

Together

we bring the world closer

SWEDAVIA | ANNUAL AND SUSTAINABILITY REPORT 2016

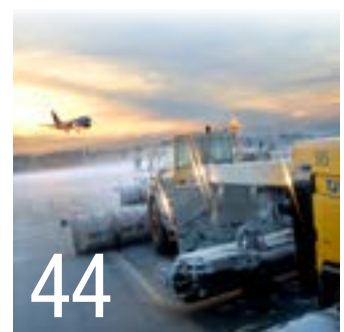
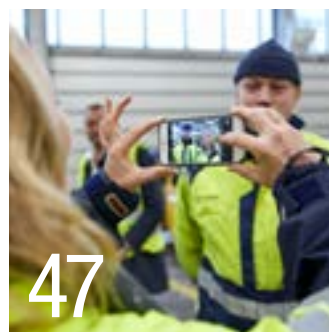
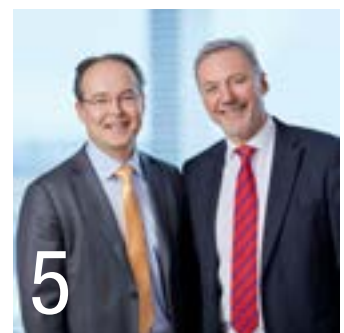
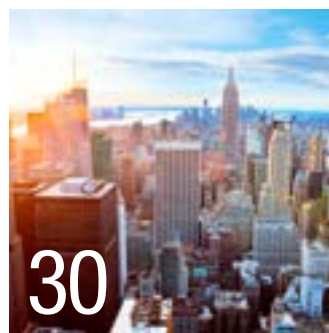
**2016 – a
strong year for
Swedavia**

**Higher capacity
for increased
access**

**Sustainability a
strategy for busi-
ness advantage**

**Biofuel for fossil-
free domestic air
travel**





Contents Swedavia 2016

3 THE YEAR IN BRIEF

4 THIS IS SWEDAVIA

- Airports with a focus on sustainable development

5 STATEMENT FROM THE CHAIRMAN OF THE BOARD AND THE CEO

- Swedavia is now entering a new phase

8 THE AVIATION MARKET

- Air travel shows continued strong growth

10 CAPACITY DEVELOPMENT

- Capacity for increased air travel
- Investments for the future
- Development programmes speeding up

16 STRATEGY

- How Swedavia meets needs and expectations
- Trends in the aviation industry
- Value creation through dialogue
- Ambitious targets
- The value chain – from input to outcome
- Strategies for sustainable development

28 OPERATIONS

- Customer
- Economy
- Environmental concern
- Social development

52 FINANCIAL REPORTS

54 REPORT OF THE DIRECTORS

62 CORPORATE GOVERNANCE STATEMENT

72 CONSOLIDATED FINANCIAL REPORTS

77 PARENT COMPANY FINANCIAL REPORTS

81 NOTES

109 SIGNATORIES TO THE ANNUAL REPORT

110 AUDITOR'S REPORT

113 STATEMENT OF COMPLIANCE

114 GRI INDEX

118 DEFINITIONS

ABOUT SWEDAVIA'S REPORTING

This is Swedavia's Annual and Sustainability Report for the financial year 2016. The report is aimed primarily at Swedavia's owner, customers, credit analysts and partners but also at other stakeholders, and is focused on our strategy, objectives, targets and results for the past year. It covers the entire Group, unless otherwise indicated. Swedavia reports results using the most recent version of the Global Reporting Initiative (GRI) guidelines (G4, Core). Reported indicators have been chosen based on Swedavia's and our stakeholders' shared view of material factors and what is important for developing long-term sustainable operations. The report also constitutes Swedavia's report (Communication on Progress, COP) for the UN Global Compact. The last publication date for the Annual and Sustainability Report was March 31, 2016.

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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The year in brief

Performance in 2016

- During the full calendar year, Swedavia's airports had 39.5 million (37.6) passengers, which is a 5.2 per cent increase
- Net revenue increased to SEK 5,546 M (5,416)
- Operating profit totalled SEK 966 M (1,755) and profit for the year totalled SEK 717 M (1,410). Profit in 2016 was affected by capital gains of SEK 241 M (918)
- The Group's capital spending increased to SEK 2,138 M (1,120), which is an effect of a faster investment pace in its development programmes

Key figures for the Group

Consolidated

SEK M, unless otherwise indicated	2016	2015	2014	2013
Net revenue	5,546	5,416	5,384	5,137
Operating profit	966	1,755	1,405	946
Operating margin, %	17.4	32.4 ¹	26.1 ¹	18.4
Profit for the year	717	1 410	926	501
Return on operating capital, %	8.6	14.5	10.3	7.1
Debt/equity ratio, times	0.7	0.7	1.4	1.9
Capital spending	2,138	1,120	924	2,413
Dividends ²	143	232	231	–
Average number of employees	2,949	2,787	2,516	2,369
Passenger volume, millions	39.5	37.6	35.7	33.5
Operating costs per departing passenger, SEK	202.6	203.0	193.6	198.7
Commercial revenue per departing passenger, SEK	75.5	76.1	78.5	78.2
Satisfied passengers (ASQ), %	77	76	75	73
Engaged leaders and employees (ELE), % ³	64	na	na	na
Carbon dioxide emissions, tonnes	2,720	3,066	3,108	3,800

For definitions, see page 118.

¹ The operating margin excluding capital gains was 15.4 per cent in 2015 and 19.6 per cent in 2014.

² Dividend proposed to the Annual General Meeting.

³ Swedavia has changed its measurement method and now instead monitors "Engaged leaders and employees"; read more on page 51.

Airports with a focus on sustainable development

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

► **Swedavia operates in an international market** that is subject to competition. The Company's role is to create the access Sweden needs to facilitate travel, business and meetings – in Sweden, elsewhere in Europe and around the world. Swedavia's primary customer is passengers. At the same time, airlines and the tenants that lease business, office or hotel premises in Swedavia's properties are

important partners of the Company. Swedavia competes with other airports in its work to attract investments by airlines.

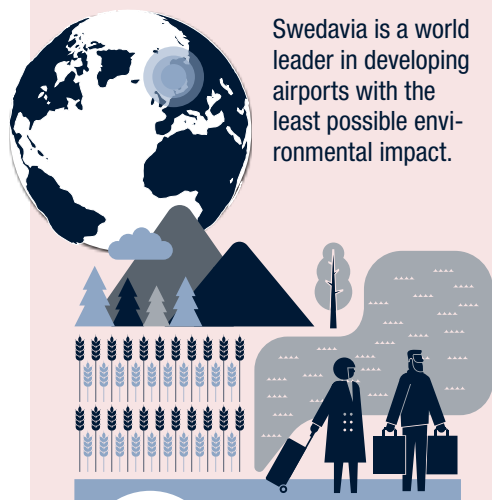
Safety, security and sustainable development with a focus on customers are the basis of everything Swedavia does, both in its own operations and in society in general. Operations are run along solid business principles, and the Company shall build a business that is sustainable over the long

39.5 million passengers 2016

Swedavia's airports enable air travel within Sweden and are a bridge to and from the country. They are modern places for meetings and commerce, offering a variety of products, services and concepts.

term through development, planning and operational efficiency. Engaged employees and a good workplace are crucial to Swedavia's operations. Swedavia shall continue to reduce its carbon footprint and help reduce the environmental impact of the entire air travel industry. All of Swedavia's airports are environmentally certified at the highest level of the Airport Carbon Accreditation (ACA) programme.

A world leader



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

CO₂

7%

Smaller carbon footprint per passenger than in 2015.

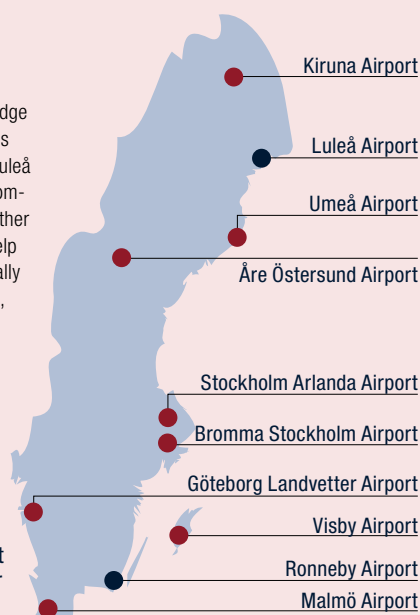
► Read more about our environmental responsibility on page 44.

Together we bring the world closer

Swedavia's mission is to own, operate and develop ten airports

► Together, the airports form a network that links Sweden's regions while serving as a bridge to and from the world beyond. Swedavia owns all the airports except Ronneby Airport and Luleå Airport, where Swedavia is responsible for commercial air traffic. Swedavia's vision is "Together we bring the world closer". Swedavia shall help make air travel and cargo transport – regionally but also to and from Sweden – as accessible, efficient and attractive as possible.

- Owned by Swedavia
- Partly owned by the Swedish Armed Forces, but Swedavia is responsible for commercial air traffic





“Swedavia’s operations and strategy are based on sustainability. This is integral to how we manage the Company.”

Jonas Abrahamsson
President and CEO

“We’re shifting to a new gear and we’ll do so with profitability.”

Åke Svensson
Chairman of the Board

Swedavia is now entering a new phase

In May 2016, Åke Svensson, for many years President and CEO of Saab AB and of the trade organisation the Association of Swedish Engineering Industries, took over as Chairman of Swedavia’s Board of Directors. In January 2017, Jonas Abrahamsson, formerly head of E.ON Nordic and E.ON Sverige, became the new President and CEO. Below is a conversation between them about Swedavia today and tomorrow, about challenges and opportunities in a world where travel is growing non-stop.

What was most important for Swedavia in 2016?

ÅS: By far the most important thing is that Swedavia took the step into a new phase of large-scale capital spending. We foresee continued growth in travel, and that creates good opportunities for Sweden and for Swedavia. So the decisions on investing in development programmes for our airports have been really important. They give us the opportunity to also strengthen our position going forward. Then we can create the potential to link Sweden up both within the country and with the rest of the world.

JA: Swedavia’s mission is to create the access needed for meetings, travel and busi-

ness, and thus for Swedish competitiveness. Our operations are thus at the crossroads between sustainability and growth. Sweden is a country that depends on exports. Fifty per cent of Swedish GDP comes from the export sector, and the competitiveness of many companies depends on the access that our airport network provides. In fact, the Company was formed to ensure the operation of airports that are system-critical. This is a wonderful mission, and it is a privilege to be able to work with it.

More and more people choose to travel, and we will ensure that our airports are the first choice when new routes are being established to other Scandinavian destinations. We have able competitors, but naturally our

objective is for Swedavia to be considered the leading player in developing and operating airport networks in a sustainable way and for Stockholm Arlanda Airport to be the leading airport in Scandinavia. It is likely that we will achieve this position in five years. Yet at the same time that we compete for more direct routes, this passenger growth also represents a challenge since we have reached capacity at a number of our airports. So we launched these major development programmes, which will leave their mark on operations for many years to come and which mean we are now entering a new phase at Swedavia.

What does that mean in concrete terms?

JA: We have already been able to develop through better use of existing capacity and by focusing on business development, ever more satisfied customers and access. We are obviously pleased that more and more people choose to fly to and from our airports, but the sharp, rapid growth in recent years also creates operational challenges. That’s why we’re tripling our investment volume each year and planning for 16.5 billion kronor in capital spending over the next four years. At the same time as we carry out major construction

Swedavia 2016

Net revenue increased to

SEK 5,546 M

(SEK 5,416 M in 2015)

Operating profit totalled

SEK 966 M

(SEK 1,755 M in 2015)

projects at our airports, we will also maintain our high level of safety and security, keep a high level of access, improve customer and passenger satisfaction, drive our sustainability agenda with its focus on climate-smart airports, develop our commercial offering at the airports and – last but not least – achieve our economic objectives. This is a wonderful challenge that we are well equipped to take on.

ÅS: We're shifting to a new gear, and we'll do so with continued profitability. Some investments involve critical choices. Either we build or we don't build. But if we build, these are billion kronor investments that will be in operation for 50 or 60 years.

In 2016, many direct routes to new destinations were established. Sweden and Stockholm Arlanda are hot. We know that access to direct routes is incredibly important for a country's growth, access and attractiveness. We are therefore working to keep down charges to airlines, which are important partners. Up until now, we have been able to lower our charges, despite the capital spending, but it is not likely this will continue going forward.

For the same reason, it's good that the work with US Border Control – US Preclearance – at Stockholm Arlanda is speeding up. We're well on our way, and preclearance is very important for competitiveness. We're now awaiting a decision by the Swedish parliament in order to start construction in 2018. However, functioning business arrangements for preclearance are predicated on increased travel. Changes in travel as a result of the US presidential election and the need for policy decisions in Sweden well illustrate how carefully many of our key investment decisions need to be considered.

JA: We fund our own infrastructure while at the same time delivering profit and dividends. Managing, developing and selling properties around our airports and in that way generating revenue that can be used for capital spending are an important part of this.

We have a plan to handle our load within the scope of our return target, but that also assumes travel will increase. It is positive that the Swedish government has now adopted a national aviation strategy that underlines the importance of air travel and, above all, Stockholm Arlanda, for the development of all of Sweden and that investment is not just needed in our airports but also in the infrastructure to and from them. On the other hand, I'm worried about the proposed aviation tax, which is only expected to have at most a marginal effect on greenhouse gas emissions and instead runs the risk of impeding Sweden's competitiveness and access. It goes without saying that sustainability is an obvious requirement for long-term profitable operations. In my view, the air travel industry and Swedavia also need to work as hard as possible with sustainability issues. We are therefore involved in and are pushing for greater use of biofuel for aviation and have purchased biofuel for the Company's own air travel for official business. I believe it's important that we lead the way and show that it's possible. The EU's Emissions Trading System and the International Civil Aviation Organisation's CORSIA scheme, which is a global system to limit emissions, are two other good tools, as is the development of more fuel-efficient aircraft engines.

You need to see far into the future. What do you see in your crystal ball?

JA: The challenge is to have an operational focus, manage short-term capacity needs and at the same time build for the future. We know that economic downturns affect travel in the short term, but the long-term trend is still upwards.

ÅS: Our capital spending is now laying a foundation for the near and middle future, but this analysis also needs to be done for a longer timeframe. We've carried out work to see how we would manage increased travel over a period of 70 years. In that work, we analysed among other things the demand for the whole Mälaren Valley region (beyond Stockholm). One totally feasible scenario is that as many 50 million people will be flying to and from Stockholm Arlanda each year. In order to handle the Stockholm region's future need for airport capacity, policy decisions will be necessary in the near term. Long-term funding of investments in air-

ports as well as roads and railways, together with meticulous work in the process involving Stockholm Arlanda's environmental permit, are crucial. Together with Stockholm Arlanda, the city airport Bromma Stockholm today contributes to the total and crucial capacity needed to ensure access by air to and from the Stockholm region.

JA: Swedavia will now start planning for a fourth runway at Stockholm Arlanda. This will be necessary in the long term to ensure Sweden's airport capacity regardless of what decisions are taken on the future of Bromma Stockholm Airport. Our entire network must nonetheless be efficient. We have long-term, visionary master plans for all of the airports in our network. They will constitute the basis of a necessary dialogue about the long-term development of these airports as well as their immediate surroundings.

