of Directors, 2018

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 under the Board's auspices. 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 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. Jonas Abrahamsson was Swedavia's President and CEO. Karl Wistrand, CEO of Commercial and Real Estate, was appointed 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 82-83.

Remuneration to executive officers

At Swedavia's AGM on April 26, 2018, 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 2018 – 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 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.

AUDITORS

External audit

Under the Swedish State's ownership policy in effect at the AGM 2018, the company's Board of Directors submits proposals for

Facts about the Board

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

Employee representatives

Lars Andersson ²	Member	3/10	2010		
Robert Olsson	Member	10/10	2010		5/5
Agne Lindbom ³	Member	7/10	2018		
Conny Moholi	Deputy member	0/10	2018		
Mikael Nordenståhl	Deputy member	0/10	2018		

¹ Lottie Knutson was appointed to the Remuneration Committee at the statutory Board meeting on April 26, 2018.

² Lars Andersson resigned as employee representative in conjunction with the Annual General Meeting on April 26, 2018.

³ Agne Lindbom was named regular employee representative in conjunction with the Annual General Meeting on April 26, 2018.

the election of an auditor after a recommendation from the Audit Committee. The final decision on the choice of auditors was made 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 26, 2018, the auditing firm Ernst & Young was elected as auditors. Auditing duties are to be performed until the end of the AGM held in 2019. Ernst & Young appointed authorised public account Åsa Lundvall as the principal auditor. Åsa Lundvall had no duties in other companies that affect her 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 2018 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 over and risk management of 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 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 Swedish 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: governance and 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 delegate 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. In 2018, Swedavia's Board adopted an updated Code of Conduct.

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
Guidelines for Remuneration and Other Terms of Employment for Executive Officers	Annual General Meeting
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
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
Communication, Information and Insider Policy	Executive management
Competition Policy	Executive management
Quality Policy	Executive management
Policy on Equal Treatment and Diversity	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 report on compliance with the Financial Policy and Credit Policy; 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. In the processes for bookkeeping, financial statements and financial reports, there are key controls that are monitored by operations on an ongoing basis.

Operations also studies and follows up on audit reports from external auditors and internal auditing. 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.

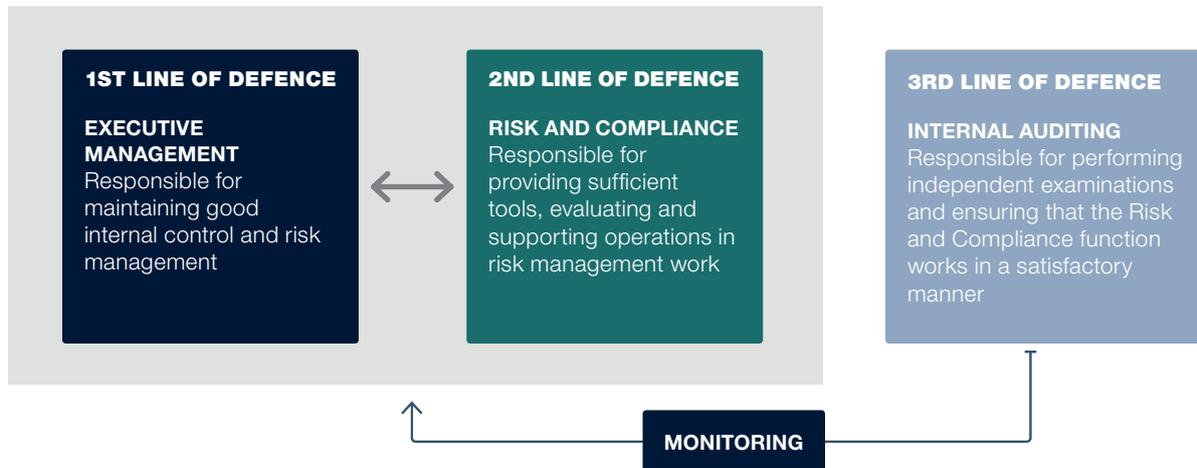
Information and communication

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 dissemination of information internally and the disclosure of information to the market. Swedavia's public financial reports consist of four interim reports and an Annual and Sustainability Report. 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



ADINE GRATE AXÉN



LARS BACKEMAR



ÅKE SVENSSON



LOTTA MELLSTRÖM



LOTTIE KNUTSON

ÅKE SVENSSON

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

Born: 1952.

Other Board duties: Parker Hannifin Corporation (USA), Business Sweden, Confederation of Swedish Enterprise, and Chairman of Association of Swedish Engineering Industries.

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

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

ADINE GRATE AXÉN

Member (elected 2010), member Audit Committee.

Born: 1961.

Other Board duties: Sky PLC, Sampo PLC, CKHH Three Scandinavia, Sjunde AP-fonden (Deputy Chair) and Madrague AB.

Education: Own company, Grate Advisory Ltd.; Skiff Capital Ltd. Formerly chair, NASDAQ Stockholm Listing Committee; Executive Vice President and member of Executive Board, 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, SOBI, Spray Ventures BV, Swedish Industry and Commerce Stock Exchange Committee and Government Council for Reduced State Ownership.

LOTTA MELLSTRÖM

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

Born: 1970.

Other Board duties: Jernhusen AB and LKAB.

Education: MS in Engineering, Lund University.

Work experience: Scientific Council, Division for Companies with State Ownership, Ministry of Enterprise and Innovation. Formerly management consultant, Resco AB, controller for the Sydkraft and ABB groups.

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.

LOTTIE KNUTSON

Member (elected 2015), member Remuneration Committee.

Born: 1964.

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

**LARS MYDLAND****MIKAEL NORMAN****LOTTIE SVEDENSTEDT****AGNE LINDBOM****ROBERT OLSSON****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.

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 Helsing-borg IF.

Education: Law degree, Uppsala University.

Work experience: Own company, K-utveckling AB. 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.

MIKAEL NORMAN

Member (elected 2017), Chairman Audit Committee.

Born: 1958.

Other Board duties: Cloetta AB, Byggmax Group AB, Bravida Holding AB and Bonava AB.

Education: Law degree and business administration, Stockholm University.

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

AGNE LINDBOM

Employee representative (elected 2018).

Born: 1961.

Other Board duties: Swedish Union for Service and Communications Employees (SEKO) negotiation organisation.

Work experience: Formerly apron technician, Swedavia.

Education: Diverse trade union training.

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

CONNY MOHOLI

Born: 1966.

MIKAEL NORDENSTÅHL

Born: 1961.

AUDITOR

ÅSA LUNDVALL

Principal auditor, Ernst & Young AB.

Born: 1970.

Changes in Group structure and executive management

As of January 1, 2019, Swedavia has a new Group structure and executive management team, which is presented here.

For the new Group structure, see www.swedavia.se/about-swedavia/corporate-governance.

During the financial year 2018, the following people were included in Swedavia's executive management:

Jonas Abrahamsson, President and CEO

Karl Wistrand, Deputy CEO of Swedavia and CEO of Swedavia Real Estate. In charge of Commercial and Real Estate.

Per Arenhage, Chief Technical Officer

Lennart Bergbom, Chief Strategic Officer

Anna Bovaller, Chief Legal Counsel

Peder Grunditz, Airport Director, Stockholm Arlanda Airport

Charlotte Ljunggren, Airport Director, Göteborg Landvetter Airport

Mona Glans, Airport Director, Bromma Stockholm Airport

Susanne Norman, Airport Director, Regional Airports

Mats Paulsson, Director of Security and Safety

Mats Pålsson, Chief Financial Officer

Linda Sjödin, Chief Market and Communication Officer

Marie Wiksborg, Chief Human Resources Officer

Swedavia's executive management*

*As of January 1, 2019.



ANNA STRÖMWALL



KARL WISTRAND



JONAS ABRAHAMSSON



ANNA BOVALLER



PEDER GRUNDITZ

JONAS ABRAHAMSSON
President and CEO, assumed office January 2017.
Born: 1967.
Education: 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, ÅF and Almega Tjänsteförbunden; member, Royal Swedish Academy of Engineering Sciences (IVA).

ANNA STRÖMWALL
Airport director, Göteborg Landvetter Airport since 2019.
Born: 1977.
Education: MS in Engineering, Institute of Technology, Linköping University.
Work experience: Head of Swedavia Consult; Planning manager, APM Terminals Gothenburg; operations development manager and formerly head of security screening at Stockholm Arlanda Airport, SCM consultant at Establish.
Board duties: None.

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.

KARL WISTRAND
Director, Facilities and Systems (acting).
Born: 1957.
Education: Degree in corporate and business management law, School of Business, Economics and Law, University of Gothenburg.
Work experience: CEO, Swedavia Real Estate AB, director, Commercial and Real Estate; CEO, Coop Sverige AB; deputy CEO and CFO, ICA AB and various duties at ICA.
Board duties: Member of Coop DK A/S, Coop Holding A/S, Metria AB, Airport City Stockholm AB, Landvetter Logistik Center AB and Swedish Airport Infrastructure Holding AB.

PEDER GRUNDITZ
Airport director, Stockholm Arlanda Airport since 2018.
Born: 1963.
Education: Executive MBA, M-gruppen.
Work experience: Airport director, Bromma Stockholm Airport; director Regional Airports; various positions at LfV including airport direct, Visby Airport and acting division head; director, Passenger Services, Malmö Aviation; director, Ground Operations Braathens Sverige; and traffic manager, Transwede Airways.
Board duties: None.



JOHAN BILL



SUSANNE NORMAN



MATS PÅHLSON



CHARLOTTE LJUNGGREN



MONA GLANS



MARIE WIKSBORG

**JOHAN BILL**

Director, Major Projects.

Born: 1958.

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

Work experience: Regional manager, Uppsala County, Skanska; assistant division head, Stockholm Peab; CEO, Bjerking; director, Major Projects, Swedish Transport Administration.

Board duties: None.

CHARLOTTE LJUNGGREN

Director Markets and Commercial Development.

Born: 1967.

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

Work experience: Airport director, Göteborg Landvetter Airport; Route Director Stena Line Scandinavia AB, Route Director SeaCat AB, Finance & HR Manager Sea Containers Ltd, Route Director Silja Line Eesti Oy, 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: Swedish Exhibition and Congress Centre and Thomas Concrete Group AB.

SUSANNE NORMAN

Airport director, Regional Airports since December 2013.

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 and Länsförsäkringar Jämtland.

MONA GLANS

Airport director, Bromma Stockholm Airport.

Born: 1966.

Education: Upper secondary school, Management Programme American Express; Novare Executive Women Program, Board training through Styrelseakademin Sydost.

Work experience: Nyman & Schultz Affärsresor; American Express Business Travel; airport director, Swedavia Ronneby Airport; acting airport director, Swedavia Kiruna Airport, marriage officiant.

Board duties: Chair, Visit Blekinge, 2015-2018; Board member, Blekinge Matakademi, 2016-2018; ambassador for Eriksberg Vilt & Natur.

MATS PÅHLSON

Chief Financial Officer since August 2014.

Born: 1963.

Education: Economics, Växjö University.

Work experience: CFO, Academia; CFO, Poolia; CFO, Lernia; CFO, AGA S/A Brazil; CFO, AGA Gas Sverige.

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

MARIE WIKSBORG

Director Business Support, Safety and Security.

Born: 1965.

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

Work experience: HR Director, Swedavia; HR manager, 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.