ÅS: We also foresee the benefits brought by digitisation with regard to running airports, although this is a complicated issue. One interesting example of digital advances is remote tower services. The technology is mature and allows airports to remain open around the clock when they otherwise could not be. Remote tower services are a good example of how digitisation can help us keep Sweden connected in a sustainable way and also of good collaboration between Swedavia, the air traffic services provider LFV and the Swedish Transport Agency.

How did it go in 2016?

JA: In terms of passenger growth, we set records at seven of our ten airports and reached an all-time high, with a total of 39.5 million passengers. That is an increase of as much as 5.2 per cent compared to 2015. Our net revenue increased 130 million kronor to 5,546 million, and profit totalled 717 million kronor. We had a strong year in 2016.

ÅS: Growth, together with capital gains from our property development, gave us a year with good profitability. Meanwhile, our airport charges remain competitive. As a result, we now have a financial position that lays the foundation for our continued investments in capacity improvements.

We are in a good position. In 2016, profitability was strong and we exceeded our return target for the year. The debt/equity ratio was lower than our target and was the same as last year, while our carbon dioxide emission levels were better than the target. We started measuring engaged, instead of satisfied, leaders and employees. In the first survey, we reached 64 per cent, and the target for 2020 is 75 per cent. This is an ambitious

target, and we will have to work hard to reach it. Regarding satisfied customers, we are not there yet. Passenger satisfaction rose to 77 per cent, compared to 76 per cent for 2015, but was below our target of 82 per cent. We now have a challenging target of 85 per cent passenger satisfaction for 2020. Engaged employees are one key to achieving this. One successful example is our ground handling services at the regional airports. By taking over responsibility for services previously provided by the airlines, our employees have been given broader and more varied duties; meanwhile, customer satisfaction is rising.

JA: A target has to be visionary and at the same time attainable, but not too easily. Passenger satisfaction is perhaps the toughest, especially given the investment programmes we have. We should keep in mind that we have made rapid progress, from 68 per cent satisfied passengers in 2011, the year we started taking measurements, to 76 per cent in 2015 and 77 in 2016. So the target is tough but reachable and an important parameter when airlines choose to establish operations at our airports. Raising the level of satisfaction while we are rebuilding

and expanding is a task I have great respect for, one I also look forward to carrying out. It will be extremely important to communicate to our passengers that we are building in order to develop our airports for the future and thus equip Sweden for future success.

How will you lead Swedavia?

JA: One of my most important duties is to create conditions for leaders and employees to do as good a job as they can and make sure we have the right people in the right place.

Swedavia's operations and strategy are based on sustainability. This is integral to how we manage the Company. As I see it, it is absolutely necessary that we are relevant in the long term. If we aren't sustainable, we won't be profitable. It's a simple equation.

Our culture and our values are important. I am passionate about diversity, and if we're going to attract the best people, we must be attractive to all parts of society. By working inclusively, we create a culture that accepts diversity in all its forms, which in turn leads to better performances and greater creativity.

In order to achieve good results, all dimensions of sustainability must be included, and

they are only if we work consciously with these issues. We follow the UN Global Compact and work according to the UN's sustainability goals – not because that's expected of us but because it's right. We will not only be a good role model – we will be involved in driving this development. So a lot of it is about how we do things. That brings us back to leadership, engagement, culture and governance. Our different airports often have different conditions for carrying out operations. There is great pride and engagement at every airport, and we should safeguard and develop this. At the same time, there are enormous benefits to being part of Swedavia, and we can be even better at enhancing the capabilities of each airport by working efficiently together, despite the differences. It is together that we are Swedavia.

We have an organisation of about 2,900 employees who have fantastic skills. We no doubt have great challenges ahead of us at Swedavia, but we also have the best conditions needed to handle them.

Åke Svensson, Chairman of the Board

Jonas Abrahamsson, President and CEO

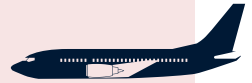


Swedavia is pushing the switch to biofuel

The environmental impact of the air travel industry comes mainly from fossil carbon dioxide emissions from air traffic. A switch to biofuel is a crucial factor in reducing emissions. Today this is produced on a small scale, which means the price is higher than for fossil fuel.

Swedavia is working proactively on issues involving biofuel for aviation. In 2016, it was the first company in the world to procure a service that refuels aircraft at Swedavia's airport using an equivalent amount of biofuel to offset that used in air travel for official business. The service is provided by the Fly Green Fund, in which Swedavia is also a partner. The Fly Green Fund enables companies, individuals and organisations to reduce their climate impact when they fly by covering the additional cost of biofuel. The aim is to stimulate demand and thus create an incentive for large-scale production of renewable fuel in the Nordic countries.

The role of the air travel industry



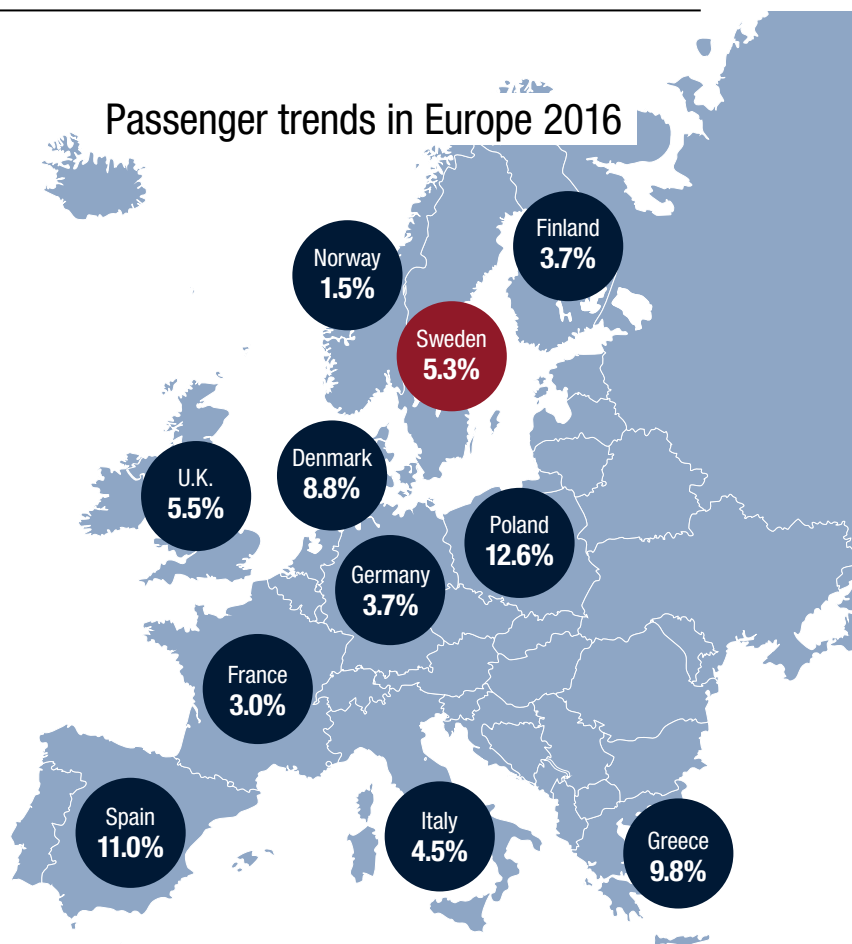
► According to a 2014 study by the analytical consultancy Oxford Economics, the air travel industry and the access that flying creates contribute more than 130 billion Swedish kronor each year to Swedish GDP. In addition, air travel generates direct tax revenue of more than nine billion kronor a year. The air travel industry and the passengers who fly to or from Swedish airports create more than 180,000 jobs in Sweden. Over the next five years, it is estimated that another 20,000 jobs could be created mainly as a result of increased international travel.

SEK 130 billion annually to Swedish GDP

180,000 jobs in Sweden

Air travel continues its sharp growth

Global demand for air transport has increased faster than the demand for most products and services. At the same time, the access that air travel creates is an ever more important condition for economic growth and competition.



► **Companies operating in the sector,** including airlines and airports, nonetheless have very different requirements. Airlines must have the ability to quickly adjust their offering based on how travel patterns and cargo flows change. Airports must instead work to ensure long-term capacity and competitive charges, while offering solutions that are as flexible as possible. Airlines and airports must both meet the high demands from passengers. The most important driver for attracting air traffic to an airport is the attractiveness of the destination to both departing and arriving passengers and businesses.

In January 2017, the Swedish Government presented the country's national aviation strategy, which Swedavia welcomes. Meanwhile, discussions about a national aviation tax are under way. Introduction of such a tax would change market conditions and have a negative impact on Sweden's access and competitiveness. At the same time, the Swedish Government expressed a need for continued improvement in air access in its export strategy in order to

promote investment and the establishment of business operations in Sweden.

AIR TRAVEL CREATES JOBS

Airports are major investments that link the regional economy to the national and global economies. This makes them vital national resources. Air travel allows opportunities for exchanges and meetings between cultures and people.

The air travel industry creates many millions of jobs around the world directly and indirectly. According to Oxford Economics, an estimated 180,000 of these are in Sweden, with 80,000 in the air travel industry itself. The access that air travel creates contributes a further approximately 100,000 jobs in a number of other sectors, from traditional manufacturing to fast-growing start-ups and the hospitality industry.

EMISSION REDUCTIONS

By far the greatest challenge to the air travel industry is requirements for a reduced climate impact. The industry has taken on this chal-

lenge by setting ambitious targets to reduce fossil carbon dioxide emissions. Aviation bio-fuel is a critical factor in achieving these targets. Biofuel works in today's jet engines and in the existing infrastructure, but more large-scale development and use require great engagement and demand from all of society.

COMPETING WITH CAPACITY

According to EU forecasts, air travel will increase by almost 50 per cent to 2035. At the same time, growth in airport capacity – the ability to handle passengers – is expected to increase by less than 20 per cent during the same period. Quite simply, demand for travel is increasing faster than airport capacity. If the trend to 2035 is in line with EU forecasts, almost two million flights in Europe will never take place since there will be no room for aircraft or passengers at the airports and in the air. Capacity is already a critical issue in large parts of Europe. In the Nordic countries, the situation is better, but the winners in the future, both economically and as



a destination, are the airports that can offer the capacity that is in demand. That is why there are expansion projects now under way at all the major airports in Sweden, Norway, Finland and Denmark.

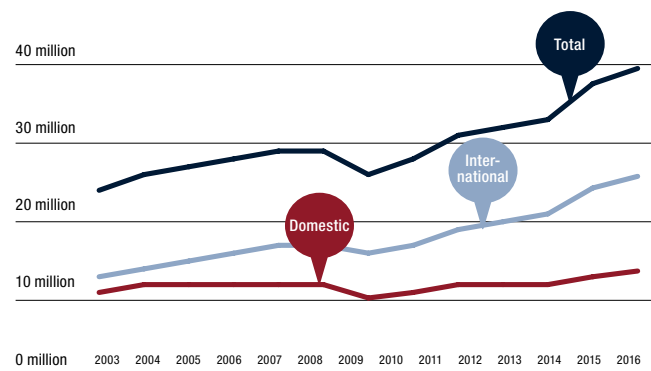
This increased demand means that solutions, ways of working and technology that can be sustained in the future must be developed, but also that the airports must work to make full use of existing capacity. Every link in the chain, from the infrastructure around the airport to check-in, depends on all the others.

ACCESS TO INFORMATION

Access to quick, accurate and shared information produces positive effects in many areas. Reduced emissions and lower fuel use due to shorter waiting times at the gate and on the runway for take-off generate concrete gains for airlines, among others. A modern exchange of information creates improved conditions for increased punctuality, which raises customer satisfaction.

Passenger trends at Swedavia, 2016

39.5 million passengers



Capacity for increased travel

An airport is a complex traffic machine in which thousands of different systems, functions and, finally, people interact. The overall ability to handle aircraft in the air and on the ground as well as move passengers, baggage and cargo from one point to another, through passport controls and security checkpoints and on to awaiting transport by air, car or train is what determines an airport's capacity.

► **In the world of airports**, operations are divided into landside and airside. Landside consists of parts of the terminals and other infrastructure, for instance, car parks, and extends up to the security checkpoint. After this comes airside, with gates, passenger boarding bridges, aprons, aircraft parking stands, taxiways and runways.

On landside, check-in and baggage handling systems as well as car parks, mass transit and access roads are linked together in a chain. Capacity is not just how many passengers can be handled in a terminal, but also how quickly each passenger can, for instance, park, check in, drop off baggage, go through the passport control and security checkpoint, get to the gate and depart.

Landside

Airside

1. TRANSIT TO AND FROM THE AIRPORT

It must be possible to reach an airport smoothly via a number of different transport modes. Means of transport such as railways, the underground, buses, taxis and cars must be linked to air traffic in an efficient flow.

3. CHECK-IN

The time needed for each passenger must be kept to a minimum. Today self check-in is often provided via stations, mobile solutions or the Internet.

5. SECURITY CHECKPOINT

The capacity of the security checkpoint, as with check-in and passport control, is crucial for an efficient flow. The challenge is to maintain security while passengers can quickly pass through.

6. BORDER CONTROL

On flights to a destination outside the Schengen area, passengers need to show a passport. The flow-through at these controls must be good. One future option is to use electronic and biometric reading for a shorter processing time.

2. PARKING

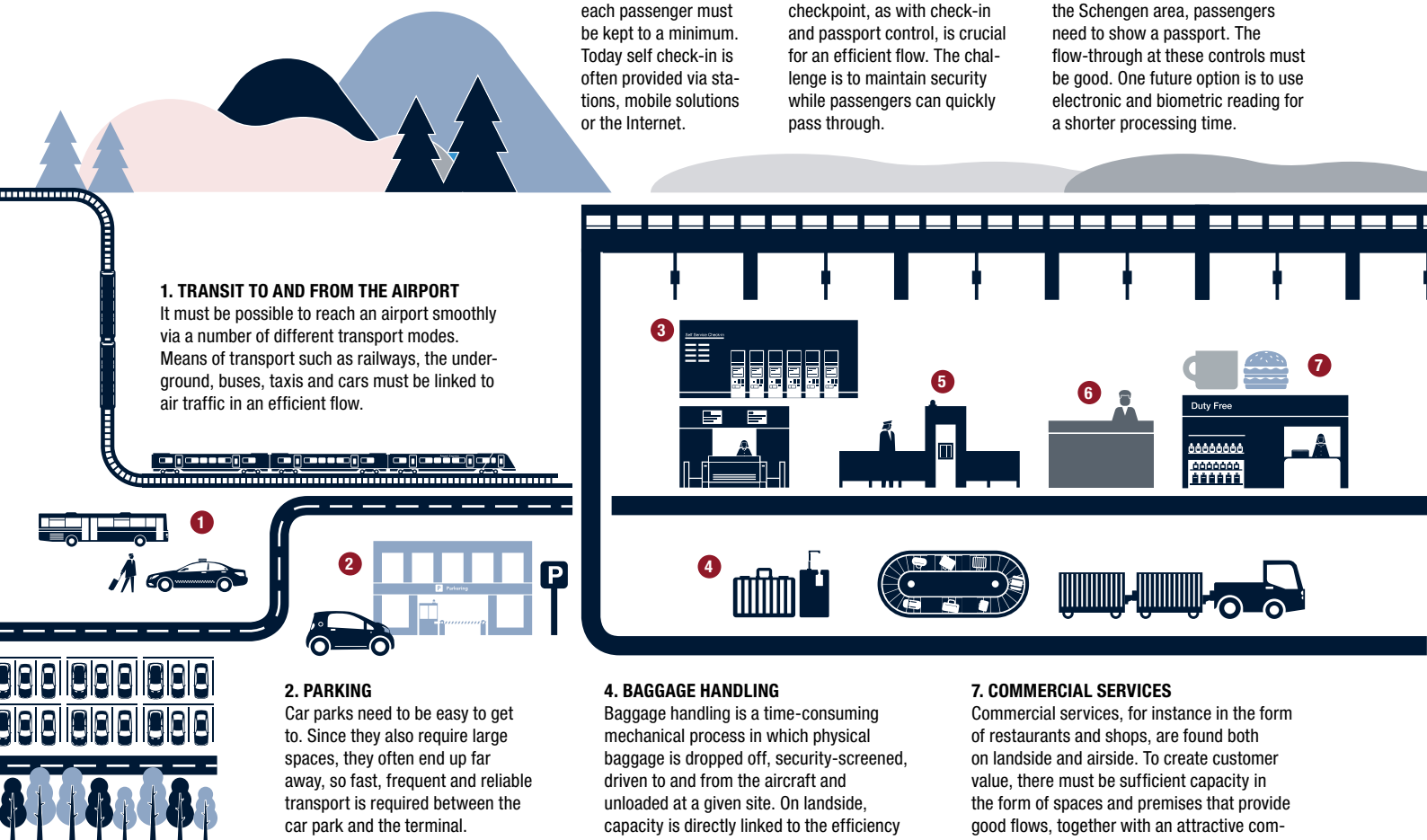
Car parks need to be easy to get to. Since they also require large spaces, they often end up far away, so fast, frequent and reliable transport is required between the car park and the terminal.

4. BAGGAGE HANDLING

Baggage handling is a time-consuming mechanical process in which physical baggage is dropped off, security-screened, driven to and from the aircraft and unloaded at a given site. On landside, capacity is directly linked to the efficiency of the baggage system.

7. COMMERCIAL SERVICES

Commercial services, for instance in the form of restaurants and shops, are found both on landside and airside. To create customer value, there must be sufficient capacity in the form of spaces and premises that provide good flows, together with an attractive commercial offering.



On airside, capacity is defined as the number of take-offs and landings that can be carried out. This involves how many runways the airport has and how long they are, what aircraft models and airlines operate there, what technical and staff resources air traffic management has at its disposal, what electronic landing systems are available, how frequently approaches and departures can take place, what the weather conditions are and what noise requirements are set by the authorities. Important areas such as gates and commercial premises also belong to airside.

“Apron” is an umbrella term for an area that consists of, among other things, aircraft parking stands, piers, passenger jet bridges

and areas for refuelling and de-icing. It is the access to these functions, together with the possibilities of transporting passengers and goods between different terminals and aircraft, that determines capacity on airside. Each minute that an aircraft uses airspace, runways and facilities affects all operations, and short waiting times produce higher capacity since the airport can handle more aircraft. Short waiting times are also crucial to the airlines’ operations.

8. GATES

Aircraft are becoming ever larger and handle more passengers, while traffic is growing. That raises the requirements for sufficient space at the gates as well as access to passenger jet bridges connecting to the aircraft at the parking stand, which enable rapid boarding and disembarking. Most of Swedavia’s airports are relatively small and do not have jet bridges.

10. AIRCRAFT PARKING STANDS

Aircraft that land require parking facilities, access to fuel, electricity and different kinds of services and deliveries. Areas with easy access and developed infrastructure reduce times for handling and turnaround and in that way contribute to increased capacity. To maintain punctuality, every minute is important in boarding and disembarking. Longer turnaround times reduce utilisation of runways and parking facilities. Capacity and operational safety on the aircraft parking stands are therefore an important factor.

9. APRON BUSES

Apron buses are used to transport passengers to and from aircraft that are not parked at the gate. As with the jet bridges, operational safety and sufficient capacity are needed for fast boarding and disembarking.

11. RUNWAYS AND TAXIWAYS

Access to runways is a critical factor for airport capacity. It determines how many take-offs and landings can be carried out.

Punctuality is one metric for capacity

Running traffic on time is a constant and considerable challenge for airlines and airport operators. Flights that cannot take off or end as scheduled, since there are queues on the runways and taxiways or at the terminal gates, generate higher costs for both airlines and airports as well as represent lost time for passengers. The term “capacity shortage” is often used to explain delays.

Punctuality, that is, the number of flights that are actually run as scheduled, is therefore an important metric for the airport’s capacity, its ability to handle a given amount of traffic on every occasion. A high level of punctuality indicates good capacity and efficient processes. Delays due to queues mean that the airport does not have the infrastructure needed to fully meet the demand during peak periods. Capacity is too low.

Swedavia manages but does not always perform operations at the Group’s airports – from check-in to baggage claim, the design of the terminals and buildings – and thus has control over important processes and flows.

Factors that govern punctuality and are harder to influence:

- Environmental laws, which among other things regulate noise and flight paths
- What aircraft types airlines want to serve the airport with
- The training of pilots and air traffic controllers
- Mass transit conditions
- Weather conditions from day to day
- Delays at other airports
- Delays in mass transit
- Passengers arriving late

Investments for the future

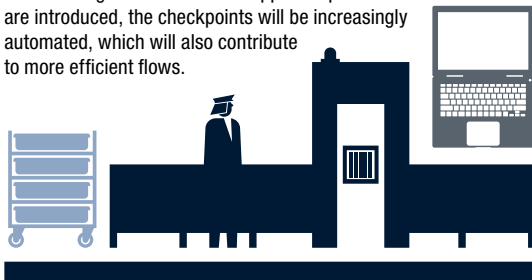
Passenger growth has been strong for many years at nearly all of Swedavia's airports. To meet this growth, the airports are increasing their capacity by optimising existing resources and by expanding. More or less extensive improvements are being carried out in a number of areas.

AIRSIDE – HIGHER CAPACITY NECESSARY

Many of the critical capacity challenges for the main Swedish airports are on airside, the part that starts at the security checkpoint and extends out to the runways. It is mostly here that Swedavia is building to increase capacity.

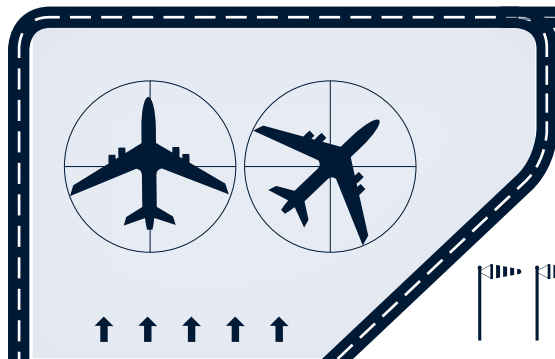
SECURITY SCREENING FLOWS

Queues create slow flows. To increase capacity, the number of screening stations is being augmented so that more people can pass through the security screening flow in parallel. Three new flows were added at Göteborg Landvetter Airport in 2016, a project is under way at Stockholm Arlanda Airport for a brand-new security checkpoint in Terminal 5, and similarly the number of security screening flows at Bromma Stockholm Airport is being increased. As technological advances and approved processes are introduced, the checkpoints will be increasingly automated, which will also contribute to more efficient flows.



COMMERCIAL SERVICES

The development plans for Swedavia's three main airports also include capacity improvements for operations linked to retail operations and services. Larger and more flexible areas for shops, restaurants and other offerings create increased customer value. The regional airports are also working to increase capacity in these areas.

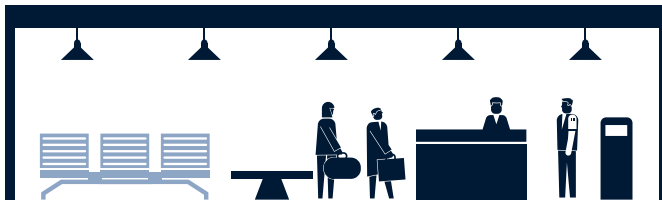


RUNWAYS AND TAXIWAYS

Runways for take-off and landing, together with taxiways, which connect the runways and terminals, also determine capacity. Their location, length, width and load bearing capacity affect the number of aircraft that can be handled in a given period of time but also what aircraft types are allowed to serve the airport. Access to different technical systems for take-off and landing is also crucial in determining under what weather conditions an airport can handle traffic. Actual access to runways and taxiways today is not a restrictive factor for Swedavia's airports, but in order for Bromma Stockholm Airport to meet the requirements for so-called Cat III certification, and thus continue to handle modern aircraft types, development is under way of the runways, taxiways, aprons, aircraft parking stands and runway lighting.

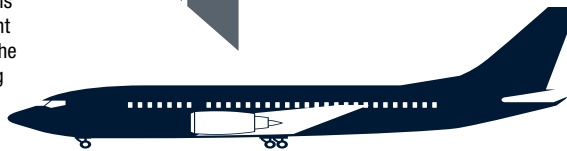
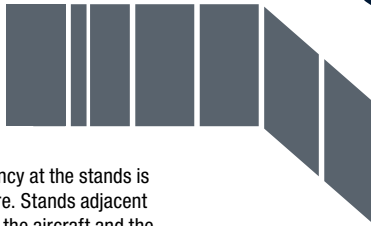
GATES

Due to the growing passenger volume, there is not always sufficient space at the airport gates. Fire safety regulations set limits on how many people can be on the premises at the same time, and there are industry recommendations as to how many square metres per passenger are needed. Less crowding also contributes to increased customer satisfaction and raises the airports' attractiveness. Here too, the airports need to use existing facilities as efficiently as possible while expanding the space available. Work on the new pier in Terminal 5 at Stockholm Arlanda Airport will be in full swing in 2018. At Göteborg Landvetter Airport, the decision was made in 2016 to expand the terminal building. At Bromma Stockholm Airport, construction began on a new arrival hall, and in 2017 construction will start on a new departure hall. Due to a higher degree of self-services and automation, the gates can be used more flexibly.



AIRCRAFT PARKING STANDS

The number of aircraft parking stands affects airport capacity. These are designed based on the size of the aircraft types that will use them. Efficiency at the stands is determined by the level of equipment installed there. Stands adjacent to the terminal, equipped with jet bridges between the aircraft and the terminal, provide an efficient process, in which the time for boarding and disembarking can be kept to a minimum. For stands not connected to the terminal, which are in ever growing demand among low cost carriers, passengers are instead transported by bus between the aircraft and the terminal. This leads to longer process times. A clear trend in the aviation industry is that airlines are purchasing larger aircraft when they replace old ones since this usually leads to a lower cost per passenger. An Airbus A380 model can handle up to 900 passengers and a Boeing 747-800 can handle up to 700. For that reason, aircraft parking stands, for instance at Stockholm Arlanda Airport's new pier, need to be modified for larger aircraft types and equipped so that they are as efficient as possible. A solution with three-armed jet bridges connecting to the aircraft is also planned. At Bromma Stockholm Airport, new piers connecting the terminals to the aprons are being built.



An efficient airport has a lower environmental impact

Airport capacity is determined not just by how the flows and terminals work but also by environmental requirements, which affect the conditions for increasing capacity.

The airports' environmental permits are one of the essential requirements for operations. A number of conditions are specified in them which determine what kind of traffic may be allowed, on what scale this can take place and how. Environmental permits involve lengthy processes that take a lot of time, so environmental issues are a critical part of the airports' long-term development plans.

Development of the airports' infrastructure provides good opportunities for also monitoring and improving a number of environmental aspects of airport operations. At the same time, this sets high demands. Swedavia's buildings are to be environmentally adapted and function over the long term and in a sustainable manner; the amount of surface water from hardened surfaces is to be kept to a minimum, in part through the use of "green roofs"; water treatment capacity needs to be expanded; and a large number of other factors need to be taken into consideration in the development plans. The number of collection ponds must also be kept down since they attract birds, which can endanger aviation safety. At the same time, an efficient airport can reduce the need to keep aircraft in a holding position before they are given clearance, something that is common at major airports such as Heathrow. Despite an increase in traffic, short waiting times and efficient ground handling can mean less noise, less fuel consumption and lower emissions.



Development programmes speeding up

In the years ahead, Swedavia will invest in development programmes at a number of airports. The various programmes will both increase capacity and create synergies.

The need for capacity expansion varies among the airports, but the largest development projects are being implemented at Stockholm Arlanda Airport, Göteborg Landvetter Airport and Bromma Stockholm Airport. For the period 2016–2020, Swedavia has decided on capital spending totalling about twelve billion Swedish kronor in its development programmes in addition to planned capital spending of more than five billion kronor for the period 2021–2028. Provided that all the projects are implemented, total capital spending will be about 18 billion kronor to 2028. At the same time, measures to improve capacity are being carried out at Swedavia's regional airports, with investment totalling about one billion kronor between 2016 and 2020. For 2021–2028, another approximately one billion kronor in investments is planned.

Stockholm Arlanda Airport

In 2016, Stockholm Arlanda Airport had more than 24.7 million passengers, and according to forecasts this number will rise to almost 40 million by 2040. To meet this growth, the airport must grow in a number of areas. From 2016 to 2020, about ten billion kronor will be invested through the development programme at Stockholm Arlanda. For the period 2021–2028, investments of almost five billion kronor are planned.



Stockholm Arlanda Airport.
A new pier is being built in Terminal 5.

Image: Krook & Tjäder

● NEW PIER IN TERMINAL 5

The pier is designed so that the terminal will be able to handle more passengers and larger aircraft types – so-called Code F aircraft, with capacity for 800–900 passengers – than before.
Implementation period: 2018–2021

● NEW AIRPORT MAINTENANCE AREA

13 new buildings, including a garage, workshops and storage, as well as new facilities for district heating, district cooling, power, water and sewage.
Implementation period: 2016–2018

● AIRCRAFT PARKING STANDS ON APRON E

Implementation period: 2016–2018

● US PRECLEARANCE

Introduction of preclearance means that a new security checkpoint will be set up in Terminal 5. The Swedish Parliament must first make a decision on this.
Implementation period: 2017–2019

● RENOVATION OF TERMINAL 5

Will give arriving non-Schengen passengers a better transfer and smoother flows.
Implementation period: 2016–2017

● NEW BAGGAGE SYSTEM

For arriving and departing baggage in Terminal 5.

Implementation period: 2017–2023

● NEW SECURITY CHECKPOINT, SHOPPING AND RESTAURANT AREA, TERMINAL 5

Implementation period: 2018–2022

In addition to the actual capacity development programme, Swedavia is investing in:

NEW HOTEL WITH 460 ROOMS

Implementation period: 2017–2018

OFFICE ONE

15,000 square metres of office space
Implementation period: 2016–2018
Office One will also be the first building in the new Airport City Stockholm, which when completed will cover 800 hectares divided into six districts. Plans are for 50,000 workplaces, a city centre with parks, areas for research, a Cargo City with a focus on logistics and a number of other functions. The Airport City, which will gradually take shape in the years ahead, is a collaboration between Swedavia, the Municipality of Sigtuna and Arlandastad Holding AB.