Consolidated income statement

Amounts in SEK M	Note	2018	2017
Net revenue	3,4,5	5,922	5,745
Other operating profit	6	104	36
Own work capitalised		170	145
External expenses	7	-2,366	-2,270
Staff expenses	8	-2,030	-1,911
Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets	9	-1,103	-1,052
Other operating costs	10	-16	-42
Operating profit		682	651
Profit from financial items	11		
Profit from holdings in associated companies and joint ventures		53	37
Interest income and similar items		3	5
Interest expenses and similar items		-96	-118
Profit after financial items		642	575
Tax	13	-126	-167
Profit for the year		517	407
Earnings per share			
Earnings per share before and after dilution, SEK		0.36	0.28
Number of shares		1,441,403,026	1,441,403,026

Consolidated statement of comprehensive income

Amounts in SEK M	Note	2018	2017
Profit for the year		517	407
Other comprehensive income:			
Items that can be reclassified to the income statement			
Cash flow hedges:			
Reclassified to the income statement		1	2
Change in fair value for the year		57	70
Tax		-13	-16
Other comprehensive income joint ventures, net		4	0
Items that cannot be reclassified to the income statement			
Revaluations of defined benefit pensions		-54	-8
Tax		12	2
Total other comprehensive income, net after tax		7	50
Comprehensive income for the year		523	457

Consolidated balance sheet

Amounts in SEK M	Note	2018-12-31	2017-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	777	618
Other tangible fixed assets	15,16,17,18,19	15,463	13,988
Investment properties	20,21	713	664
Biological assets	20,22	80	88
Non-current financial assets	20,23,24,25,27	1,192	1,089
Total non-current assets		18,225	16,447
CURRENT ASSETS			
Materials and supplies	28	47	44
Trade receivables	46	575	571
Receivables from associated companies and joint ventures	31	20	129
Other receivables	32	220	140
Prepaid expenses and accrued income	33	154	194
Derivative instruments	20,27	31	4
Liquid assets	27,42	10	58
Total current assets		1,057	1,140
Assets held for sale	45	442	–
TOTAL ASSETS		19,725	17,587

Consolidated balance sheet (cont.)

Amounts in SEK M	Note	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity	34		
Share capital		1,441	1,441
Other paid-in capital		2,162	2,162
Hedge reserve	46	-18	-63
Retained earnings		4,480	4,125
Total equity		8,066	7,665
Non-current liabilities	46		
Provisions	35,36,37	947	993
Deferred tax liability	38	488	496
Interest-bearing liabilities	18,39,41	6,064	4,426
Derivative instruments	20,27	76	97
Other non-current liabilities		23	7
Total non-current liabilities		7,598	6,019
Current liabilities	46		
Provisions	37	121	14
Interest-bearing liabilities	18,39,41	2,376	2,192
Derivative instruments	20,27	-	-
Trade payables		651	854
Liabilities to associated companies and joint ventures		-	-
Other liabilities	43	161	105
Prepaid expenses and accrued income	44	750	738
Total current liabilities		4,059	3,903
Liabilities related to assets held for sale	45	2	-
TOTAL EQUITY AND LIABILITIES		19,725	17,587

Changes in equity

Amounts in SEK M	Share capital	Other paid-in capital	Hedge reserves	Retained earnings	Total capital
2018					
Equity, opening balance	1,441	2,162	-63	4,125	7,665
Dividend paid	–	–	–	-122	-122
Comprehensive income for the year	–	–	45	477	523
Equity, closing balance Dec 31, 2018	1,441	2,162	-18	4,480	8,066

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 Dec 31, 2017	1,441	2,162	-63	4,125	7,665

Consolidated cash flow statement

Amounts in SEK M	Note	2018	2017
Operating activities	48		
Profit after financial items		642	575
Adjustments for items not included in cash flow etc.		989	922
Tax paid		-135	-167
Cash flow from operating activities before changes in working capital		1,496	1,330
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in materials and supplies		-2	-1
Increase(-)/Decrease(+) in operating receivables		-1	-189
Increase(+)/Decrease(-) in operating liabilities		-134	397
Cash flow from operating activities		1,359	1,537
Investing activities			
Disposal of subsidiaries		55	95
Acquisition of intangible non-current assets		-224	-22
Acquisition of tangible fixed assets		-2,971	-3,844
Disposal of tangible fixed assets		16	9
Acquisition of financial assets		-	-3
Cash flow from investing activities		-3,124	-3,765
Financing activities			
Borrowings raised		3,805	7,383
Borrowings repaid		-1,980	-5,148
Dividend paid		-122	-143
Increase (+)/Decrease (-) in other financial liabilities		14	25
Cash flow from financing activities		1,717	2,117
Cash flow for the year		-48	-112
Liquid assets at the beginning of the year		58	170
Liquid assets at the end of the year		10	58

Parent Company income statement

Amounts in SEK M	Note	2018	2017
Net revenue	4,5	5,873	5,713
Other operating profit	6	49	29
Capitalised work for own account		170	145
External expenses	7	-2,453	-2,367
Staff expenses	8	-2,083	-1,959
Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets	9	-1,111	-1,068
Other operating costs	10	-16	-42
Operating profit		429	450
Profit from financial investments	11		
Profit from holdings in Group companies		-	1,039
Interest income and similar items		15	17
Interest expenses and similar items		-97	-120
Profit after financial items		346	1,387
Appropriations	12	44	2
Profit before tax		390	1,388
Tax	13	-118	-109
Profit for the year		272	1,279

Parent Company statement of comprehensive income

Amounts in SEK M	Note	2018	2017
Profit for the year		272	1,279
Other comprehensive income		-	-
Comprehensive income for the year		272	1,279

Parent Company balance sheet

Amounts in MSEK	Note	2018-12-31	2017-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	703	568
Tangible fixed assets	15,16,17,18,19	15,249	13,851
Financial non-current assets	23,24,25,26,38	1,132	1,091
Total non-current assets		17,083	15,510
CURRENT ASSETS			
Materials and supplies	28	44	42
Current receivables	29,30,31,33	2,645	2,344
Liquid assets	27,42	5	54
Total current assets		2,694	2,440
TOTAL ASSETS			
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital		1,441	1,441
Reserve for development costs		44	25
Total restricted equity		1,485	1,466
Unrestricted equity			
Share premium		2,162	2,162
Retained earnings		2,298	1,160
Comprehensive income for the year		272	1,279
Total unrestricted equity		4,732	4,600
Total equity		6,217	6,067
Untaxed reserves	12	2,035	2,000
Provisions	35,36,37	1,367	1,361
Non-current liabilities	18,39,40,41,46	6,040	4,402
Current liabilities	18,39,40,41,42,44,46	4,117	4,120
TOTAL EQUITY AND LIABILITIES		19,777	17,950

Changes in equity

Amounts in SEK M	Restricted equity		Unrestricted equity		
	Share capital	Reserve for development costs	Share premium	Retained earnings	Total capital
2018					
Equity, opening balance	1,441	25	2,162	2,438	6,067
Dividend paid	–	–	–	-122	-122
Reclassification between restricted and unrestricted equity	–	18	–	-18	–
Comprehensive income for the year	–	–	–	272	272
Equity, closing balance Dec 31, 2018	1,441	43	2,162	2,570	6,217

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 Dec 31, 2017	1,441	25	2,162	2,438	6,067

Parent Company cash flow statement

Amounts in SEK M	Note	2018	2017
Operating activities	48		
Profit after financial items		346	1,387
Adjustments for items not including in cash flow etc.		1,162	1,121
Tax paid		-110	-138
Cash flow from operating activities before changes in working capital		1,398	2,370
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in materials and supplies		-2	-1
Increase(-)/Decrease(+) in operating receivables		-340	-658
Increase(+)/Decrease(-) in operating liabilities		-215	-383
Cash flow from operating activities		841	1,328
Investing activities			
Acquisition of intangible non-current assets		-212	-22
Acquisition of tangible fixed assets		-2,453	-3,403
Disposal of tangible fixed assets		16	9
Cash flow from investing activities		-2,648	-3,416
Financing activities			
Borrowings raised		3,805	7,383
Borrowings repaid		-1,992	-5,148
Dividend paid		-122	-143
Increase (+)/Decrease (-) in other financial liabilities		9	0
Group contribution received/paid in		58	-115
Cash flow from financing activities		1,759	1,977
Cash flow for the year		-49	-111
Liquid assets at the beginning of the year		54	165
Liquid assets at the end of the year		5	54

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, which 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), which regulates matters concerning ground services at airports and obligations of airport operators to allow the establishment of external ground service provider operations
- 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). 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 and current liabilities 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 measurement and information about fair value under IFRS 13, see Note 20.

New accounting principles

The new and reworked standards and interpretations that have been applied since January 1, 2018, are as follows:

- IFRS 15 "Revenue from contracts with customers" is a new standard that replaces IAS 11 and 18, IFRIC 13, 15 and 18, and SIC-31. The standard treats the recognition of revenue from contracts and from the sale of non-financial assets and includes increased disclosure requirements. Swedavia's primary revenue streams are in the Aviation Business area, which accounts for 62 per cent of net revenue, and are related to providing infrastructure aimed at airlines and ground handling companies for take-off and landing. Performance obligations at Aviation Business are considered to be satisfied at one point in time, as was the case in the previous accounting practice. Revenue streams at Commercial Services are related to services associated with the airports such as the leasing of premises, parking operations and the provision of advertising space. Lease revenue is recognised in accordance with IFRS 16 as of January 1, 2019, while property-related service revenue, such as from property maintenance and heating, continues to be recognised over time in accordance with IFRS 15. Swedavia has a third-party obligation to its customers, and Swedavia acts in all cases as the principal, in accordance with IFRS. The transition to IFRS 15 has not entailed any change in the point in time or amount in the recognition of revenue for Swedavia's important revenue streams. Swedavia has not identified any difference in the time of recognition or amount of any of important revenue streams, and the transition effect on the 2018 opening balance was zero. The transition entails a change in information disclosures for 2018 since disclosure requirements have been increased. See Note 4
- IFRS 9 "Financial instruments" treats the classification and measurement of financial assets and liabilities, impairment losses and hedge accounting and replaces IAS 39. In accordance with IFRS 9, Swedavia chose not to restate comparative periods. The measurement of financial assets and liabilities in accordance with IFRS 9 does not entail any change in the items recognised. The classification of financial assets and liabilities is done based on new categories in accordance with the standard. Equity has thus not been affected by the change. As a result of the change in principles for

provisions and impairment losses on credit losses, a provision shall be made on initial recognition of expected credit losses and not as previously, in IAS 39, in conjunction with the incurrence of the loss. Swedavia applies a new procedure for assessment and recognition of credit losses under the standard. The non-recurring effects on equity were for immaterial amounts and less than SEK 1 M, so no adjustment in the provision was recorded in the transition. For hedge accounting, Swedavia continued to apply IAS 39 in 2018. For further information about hedge accounting, see the next section. The transition has entailed a change in information disclosed under IFRS 7 in the annual accounts for 2018, since disclosure requirements for hedge accounting are applied even if no transition to IFRS 9 is made. See Notes 23, 27 and 46.

New and changed standards and interpretations that enter into force in 2019 or later

- IFRS 9 “Financial instruments” is a new standard that replaces IAS 39. Hedge accounting in accordance with IAS 39 can continue to be applied until the IASB project “Dynamic Risk Management” has been completed. After conducting an analysis in 2018, Swedavia has decided to apply IFRS 9 for hedge accounting as of January 1, 2019. Among the changes resulting from the transition is a change in the assessment of hedge effectiveness. For there to be effectiveness, there must be an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate changes in value and the hedge ratio is in line with the Company’s risk management strategy. Hedge accounting will focus on prospective measurements of effectiveness. However, effectiveness must be recognised under the same rules as in IAS 39. The new rules for hedge accounting will not have a material effect on Swedavia.
- IFRS 16 “Leases” is a new standard that replaces IAS 17 “Leases” and related interpretations IFRIC 4, SIC-15 and SIC-27. The date for applying the standard is January 1, 2019. The standard requires that the lessees recognise assets and liabilities for all leases unless the lease term is 12 months or less and/or the underlying asset has a low value. Accounting for lessors will be substantially unchanged. Depreciation on the asset is recognised in the income statement and interest expenses are calculated based on the liability.

Swedavia has chosen to apply a retrospective method in the transition to IFRS 16, which means that any transition effects are adjusted in the 2019 opening balance for equity and no restatement has been made for previous years. Under IFRS 16 appendix C p10a, Swedavia has chosen to apply a single discount rate on a portfolio of leases with somewhat similar qualities such as leases with a remaining lease period and class of underlying assets in a similar economic environment. This discount rate is based on Swedavia’s incremental borrowing rate (IBR). Swedavia has chosen the option of assessing the right of use for each individual lease as though the standard had been applied since initial recognition with a discounting of the recognised amount at the incremental borrowing rate on the initial date of application under IFRS 16 appendix C p8b I. That choice means that the asset in the opening balance will be depreciated over a longer period, which produces a lower initial asset value. Swedavia has also chosen to apply a simplified approach under IFRS 16 5a and 5b as well as IFRS 16 Appendix C p10c, which means that the cost of short-term leases and/or contracts with a low value on the underlying asset is recognised using straight-line depreciation over the lease period. Swedavia has chosen not to separate lease components from non-lease components for each class of underlying assets under IFRS 16 p15. On the initial application date, initial direct charges are excluded from the measurement under IFRS 16 appendix C p10d and assessments in an extension or cancellation have subsequently been made under IFRS 16 p10e. Swedavia has a number of leases that are recognised as finance leases under IAS 17. No adjustment has been made in the value of their assets and liabilities in the opening balance.

Based on the information available, Swedavia recognises additional lease liabilities for the Group of about SEK 1,120 M, right-of-use assets of

about SEK 1,100 M (after adjusting for prepaid lease charges recognised on December 31, 2018) and a deferred tax receivable of about SEK 10 M, which when offset reduces equity by SEK 30 M as of January 1.

Swedavia expects that its operating income for 2019 will increase about SEK 20 M compared to the case if previous accounting principles had been used, given that some of the lease costs will be recognised as an interest expense. A transfer will be made in the income statement from other external expenses (about SEK 105 M) to depreciation (about SEK 85 M) and financial expenses (about SEK 30 M). Cash flow from operating activities is expected to increase and cash flow from financing activities is expected to decrease by about SEK 50 M, given that share of lease charges paid will be recognised as a payment in financing activities. The standard also includes more extensive disclosure requirements compared to the current standard, IAS 17, which will be applied as of January 1, 2019.

- IFRIC 23 “Uncertainty over income tax treatments” provides guidance in how companies are to assess in what way a transaction shall be recognised when there is such an uncertainty. A company shall assess how the tax authorities will accept a certain income tax treatment. Swedavia has assessed existing methods against the new interpretation and believes that it will not have any material effect on its accounts. The interpretation does not include any new disclosure requirements.

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 judgements and assumptions. 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.

Measurement of goodwill

Goodwill is allocated to the Airport Operations segment 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.

Measurement 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 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 revenue related to passengers, aircraft, 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-off and landing 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 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 & parking facilities is recognised in conjunction with a parking customer using a parking space. Lease 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 lease charges, which are recognised during the period of the lease, and 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" entered into force on January 1, 2018, Swedavia has changed its principles in the provision for and write-down of credit losses; see also Note 46 "Financial risks".

Government grants

Government grants consist of grants from European Union research and development programmes. Swedavia takes part in such a programme, which is aimed at providing air navigation services (ANS) to support regular business and commissioned traffic within the EU, which means that aircraft shall be unrestricted by airspace configurations and be able to meet the expected increase in volume through 2035. Government grants received in the project related to costs are recognised as a decrease in the corresponding cost in the income statement. Government grants received related to the financing of ongoing projects are recognised as a decrease in the asset's book value.

Financial income and expenses

Financial income consists of income on invested funds, dividends, the gain on changes in the value of financial assets recognised at fair value through other comprehensive income and such gains on hedging instruments, which are recognised in net financial items.

Financial expenses consist of interest expenses on liabilities to credit institutions, medium-term notes and commercial paper, credit losses on financial assets, effects of reversing provisions calculated at their present value, losses on changes in the value of financial assets recognised at fair value through other comprehensive income 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 related 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 related to consolidated goodwill and asset acquisitions are not taken into account, and normally nor are differences related 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 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 related 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 related 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 related 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:

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

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 measured 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 finance 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 finance leases. Recognition of finance 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 lease 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 related 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 measured 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 measured at fair value based on their hierarchy level; see Note 20.

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 on initial recognition. Objective indications for an impairment loss could be a breach of contract such as a default or delay in payment of interest or principal, significant financial difficulties for the debtor or a deterioration in creditworthiness as well as credit exposure.

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.

Financial assets measured at amortised cost

The Group's financial debt instruments are classified using the business model for collecting contractual cash flows. This category includes loan receivables, trade receivables, receivables from associated companies and joint ventures, other receivables and liquid assets. All assets except derivative instruments met the SPPI test and are measured at accumulated cost. Loan receivables and trade receivables with short maturities are measured at their nominal cost with no discounting. Trade receivables are recognised at the amount expected to be received minus any expected credit losses that are assessed in terms of credit exposure based on forward-looking information and historical data; see Note 46.

Financial assets measured at fair value through profit or loss

This category includes derivatives with a positive value that are not intended for hedge accounting. Financial instruments in this category are measured at fair value on an ongoing basis.

Financial assets measured at fair value through other comprehensive income

Derivative instruments with a positive value that are subject to hedge accounting are recognised at fair value through other comprehensive income, with increases in value recognised on an ongoing basis as income through other comprehensive income.

Financial liabilities measured at amortised cost

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.

Financial liabilities measured at fair value through profit or loss

In this category are derivatives with a negative value that are not subject to hedge accounting. Financial instruments in this category are measured on an ongoing basis at fair value through profit or loss.

Hedge accounting

General

Derivative instruments are recognised in the balance sheet on the contract date at fair value through comprehensive income, both initially and in subsequent remeasurements. The method for recognising profit or loss arising from remeasurement depends on whether the derivative has been identified as a hedging instrument and, if so, the nature of the hedged item. 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 hedged item 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.

Cash flow hedges

To hedge interest rate risk for 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, with changes in value recognised in other comprehensive income. 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 related to the non-effective portion of unrealised value changes on the interest rate swaps is recognised in profit or loss.

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 or loss.

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.

Intangible non-current assets

The Parent Company recognises goodwill from the acquisition of assets that have an expected useful life of 20 years. Useful life reflects the Company's estimation of the period under which future economic benefits that goodwill and other intangible non-current assets represent will flow to the Company. Straight-line amortisation is applied over the expected useful life of the asset.

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.

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 IFRS 9; 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 measured 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 at a floating rate and accrued liability at a fixed rate. 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 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.

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 business 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 to those applied in the consolidated financial accounts. The item "Net revenue, external" consists of net revenue, other operating profit and own work capitalised.

Amounts in SEK M	Airport Operations		Real Estate		Eliminations/adjustments		Total Swedavia	
	adjustments	Total Swedavia	2018	2017	2018	2017	2018	2017
Income statement Jan–Dec								
Net revenue, external	5,751	5,586	171	154	–	4	5,922	5,745
Net revenue, internal	121	128	356	343	-477	-471	–	–
Other operating income	49	29	55	7	–	–	104	36
Capitalised work for own account	170	145	–	–	–	–	170	145
Total revenue	6,092	5,887	582	504	-477	-467	6,196	5,926
Operating costs	-4,499	-4,321	-383	-372	470	471	-4,411	-4,223
Depreciation, amortisation and impairment losses	-1,087	-1,043	-16	-9	0	0	-1,103	-1,052
Operating profit	506	523	183	124	-7	4	682	651
Balance sheet on December 31								
	2018	2017	2018	2017	2018	2017	2018	2017
Non-current assets	17,000	15,407	2,279	1,708	-1,053	-668	18,225	16,447
Current assets	2,694	2,440	407	458	-2,044	-1,757	1,057	1,140
Assets held for sale	–	–	–	–	442	–	442	–
Total assets	19,694	17,847	2,686	2,165	-2,656	-2,425	19,725	17,587
Equity	8,036	7,825	713	582	-683	-742	8,066	7,665
Liabilities	11,658	10,022	1,974	1,583	-1,975	-1,683	11,657	9,922
Liabilities related to assets held for sale	–	–	–	–	2	–	2	–
Total equity and liabilities	19,694	17,847	2,686	2,165	-2,656	-2,425	19,725	17,587

One customer in 2018 accounted for 20 per cent (17) of consolidated revenue, equal to SEK 1,265 M (1,022), allocated to both segments.

Of the Group's total capital spending in 2018, SEK 3,195 M (3,866), SEK 2,558 M (3,425) is related to Airport Operations and SEK 637 M (441) is related to Real Estate.

NOTE 4 Net revenue

Revenue by source	Group		Parent Company	
	2018	2017	2018	2017
Aviation Business				
Passenger-related revenue	1,821	1,714	1,821	1,714
Aircraft-related revenue	623	642	623	642
Externally regulated charges	748	699	748	699
Ground handling	294	278	294	278
Other ancillary services	210	219	210	219
Total Aviation Business	3,696	3,552	3,696	3,552
Revenue by source	Group		Parent Company	
	2018	2017	2018	2017
Commercial Services				
Car parking & parking facilities	903	894	903	894
Retail, food & beverage	676	691	676	691
<i>of which is related to obligations under IFRS 15</i>	–	–	–	–
Property revenue	421	405	341	340
<i>of which is related to obligations under IFRS 15</i>	207	193	128	129
Advertising	123	101	123	101
Other commercial products	68	61	90	90
Total Commercial Services	2,191	2,152	2,133	2,116
Other net revenue	35	41	44	45
Total net revenue	5,922	5,745	5,873	5,713
<i>of which revenue for contracts with customers</i>	5,039	4,811	5,068	4,893
<i>of which not revenue for contracts with customers</i>	883	934	804	820

Swedavia's geographic market is Sweden. Swedavia's airports are run, consolidated and reported internally as a cohesive system of airports. Of net revenue for the period, SEK 527 M (497) was related to Real Estate, broken down into Real Estate revenue of SEK 355 M (341), other commercial products of SEK 167 M (154) and other net revenue of SEK 4 M (2). For a breakdown by segment and eliminations/adjustments, see Note 3 "Segment reporting".

Performance obligations

Swedavia's revenue from contracts with customers consists of revenue from Aviation Business, Commercial Services and other net revenue. Independently determined sales prices are used for all performance obligations. Discounts given have reduced net revenue. Trade receivables are non-interest-bearing assets usually with 30-day payment terms. Customer receivables in 2018 were on a par with those the previous year. Information about the Group's performance obligations is summarised below:

Aviation Business

Revenue from Aviation Business consists of passenger-related revenue, aircraft-related revenue, externally regulated charges, ground

handling and other ancillary services. This revenue is related to providing infrastructure aimed at airlines and ground handling companies for take-off and landing and is recognised in conjunction with airlines and ground handling companies using Swedavia's range of services on offer – in other words, when there is a departure from one of Swedavia's airports. Discounts given have reduced net revenue in the same period the revenue is generated. Revenue is invoiced after the performance obligation has been completed, at which time the right of complaint consequently expires.

Commercial Services

Revenue from Commercial Services consists of revenue from car parking & parking facilities, retail, food & beverage, real estate revenue, advertising and other commercial services. This revenue is related to services associated with the airports such as the leasing of premises, parking operations and the provision of advertising space. Revenue from car parking & parking facilities is recognised in conjunction with the parking customer using the parking space. Advertising revenue consists of the sale of advertising space and the revenue is recognised during the period of use. Real estate revenue and other commercial products consist of the sale of energy and telecom services, which are recognised when the service is provided. Discounts given have reduced net revenue in the same period the revenue is generated. The right of complaint expires since the right of use is exercised for all revenue prior to invoicing.

Other net revenue

Revenue under other net revenue is recognised upon delivery and consists of revenue from goods sold and services provided that are included in the Company's regular operations but that do not pertain to revenue from Aviation Business or Commercial Services. Discounts given have reduced net revenue in the same period the revenue is generated. Revenue is invoiced after the performance obligation has been completed, at which time the right of complaint consequently expires.

Contract balances

Contract assets and contract liabilities arise in conjunction with customer invoicing and are reclassified as trade receivables upon invoicing. Contract assets consist of the right to receive payment for performance completed when the service has been transferred to the customer. Contract liabilities consist of the customer's right to be provided with a performance obligation by Swedavia – in other words, if payments are made prior to completion of the performance obligation – as well as the right to receive volume discounts in accordance with the contract.

Trade receivables broken down into contract assets and contract liabilities from contracts with customers:

	Group	
	Dec 31, 2018	Dec 31, 2017
Trade receivables related to contracts with customers	109	112
Contract assets	21	26
Contract liabilities	48	78

Impairment losses recognised on any contract assets arising from contracts with customers totalled SEK 0 M (0) during the year.

	Group	
	2018	2017
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	78	53
Revenue recognised during the reporting period from performance obligations satisfied in previous periods	–	–

Transaction price of contract assets broken down by remaining performance obligation with a duration of more than one year.