Göteborg Landvetter Airport

In the spring of 2016, Swedavia decided to invest in a development programme that will enable the airport in 2028 to meet forecast growth and handle eight million passengers a year, compared to 6.4 million in 2016. The programme involves capital spending totalling about one billion kronor during the period 2016–2020. For the period 2021–2028, Swedavia is planning an additional approximately one billion kronor in capital spending.

● EXPANSION OF ARRIVAL HALL

In two phases, partly to handle more passengers in the hall and partly to be able to expand the baggage handling system with three new baggage carousels.

Implementation period: Phase 1, 2016–2017; Phase 2, 2017–2019

● BAGGAGE HOTEL

Increased capacity for sorting and storing baggage in a special baggage hotel.

Implementation period: 2021–2023

● INCREASE IN SECURITY CHECKPOINTS

In 2022, the checkpoints will have added parallel queues and be able to handle eight million passengers a year.

Implementation period: 2017–2022

● EXPANSION OF THE TERMINAL TOWARDS THE SOUTH

The terminal will be expanded with three new gates connected by jet bridge along with the eight the airport added in 1988. Three of the new jet bridges will be able to handle up to Code E aircraft. With the new jet bridges, capacity is expected to be sufficient until 2027 and with 7.7 million passengers a year. Starting in 2027, two more jet bridges will be in operation, and capacity will increase to eight million passengers a year.

Implementation period: Phase 1, 2016–2020; Phase 2, 2023–2027

● BETTER PARKING FACILITIES

Expansion with an additional 500 parking spaces.

Implementation period: 2018–2019

Also included in the development of the airport in a longer-term perspective, a railway link is expected to be established in 2020–2026. An Airport City is growing around the airport in collaboration with other stakeholders. The construction of a logistics park began in 2016. Planning is under way for a retail centre at the entrance off Route 40 and for a hotel adjacent to the terminal.



Vision of the future. Göteborg Landvetter Airport.

Image: Wingårdhs

Bromma Stockholm Airport

Stockholm is Europe's fastest growing metropolitan region, and Bromma Stockholm Airport constitutes an important factor for access and economic growth, especially as a hub for Swedish domestic traffic. To modernise Bromma Stockholm, which turned 80 in 2016, a number of measures are being carried out in a development programme that involves some 1.3 billion kronor during the period 2016–2020.

● NEW TERMINAL

A new terminal will improve the passenger experience and enable 1,200 passengers an hour to be handled in peak traffic.

Implementation period: 2016–2018

● NEW ARRIVAL HALL

Implementation period: 2016–2017

● NEW DEPARTURE HALL

Implementation period: 2017–2018

● EXPANDED PARKING

Also optimisation of mass transit flows, noise protection measures and modification in order to link up with the Kista branch of the Tvärbanan light rail line.

Implementation period: 2017–2018

● ROOF BETWEEN TERMINAL AND AIRCRAFT

Implementation period: 2016–2017

● EXPANDED APRON AREA

Ground reinforcement of 55,000 square metres.

Implementation period: 2016–2018

● NEW RUNWAY LIGHTING SYSTEM

Implementation period: 2015–2017

● NEW SERVICE SYSTEMS

For the handling of glycol and the provision of power, IT, refuelling, formiate and glycol services.

Implementation period: 2016–2018

● MEASURES TO COMPLY WITH CAT III REQUIREMENTS

Implementation period: 2015–2017

● IMPROVEMENT IN THE NORTH OPERATIONS AREA

Implementation period: 2016–2019

How Swedavia meets needs and expectations





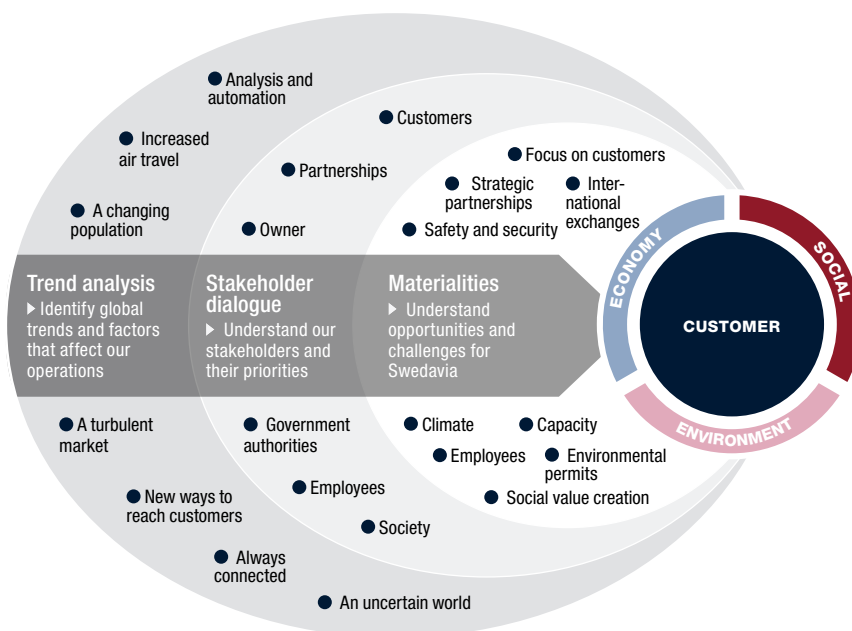
Swedavia creates value by meeting the needs and expectations of its stakeholders. Insights gathered through its stakeholder dialogue and from global trends and drivers are included in a materiality analysis, which is the basis of Swedavia's objectives and strategies.

► **Swedavia's operations** are affected by, along with laws and regulations, external factors such as technological advances, economic growth and demographic changes, but also attitudes, values, behaviour patterns and the needs of customers and stakeholders. Swedavia conducts trend analyses on a regular basis to identify trends and factors that affect operations. By examining the stakeholders that are affected by Swedavia's operations in different ways or that affect operations along the Company's value chain themselves, Swedavia has identified six stakeholder groups. The Company maintains a continuous dialogue with these six groups to ensure that the Company is

always aware of how customers, its owner, its partners, employees and other stakeholders view the Company's operations and range of products and services on offer.

This combination of trend analyses and stakeholder dialogues helps Swedavia, in the next phase, to identify its materialities. These materialities consist of areas that are critical in terms of Swedavia's ability and potential to meet stakeholder expectations and create long-term growth. The areas selected, such as customer satisfaction, employee engagement, climate impact and economic performance, are measured and monitored through the use of regular measurements and surveys.

Swedavia's materiality analysis



Swedavia has developed its strategies based on its trend analysis, stakeholder dialogue and materialities that are the result of this analysis and dialogue. These are summarised in Swedavia's sustainability wheel. Swedavia has strategies and objectives in each sustainability perspective.

Trends in the air travel industry

The air travel industry is affected by major global trends. The most important ones today are globalisation and urbanisation, together with environmental challenges. These are factors that affect growth, economic conditions and ultimately people's travel patterns. Swedavia conducts trend analyses on a continuous basis using different timeframes to handle both long-term infrastructure planning and more short-term business development.

► INCREASED AIR TRAVEL

When prosperity increases, so does air travel. This is most apparent in the big emerging economies. Global tourist volumes are expected to rise by more than three per cent annually to 2030, and low cost carriers are the main drivers of this growth. Airports must increase capacity and adapt their information, offering and payment systems to the needs of new passengers. As a result of

this trend, airlines are investing in larger, quieter and more fuel-efficient aircraft that meet stringent noise and emissions requirements while providing greater capacity.

► AN UNCERTAIN WORLD

The economic growth rate in Europe and the US looks set to increase somewhat in the next few years whereas it will slow down in rapidly developing economies in Asia and

Latin America. As a result, the global growth rate will level off somewhat although Asia will grow far faster than Europe going forward. There is a high degree of geopolitical instability in many parts of the world, and the level of risk is considered to be rising in Europe, which could have economic and political consequences. So far, the turmoil and terrorist attacks have had a marginal and short-term effect on travel. Digitisation makes societies and individuals more dependent on communication and IT systems and thus more vulnerable to cyber-attacks and IT crime. Environmental challenges are spurring the development of more stringent policy goals, regulations and steering mechanisms.

► A TURBULENT MARKET

The tough competition in the air travel industry is giving rise to new partnerships between airlines. Meanwhile planning is more short-term, and capacity is shifted between different destinations. The business models of network airlines and low cost carriers are becoming ever more similar, and squeezed ticket prices are driving the development of new products and

Operations that contribute to sustainable development

Along with trends, there are also international standards and goals that Swedavia takes into account and contributes to. The Company backs the ten principles for corporate responsibility in the United Nations Global Compact and carries out its operations in conformity with them. These principles are based on the UN's Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the UN's Convention against Corruption.

In the autumn of 2015, the UN adopted new sustainable development goals in its 2030 Agenda for Sustainable Development. It comprises a total of 17 goals for long-term sustainable economic, social and environmental development, which are also aimed at ending poverty. The goals are universal, which means they include all countries and all people, and in order for them to be achieved all parts of society must contribute. Businesses have an important role to play in achieving the greatest possible development benefits.

SUSTAINABLE DEVELOPMENT GOALS

The UN's sustainability goals are closely linked to Swedavia's sustainability perspective. The goals that are most relevant for the Company and that we foresee could contribute most to a positive development through our operations are:



9. SUSTAINABLE INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.



10. REDUCED INEQUALITY
Reduce inequality within and among countries.



11. SUSTAINABLE CITIES AND COMMUNITIES
Make cities and human settlements inclusive, safe, resilient and sustainable.



13. COMBAT CLIMATE CHANGE
Take urgent action to combat climate change and its impacts.



services. Competition for passengers is also increasing among airports. Retail offerings and property development, together with partnerships with other companies and organisations, will be increasingly important to revenue and for long-term funding. New regulations are creating conditions for more efficient air traffic over Europe. In October 2016, the International Civil Aviation Organisation (ICAO)'s 191 member countries signed a global climate agreement (COR-SIA) that entails stabilising aviation emissions at the level in 2020. The system, which is based on carbon offsets, is initially voluntary but will be compulsory starting in 2027.

► A CHANGING POPULATION

While the population is ageing, it is also healthier than before, and the difference between old and young is narrowing. The new customer is difficult to capture. This is a very knowledgeable customer who is also both impatient and fickle. There is ever greater focus on sustainability issues, such as the environment and charity efforts. This shift in values is seen most clearly among younger people, who no longer consider consumption a measure of success. Instead, the sharing economy is growing, with car pools and house swaps. Meanwhile, healthy living with a focus on workouts, food, sleep

and the avoidance of stress has become a lifestyle. Healthy options, transparency for ingredients and their sourcing, and a focus on sustainability have become ever more important in an airport's commercial operations.

► NEW WAYS TO REACH CUSTOMERS

Consumers are looking for different unique values in an airport's offering and environment. Customers want constant variation in the range of products and services available, for instance, pop-up shops or guest-star appearances, preferably with a local connection. As the market becomes harder to segment, adjustments to both the situation and the individual are needed. Bricks-and-mortar retail is merging with e-commerce since customers want to shop whenever and wherever they want, without queueing. The focus ends up on the experience, and travellers want to be involved in creating this. At an airport, the demand is mostly for experiences that support two emotions: curiosity and relaxation, something that allows space for both shopping and cultural experiences.

► ALWAYS CONNECTED

Going forward, an Internet connection is expected to be available everywhere, and the next wave of connectivity will involve billions of things being connected, which will

lead to new ways of working and thinking. Using sensors, these things can be positioned anywhere in the world and communicate with other things. Systems will help passengers find their way, enable the airport to send targeted messages about both the flight and special offers, and facilitate cashless payments. Airport staff will also be connected using so-called wearables, electronic systems worn on the body.

► ANALYSIS AND AUTOMATION

Collecting and analysing large quantities of data in real time will be increasingly important in order to adapt services and create efficient flows. The interplay between man and machine will be increasingly important. Check-in, document checks and boarding will be automated.

Biometric technology will be a smooth, reliable means to identify people, while the different parts of a journey can be made easier with the help of virtual assistants and other digital technology. Already today, robots are used to clean and to load baggage, and we will probably soon see them in direct encounters with passengers. These technological advances are creating great opportunities for higher productivity, better customer service and increased sales, but at the same time require airports to have new skills and partners.

Value creation through dialogue



No value is created by Swedavia in isolation. Our operations affect and are affected by many different groups and factors. Our most important stakeholders are customers, partners, our owner, government authorities, employees and society.

► The key condition for our operations

and for our long-term success is how well we can meet the expectations our stakeholders have of us in different areas. Through our trend analyses and dialogue with stakeholders, we have identified the areas that are most critical to our value creation.

We have ranked these materialities using the Global Reporting Initiative (GRI)'s guidelines. The materialities that we have chosen to focus on are the following:

SAFETY AND SECURITY

Both Swedish and EU laws, regulations and statutes provide the framework for Swedavia's work with safety and security. This work is aimed at proactively preventing criminal acts as well as accidents. A high level of safety and security also help passengers feel safe and secure and contribute to a positive travel experience.

CLIMATE

A reduced climate impact is one of the air travel industry's greatest challenges. Swedavia shall work to reduce emissions of fossil carbon dioxide, both from its own operations and from its partners and other companies and organisations at the airport. Economic profitability is one condition needed for Swedavia to invest in environmentally friendly technology. By working to reduce its environmental impact, Swedavia can defend the legitimacy of air travel.

ENVIRONMENTAL PERMITS

Proactive environmental work is also an essential condition in order for the Company to be issued environmental permits that function well at its various airports. These environmental permits give the airports the opportunity to develop the capacity that is needed to meet the growing demand.

SOCIAL ECONOMY AND INTERNATIONAL EXCHANGES

Swedavia works to provide a larger range of international direct destinations – international access. The Company also contributes to increased access in Sweden and enables companies to work throughout the country and for people to live and work where they want. As a result, access – a key component of Swedavia's mission – creates social and economic value for Sweden.

CAPACITY

Swedavia shall have sufficient capacity to meet future demand for air travel and, through increased access, contribute to Sweden's economic growth. Punctuality at the airports is one indicator of capacity. Capacity is determined by a number of factors, such as infrastructure and environmental permits, but also by the Company's own organisational capabilities.

STRATEGIC PARTNERSHIPS

Through an active stakeholder dialogue and strategic partnerships, important conditions are created that enable Swedavia to develop as needed and as planned. This may involve partnerships with political leaders, businesses, local authorities and neighbours to establish new routes or in decisions on matters such as access to mass transit to and from the airport.

FOCUS ON CUSTOMERS

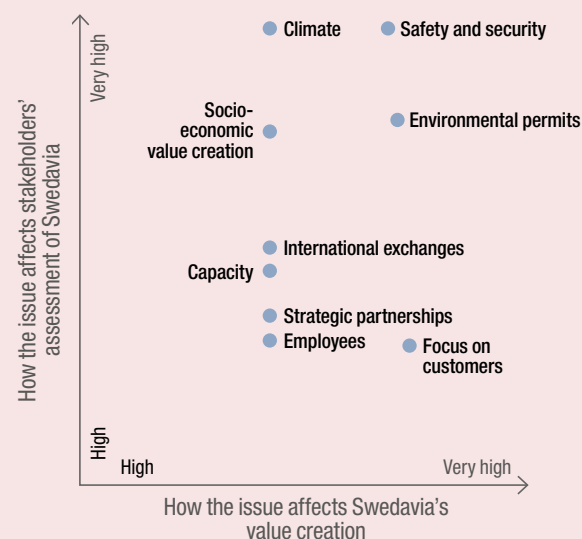
A clear focus on customers is an essential condition in order for Swedavia to develop

its operations sustainably and successfully and thus create value for its owner and for Sweden as a country. Swedavia regularly measures the satisfaction of passengers, airlines and tenants. Passengers give a high ranking to matters concerning airport atmosphere, customer service, the smoothness of the process, cleanliness and attractive commercial offerings. Affordability still ranks low, although there has been a reversal in trends. For airlines, attractive charges, efficient processes and a well-functioning infrastructure are key. For our tenants, the premises, service and rents are important issues.