	Group		
	2018 Aviation Business	2018 Commercial Services	2018 Other revenue
Recognised at a point in time	–	–	–
Recognised over time (duration of more than one year)	–	–	–

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 from and liabilities to 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	
	2018	2017	2018	2017
Sales of goods and services				
Subsidiaries	–	–	121	128
Associated companies and joint ventures	35	28	10	5
Total sales of goods and services	35	28	131	133
Sales of immovable property or other assets				
Subsidiaries	–	–	1	0
Associated companies and joint ventures	3	–	3	–
Total sales of property and other assets	3	–	4	0
Purchases of goods and services				
Subsidiaries	–	–	333	319
Associated companies and joint ventures	56	30	57	31
Total purchases of goods and services	56	30	390	350
Interest, net				
Subsidiaries	–	–	12	13
Total interest	–	–	12	13

Transaction 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 170 M (173) and its purchases of goods and services totalled SEK 266 M (274). Transactions with the Swedish State pertaining to taxes and payroll fees have not been included.

NOTE 6 Other operating profit

	Group		Parent Company	
	2018	2017	2018	2017
Other operating profit				
Capital gains	71	16	16	9
Other	33	20	33	20
Total	104	36	49	29

Capital gains in 2018 pertain to the sale of subsidiaries, SEK 55 M, the sale of land, SEK 3 M, and other capital gains of SEK 13 M.

NOTE 7 Remuneration and compensation for auditors

	Group		Parent Company	
	2018	2017	2018	2017
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 and the administration of the Board of Directors and the President and CEO as well as 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

	2018			2017		
	Average number of employees, Sweden	Share of Total	Share of women, %	Share of men, %	Share of Total	Share of women, %
Parent Company	3,217	36	64	3,074	36	64
Subsidiaries	0	0	0	0	0	0
Group	3,217	36	64	3,074	36	64

Gender breakdown of executive management	2018-12-31		2017-12-31	
	Share of women	Share of men	Share of women	Share of men
Group				
Board of Directors, %	40	60	40	60
Other executive officers including CEO, %	44	56	43	57

Salaries, other remuneration, and payroll taxes, SEK M	Group		Parent Company	
	2018	2017	2018	2017
Salaries and remuneration				
Board of Directors	2	2	2	2
CEO and executive officers	29	26	29	26
Other employees	1,335	1,248	1,335	1,248
Total	1,366	1,276	1,366	1,276
Payroll taxes	663	623	663	623
of which pension expenses including special employee income tax for CEO and executive officers	10	9	10	9
of which pension expenses including special employee income for other employees	201	158	201	182
Other staff-related expenses	54	61	54	61
Group-related adjustments	-53	-48	-	-
Total staff expenses	2,030	1,911	2,083	1,959

Remuneration to the Board 2018, SEK T	Board fee	Audit Committee	Remuneration Committee	Other benefits
Chairman of the Board				
Åke Svensson	440	-	25	-
Board members				
Lars Backemar	220	-	-	-
Adine Grate Axén	220	20	-	-
Lottie Knutson ¹	220	-	13	-
Lotta Mellström	-	-	-	-
Lars Mydland	220	-	-	-
Mikael Norman	220	35	-	-
Lottie Svedenstedt	220	-	20	-
Total	1,760	55	58	-

¹ Lottie Knutson was elected to the Remuneration Committee at the statutory Board meeting on April 26, 2018.

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 up 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. Up until the Annual General Meeting 2018, the Board fee was paid as a salary or as an invoice from the Board member's sole proprietorship or company. In cases where the Board fee was invoiced, an amount equivalent to the payroll taxes that Swedavia AB does not have to pay as a result was added. As of the Annual General Meeting 2018, it is no longer possible to invoice the Board fee from one's own company. Instead, the fee is only paid as salary.

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 26, 2018. 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. As of the Annual General Meeting 2018, Board fees are only paid as salary. 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 26, 2018. Since the Annual General Meeting 2018, 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 26, 2018. Since the 2018 statutory Board meeting, the Remuneration Committee includes Chairman of the Board Åke Svensson as Chairman and Board members Lottie Knutson, Lotta Mellström and Lottie Svedenstedt as members as well as Robert Olsson as employee representative.

Remuneration to executive officers Parent Company ¹⁾ 2018, SEK T			Base salary	Other benefits ⁷⁾	Pension expenses	Total remun- eration	Employer's period of notice of termination + number of months' severance pay
President and Chief Executive Officer	Jonas Abrahamsson		4,231	8	1,242	5,481	6 + 12
Chief Technical Officer	Per Arenhage ²⁾		1,677	7	473	2,157	6 + -
Director of Aviation Business	Elizabeth Axtelius ^{2, 5)}		1,067	8	214	1,288	5 + -
Chief Strategy Officer	Lennart Bergbom		1,434	13	360	1,806	6 + 6
Director of Major Projects	Johan Bill	starting Aug 6, 2018	854	4	256	1,115	6 + 6
Chief Legal Counsel	Anna Bovaller ²⁾		1,523	5	426	1,954	6 + -
Airport Director, Bromma Stockholm Airport	Mona Glans ³⁾	starting Feb 1, 2018	1,343	1	344	1,688	6 + 6
Airport Director, Stockholm Arlanda Airport	Peder Grunditz ⁴⁾	starting Mar 1, 2018	1,854	11	546	2,411	6 + 6
Airport Director, Göteborg Landvetter Airport	Charlotte Ljunggren		1,902	2	552	2,456	6 + 6
Airport Director, Regional Airports	Susanne Norman		1,499	2	379	1,880	6 + 6
Director of Security and Safety	Mats Paulsson		1,427	10	371	1,809	6 + 6
Chief Financial Officer	Mats Pålsson		2,206	20	651	2,877	6 + 6
Chief Information Officer	Linda Sjödin		1,498	12	381	1,891	6 + 6
Director of Operational Excellence	Kjell-Åke Westin ⁶⁾	starting Mar 1, 2018	1,896	10	495	2,401	6 + 6
Chief Human Resources Officer	Marie Wiksborg		1,764	0	483	2,247	6 + 6
Deputy CEO and CEO, Commercial & Real Estate	Karl Wistrand		2,538	10	707	3,256	6 + 9
Total			28,713	123	7,881	36,717	

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. Pension expense includes the effect of any exchange of salary increase for benefits and premiums for supplementary health insurance.

²⁾ These employment contracts do not include any severance package terms.

³⁾ Mona Glans assumed the position of Airport Director, Bromma Stockholm on February 1, 2018.

⁴⁾ Peder Grunditz stepped down from his position as Airport Director, Bromma Stockholm Airport during the period February 1-28, 2018, and assumed the position of Airport Director, Stockholm Arlanda Airport on March 1, 2018.

⁵⁾ Elizabeth Axtelius reports to the President and CEO but is not included in Swedavia's executive management.

⁶⁾ Kjell-Åke Westin stepped down from his position as Airport Director, Stockholm Arlanda Airport on February 28, 2018, and assumed the position of Director of Operational Excellence on March 1, 2018.

⁷⁾ Benefits consist primarily of benefits in the form of parking and mass transit allowances.

Remuneration to executive officers, ¹ 2017, SEK T			Base salary	Other benefits ⁶	Pension expenses	Total remuneration	Employer's period of notice of termination + number of months' severance pay
President and Chief Executive Officer	Jonas Abrahamsson ²	starting Jan 2, 2017	4,058	7	1,202	5,268	6 + 12
Chief Technical Officer	Per Arenhage ⁴		1,693	7	507	2,207	6 + -
Director of Aviation Business	Elizabeth Axtelius ⁵		1,044	11	207	1,262	3 + -
Chief Strategy Officer	Lennart Bergbom		1,397	11	349	1,758	6 + 6
Chief Legal Counsel	Anna Bovaller ⁴		1,497	6	415	1,918	6 + -
Airport Director, Bromma Stockholm Airport	Peder Grunditz		1,655	3	431	2,089	6 + 6
Airport Director, Göteborg Landvetter Airport	Charlotte Ljunggren		1,823	2	541	2,366	6 + 6
Airport Director, Regional Airports	Susanne Norman		1,471	2	372	1,844	6 + 6
Director of Security and Safety	Mats Paulsson		1,384	11	347	1,742	6 + 6
Chief Financial Officer	Mats Pålsson		2,164	11	637	2,813	6 + 6
Chief Information Officer	Linda Sjödin		1,520	0	385	1,906	6 + 6
Airport Director, Stockholm Arlanda Airport	Kjell-Åke Westin		1,964	7	588	2,558	6 + 6
Chief Human Resources Officer	Marie Wiksborg		1,713	0	471	2,184	6 + 6
Deputy CEO and CEO, Commercial & Real Estate	Karl Wistrand ³	starting Jan 2, 2017	2,584	9	761	3,354	6 + 9
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 subsidy. 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

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 4 months' notice of termination and one person who is included in a 3 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

Depreciation and amortisation	Group		Parent Company	
	2018	2017	2018	2017
Goodwill	–	–	25	25
Other intangible non-current assets	52	31	52	31
Buildings and land	308	301	307	300
Investment properties	4	1	–	–
Field structures	217	188	217	188
Electrical installations, vehicles and equipment	450	412	440	406
Total	1,031	933	1,041	950
Depreciation and amortisation				
Buildings and land	–	–	–	–
Field structures	–	–	–	–
Electrical installations, vehicles and equipment	–	–	–	–
Construction in progress	71	119	70	118
Total	71	119	70	118
Total	1,103	1,052	1,111	1,068

NOTE 10 Other operating costs

Other operating costs	Group		Parent Company	
	2018	2017	2018	2017
Divestment costs	14	40	14	40
Other	2	2	2	2
Total	16	42	16	42

NOTE 11 Financial income and expenses

Profit from holdings in Group companies	Parent Company	
	2018	2017
Dividend	–	1,038
Capital gain	–	1
Total	–	1,039

Profit from holdings in associated companies and joint ventures	Group		Parent Company	
	2018	2017	2018	2017
Portion of earnings of associated companies and joint ventures for the year	53	37	–	–
Total	53	37	–	–

Financial income	Group		Parent Company	
	2018	2017	2018	2017
Interest income	2	2	13	14
Net changes in foreign exchange rates	2	3	1	3
Total	3	5	15	17

Financial expenses	Group		Parent Company	
	2018	2017	2018	2017
Interest expenses, financial liabilities	13	22	37	44
Derivative instruments	54	71	54	71
Portion of interest on pension expenses for the year	21	20	–	–
Other financial expenses	7	5	6	5
Total	96	118	97	120

Financial income is related to financial instruments recognised at amortised cost. Financial costs related to interest expenses from financial liabilities and other financial expenses are measured at amortised cost. Derivative instruments are measured at fair value through total comprehensive income.

Interest expenses from financial liabilities are related to liabilities to credit institutions, medium-term notes and commercial paper. Borrowing costs related to refurbishment and new construction projects, totalling SEK 24 M (22), were capitalised during the year. The average interest rate for 2018 is 1.2 per cent (1.9).

NOTE 12 Appropriations and untaxed reserves

	Parent Company	
	2018	2017
Appropriations		
Appropriations	-85	-57
Change in accelerated depreciation	49	-
Change in tax allocation reserve	-43	-55
Group contribution paid	123	113
Total appropriations	44	2
Untaxed reserves		
Accumulated accelerated depreciation	1,875	1,790
Tax allocation reserves	160	210
Total untaxed reserves	2,035	2,000

Accumulated accelerated amortisation and depreciation pertain to other intangible assets, electrical installations, vehicles and equipment.

NOTE 13 Tax

	Group		Parent Company	
	2018	2017	2018	2017
Current tax expense (-)/tax income (+)				
Tax expense/tax income for the year	-136	-133	-122	-110
	-136	-133	-122	-110
Deferred tax expense (-)/tax income (+)				
Deferred tax for temporary differences	10	-34	5	1
Total tax expense recognised	-126	-167	-118	-109

Group	2018		2017	
	Per cent	Amount	Per cent	Amount
Reconciliation of effective tax				
Profit before tax		642		575
Tax calculated using Swedish tax rate in effect	22.0	-141	22.0	-127
Tax pertaining to taxation for the previous year		1		-8
Deficit not capitalised		-		-
Tax effect of non-deductible costs		-27		-28
Tax effect of non-taxable revenue		12		-
Other		30		-5
Recognised effective tax	19.6	-126	29.0	-167

Parent Company	2018		2017	
	Per cent	Amount	Per cent	Amount
Reconciliation of effective tax				
Profit before tax		390		1,388
Tax calculated using Swedish rate for the Parent Company	22.0	-86	22.0	-305
Tax pertaining to taxation for the previous year		-4		-3
Tax effect of non-deductible costs		-27		-30
Tax effect of non-taxable revenue		-1		229
Recognised effective tax	30.3	-118	7.9	-109

In the consolidated accounts, non-taxable revenue in 2018 is mostly capital gains from the sale of shares and holdings. The item "Other" in 2018 for the Group pertains mostly to the remeasurement of temporary differences in deferred tax in the Group with the tax rate changed from 22.0 to 20.6 per cent. In the Parent Company, the item for non-taxable revenue in 2017 pertains mostly to dividends from subsidiaries.