EMPLOYEES

Motivated, engaged employees are an essential condition for customer satisfaction and for ensuring that Swedavia can continue to create value for both its owner and society. A corporate culture based on ethical standards, together with issues concerning labour relations and the opportunity for development, is a key basis for engaged leaders and employees.

Swedavia's materiality matrix



Ambitious targets

Swedavia's operations are governed with the help of sustainability targets. The Company has four such targets to meet by 2020. In addition, Swedavia's owner has set three economic targets and five specific mission objectives/ indicators that are reviewed annually.

► **Swedavia has four general sustainability targets.** Three of these – satisfied customers, engaged employees and leaders, and the level of fossil carbon dioxide emissions from its own operations – are set by the Company's Board of Directors, while the economic targets reflect the approach of the owner, the Swedish State. Along with the profitability target of a seven per cent return on operating capital, there is also a capital structure target with a debt/equity ratio equal to 1.0–1.5 times and a dividend target of 30–50 per cent of the profit for the year. The current economic targets were adopted, together with the mission targets/indicators, at Swedavia's 2014 Annual General Meeting. The mission targets/indicators are aimed at ensuring that Swedavia, in accordance with its mission, helps to achieve Sweden's transport policy objectives.

During the year, Swedavia changed its metric from measuring satisfied employees to instead measuring the engagement of leaders and employees. As a result of the switch from satisfied to engaged employees, the passenger's journey itself and the Company's focus on its social objective are affected. This change in metrics is described in more detail on page 51 in the section "Social development".

The activities carried out in order for Swedavia to achieve its targets affect all others. For instance, engaged employees and leaders are an essential requirement for satisfied passengers, and passenger satisfaction affects revenue potential, which in turn is important for the return target. However, long-term stable profitability is always an essential requirement for the development of operations, especially in environmental efforts.

Active environmental work is a requirement for the airports' chances of meeting Swedavia's sustainability and mission targets and objectives. One key requirement for achieving them in every area is that Swedavia has a well-functioning partnership with airlines and other strategic partners.

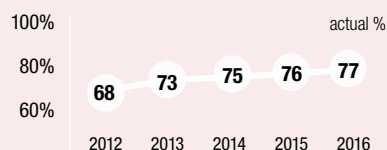


Swedavia's sustainability targets, 2020

Actual 2012–2016

Satisfied customers

85%



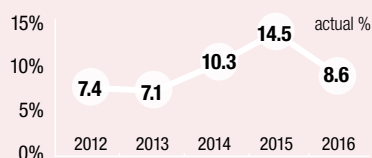
Engaged leaders and employees*

75%



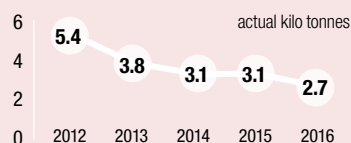
Return on operating capital

7%



Fossil carbon dioxide emissions**

0 tonnes



* In 2016, Swedavia changed its employee metric.

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

Targets determined by the owner

Mission targets/indicators

Satisfied passengers

77% (76%)

Number of passengers domestic/
international

13.7 million / 25.8 million
(13.3 million / 24.3 million)

Number of international destinations

287 (323)

Carbon footprint***

504,000 tonnes (515,000)****

Accidents and serious incidents

1 (4)

Economic targets

Capital structure

1.0–1.5 times

Profitability

**7% return on
operating capital**

Dividend

30–50%

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

**** Footprint by airport, which includes ground transport and air traffic; reported on page 45. The measurement method was changed in 2016; the comparable period is restated.

The value chain – from input to effect

Swedavia creates value for operations linked to the aviation market as well as for society in general. As a State-owned Company, Swedavia has many effects on its stakeholders – from tax revenue and dividends for its owner to increased access, jobs and diversity for Sweden as a whole.

INPUT

The input that Swedavia needs to create value are found in four different areas.

The first is capital – tangible, intangible or financial – which makes it possible to develop and fund operations. The second consists of goods and services that suppliers contribute. The third is employees, who contribute labour and skills. The fourth is strong relations and good collaboration with all stakeholders.

ACTIVITIES AND PRODUCTS

With these input as a basis, services are created in Aviation Business, Commercial Services, Real Estate and Ground Handling in order to facilitate travel, business and meetings. Different market channels are also created and further developed.

Swedavia's comprehensive offering is



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

DELIVERIES TO CUSTOMERS

Swedavia creates the conditions essential for the access needed to facilitate travel, business and meetings in Sweden and abroad. Swedavia does this by providing safe, effective infrastructure; functional premises and an attractive environment; sustainable and personalised airport services and transport; and attractive destinations both within Sweden's borders and beyond.

For customers, value is created by Swedavia being able to offer a combination of infrastructure and services – under its own auspices as well as indirectly together with airlines, tenants and other partners. This is a wide range – from ground handling services for airlines to attractive commercial and cultural offerings for passengers. Swedavia's combined businesses are essentially based on competitive charges that make its airports attractive to airlines. This contributes to increased air travel, which in turn generates higher revenue.

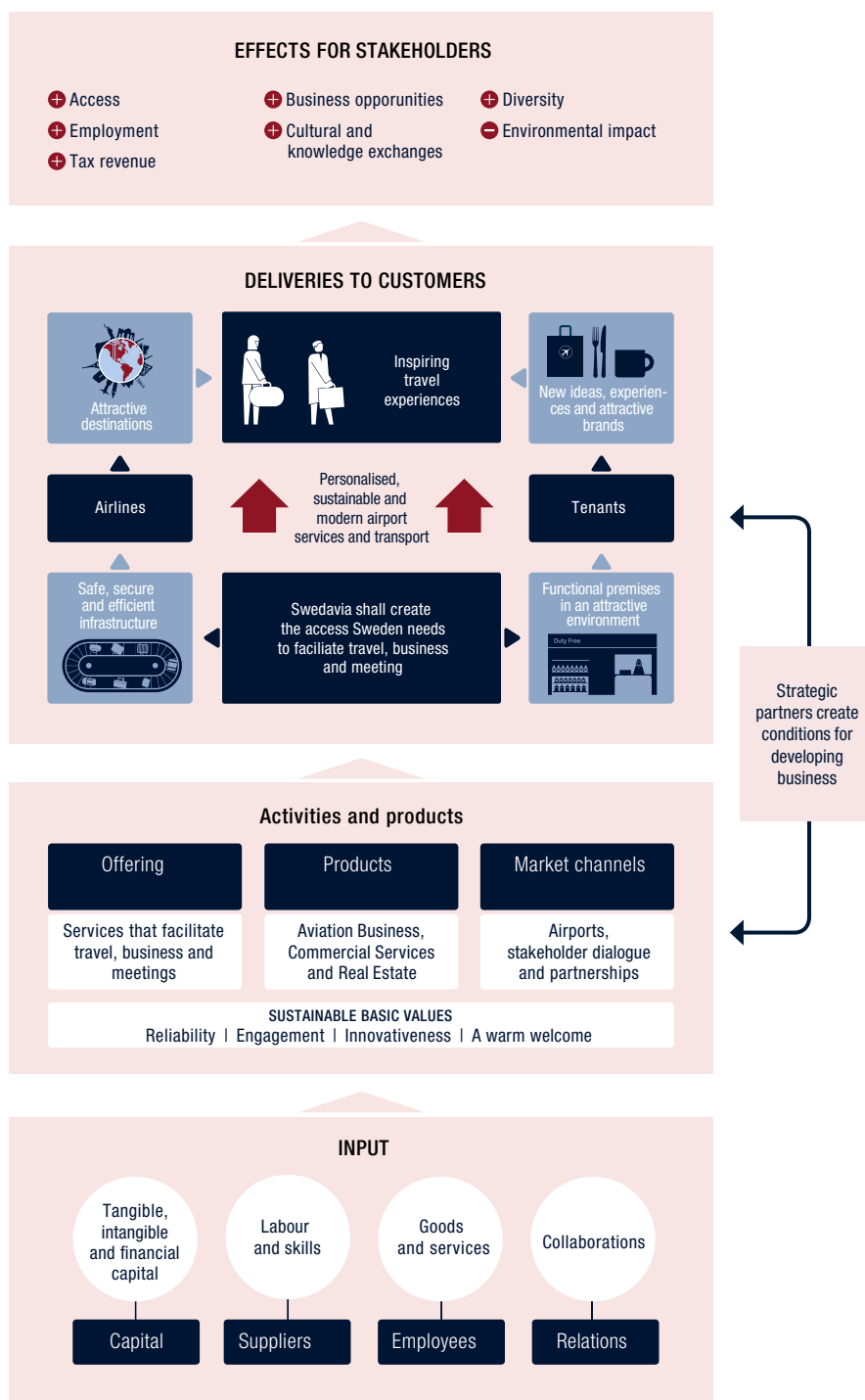
EFFECTS ON STAKEHOLDERS

Swedavia's airports link together the country's regions and build a bridge from Sweden to the rest of the world. They create access, which leads to new meetings and business opportunities, new jobs, the increased exchange of culture and knowledge, increased diversity and increased tax revenue, which has positive effects for all of society – locally, regionally and nationally.

For its owner, the Swedish State, Swedavia creates value by running airport operations based on solid business principles which generate a return on the capital that has been invested. Real Estate operations contribute to this by administering and developing properties that can generate some of the capital needed for investments in airport operations.

Given the growing need for air travel, it is also important to reduce its environmental impact. A profitable Swedavia can invest in new technology to achieve its target of zero emissions of fossil carbon dioxide from its own operations by 2020 while supporting others in their climate work.

Swedavia's value chain



Strategies for sustainable development

There are competitive advantages for companies that have made greater advances than others in their sustainability work – no matter whether this concerns environmental responsibility, social responsibility or economic sustainability. In order to give Swedavia legitimacy to grow and develop in the long term, the Company works with the United Nations' three sustainability dimensions: economy, environmental concern and social development – always with a focus on customers.



► **Swedavia's mission, vision, business concept** and values, together with sustainable development, define the Company's business. Swedavia uses analyses of external conditions and our stakeholders when strategies are developed. There have been gradual improvements in every dimension of sustainability since the Company was formed in 2010.

The Company's overall strategies, a total of eleven, are summed up in Swedavia's sustainability wheel, where they are broken down into the four categories customer, economy, environmental concern and social development – that is, the three UN dimensions plus the customer perspective. Every strategy identifies and creates opportunities and challenges that must be addressed.

CUSTOMER

There are strategies in the Customer area that show how Swedavia is to build value in airport operations and commercial business, produce more satisfied customers, create operational excellence and use digital technology.

Partnerships and new technology enable the development of comprehensive solutions. At the same time, there are challenges. There is growing competition between airports, and capacity is being expanded. New technology provides benefits in interactions with customers; it increases safety and security from a number of aspects but is itself becoming increasingly vulnerable in its complexity. Swedavia is working with this, by further developing its partnerships, including with airlines, and actively working to increase the number of direct routes to international destinations. Priorities are

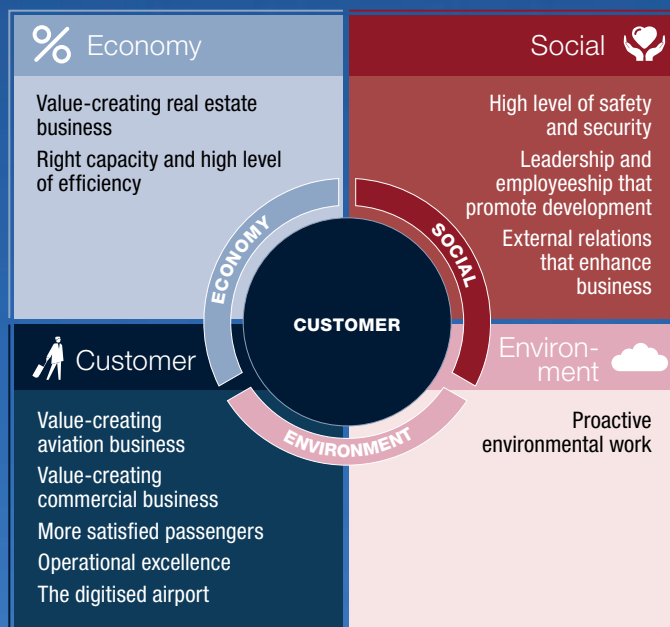
efficient flows, an attractive commercial offering and competitive airport charges.

ECONOMY

In the Economy area, Swedavia has brought together its strategies for increased capacity and efficiency, that is, how the Company will meet the airports' capacity needs in the short and long term while meeting the owner's return target.

This area also includes strategies for real estate business that creates value. The ability to develop and capitalise on property adjacent to the airports is important for the Company's profitability and its ability to fund operations, which is itself an essential condition for competitive operations.

There are capacity and efficiency challenges in terms of finding the right coordination in operational coordination, techni-



Swedavia's management model is illustrated through our sustainability wheel, which consists of four perspectives – Customer, Economy, Environmental Concern and Social Development. In every perspective, there are strategies, for a total of eleven, and targets linked to these strategies. The targets are broken down in operations and made concrete through activities. Targets and activities are continuously monitored in all parts of operations.

cal solutions and strategic partnerships. The challenges in the real estate business are to develop attractive concepts and develop in-house talent. Swedavia addresses the challenges in its real estate operations by enhancing its collaboration with other companies and organisations, while its own organisation is streamlined and strengthened. There are a number of capacity and efficiency projects under way to increase coordination, both in terms of technology and work processes.

ENVIRONMENTAL CONCERN

Environmental concern is integral to Swedavia's strategies and processes. Swedavia strives to reduce carbon dioxide emissions and shall actively contribute to driving the development of aviation biofuel. Swedavia shall contribute to society's switch

to a circular economy and to the fulfilment of Sweden's national environmental objectives and targets. One challenge is that, while there are domestic forest materials and approved production processes for renewable aviation fuel available, the infrastructure for large-scale production is lacking.

SOCIAL DEVELOPMENT

In the area of Social Development, there are strategies for Swedavia's work with safety and security, for leadership and employeeship, and for external relations to enhance Swedavia's business. Swedavia gives highest priority to the area of aviation safety and security. The airports shall maintain a high level of safety and security and a good safety and security climate through their systematic work. Swedavia is working with increased digitisation, centralised airport

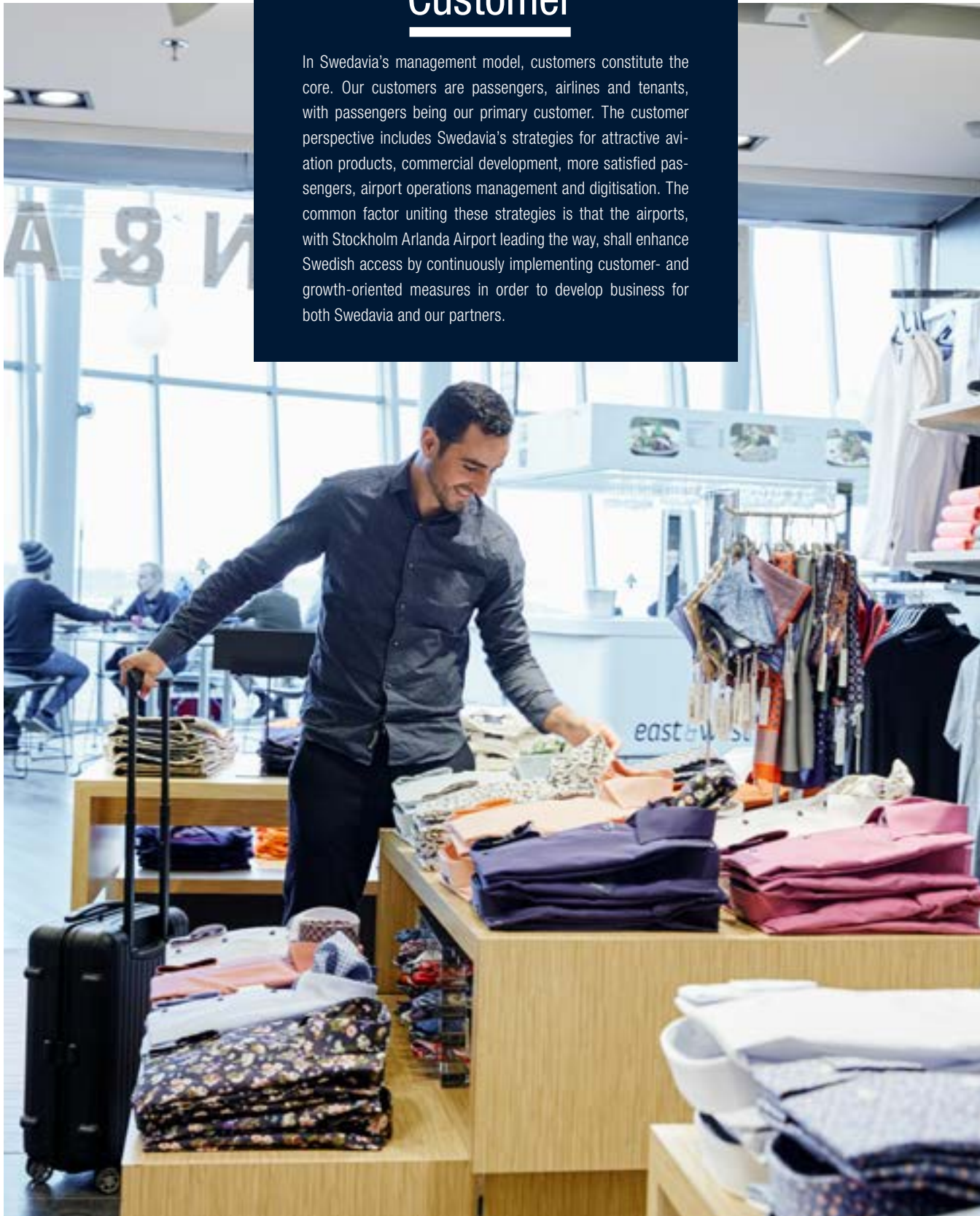
surveillance and continued work with risk management and continuity. Rapid technological advances are one opportunity, while challenges include more stringent security requirements and a more uncertain world.

Leadership and employeeship that are well implemented and a good physical and psycho-social workplace environment shall contribute to the Company having motivated, engaged employees, which is an essential requirement for a high level of operational efficiency and customer satisfaction.

Swedavia also focuses on clear processes and skills development for employees and leaders. Open, inclusive work with diversity is a natural part of this. There are challenges – among others, ensuring access to the right skills and resources as Swedavia grows. Swedavia measures the engagement of leaders and employees on a regular basis.

Customer

In Swedavia's management model, customers constitute the core. Our customers are passengers, airlines and tenants, with passengers being our primary customer. The customer perspective includes Swedavia's strategies for attractive aviation products, commercial development, more satisfied passengers, airport operations management and digitisation. The common factor uniting these strategies is that the airports, with Stockholm Arlanda Airport leading the way, shall enhance Swedish access by continuously implementing customer- and growth-oriented measures in order to develop business for both Swedavia and our partners.



Customer value through a comprehensive offering

Swedavia's operations are divided into Airport Operations and Real Estate. Airport Operations includes operations such as the planning and development of the airports. It consists of two business areas: Aviation Business and Commercial Services. In Real Estate, the administration and development of properties at and around the airports are combined in the subsidiary Swedavia Real Estate. Together, these operations constitute a comprehensive offering that contributes to both customer value and a profitable return.

► **Aviation Business** provides its customers, that is, airlines, with take-off and landing services, ground handling services and aircraft parking. Commercial Services has the mission of developing the Group's commercial offering in the form of retail and other services. The objective is to create an atmosphere and offering that make the airports more attractive and make passengers and airlines more satisfied, which generates increased revenue.

Real estate operations, which are brought together in the Real Estate business area,

shall administer and develop properties and land that Swedavia owns at and around its airports in the best way. As a result, Swedavia meets the growing demand from businesses to set up operations near the airport while generating lease income and sales revenue, which helps make possible continued investment in infrastructure. In this way, the air travel industry is unique since it funds its own infrastructure. Together, Swedavia's different business areas contribute to generating higher return, increased customer value and improved access.

AIRPORT OPERATIONS – ACCESS AND COMPETITION

There is a connection between the number of direct routes from an airport, the airport's capacity and growth in travel volume. The more direct routes there are and the higher the capacity, the more favourable conditions are for good passenger growth. Right now, demand is increasing faster than capacity can be built, and essentially every major European airport is wrestling with capacity issues.

Competition is tough between the Nordic

Swedavia's operating segments

Airport Operations

Owns, operates and develops Swedavia's airports across Sweden



Aviation Business

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

* Persons with reduced mobility and other functional impairments.

**Ground handling services include baggage handling and refuelling.



Commercial Services

- Leasing of premises for retail, restaurants, offices, warehouse facilities and logistics
- Car parking facilities
- Services in advertising, data etc.

Real Estate

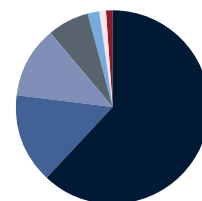
Owns, develops and administers properties and developable land at and around Swedavia's airports



Real Estate operations

- Design of property development projects for hotels, offices, logistics, retail and more
- Management and updating of property information
- Services in construction project management
- Development of jointly owned property companies

Percentage of net revenue



- **62%** Aviation Business
- **15%** Car parking facilities
- **12%** Retail, Food & Beverage
- **7%** Real Estate income
- **2%** Advertising
- **1%** Other Commercial Services
- **1%** Other net revenue

Overall strategies in Customer operations

Value-creating aviation business

► We shall work together with priority partners and through attractive aviation products for increased access, sustainable volume growth and improved business results at our airports.

Value-creating commercial business

► We shall create the right opportunities for optimised sales, efficient commercial operations and the continuous strategic-tactical development of the commercial offering to ensure that we meet our requirements for revenue and profit.

More satisfied passengers

► Based on our knowledge about passengers, we shall work proactively in the priority areas that have the greatest impact on the passenger's overall experience: atmosphere, customer service, smooth flows, cleanliness, affordability and the offering in shops, food and beverage.

Operational excellence

► Through standardised control and management of air transport operations, at Swedavia and together with our partners, delivery shall be improved on a continuous basis in order to enhance the conditions for our business.

The digitised airport

► We shall create a coherent digital platform for our business and product development and for internal efficiency. We shall capitalise on our unique position as a holder of information and develop our digital abilities to enable a successful cross-functional digital transformation of business and operations.

airports, and all the major airports are expanding to meet the increased demand. The requirements from different airlines vary, with low cost carriers wanting easy and preferably automated services while the big network airlines want personal service in line with their premium brand profile. Every two years, Swedavia measures how satisfied airlines are with Company's services. In 2015, 62 per cent gave an overall score of exceptionally good or very good, a clear improvement compared to the score of 60 per cent in 2013. The next measurement will be taken in 2017.

Low cost carriers

Low cost carriers are the main driver of the growth in travel. They fly intercontinentally with ever growing frequency and also from the major airports in those countries, which also attracts business travellers. Meanwhile the classic network airlines, such as Lufthansa, for instance, are creating their own low cost options, which often copy the low

cost carriers' business models.

The work to increase access in the form of direct routes, to and from the US and Asia but also within Europe, continued in 2016. It is important to Sweden and to Swedavia to have links to hubs in North America, Asia and the Middle East. During the spring of 2016, SAS launched service on its new Stockholm–Los Angeles direct route, while the airlines Qatar Airways and Norwegian expanded their traffic on existing routes to the US west coast, including Oakland. Since 2013, a total of 14 new intercontinental direct routes have been added at Stockholm Arlanda Airport. The number of passengers arriving from China continues to grow in line with projections.

While volume continues to grow in intercontinental traffic, European traffic is seeing the fastest growth. Here too, low cost carriers are driving this trend, and in 2016 and 2017 a number of destinations have been or will be added, both brand-new ones and those that were previously served.

11 SUSTAINABLE CITIES AND COMMUNITIES



UN SUSTAINABILITY GOAL:

11. SUSTAINABLE CITIES AND COMMUNITIES

Swedavia contributes to increased sustainability through its mission to link Sweden's regions together and Sweden to the rest of the world. The Company also works to link together different transport modes and therefore takes part in Sweden's national negotiations on housing and infrastructure involving the high-speed rail link to Göteborg Landvetter Airport. Swedavia maintains a continuous dialogue with its stakeholders on issues related to business and the environment.



French-inspired offering in Terminal 3

► **Swedavia strives** to offer passengers a wide range of food, beverage and other service options. As part of this, RC Chocolat, Stockholm Arlanda Airport's French-inspired bakery and patisserie, set up additional operations in the airport's Terminal 3 in 2016. RC Chocolat already had outlets in Sky City and Terminal 5. The venture, which is based in Sigtuna, has its own bakery at the airport as well which

also provides the bread served at many of the restaurants in Stockholm Arlanda's terminals.

At RC Chocolat, the French tradition of pastry chefs meets modern-day demands for sustainability. With this new outlet, passengers in Terminal 3 can choose from ice cream, baked goods and chocolates made by hand from organic ingredients and – as much as possible – locally sourced products. Ronny Latva, RC's

master pastry chef who founded RC Chocolat in 2002 together with Charlotta Söör, has a diploma from the esteemed Le Cordon Bleu restaurant school and is also a member of the Swedish National Pastry Team.

In 2016, RC Chocolat was named the winner in the category "Worth the Journey" in Sweden's renowned White Guide Café Guide, a title that fits in well with its operations at Stockholm Arlanda.



US preclearance

► **In 2016, Swedavia took** an important step forward in its work to facilitate the introduction of US preclearance at Stockholm Arlanda Airport. Introduction would mean passengers to the US would be able to go through US border control before their departure from Sweden, which would make travel easier and create better conditions for establishing new direct routes between Sweden and the US. Implementation is a lengthy process that includes negotiations between the two countries and political decisions on amendments to laws. At the end of the year, a bilateral agreement between the Swedish State and the US was signed, as was a Memorandum of Understanding between Swedavia and US Customs and Border Protection (CBP), the organisation responsible for US border control. Special facilities for preclearance procedures are planned in the new Pier F in Terminal 5, adjacent to the gates that are now being adapted to handle larger aircraft, which are being used to an ever greater extent on these routes.



New routes

In 2016, Blue Air and Wow Airlines launched service to Bucharest and Reykjavik, respectively, from Stockholm Arlanda Airport. Germania started a route to Beirut, and Air Berlin started a route with three daily departures from Stockholm to Düsseldorf. Easyjet expanded its route to Geneva, added service to Lyon and in 2017 will also start flying to Milan and London Luton. In 2016, the airline furthermore launched winter service between London Gatwick and Åre Östersund Airport to satisfy interest from British ski tourists. In 2017, Monarch will offer service to Manchester, Birmingham and London Luton. Transavia will start flying to Munich and Eindhoven, while SAS has plans for Munich and Krakow.

During the summer of 2016, Göteborg Landvetter Airport added two new routes when Iberia and Norwegian launched seasonal traffic to Madrid. In 2017, there are plans for a new route with Air Baltic to Riga, with Austrian to Vienna, with Wizz Air to Vilnius, with Norwegian to Split, with Ryanair to Thessaloniki and with BMI Regional to Birmingham.

The number of direct route varies from year to year, due in part to the inclusion of charter destinations, which can quickly change, in these figures. Threshold values are also used in these statistics, which mean that smaller destinations are excluded if the number of departures is too low.

Air cargo is growing. In 2016, 256,069 tonnes of air cargo were handled, a 9.4 per cent increase compared to 2015. All of the major express delivery services companies have operations at Swedavia's airports. Thanks to the increase in intercontinental passenger flights from Stockholm Arlanda, capacity for air cargo has grown. More cargo is transported by non-stop air service instead of being conveyed by lorry to airports in Europe. An ever greater share of air cargo is loaded on passenger flights, and demand for capacity on cargo flights is falling.

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, that is, it can roll back from the gate within 15 minutes of its estimated departure time. Customers have always greatly valued on-time departures and arrivals.

Swedavia's airports have individual punctuality targets, but the overall target for the airports as a whole is punctuality of 90.0 per cent in 2017. In 2016, Swedavia's airports achieved overall punctuality of 81.1 per cent, a decline of 5.8 per cent compared to 2015, mainly as a result of stretched infrastructure, a lack of resources at ground handling companies and the crowded airspace over Europe. Punctuality is generally higher for domestic departures. There are a number of explanations for this; one is that Swedavia usually operates both the departure and arrival airports. Other explanations are that smaller aircraft types are used and the number of passengers and bags to be handled is thus lower than for international departures.

Swedavia's strategy for operational excellence is to create coordinated air traffic management. As part of this strategy, systematic improvement work was begun in 2016.