NOTE 14 Intangible non-current assets

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Intangible non-current assets				
Goodwill	352	352	278	302
Other intangible non-current assets	425	266	425	266
Total	777	618	703	568

Goodwill	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accumulated cost				
Opening balance	352	352	493	493
Closing balance	352	352	493	493
Accumulated scheduled amortisation				
Opening balance	-	-	-191	-166
Scheduled amortisation for the period	-	-	-25	-25
Closing balance	-	-	-216	-191
Book value, closing balance	352	352	278	302

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 measurement 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 related 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 2033. 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 2033 are assumed to have annual growth equivalent to 0.0 per cent (2.0) per year. The discount rate used before tax is 8.3 per cent (8.2). 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	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Other intangible non-current assets				
Accumulated cost				
Opening balance	429	412	429	412
Reclassifications for the year	210	17	210	17
Disposals and divestments for the year	-2	0	-2	0
Closing balance	637	429	637	429
Accumulated scheduled amortisation				
Opening balance	-162	-131	-162	-131
Reversal of amortisation on disposals	2	0	2	0
Scheduled amortisation for the year	-52	-31	-52	-31
Closing balance	-212	-162	-212	-162
Book value, closing balance	425	266	425	266

Other intangible non-current assets pertain to noise insulation on the properties of others, IT systems and the Group's proprietary assets.

NOTE 15 Tangible fixed assets

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Buildings and land (Note 16)	5,293	4,996	5,285	5,007
Of which assets held for sale	–	–	–	–
Field structures (Note 17)	3,314	2,858	3,304	2,858
Electrical installations, vehicles and equipment (Note 18)	2,818	2,544	2,704	2,482
New construction in progress related to tangible fixed assets (Note 19)	4,037	3,589	3,955	3,503
Total	15,463	13,988	15,249	13,851

NOTE 16 Buildings and land

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accumulated cost				
Opening balance	7,299	6,946	7,305	6,944
Acquisitions/reclassifications for the year	610	424	590	422
Disposals/divestments for the year	-42	-71	-42	-60
Closing balance	7,867	7,299	7,853	7,305
Accumulated scheduled depreciation				
Opening balance	-2,277	-2,006	-2,272	-2,000
Reversal of depreciation on disposals	22	30	22	28
Depreciation for the year	-308	-301	-307	-300
Closing balance	-2,563	-2,277	-2,557	-2,272
Accumulated depreciation				
Opening balance	-26	-50	-26	-40
Reversal of depreciation from previous year	15	24	15	14
Depreciation for the year	–	–	–	–
Closing balance	-11	-26	-11	-26
Book value, closing balance	5,293	4,996	5,285	5,007
Of which land				
Opening balance	378	380	355	357
Acquisitions for the year	4	0	4	–
Disposals for the year	–	-2	–	-2
Book value, closing balance	382	378	359	355

NOTE 17 Field structures

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accumulated cost				
Opening balance	4,032	3,362	4,032	3,362
Reclassifications for the year	675	698	665	698
Disposals/divestments for the year	-8	-28	-8	-28
Closing balance	4,699	4,032	4,689	4,032
Accumulated cost				
Opening balance	-1,170	-994	-1,170	-994
Reclassifications for the year	6	12	6	12
Disposals/divestments for the year	-217	-188	-217	-188
Closing balance	-1,381	-1,170	-1,381	-1,170
Book value, closing balance	3,314	2,858	3,304	2,858

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	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accumulated cost				
Opening balance	5,315	4,585	5,240	4,528
Reclassifications for the year	733	794	672	776
Disposals/divestments for the year	-187	-64	-187	-64
Closing balance	5,861	5,315	5,725	5,240
Accumulated scheduled depreciation				
Opening balance	-2,770	-2,412	-2,757	-2,405
Reversal of depreciation on disposals	178	54	177	54
Scheduled depreciation for the year	-450	-412	-440	-406
Closing balance	-3,042	-2,770	-3,020	-2,757
Accumulated depreciation				
Opening balance	-1	-3	-1	-3
Reversal of depreciation	-	2	-	2
Depreciation for the year	-	-	-	-
Closing balance	-1	-1	-1	-1
Book value, closing balance	2,818	2,544	2,704	2,482

Finance leases – the Group as lessee

Finance leases pertain to the leasing of vehicles for a lease period of between three and five years. Leased items that the Group has under lease agreements are recognised under the item "Electrical installations, vehicles and equipment" for the following amounts.

	Group	
	Dec 31, 2018	Dec 31, 2017
Book value		
Cost – capitalised finance leases	87	93
Accumulated depreciation	-43	-37
Book value, closing balance	44	55

Lease charges for the year totalled SEK 12 M (13) for the Group.

Future payments for assets used under finance lease agreements fall due as follows::

	2018		2017	
	Future minimum lease charges	Present value of future minimum lease charges	Future minimum lease charges	Present value of future minimum lease charges
Future lease charges				
Within one year	14	13	15	15
Between one and five years	21	21	33	32
More than five years	-	-	-	-
Total	35	35	48	47

Operational leases – the Group as lessee

Lease costs under operational lease 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 assets used under non-cancellable operating lease agreements fall due as follows:

	Group	
	2018	2017
Due date		
Within one year	97	91
Between one and five years	327	303
More than five years	894	883
Total	1,318	1,277

IFRS 16

The implementation of IFRS 16 on January 1, 2019, is not expected to have any material effect on the finance lease agreements that Swedavia recognises under IAS 17. No adjustment in the opening balance of the values of assets or liabilities has been made for these. Based on the information available, as of January 1, 2019, Swedavia recognises additional lease liabilities of about SEK 1,120 M, right-of-use assets of about SEK 1,100 M and deferred tax receivables of about SEK 10 M on the balance sheet, which when offset reduces equity by SEK 30 M.

NOTE 19 New construction in progress related to tangible fixed assets

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Opening balance	3,589	2,106	3,503	2,079
Acquisitions for the year	2,674	3,503	2,618	3,427
Disposals for the year	0	–	-3	-2
Reclassifications for the year	-2,157	-1,901	-2,093	-1,883
Impairment losses for the year	-70	-119	-70	-118
Book value, closing balance	4,037	3,589	3,955	3,503

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 2018 are mostly related to IT and operation development projects.

NOTE 20 Fair value

The table to the right presents the assets and liabilities that are measured at fair value or for which fair values are given for information purposes. Fair value is defined as the price at the time of measurement 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 measured 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.

Measurement at fair value

Hierarchy levels in measurement of fair value Dec 31, 2018	Level 1	Level 2	Level 3	Total
Derivative instruments (Note 27) ¹	–	23	–	23
Biological assets (Note 22) ²	–	–	80	80
Non-current interest-bearing liabilities (Note 27) ³	–	6,001	–	6,001
Investment properties (Note 21) ³	–	–	2,233	2,233
Total	–	6,024	2,313	8,337

Hierarchy levels in measurement of fair value Dec 31, 2017	Level 1	Level 2	Level 3	Total
Derivative instruments (Note 27) ¹	–	81	–	81
Biological assets (Note 22) ²	–	–	88	88
Non-current interest-bearing liabilities (Note 27) ³	–	4,351	–	4,351
Investment properties (Note 21) ³	–	–	1,369	1,369
Total	–	4,432	1,457	5,889

¹ Recognised at fair value through comprehensive income in the consolidated balance sheet.

² Recognised at fair value in the consolidated balance sheet. Fair value of biological assets is determined based on Level 3; information for the comparative year has been adjusted.

³ Recognised at cost in the consolidated balance sheet. The amounts above are fair values for information purposes.

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 measured on each balance sheet date. Measurement 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 measured through an internal valuation.

The measurement 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 related 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 2018 annual accounts.

Non-current 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 measured to determine their fair value, that is, their estimated market value. The portfolio of investment properties is measured annually in conjunction with the year-end closing. Measurement is made either by external independent appraisers or through internal valuation. An external valuation was carried out in conjunction with the 2018 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 3 M (2) and direct costs totalled SEK 47 M (17). 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 1,369 M to SEK 2,233 M. The positive change in value is due to investments mostly in Airport Hotel 2 AB, TreD Office AB and Hotell 1 Landvetter AB.

	Group	
	Dec 31, 2018	Dec 31, 2017
Accumulated cost		
Opening balance	675	293
Acquisitions for the year	472	384
Disposals for the year	0	0
Reclassifications for the year	-5	-2
Reclassification of assets held for sale	-413	-
Closing balance	730	675
Accumulated scheduled depreciation		
Opening balance	-5	-4
Scheduled depreciation for the year	-4	-1
Closing balance	-10	-5
Accumulated scheduled depreciation		
Opening balance	-6	-6
Scheduled depreciation for the year	-1	-
Closing balance	-7	-6
Book value, closing balance	713	664
Fair value (Note 20)	2,233	1,369

Operational leases – the Group as lessor

The Group's operational lease 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 890 M (903).

Contracted lease charges related to existing contracts for payment

	Group	
	2018	2017
Due date		
Within one year	803	703
Between one and five years	2,406	2,519
More than five years	1,458	1,961
Total	4,667	5,183

NOTE 22 Biological assets

	Group	
	Dec 31, 2018	Dec 31, 2017
Accumulated cost		
Opening balance	88	84
Change in fair value	7	4
Book value, closing balance	80	88

Swedavia's biological assets consist of large forest holdings adjacent to Swedavia's airports, with standing timber assessed at fair value. The stock is measured on each balance sheet date. Measurement 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 measured through an internal valuation. An external valuation was carried out in conjunction with the 2018 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	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Holdings in Group companies	–	–	889	889
Holdings in associated companies and joint ventures	953	896	–	–
Other non-current receivables	217	181	217	181
Derivative receivables	22	12	–	–
Deferred tax assets	–	–	25	21
Total	1,192	1,089	1,132	1,091

NOTE 24 Other non-current receivables

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accumulated cost				
Opening balance	181	160	181	160
New receivables	35	21	35	21
Book value, closing balance	216	181	216	181

NOTE 25 Holdings in associated companies and joint ventures

	Group	
	Dec 31, 2018	Dec 31, 2017
Accumulated cost		
Opening balance	896	856
Acquisitions for the year	–	3
Share of profit	57	37
Book value, closing balance	953	896

Acquisitions for the previous 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, 2018

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		1	49.9	935	–	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				953	–	

A summary of the balance sheet and income statement for Swedish Airport Infrastructure KB based on the Swedavia Group's accounting principles:

SEK M	Dec 31, 2018	Dec 31, 2017
Investment properties	4,636	4,432
Liquid assets	393	103
Other assets	66	42
Non-current interest-bearing liabilities	2,440	2,440
Current liabilities	749	381
Equity	1,906	1,756
Consolidated book value of holding	953	878
SEK M	2018	2017
Revenue	385	358
Depreciation and amortisation	-137	-150
Other expenses	-87	-87
Net interest	-44	-41
Profit before tax	117	80
Tax	-16	-6
Profit for the year	101	74
Other comprehensive income	13	1
Total comprehensive income	114	75
Group's portion of comprehensive income for the year	57	37

No dividend was paid by Swedish Airport Infrastructure in 2018.

NOTE 26 Holdings in Group companies

	Parent Company	
	Dec 31, 2018	Dec 31, 2017
Parent Company's holdings in Group companies		
Accumulated cost		
Opening balance	1,035	1,212
Disposal for the year	–	-177
Closing balance	1,035	1,035
Accumulated impairment losses		
Opening balance	-145	-322
Recovery of impairment loss on disposal	–	177
Closing balance	-145	-145
Book value, closing balance	889	889

During the previous 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	Ownership in %	Book value	
			Book value	Dec 31, 2018
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

Important Group companies wholly owned by Swedavia Real Estate AB**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

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 measured at fair value for information purposes. For information about fair value regarding derivative instruments, see the Group's measurement 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, 2018, 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.

As of December 31, 2017, the Group's financial assets and liabilities were recognised under IAS 39. The transition to IFRS 9 has not had any effect on the measurement of the Group's financial instruments and thus did not affect the opening balance of equity on January 1, 2018. On December 31, 2018, the Group's financial assets and liabilities were recognised under IFRS 9, except for the Group's derivative instruments, for which hedge accounting under IAS 39 is still applied. See the table below, which presents a reclassification of assets and liabilities in the transition to IFRS 9.

Financial assets				Book value		Fair value	
				Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Group	Category under IAS 39	Measurement under IAS 39	Measurement under IFRS 9				
Other non-current receivables ¹	Loan and trade receivables	Amortised cost	Amortised cost	217	181	217	181
Trade receivables	Loan and trade receivables	Amortised cost	Amortised cost	575	571	575	571
Receivables from associated companies	Loan and trade receivables	Amortised cost	Amortised cost	20	129	20	129
Other receivables	Loan and trade receivables	Amortised cost	Amortised cost	64	60	64	60
Derivative instruments ¹	Derivatives identified as hedging instruments	Fair value	Fair value through comprehensive income	53	15	53	15
Liquid assets	Loan and trade receivables	Amortised cost	Amortised cost	10	58	10	58
Total				939	1,014	939	1,014

Financial liabilities				Book value		Fair value	
				Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Group	Category under IAS 39	Measurement under IAS 39	Measurement under IFRS 9				
Non-current interest-bearing liabilities	Other financial liabilities	Amortised cost	Amortised cost	6,000	4,352	6,001	4,351
Current interest-bearing liabilities	Other financial liabilities	Amortised cost	Amortised cost	2,364	2,181	2,367	2,181
Derivative instruments ¹	Derivatives identified as hedging instruments	Fair value	Fair value through comprehensive income	76	97	76	97
Liabilities to leasing companies	Other financial liabilities	Amortised cost	Amortised cost	50	61	50	61
Other non-current liabilities	Other financial liabilities	Amortised cost	Amortised cost	23	32	23	32
Trade payables	Other financial liabilities	Amortised cost	Amortised cost	651	854	651	854
Other liabilities	Other financial liabilities	Amortised cost	Amortised cost	55	21	55	21
Accrued interest expenses	Other financial liabilities	Amortised cost	Amortised cost	14	13	14	13
Total				9,233	7,611	9,238	7,609

¹ Derivative instruments pertain to derivatives that are hedged.

Measurement at fair value

Assets and liabilities that are measured 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 measured at fair value based on Level 2. For more information about measurement at fair value, see Note 20.

	Level 1	Level 2	Level 3
Derivative instruments ²	–	23	–
Non-current interest-bearing liabilities ³	–	6,001	–
Total	–	6,024	–

² Recognised at fair value in the Group's balance sheet.

³ 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 2018 compared to 2017.

Net gain from items for which hedge accounting is not applied

	2018	2017
Financial assets/liabilities that are measured at fair value ⁴	–	–
Total	–	–

⁴ The subcategory held for sale.

Other non-current receivables

For information purposes, fair value for non-current receivable 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	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Supplies	37	34	37	34
Gravel stocks	2	3	2	3
Supplies, buildings and land	3	3	3	3
Other stocks	5	4	2	2
Total	47	44	44	42

NOTE 29 Current receivables

	Parent Company	
	Dec 31, 2018	Dec 31, 2017
Trade receivables	553	552
Receivables from Group companies	1,782	1,352
Receivables from associated companies	10	126
Other receivables	119	78
Tax receivable	42	54
Prepaid expenses and accrued income	139	182
Total	2,645	2,344

NOTE 30 Receivables from Group companies

	Parent Company	
	Dec 31, 2018	Dec 31, 2017
Swedavia Real Estate AB	433	592
Logistic City 1 AB	35	44
TreDoffice AB	448	376
Airport Hotel 2 AB	428	59
Swedavia Airport Telecom AB	76	66
Swedavia Energi AB	62	64
Cargo City 1 AB	51	53
Sky City Arlanda Holding AB	117	–
Other Group companies	132	99
Book value, closing balance	1,782	1,352

Swedavia's wholly-owned Group companies are funded through a consolidated account structure.

NOTE 31 Receivables from associated companies and joint ventures

Receivables from associated companies and joint ventures to the Group totalled SEK 20 M (129) 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 11 M (126) and liabilities totalled SEK 0 M (0).

NOTE 32 Other receivables

	Group	
	Dec 31, 2018	Dec 31, 2017
Tax receivables	61	57
Other receivables	160	84
Total	220	140

NOTE 33 Prepaid expenses and accrued income

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accrued income Aviation Business	10	15	10	15
Accrued income retail, food & beverage	54	73	54	73
Accrued income, energy	11	11	–	–
Prepaid material and maintenance costs	15	17	15	17
Prepaid operational services	11	13	11	13
Prepaid property and rental costs	7	25	7	25
Other accrued income and prepaid expenses	46	40	41	39
Total	154	194	139	182

During the previous year, other accrued income and prepaid expenses included income derived on the earnout from the previous sale of TreDhotel AB.

NOTE 34 Equity

Group

Equity related 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 remeasurements of defined benefit pensions in accordance with IAS 19 (net of deferred tax).

Capital management	2018		2017	
	Actual	Target	Actual	Target
<i>Group financial targets</i>				
Return on operating capital	4.6%	6.0%	5.1%	6.0%
Debt/equity ratio	1.1 times	0.7-1.5 times	1.0 times	0.7-1.5 times

Parent Company**Restricted and unrestricted capital**

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 44 M (25). The unrestricted capital in the Parent Company is SEK 4,732 M (4,600) and consists of a share premium fund of SEK 2,162 M (2,162), retained earnings of SEK 2,298 M (1,160) and profit for the year of SEK 272 M (1,279).

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	2,298,383,725
Profit for the year	272,411,513
	4,732,149,777

The Board proposes that the profit be appropriated as follows:

Brought forward	4,732,149,777
	4,732,149,777

NOTE 35 Provisions

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Provisions for pensions	765	730	1,113	1,099
Other provisions	182	263	255	262
Total	947	993	1,367	1,361

A pension provision of SEK 833 M (802) related to a receivable for the special employee pension of SEK 68 M (72) has been offset in the Group using net accounting. The comparative 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 employee income 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 presentday 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 2018 was 2.5 per cent (2.7), with the increase related to the prevailing interest rate situation.

The assumption for inflation was 2.00 per cent (1.75), with the increase based on the actual trend and market expectations.

NOTE 37 Other provisions

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Restoration reserve, opening balance	201	181	201	181
Provision for the year	36	20	36	20
Provisions used during the year	-2	0	-2	0
Restoration reserve, closing balance	235	201	235	201
Restructuring reserve, opening balance	5	13	5	12
Provision for the year	7	9	7	9
Provisions used during the year	-10	-16	-10	-16
Restructuring reserve, closing balance	2	5	2	5
Other provisions during the year	71	92	55	55
Provision for the year	6	7	6	7
Reclassification	-	-	-40	-
Provisions used during the year	-10	-28	-2	-7
Reversal of unused provisions during the year	-1	-	-1	-
Other provisions, closing balance	-10	71		55
Of which current portion	-121	-14	-	-
Total other provisions	182	263	255	262

Current provisions constitute SEK 121 M (14) of provisions. The current portion consists of a restructuring reserve of SEK 2 M (5) and other provisions of SEK 48 M (9). The definition of provisions can be found in the accounting principles on page 97.

NOTE 38 Deferred tax

Group Dec 31, 2018	Deferred tax asset	Deferred tax liability
Temporary difference goodwill	-	-
Temporary difference tangible fixed assets	-8	-
Temporary difference biological assets	-	6
Temporary difference financial instruments	-5	-
Temporary difference untaxed reserves	-	425
Temporary difference pensions	-	70
Offset	13	-13
Total	-	488

Group Dec 31, 2017	Deferred tax asset	Deferred tax liability
Temporary difference goodwill	-5	-
Temporary difference tangible fixed assets	-14	-
Temporary difference fixed biological assets	-	8
Temporary difference financial instruments	-18	-
Temporary difference untaxed reserves	-	445
Temporary difference pensions	-	80
Offset	37	-37
Total	-	496

Parent Company Dec 31, 2018	Deferred tax asset	Deferred tax liability
Temporary difference tangible fixed assets	18	-
Other temporary differences	1	-
Total	19	-

Parent Company Dec 31, 2017	Deferred tax asset	Deferred tax liability
Temporary difference tangible fixed assets	19	-
Other temporary differences	2	-
Total	21	-

NOTE 39 Interest-bearing liabilities

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Non-current interest-bearing liabilities				
Liabilities to credit institutions	1,700	–	1,700	–
Medium-term notes issued	4,300	4,352	4,300	4,352
Liabilities to leasing companies	40	49	40	49
Other interest-bearing liabilities	25	25	–	–
Total	6,064	4,426	6,040	4,401
Current interest-bearing liabilities				
Liabilities to credit institutions	7	0	7	0
Medium-term notes	851	730	851	730
Commercial paper	1,506	1,451	1,506	1,451
Liabilities to leasing companies	13	11	13	11
Total	2,376	2,192	2,376	2,192

	Group		Changes not affecting cash flow	Dec 31, 2018
	Dec 31, 2017	Cash flows		
Changes in liabilities related to financing activities			New lease agreements	
Liabilities to credit institutions	–	1,707	–	1,707
Medium-term notes	5,082	68	–	6,850
Commercial paper	1,451	55	–	1,506
Liabilities to leasing companies	61	9	-18	50
Other liabilities	25	0	–	25
Changes in liabilities related to financing activities	6,619	1,839	-18	8,440

	Group		Changes not affecting cash flow	Dec 31, 2017
	Dec 31, 2016	Cash flows		
Changes in liabilities related to financing activities			New lease agreements	
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 related to financing activities	4,331	2,260	27	6,619

Cash flow in the Parent Company totalled SEK 1,839 M (2,260) and changes not affecting cash flow totalled SEK -18 M (27).

NOTE 40 Non-current and current liabilities

	Parent Company	
	Dec 31, 2018	Dec 31, 2017
Non-current liabilities		
Medium-term notes	6,000	4,352
Liabilities to leasing companies	40	49
Other non-current liabilities	1	1
Total	6,040	4,402
Current liabilities	2018-12-31	2017-12-31
Liabilities to credit institutions	7	–
Medium-term notes	851	730
Commercial paper	1,506	1,451
Liabilities to leasing companies	13	11
Trade payables	608	771
Liabilities to Group companies	234	366
Other liabilities	193	99
Accrued expenses and prepaid income	705	691
Total	4,117	4,120

NOTE 41 Borrowings

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Liabilities to credit institutions	1,707	–	1,707	0
Medium-term notes	5,150	5,082	5,150	5,082
Commercial paper	1,506	1,451	1,506	1,451
Total	8,363	6,533	8,363	6,533

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 15,000 M (5,000) and total borrowings in the programme were SEK 4,900 M (3,832). Swedavia also has a Swedish commercial paper programme with a limit set at SEK 5,000 M (5,000), and total borrowings in this programme were SEK 1,506 M (1,451). Swedavia likewise has a borrowing agreement with the Nordic Investment Bank for SEK 2,000 M with a duration of up to 10 years.

NOTE 42 Overdraft facilities

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Overdraft facilities approved	300	200	300	200
Unutilised portion	-293	200	-293	200
Credit amount used	7	–	7	–

As of December 31, 2018, Swedavia had an overdraft facility of SEK 300 M, of which SEK 7 M (–) was utilised on the balance sheet date.

NOTE 43 Other liabilities

	Group	
	Dec 31, 2018	Dec 31, 2017
Current tax liabilities	–	–
Other liabilities	161	105
Total	161	105

NOTE 44 Accrued expenses and prepaid income

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accrued staff-related expenses	194	190	194	190
Accrued interest	14	13	13	13
Accrued construction and property costs	182	161	160	141
Prepaid aviation income	19	44	19	44
Prepaid property income	57	57	57	56
Prepaid income retail, food & beverage	64	60	64	60
Prepaid parking income	15	15	15	15
Prepaid advertising income	14	19	14	19
Other accrued expenses and prepaid income	192	179	170	153
Total	750	738	705	691

NOTE 45 Assets held for sale

	Group	
	Dec 31, 2018	Dec 31, 2017
Assets held for sale		
Investment properties	413	–
Other receivables	29	–
Total	442	–
	Group	
	Dec 31, 2018	Dec 31, 2017
Liabilities related to assets held for sale		
Other non-current borrowings	0	–
Trade payables	1	–
Accrued expenses and prepaid income	0	–
Total	2	–

In December 2017, Swedavia signed an agreement to sell the company that owns the property at Stockholm Arlanda Airport where a future major hotel is under construction. Under the agreement, the transfer will take place in November 2019, when the hotel is placed in service. Assets held for sale consist of investment properties with a book value of SEK 413 M and operating assets of SEK 29 M. Assets held for sale

are not depreciated from the time of reclassification. The properties are financed through Group-internal loans. Liabilities related to the sale consist mostly of operating liabilities of SEK 2 M.