New routes



Åre Östersund – London Gatwick



Stockholm – Bucharest



Gothenburg – Madrid

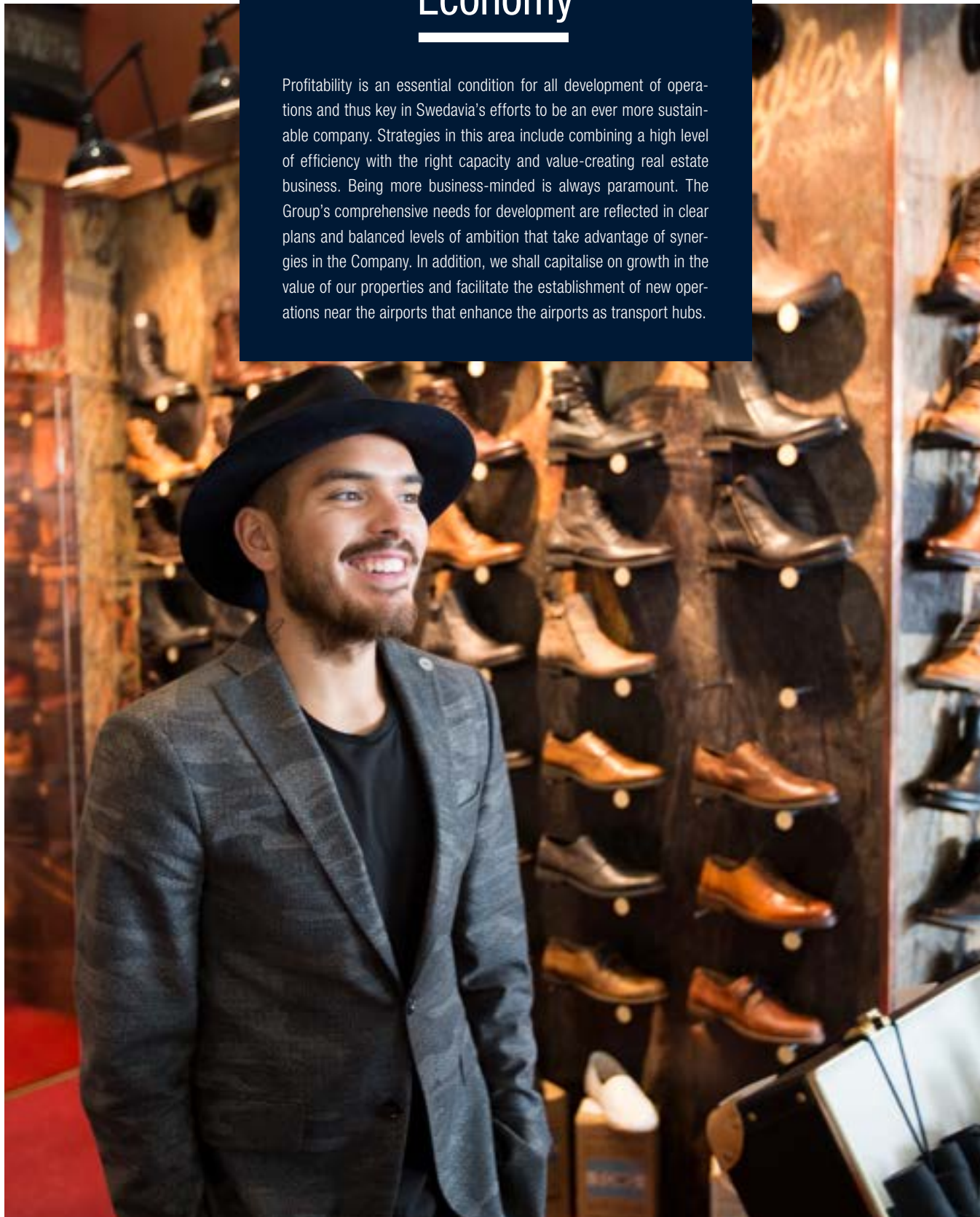


Stockholm – Los Angeles



Economy

Profitability is an essential condition for all development of operations and thus key in Swedavia's efforts to be an ever more sustainable company. Strategies in this area include combining a high level of efficiency with the right capacity and value-creating real estate business. Being more business-minded is always paramount. The Group's comprehensive needs for development are reflected in clear plans and balanced levels of ambition that take advantage of synergies in the Company. In addition, we shall capitalise on growth in the value of our properties and facilitate the establishment of new operations near the airports that enhance the airports as transport hubs.



CAPITAL SPENDING, REVENUE AND RETURN

Swedavia's operations are driven by the growth in air travel. While air travel varies over time, capacity and efficiency are always critical factors for success.

Swedavia is now carrying out major investments to meet the need for increased capacity, and this capital spending must be funded in a way that is sustainable in the long term.

The Company's revenue is generated from three sources: charges that airlines pay to use services at the airports, commercial operations and real estate operations. Swedavia is strong, has low gearing and good funding opportunities. But in order to sustainably fund capital spending, maintain competitive airport charges and at the same time meet the owner's targets of a seven per cent return on operating capital and a debt/equity ratio of 1.0–1.5 times, continued focused work is required. Meanwhile, airport operations are highly regulated, and some operations drive costs that Swedavia cannot exercise control over.

Swedavia shall run a cost-effective, optimised organisation. In order for an airport to be attractive to airlines, services and charges have to be competitive. For several years, Swedavia has been able to lower airline charges, thanks to its own efficiency improvement measures and the growth in traffic. Airline charges were reduced by an average of 0.8 per cent in 2016 and 3.7 per cent in 2015. This has contributed to the growth in traffic but at the same time means that commercial

operations must be developed, grow and contribute to the Company's economy. Strict cost control and the development of commercial operations are thus needed, along with real estate operations, in order to make a greater contribution to the economy of the whole Group. Two important metrics are used to analyse and develop the work with this: costs per departing passenger and commercial revenue per departing passenger.

STOCKHOLM ARLANDA AIRPORT

As of January 1, 2016, Stockholm Arlanda Airport applies the environmental permit that gained legal force in the spring of 2015. While there are still some issues outstanding, mostly concerning noise, the environmental permit is an essential requirement for the extensive development programme now being launched at the airport in order to meet the demand for travel, not just today but in the decades ahead.

The number of passengers that travel via Stockholm Arlanda continues to grow. In 2016, there were some 67,000 passengers each day, an average of 500,000 a week, and annual volume of almost 25 million. That means a 40 per cent increase since 2010. Customer satisfaction rose from 75 to 76 per cent in 2016, despite the significant increase in passenger volume, ongoing refurbishment work and a strained situation in terms of space for both passengers and aircraft. Punctuality, another important metric, went from 83.8 to 77.9 per cent.

This growth is already placing great demands on infrastructure. Development projects that had previously been planned for 2023 and beyond were pushed forward since, as early as 2015, actual figures surpassed the seven million passengers forecast for 2019. One example of projects that were pushed forward is a new pier in Terminal 2, work that was not supposed to start until 2027.

More space for passengers and aircraft

The development programmes include a large number of different components. The focus is on additional aircraft parking stands for more and especially for larger aircraft such as Airbus 380s and Boeing 747-8s as well as larger terminals with better space for check-in, passport control and security screening. More gates will also be built, both with passenger boarding bridges and for a larger share of passengers transported by bus to remote stands outside the terminals. One of the biggest projects in this programme is a new pier at Terminal 5, which beginning in 2022 will provide new capacity at the airport. Construction on a new airport maintenance area has been under way since 2016, which is one of the essential requirements for implementing these programmes.

The challenges during the course of this programme lie both in keeping to the timeframes set and developing capacity in the existing infrastructure while the renovation and expansion are carried out. In the next few years, between 3,000 and 5,000 construction workers will be on site at the airport – and in order to keep their operations going, a supply of materials equivalent to 20–30 lorries an hour, around the clock, is needed.

Alongside this development, measures are being implemented to increase the efficiency of the airport's processes and flows. This entails investments in, for example, the new operations centre (OPC), which was placed in service during the autumn of 2016. A large number of functions that were previously spread out have been brought together here. As a result of access to common information and decision-making systems, it is possible to make quick-response decisions in ongoing operations, which will have positive effects on efficiency, punctuality and economic performance. Swedavia is also investing in standardised communication and surveillance systems as well as a brand-new data network system to coordinate operation centre activities.

New patterns

Traffic patterns change over time, and today it is clear that peak traffic periods are

General strategies in Economy

Value-creating property deals

► Based on the unique value in the airport as a transport hub, we shall capitalise on the value growth in our properties. The focus shall be on taking advantage of this strong value growth, from the time detailed plans are adopted to the leasing or sale of completed buildings.

Right capacity and high efficiency

► Based on our task, we shall proactively meet our customers' needs for changes in capacity in the short and long term through the efficient use of our resources, while ensuring we meet our owner's return targets.

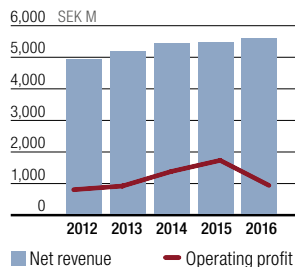


UN SUSTAINABILITY GOALS:

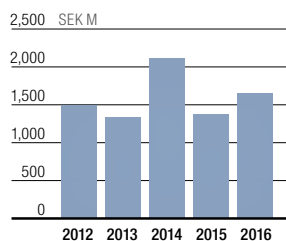
9. SUSTAINABLE INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE

Swedavia contributes to sustainable industrialisation, innovation and infrastructure in many ways – in part by developing infrastructure that contributes to improved national and international access and in part through continuous environmental improvements in both existing infrastructure and in what is currently being developed under the scope of its development programmes.

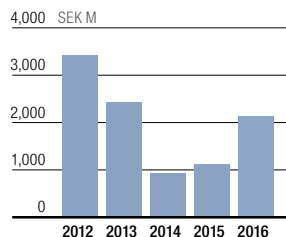
Net revenue and operating profit



Cash flow from operating activities



Capital spending



becoming ever longer in terms of time. One way to increase capacity in the existing infrastructure is to use slot times, where airlines are assigned time windows for take-off and landing based on actual access, for instance, to runways, gate areas and baggage handling. Stockholm Arlanda Airport now uses this method full-scale to ensure that resources and space are always available for airline customers' aircraft at the gate, on the apron or stand and on the runways.

In 2016, a trial was carried out in partnership with Swedish Customs to allow domestic traffic to land at Terminal 5, which is usually used for international traffic. This makes travel easier for the growing numbers of transfer passengers, who as a result do not have to cover the distance from the domestic terminals when they fly on an international route.

One critical success factor for Swedavia and the airport is continued close collaboration with neighbours – the Municipalities of Sigtuna, Upplands Väsby, Vallentuna and Knivsta. An airport that, together with its immediate surroundings, will account for 50,000 jobs within a few decades requires expanded infrastructure and attractive residential areas within commuter distance. In order to coordinate this development and make establishing business operations easier, Swedavia is partnering with the Municipality of Sigtuna and Arlandastad Holding in a joint venture, Airport City Stockholm.

GÖTEBORG LANDVETTER AIRPORT

Göteborg Landvetter Airport reported continued strong passenger growth in 2016. For the first time in the airport's history, during the summer months of June and July, a record of more than 600,000 passengers in each month was set. During the peak month of July, that figure was almost 620,000 passengers. Punctuality at the airport in 2016 was 82.9 per cent, compared to 84.7 per cent in 2015.

The greatest growth was in international traffic, which increased four per cent, while domestic traffic increased two per cent; total passenger volume grew three per cent. As a result of the trend in recent years, Göteborg Landvetter today has already reached the passenger volume – six million a year – that was originally forecast for seven years from now.

Expansion

This strong passenger growth places high demands both on use of existing infrastructure and on the airport's own organisation. During the year, an extensive development programme for the airport was launched, with the goal being to create capacity for eight million passengers a year by 2031. The programme, which includes about two billion

Swedish kronor in capital spending, entails expansion of the existing terminal building and arrival hall, more passenger bridge connections to the airport's aircraft parking stands and additional bus gates, among other measures. A number of these stands will also have the capacity to handle the new, larger aircraft types being introduced in the market. Other measures involve expanded capacity in baggage handling systems and security screening. During the year, additional aircraft parking stands were established, and a special area was set aside for the business jet traffic that has started operating at the airport since commercial traffic at Göteborg City (Säve) Airport was phased out. The number of parking spaces for cars on landside was also increased and a taxi parking facility with space for 400 taxis was set up.

Like Stockholm Arlanda Airport, Göteborg Landvetter Airport is now switching to the systematic use of slot times. The airport has been a so-called Level 2 airport, that is, a schedules-facilitated airport, which means there is limited potential to affect airline timetables. An upgrade to Level 3 means that air traffic can be regulated to a greater extent based on actual access to runways, stands and gates, but also capacity in the terminal.

Adapting services

The fact that the low cost carriers that previously served Göteborg City Airport now operate from Göteborg Landvetter Airport places even higher demands on efficient processes that shorten aircraft turnaround times. It also means that the airport must be able to provide services to airlines with different business models and thus varying needs at the same time and in the same terminal.

To meet the requirements of passengers, airlines and other partners, there is ongoing work to develop the airport's operational excellence. This includes the standardisation and optimisation of airport operation processes. A feasibility study was carried out on the introduction of Airport Collaborative Decision Making (A-CDM), a communication and decision-making process used internationally to improve airport efficiency. In 2017, an operations centre (OPC) will be set up at the airport, like the one established at Stockholm Arlanda last year.

The work on Airport City Göteborg continued, and during the year the biggest construction work ever in the airport's history was carried out in conjunction with the start of Logistics Park 1, covering a total area of 250,000 square metres. The first buildings will be erected in 2017. Planning is also under way for a retail facility at the airport entrance and for a hotel adjacent to the terminal.



Bromma Stockholm Airport important hub

► In 2016, Bromma Stockholm Airport celebrated its 80th anniversary. Since 1936, the airport has been an important hub for Swedish air traffic, both domestic and international, although today it is mainly a domestic airport.

In order for Bromma Stockholm to meet the demand and contribute to continued economic growth, increased access and greater customer satisfaction in the near term as well as in the years ahead, Swedavia is carrying out an extensive development programme. The programme involves investments in terminal capacity and aviation safety as well as measures related to environmental performance in 2016 and beyond totalling 1.3 billion kronor. The airport's land lease with the City of Stockholm expires in 2038.

Better service during peak periods

The objective is for Bromma Stockholm Airport to improve the passenger experience and its service even during peak periods, when up to 1,200 passengers an hour

will pass through a new departure hall, with the existing arrival hall constituting part of this. Since parts of the terminal are listed to protect their cultural and historical value, all renovation and extension work must be carried out with great care. The departure hall is expected to be ready to be placed in service in the autumn of 2018.

The development of apron areas for aircraft parking stands as well as two new piers that link the terminal and the apron are important improvements to enable efficient, modern airport operations at Bromma Stockholm.

More and more passengers are already checked in when they arrive at the airport. To create increased capacity and faster flows, the number of lanes at the security checkpoint is being increased so that passengers can pass through in parallel. Punctuality at Bromma Stockholm is high, at 86.7 per cent in 2016, compared to 91.4 per cent in 2015.

Category III certification

Investments are also being made outside the terminals. On landside, the areas that passengers encounter before they pass through the security checkpoint, Swedavia is investing in increased parking facilities as well as better structures for bus and taxi traffic while implementing a modification in the planned Kista branch line of the Tvärbanan light railway that will connect to the airport. But the biggest investments will be on airside, that is, the other side of the security checkpoint, and are an adaptation to the Swedish Transport Agency's requirements for an airport with Category III certification.

Swedavia's application to certify Bromma Stockholm Airport under Category III was approved by the Swedish Transport Agency in December 2013. This classification determines what type of aircraft can take off and land at a given airport and specifies, among other

things, the length of the runway. In conjunction with Cat III approval, the Swedish Transport Agency granted a number of exemptions with time limits for the airport's physical layout which Swedavia is obliged to remedy over the next few years. These measures include the development of the runway lighting system and taxiways.

Bromma Stockholm Airport and the environment

Bromma Stockholm is a city airport. That means environmental issues, especially those linked to noise, and relations with neighbours are especially important. Swedavia thus works continuously and in partnership with neighbours and other parties affected through concrete measures to minimise ground noise from aircraft and construction operations as well as noise from take-offs and landings. During the year, Swedavia also prepared measures that will enable more efficient collection of the glycol used to de-ice aircraft.