NOTE 46 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 Finance Policy identifies and defines these risks and governs the risk mandate and principles for calculation, reporting, monitoring and control. This policy is characterised by a low risk level, and compliance is ensured through quarterly reports to the Board of Directors. The Board adopts 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 is part of Swedavia's overall risk management methodology. The objective is to minimise the Group's capital costs 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. According to the Company's Finance Policy, net positions above the equivalent value of SEK 1 million per currency are hedged for at least 75% and for a maximum of 100% for those to be paid within two years.

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, 2018, Swedavia had external borrowings of SEK 8,363 M (6,533). 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, 2018, 73 per cent (81) of external funding had fixed interest rates, which consist of loans with fixed interest rates and interest rate derivatives. 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 -76 M (-97). Funding at fixed interest rates totalled SEK 3,600 M. Based on those hedges, an increase in the interest rate of 1 percentage point would increase Swedavia's interest rate expenses by SEK 22.5 M (12.3), which means that operating profit would decrease by the equivalent amount. However, a decrease in the interest rate of 1 percentage point would decrease Swedavia's interest rate expenses by SEK 1.8 M (-6.2) and thus improve operating profit by the equivalent amount. Current lock-in periods and financial instruments have been taken into account in completing the sensitivity analysis. According to the Company's Finance Policy, interest rates shall be locked in for a period of not less than one year and not more than four years. On the balance sheet date, the interest rate lock-in period was 2.7 years (3.4).

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 Finance Policy. There is continuous hedging of electricity prices in accordance with the policy. Hedging is done through electricity derivatives as well as through bilateral agreements with producers. The hedge ratio is correlated with the time horizon, and the hedging period may not exceed ten years. On the balance sheet date December 31, 2018, the hedge ratio was 88 per cent (84) 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. Under Swedavia's Finance Policy, the hedge relationship must be in effect the entire time and not be restarted. In order to apply hedge accounting, hedge relationships must satisfy all criteria for hedge accounting. The Group determines the economic relationship between the hedged item and the hedging instrument to assess the effectiveness of the hedge. This is done by assessing the critical conditions between the hedged item and the hedging instrument, which includes assessing the nominal amount, currency and cash flow date. If the critical conditions for the hedged item and the hedging instrument match, the hedge relationship is considered to be effective. The Group uses a one-to-one ratio in the hedge relationship for all current hedges that satisfy the criteria for hedge accounting. The effective portion of the changes in fair value recognised in other comprehensive income during the year was SEK 57 M (70).

Group, Dec 31, 2018							
Nominal amounts by risk category of hedging instrument – Maturity structure	< 1 year	2 years	3 years	4 years	5 years	> 5 years	Total
Currency risk (EUR)	38	1	–	–	–	–	39
Currency risk (USD)	2	–	–	–	–	–	2
Interest rate risk (interest rate derivatives)	0	750	0	250	500	1,000	2,500
Commodity price risk (electricity - MWh)	144,404	87,840	70,080	–	–	–	302,324

Group, Dec 31, 2018						
Average rate for nominal amounts – Maturity structure	< 1 year	2 years	3 years	4 years	5 years	> 5 years
Currency risk (EUR)	9.8	10.4	–	–	–	–
Currency risk (USD)	9.0	–	–	–	–	–
Interest rate risk (fixed interest rate)	0.0%	2.8%	–	0.2%	0.8%	1.4%
Commodity price risk (electricity - SEK/MWh)	269	226	245	–	–	–

On December 31, 2018, Swedavia had a hedge reserve totalling SEK -18 M (-63). The hedge reserve consists solely of current cash flow hedges. The change in the hedge reserve for equity pertaining to currency risk is mostly related to the expiration of hedges and the start of new ones. The change pertaining to interest rate risk is mostly related to an increase in interest rate derivatives since market interest rates have risen, and the change in commodity price risk (electricity) is related to the fact that electricity futures have a greater value since the price of electricity has gone up. The change in deferred tax is a residual related to all the cash flow hedges and financial risks identified above. No reversals were recorded during the period.

Group		
Reconciliation of risk components in equity	Dec 31, 2018	Dec 31, 2017
Opening balance, hedge reserves	-63	-120
Currency risk	1	1
Interest rate risk	20	65
Commodity price risk (electricity)	38	7
Deferred tax	-13	-16
Closing balance, hedge reserves	-18	-63

Sources of ineffectiveness in hedging relationships for all cash flow hedges and financial risks are related to the cash flow date, expiry date, credit risk and day count conventions. Ineffectiveness on December 31, 2018, recognised in the income statement, was SEK - M (-). No reclassifications were recorded in 2018.

Effects of hedge accounting on cash flow hedges for the Company's financial position and results	Group	
	Dec 31, 2018	Dec 31, 2017
Currency risk related to purchases		
Hedging instrument		
Nominal amount	42	41
Of which financial assets	1	1
Of which financial liabilities	-0	-0
Change in fair value of hedging instruments ¹	1	1
Hedged risk		
Change in fair value of hedged item ²	-1	-1
Reserve, cash flow hedges	1	1
Hedging income in other comprehensive income	1	1
Interest rate risk related to loans with floating interest rates		
Hedging instrument		
Nominal amounts	2,500	2,500
Book value	-76	-97
Of which financial assets	1	2
Of which financial liabilities	-77	-100
Change in fair value for hedging instruments ¹	20	65
Hedged risk		
Change in fair value of hedged item ²	-25	-57
Reserve, cash flow hedges	-76	-97
Hedging income in other comprehensive income	20	65

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.

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	895	589	1,337	2,032	263	1,950	7,068
Commercial paper	1,505	-	-	-	-	-	1,505
Liabilities to leasing companies	13	38	-	-	-	-	50
Trade payables	651	-	-	-	-	-	651
Other liabilities	2	25	-	-	-	-	27
Derivative liabilities	152	59	40	23	19	46	340
Total	3,218	711	1,377	2,055	283	1,997	9,640

Commodity price risk related to purchase of electricity	Group	
	Dec 31, 2018	Dec 31, 2017
Hedging instrument		
Nominal amount (MWh)	302,324	373,796
Book value	52	15
Of which financial assets	52	15
Of which financial liabilities	0	0
Change in fair value for hedging instruments ¹	38	7
Hedged risk		
Change in fair value of hedged item ²	-39	-7
Reserve, cash flow hedges	52	15
Hedging income in other comprehensive income	38	7

¹ Change in fair value for hedging instruments that are used to assess hedging effectiveness for the period

² Change in fair value for hedged item that are used to assess hedging effectiveness for the period

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 Finance 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, 2018, was 2.7 years (3.4) with an average interest rate of 1.0 per cent (1.4). The liquidity risk is minimised by Swedavia having a diversified portfolio of borrowings, which ensures access to capital and flexibility. Under its Finance Policy, the Group shall have back-up facilities of SEK 1,500 M (1,200). On the balance sheet date, there were unutilised bank loan guarantees of SEK 1,500 M (2,000), and overdraft facilities of SEK 300 M (200), of which SEK 7 M (-) was utilised. The Group believes there are no risks associated with its refinancing potential.

Key metrics, financial risks	Group	
	Dec 31, 2018	Dec 31, 2017
Average interest rate, %	1.0	1.4
Interest rate lock-in period, years	2.7	3.4
Capital tie-in period, years	4.2	3.4

Group, 2018-12-31

Group	Dec 31, 2017						
	< 1 year	2 years	3 years	4 years	5 years	> 5 years	Total
Financial liabilities (including future interest expenses and derivative instruments) – Maturity structure							
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
Liabilities to leasing companies	101	75	32	18	17	23	266
Trade payables	3,181	1,031	307	841	2,037	477	7,874

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. 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.

Given that IFRS 9 "Financial instruments" entered into force on January 1, 2018, Swedavia has changed principles for making provisions and taking impairment losses on credit losses in conjunction with the implementation. The new principle means that a provision will be made at initial recognition for expected credit losses and not as previously, under IAS 39, in conjunction with the occurrence of a loss event. Swedavia has chosen to use segmenting by customer type based on forward-looking information and historical data. The method is based on Sweden's forecast GDP trend and the effects of this on credit losses relative to historical credit losses in each customer category and interval. On each balance sheet date, the Company assesses whether there are objective indicators of a default of payment and the need for an impairment loss on first recognition. Objective indicators of impairment can be a breach of contract, such as a default or past due payment of interest or principal, significant financial difficulties for the debtor or deterioration in creditworthiness as well as credit risk exposure.

Age analysis	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Trade receivables not due	525	533	502	521
Trade receivables past due 1–30 days	50	40	50	32
Trade receivables past due 31–90 days	4	0	4	0
Trade receivables past due >90 days	-0	0	-0	0
Total	578	573	556	553

Expected credit losses	Group		Parent Company	
	2018	2017	2018	2017
Opening balance, expected credit losses	3	3	2	3
Reversals of expected credit losses	-3	-3	-2	-3
Credit losses declared	0	0	0	0
Provision for expected credit losses	6	3	6	2
Closing balance, expected credit losses	6	3	6	2

Provisioning for expected credit losses	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Trade receivables not due	1	0	1	0
Trade receivables past due 1–30 days	0	0	0	0
Trade receivables past due 31–90 days	1	1	1	1
Trade receivables past due >90 days	3	1	3	1
Total	6	3	6	2

Given that IFRS 9 "Financial instruments" entered into force on January 1, 2018, Swedavia has changed principles for making provisions and taking impairment losses on credit losses in conjunction with the implementation. The new principle means that a provision will be made at initial recognition for expected credit losses and not as previously, under IAS 39, in conjunction with the occurrence of a loss event. As of December 31, 2018, under IFRS 9 Swedavia had a provision for expected credit losses of SEK 6 M (3) with the comparative figure calculated based on previous principles.

NOTE 47 Pledged assets and contingent liabilities

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Pledged assets	935	878	–	–
Contingent liabilities ¹	73	73	73	73

¹The comparative year has been adjusted.

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 935 M (878).

Swedavia's contingent liabilities consisted of pension commitments in Company-owned endowment insurance plans of SEK 6 M (8) and a guarantee of SEK 67 M (65) 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.

Swedavia is a party to ongoing litigation and disputes. Litigation and disputes are unpredictable in nature, and the actual outcome may differ from the assessments that Swedavia has made.

NOTE 48 Cash flow

MSEK	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Adjustments for items not included in the cash flow				
Profit from holdings in associated/ Group companies	-53	-37	–	–
Capital gain on sale of operations/ subsidiaries	–	–	–	–
Capital gain on sale of fixed assets	-16	–	-16	–
Depreciation, amortisation and impairment losses	1,041	965	1,050	982
Change in pension provisions	35	-74	13	15
Change in other provisions	25	-9	33	14
Other	-43	76	85	110
Total	989	922	1,162	1,121
Interest paid and dividends received				
Dividends received	–	–	–	1,038
Interest paid	3	5	15	17
Interest received	-120	-140	-97	-120

Short-term borrowings (maturity of three months or less) that are raised and repaid during the same month are offset.

NOTE 49 Supplementary information for key financial figures

Supplementary information for key financial figures. For definitions and justification, see pages 134-135, Key metrics and definitions.

Net liabilities

The pension liability, less the special employee pension tax, was SEK 765 M on December 31, 2018, and SEK 730 M on December 31, 2017.

Operating profit excluding capital gains

For the period January-December 2018, capital gains totalled SEK 55 M.

Operating profit excluding capital gains, impairment losses and disposals

Operating profit for January-December 2018 totalled SEK 682 M. Excluding capital gains of SEK 55 M and impairment losses and disposals of SEK 84 M, adjusted profit was SEK 711 M. Operating profit for January-December 2017 was SEK 651 M. Excluding impairment losses and disposals of SEK 160 M, adjusted profit was SEK 811 M.

NOTE 50 Events after the balance sheet date

SWEDAVIA ANNOUNCES LAYOFFS

Swedavia is taking measures to ensure its competitiveness and meet changes in market conditions. As a result of a cost reduction and change programme, on January 15 Swedavia notified the Swedish public employment agency Arbetsförmedlingen that it would lay off employees. A total of 125 full-year equivalent employees will be affected, both in the corporate units and at Swedavia's airports. The executive management's decision now serves as a basis for coming collaborative negotiations with the trade unions. The goal is to have the new organisation and these changes implemented by July 1, 2019.

PROPOSAL FOR NEW DIVIDEND POLICY

At the Annual General Meeting on April 17, 2019, the Board of Directors will propose that the AGM decide on a new dividend policy. The proposal for the new dividend policy entails a regular dividend of between 10 and 50 per cent of profit after tax. Annual dividend decisions shall take into consideration the Company's operations, implementation of the Company's strategy and the Company's financial position. In this assessment, special consideration shall be given to the Company's estimated ability going forward to achieve its capital structure (gearing) target (a debt/equity ratio of 0.7–1.5 times). The profitability target and capital structure target were not subject to review.

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 19, 2019

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

Agne Lindbom
Board member
Employee representative

Robert Olsson
Board member
Employee representative

Jonas Abrahamsson
President and CEO

Our Auditor's Report was submitted on March 19, 2019

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 17, 2019.

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 74-79 and the statutory sustainability report on pages 65-70 for the year 2018. The annual accounts and consolidated accounts of the Company are included on pages 62-124 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 31st of December 2018 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 31st of December 2018 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 74-79 and the statutory sustainability report on pages 65-71. 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.

Investments and ongoing projects

Description

Investments are a significant part of the Company's operations. In 2018, the Group invested SEK 3,195 M in ongoing projects and investment properties, as shown in Notes 3 and 19 in the Annual Report. Equivalent investments in the Parent Company during the year amount to SEK 2,665 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, time of completion and future value in use. Since investments in ongoing projects and investment properties affect transaction flows that are critical to business, constitute significant amounts and thus have a material effect in 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 also assessed the accounting principles applied by the Company and examined capital expenditures in detail using samples in order to assess classification, time of completion, useful life and future value in use.

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, 2018, amount to SEK 15,463 M in the Group and SEK 15,249 M in the Parent Company, constituting 78 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 15-19 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 4-60. 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 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 intends to liquidate the company, to cease operations, or has 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 responsibility

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 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 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.
- 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.

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 2018 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 responsibility

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 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 that the corporate governance statement on pages 74-79 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 65-71, 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 26, 2018 and has been the company's auditor since April 28, 2011.

Stockholm, March 19, 2019

Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant

Auditor's Review Report from Swedavia AB's Sustainability Report

To Swedavia AB, corporate identity number 556797-0818

INTRODUCTION

We have been engaged by the Board of Directors of Swedavia AB to review Swedavia's Sustainability Report for the year 2018. Swedavia AB has defined the scope of the Sustainability Report as those areas referred to in the GRI index on pages 130-132 of this document.

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 129-130 in the Sustainability Report, and 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 International Standards on Auditing and Quality Control and generally accepted accounting principles 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 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 19, 2019

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 objective is for the report to be transparent, relevant and comparable. Swedavia has used the Global Reporting Initiative (GRI)'s guidelines since 2010 and reports its sustainability work in 2018 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 2018 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, environmental concern and social development. Reporting is limited to those areas in which the company exercises complete control over the collection of data and the 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 2018 was published on March 22, 2019.

CONTENT OF THE REPORT

The sustainability report is based on Swedavia's materiality analysis, which was completed in 2016, and the results of a review of the analysis in 2018. 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 pages 20-21. Relevant global trends and drivers plus 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 Swedavia'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. The aim is to identify the changes that could conceivably have a major impact on Swedavia's business. All of these are considered to have a major impact so they require handling, which means that Swedavia needs to plan for them; read more on pages 15-17. The findings from the trend analysis and materiality analysis are integrated in Swedavia's 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 AREAS, 2018

Based on the results of its materiality analysis, Swedavia has chosen to report on twelve materialities this year. All indicators in these material areas reflect Swedavia's comprehensive view of long-term sustainable operations. Measurement of sustainability indicators is described below.

Customer satisfaction for passengers, airlines and tenants of office properties

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 on customer satisfaction is on a quarterly basis, and for the other airports, reporting is every six months. Swedavia's annual results are compiled based on the airports' results weighted by passenger volume. For Bromma Stockholm Airport, Göteborg Landvetter Airport and Stockholm Arlanda Airport, the period is for the full-year 2018. For the regional airports, the period runs from the fourth quarter of 2017 to the third quarter of 2018. The airline survey is carried out once every two years and measures the airline customers' satisfaction with the airports. The most recent large-scale measurement was carried out in 2017; in 2018, a smaller-scale pulse measurement was taken. The tenant survey is carried out at Stockholm Arlanda Airport, Bromma Stockholm Airport, Göteborg Landvetter Airport and Malmö Airport. 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). The survey is normally taken every two years and should have been carried out in 2018, but Swedavia chose to postpone the survey until 2019 in order to gather more data using this method.

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 127. Threshold values have been defined in the calculation for the 12-month period (for 2018) 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 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 the implementation of two initiatives that support the establishment of the capability. In 2018, Swedavia achieved digitisation capability.

Aviation's impact on climate change

Swedavia has chosen to merge two previous materialities into one and call it Aviation's impact on climate change. Read more on page 20. Swedavia reports indicator 305-5, emissions 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 2018 calculated in carbon dioxide equivalents were 1,305 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 are excluded and 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 boundary principles of 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 2018. 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.

Swedavia measures the amount of renewable jet fuel used for the Company's air travel for business purposes.

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).

Customer health and safety

To ensure the health and safety of our customers, Swedavia registers the number of accidents, incidents and serious deficiencies at the Company's airports through Swedish Transport Agency inspections. Definitions of key metrics are described on page 127.

GRI Index

Standard information

GRI information	Description	Page reference and comments
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102-3	Location of headquarters	93
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102-5	Ownership and legal form	74
102-6	Markets served	13, 62
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102-11	Precautionary principle or approach	65-66
102-12	External initiatives	17, 35, 37, 39, 47, 50-51, 56
102-13	Membership of associations	56
A0:G4-7	Environmental permits and other regulations in effect	29, 54, 57, 63, 68
A0:G4-8	Catchment area for cargo and passengers	40-41, 93
A0:G4:9	Direct destinations and other information about the size of the airports etc.	34-41. The number of employees at the airports is about 28,000. The number of airline customers is 108 including scheduled and charter operations. Minimum transfer time is 15 minutes.

Standard information (cont.)

GRI information	Description	Page reference and comments
Strategy		
102-14	Statement from the senior decision-maker	6-10
Ethics and integrity		
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102-40	List of stakeholder groups	12
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Specific standard information

GRI number	Description	Page	Comment and deviation
Economic results and return			
103-1 – 103-3	Management approach	20, 26, 28	
Own indicator	Return on operating capital	4, 24-25	
Competiveness of airport charges			
103-1 – 103-3	Management approach	51, 129	
Attractive offering of retail and services			
103-1 – 103-3	Management approach	20, 23, 129	
Own indicator	Commercial revenue per departing passenger	4, 63	

Cost-effectiveness

103-1 – 103-3	Management approach	20, 23, 26, 129
Own indicator	Operating cost per departing passenger	4, 63

Attractive offering of routes and international destinations

103-1 – 103-3	Management approach	20, 22, 129
Own indicator	Number of passengers	25, 34-41
Own indicator	Number of international destinations	25, 34-41
Own indicator	Number of new routes	34-41, 62

Customer satisfaction

103-1 – 103-3	Management approach	20, 22, 129	
Own indicator	Customer satisfaction passengers	24, 34-39	
Own indicator	Customer satisfaction airlines	34-39	
Own indicator	Customer satisfaction tenants	129	Swedavia chose to postpone the measurement until 2019 to gather more data using that method.

Capacity and flows at the airports

103-1 – 103-3	Management approach	20, 22, 31, 129
Own indicator	Punctuality (%)	31, 34-39
Own indicator	Delays caused by the airport	31, 34-39

Digitisation and automation

103-1 – 103-3	Management approach	20, 22, 129
Own indicator	Number of capabilities established	9, 129

Aviation's impact on climate change

103-1 – 103-3	Management approach	20, 23, 56, 122-123
305-5	Reduced emissions of greenhouse gases	23-25, 56-58, 68, 130
Own indicator	Energy use	56, 68
103-1 – 103-3	Management approach	20, 23, 130
Own indicator	Amount of renewable aviation fuel used in refuelling at Swedavia's airports	56-57, 68

Customer health and safety

103-1 – 103-3	Management approach	20, 23
Own indicator	Number of accidents and incidents	25, 52
Own indicator	Number of serious deficiencies in Swedish Transport Agency inspections	52

Engaged leaders and employees

103-1 – 103-3	Management approach	20, 23
Own indicator	Engaged leaders and employees	24, 55, 69-71

Employee health and safety

103-1 – 103-3	Management approach	20, 23	In 2018, Swedavia worked to develop suitable metrics for an even more proactive workplace environment and systematic assessment work for risk management, mapping and monitoring. The work will be completed in 2019.
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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 2018 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 2018.

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	54, 70-71
2. Businesses should make sure that they are not complicit in human rights abuses	54, 70-71
Labour	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	54, 69-71
4. Businesses should work to eliminate all forms of forced and compulsory labour	54
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	54-55, 69-71
Environment	
7. Businesses should support a precautionary approach to environmental challenges	56-58, 67-68
8. Businesses should undertake initiatives to promote greater environmental responsibility	56-58, 67-68
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	56-58, 67-68
Corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery	54, 65-69

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 and 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.

COMPETITIVENESS OF AIRPORT CHARGES

Swedavia's competitiveness is estimated each year based on a weighted average of airport charges for typical flights for the Company's airports compared to equivalent flights at competing and comparable airports. The selection of comparative airports and reference traffic is based on an internal assessment approved by Swedavia's executive management. Comparisons include charges for airport users which finance operations at the airports, including security checkpoints and terminal services. Charges for air traffic services for flying the route, ground handling services, aviation taxes and government regulatory taxes are not included. This index is not adjusted for currencies, and Swedavia's measured competitiveness is thus affected by changes in exchange rates.

CUSTOMER SATISFACTION (PASSENGERS, AIRLINES AND TENANTS)

Customer satisfaction is measured through customer surveys that result in three different customer satis-

faction indexes. The customer satisfaction of passengers is measured through Swedavia's participation in the ASQ Programme, an international 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 service 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, uninterrupted power supply and firefighting exercises.

ENGAGED LEADERS AND EMPLOYEES

Engaged leaders and employees is an index from Swedavia's Employee Survey carried out in partnership with Ipsos.

FIXED INTEREST RATE PERIOD

Volume-weighted average fixed interest rate 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.

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.

INVESTMENTS*

Swedavia's investments in tangible fixed assets and intangible non-current 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 the Company's 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 the calculation for "Operating profit excluding capital gains".

OPERATING PROFIT 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 PROFIT 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.

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 asterisk (*).

Definitions

AIRPORT OPERATIONS

Airport Operations is one of Swedavia's two business segments. Owns, operates and develops Swedavia's airports.

AIRSIDE

Airside is the term for the area at the airport that begins at the security checkpoint and extends to the gates, passenger (aircraft) jetties, 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 AND ISO 50001

ISO 14001 and ISO 150001 are umbrella terms for the internationally accepted standards for environmental management and energy management.

LANDSIDE

Landside consists of the area including access roads, car parks and entrances adjacent to the airport terminals as well as parts of the airport's terminals. Landside extends up to the security checkpoint, which is where airside begins. Swedavia and the 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 interregional 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.

PRODUCTION

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Graphic production: Gylling Produktion AB

Translation: Susan Long

Photos/images: Brendan Austin, Daniel Asplund, Daniel Blom, Emma Behrendtz, Felix Odell, Frida Weberg, Getty Images, Kalle Sanner, Maskot, Peter Phillips, Shay foto, Victoria Ström

Printing: Arkitektkopia



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