Collaboration

Swedavia has also taken part in negotiations to support the construction of a high-speed railway between Stockholm and Gothenburg. One of the proposals is for the Gothia line, if it is established, to go through a tunnel under the airport, with a station located right under the terminal.

In the spring of 2016, following an appeal process, the Land and Environmental Court of Appeal also ruled to limit the environmental permit that Swedavia had applied for and which was originally adopted by the Land and Environmental Court in 2015. This limit entails a reduction in the number of aircraft movements allowed each year from 120,000 to 90,000 as well as more stringent requirements on aviation noise. Swedavia has appealed the ruling since it limits Göteborg

Landvetter Airport's potential for long-term development and ability to create access that will meet western Sweden's development needs.

SEVEN REGIONAL AIRPORTS

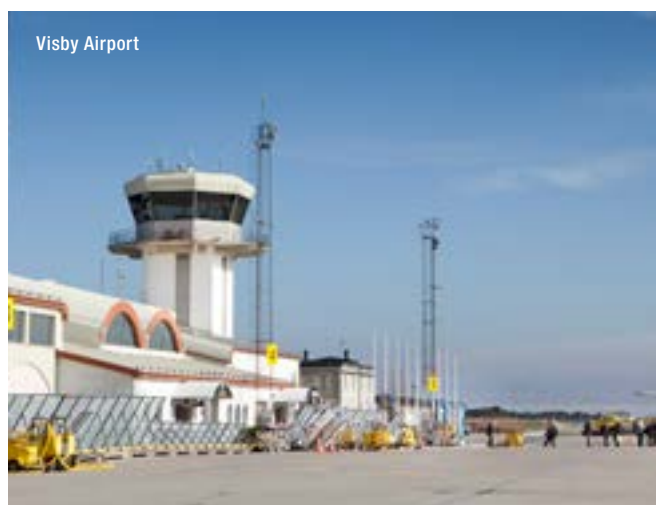
Swedavia operates seven regional airports, from Kiruna in the north to Malmö in the south. Together with the three largest airports, they form a network that both creates the access that constitutes Swedavia's ultimate mission and contributes to the development and growth in the regions they are located in. Their main operations are domestic traffic, but a number of these airports also have traffic to destinations beyond Sweden. One example is Malmö Airport, where Wizz Air has scheduled service to a large number of destinations in eastern Europe.

During the year, Swedavia's regional airports had unprecedented growth in their domestic passenger volume. During Almedalen Week, the annual gathering in Visby of Swedish political and business leaders, passenger volume at Visby Airport was up 20 per cent compared to 2015, with the airport handling 32,000 passengers, as many as during the peak traffic month of April. Domestic traffic is driving the growth at the regional airports and is also important for international traffic since it feeds passengers to Swedavia's main airports, which handle most international routes. Changes in other modes of transport also affect growth. The decline in rail departures to Åre, a Swedish ski resort, led to an increase in the number of passengers at Åre Östersund Airport.

Record in regional growth

Swedavia's regional airports are an essential condition for the network of domestic routes that create access and generate economic growth today in all of Sweden's regions. Domestic air travel is not growing as sharply as international air travel but shows sustained strong growth. In 2016, passenger records were set at four regional airports: Luleå Airport, Malmö Airport, Umeå Airport and Åre Östersund Airport. Moreover, Visby Airport and Ronneby Airport both saw sharp passenger growth. Some 463,500 passengers flew to and from Visby, the highest figure since 1990. Ronneby Airport recorded 231,600 passengers, which is the best result since 2000.

In order to meet this growing demand, Swedavia will invest about one billion kronor over the next few years to develop the regional airports' capacity and offering. For the period 2016–2028, capital spending totaling more than two billion kronor is planned for the seven regional airports.



Identifying bottlenecks

The challenge for the regional airports in the years ahead is to also increase capacity going forward. In 2016, the project Basic Airport 2.0 was launched. By learning from one another, the regional airports have identified both bottlenecks and efficiencies in the passenger process and in the regional airports' procedures. The aim is to create operational excellence which, together with investments in certain areas to eliminate bottlenecks, will produce the desired efficiency improvements and cost-effectiveness. Various kinds of measures to enhance capacity are being carried out at all seven regional airports.

COMMERCIAL SERVICES

Given the demands for competitive airport charges for airlines, revenue from the goods

and services available at and around the airports is increasingly important in funding the renovations and expansions needed to increase the airports' capacity and attractiveness.

Commercial Services works to develop Swedavia's airports into some of the top retail centres in the Nordic countries. It has responsibility for operations in terms of parking facilities, for contacts with suppliers who run tax- and duty-free sales, and for tenants in the shops and restaurants located in and around Swedavia's different properties. The commercial offering and value for money, together with factors such as cleanliness, customer service and atmosphere, are critical to the customer satisfaction of passengers and other visitors.

New kinds of passengers

In 2016, Commercial Services faced challenges on several fronts. Passenger volume grew, which increased pressure on restaurants and shops as well as on car parks, with Stockholm Arlanda Airport at near capacity at Terminal 5 during the year despite a rise as well in mass transit to and from the airport. As a result of these passenger streams, operations in food & beverage performed well. Meanwhile, the number of passengers to Turkey and Egypt fell sharply, which had an adverse effect on tax- and duty-free sales. The weaker exchange rate for the Norwegian krone and British pound following the UK referendum to leave the EU also contributed to a decline in sales. At the same time, the composition of passengers changed. Young adults ages 20–34 are the passenger

Åre Östersund Airport



Kiruna Airport



Luleå Airport



Malmö Airport



group with the fastest growth. They account for one third of growth but are also the age group that in comparison spends the least at the airport. As ever larger numbers of people fly with ever greater frequency, there is also declining interest in shopping at airports around the world in general.

Commercial Services is now working to develop a new business model for its operations, a model that will be implemented when the renovations in Terminal 5 at Stockholm are completed in 2021. The aim is to create an even wider offering of goods and services, which will be attractive to different kinds of passengers no matter whether they are looking for luxury apparel, cafés and restaurants offering fair trade products or electronic gadgets. E-commerce will be increasingly important, which means continued investment in interactive media and digital advertising at the airports.

New leasing models

Swedavia also plans to supplement its existing revenue-based rents in 2021 with a leasing

model in which floor space combined with location determines the price. Premises that have high foot traffic, that is, many potential customers, will thus have a different price than premises with less volume. The aim is also to include a larger degree of promotion retail, in which different brands take a step out of the shops and lease space for a limited period to launch a new product, spotlight a new collection or run a campaign.

Increased specialisation, less duplication of work and expanded collaboration between the three main airports – Stockholm Arlanda Airport, Göteborg Landvetter Airport and Bromma Stockholm Airport – also mean Swedavia has been able to achieve significant cost savings.

REAL ESTATE OPERATIONS – SWEDAVIA REAL ESTATE

Swedavia's real estate operations are brought together under Swedavia Real Estate. These operations are responsible for the buildings and land developments located adjacent to the Group's airports and which

are not directly related to actual airport operations, which the terminals, for example, are. Their mission is to administer and develop selected properties, primarily hotel and conference facilities, offices and logistics buildings that together form part of Swedavia's comprehensive customer offering.

As the Group's airports develop into modern hubs for travel and commerce, these properties will be increasingly important in enhancing the airports' attractiveness and competitiveness. Swedavia's real estate operations also play a key financial role since revenue from developed properties sold to other stakeholders reduces Swedavia's need for external funding for continued investment. One example of this is the 2014 sale of the hotel property that Swedavia built next to Terminals 4 and 5 at Stockholm Arlanda Airport. The hotel met a need for access to hotel-nights near the airport and also created an opportunity for Swedavia to continue the Company's capital spending.



Procurement function increasingly important

– How Swedavia works with procurement

Swedavia is now in an exciting phase, with investments in future infrastructure that will ensure Sweden's need for access is met in both the short and long term. A well-functioning procurement function and supply base are crucial to Swedavia in this work and during this period of intensive development.

Swedavia's procurement process is affected by a number of external laws and requirements – including the Swedish Act on Procurement within the Water, Energy, Transport and Postal Services Sectors and the Swedish Public Procurement Act – but also by internal governance documents such as its procurement policy, procurement guidelines and the Company's Code of Conduct for suppliers. This Code of Conduct tells suppliers what ambitions Swedavia has in bearing its responsibilities in areas such as the environment, the workplace environment, social responsibility and corruption and thus also what Swedavia expects of its suppliers.

The procurement organisation shall be a driver and play a proactive role in providing the organisation with framework agreements and project-related procurement. One critical success factor is to conduct market analyses and also create conditions for competing and finding the right suppliers, with monitoring being a natural part of this.

Swedavia is facing a number of challenges since the major development programmes being carried out at Stockholm Arlanda Airport, Bromma Stockholm Airport and Göteborg Landvetter Airport will contribute to an enormous increase in procurement volumes. This in turn will require that the procurement function is equipped, both in terms of resources and skills, to support this property development and handle complex tender processes involving everything from the purchase of

goods and services to the hiring of contractors.

Since procurement needs in the development programmes are mainly related to construction and building contractors, this entails increased requirements for expertise in construction law and construction-related regulations for the procurement buyers whose work is dedicated to these projects. It places demands on working proactively with the exchange of experience and creating opportunities for skills development internally in the procurement function in order to maintain skills and attract senior and future procurement buyers.

Swedavia's procurement organisation works with the category management model, which

involves active work with the supply base to implement procurement strategies and analyse procurement volumes and future procurement needs. Work was carried out in 2016 to establish and develop the supply management process and monitoring of suppliers.

Finding new innovative suppliers and ensuring compliance with quality and sustainability requirements in the existing supply chain is vital for meeting Swedavia's future procurement needs, especially in order to find suppliers that meet the Company's sustainability requirements and can deliver in the critical areas where major investment in infrastructure is now under way. With good supplier relations and a well-supported supply base, the procurement function will achieve its targets of a three per cent reduction in procurement costs, at least 95 per cent of spend with contracted suppliers by 2018, and the continuous monitoring of at least 75 suppliers

strategically selected from the supply base in accordance with the supplier development process over an annual cycle. By meeting these internal targets, the procurement function also contributes to the achievement of Swedavia's overall targets.

The next step for Swedavia is to further develop and address the sustainability-related perspective associated with the environment, labour relations, corruption and other factors by formulating relevant requirements and creating conditions for structured monitoring. In 2017, Swedavia will therefore continue the work of ensuring compliance with the requirements in tender processes and agreements during the term of the contract.

Category management procurement work and a focus on project procurement are necessary to meeting operational needs and achieving Swedavia's future vision of operating and developing world-class airports.



Long-term development

Swedavia Real Estate plans for the long-term development of real estate business around all of the Group's airports. There are extensive expansion plans for Stockholm Arlanda Airport, where construction of the new 15,000 m² Office One complex began during the year. The building will be completed in 2018. The plans include a 12-storey hotel with 20,000 m² of total floor space for 2019. These two buildings will form a hub for the airport city now taking shape there.

In partnership with Arlandastad Holding, Swedavia is also building a new off-ramp from the E4 expressway to a new, environmentally certified long-term parking facility for 1,500 cars. The facility, to be completed in 2017, will among other things enable passengers to check in when they are still at the car park.

Another strategic partner is Alecta, Sweden's largest pension provider, which in a joint venture with Swedavia develops and administers 20 major properties in the form of hangars, logistics buildings and offices at the Group's airports in Stockholm, Gothenburg and Malmö. During the year, Swedavia sold its ownership of Göteborg City Airport to Serneke Group.

Satisfied tenants

Every two years, Swedavia measures how satisfied the Group's tenants are. The overall satisfaction index for 2016 was 64, compared to 65 in 2014. Improvements were noted in location and indoor climate, while deteriorations were seen in complaints and the reporting of problems. However, on the whole, there were few tenants who indicated they had submitted a complaint. Sweden is now reviewing the results and the continued handling of these issues for further development.

Business-mindedness

Along with establishing strategic partnerships with other companies and organisations, during the year Swedavia Real Estate developed its operational ability, capacity and business-mindedness as a real estate company. This has been done through a review and efficiency improvements in decision-making processes and risk management issues, such as policies and tools for planning, governance, and monitoring and control of projects and operations. During the year, work began on an overall plan for naming and market communication for Arlanda Airport City.

Swedavia Real Estate works primarily with transparent public procurement to ensure that sustainability aspects are addressed, for instance, in soil management, the choice of materials, transports and installation operations for new and renovated properties. It also considers aspects pertaining to ethics and labour rights, with the Company's Code of Conduct and in-house training constituting important tools.

AIRPORT CITY

The development of airport cities in Stockholm and Gothenburg is being carried out in the form of partnerships between Swedavia and other stakeholders. In Stockholm, the Office One complex is being erected as the first building in Airport City Stockholm, where 50,000 workplaces are planned along with centres for logistics and research. In Gothenburg, work is continuing on a hotel project, which will be part of Airport City Göteborg, and with Landvetter Logistics Park, a collaboration between Swedavia and the property developer Bockasjö. During the year, work began on the bridge that will link the two parts of the park.





Environmental concern

Environmental concern is integral to Swedavia running and developing operations in a sustainable manner. Swedavia's strategy for proactive environmental work includes the Company's own operations as well as a switch to renewable aviation fuel. In that way, we work actively to reduce our own emissions of fossil carbon dioxide as well as those of our stakeholders and to ensure that natural resources are used efficiently with the aim of ensuring Swedish access in the long term.



Overall strategy in Environmental Concern

Proactive environmental work

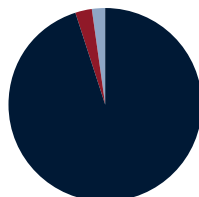
► We shall be a driver in the switch to renewable aviation fuel as well as work actively ourselves and influence companies and other organisations at the airports to reduce carbon dioxide emissions and use natural resources in an efficient and environmentally sensitive way.

ENVIRONMENTAL WORK FOR SUSTAINABLE CLIMATE SOLUTIONS

Swedavia's airports are certified at the highest level of the Airport Carbon Accreditation standards programme for the climate work of airports. This certification, which is supported by the United Nations Framework Convention on Climate Change, means that all of Swedavia's airports continuously reduce fossil carbon dioxide emissions in their own operations and contribute to other operations at the airports reducing their own emissions. As a result, based on this international standard, Swedavia is the airport group that has come farthest in the world to develop climate-smart airports.

Swedavia's target is to have zero tonnes of fossil carbon dioxide emissions from its own operations by 2020. A switch to renewable fuels and reduced energy use are crucial to this target being achieved. In 2016, the Company's emissions of fossil carbon dioxide from its own operations totalled 2,720 tonnes, eleven per cent lower than in 2015 and a 70 per cent reduction since 2005. Swedavia's own vehicle fleet accounts for 95 per cent of these emissions. The Company is thus working hard to replace fossil fuels with renewable alternatives such as electricity, biogas and synthetic diesel (hydro-treated vegetable oil) and update parts of its vehicle fleet, including its plough, sweep and blow (PSB) equipment, which is used to remove snow from runways. Ronneby Airport, where Swedavia works in collaboration with the Swedish Armed Forces and is only responsible for operation of the

Swedavia's fossil carbon dioxide emissions by area, %, 2016



- 95% Vehicles and propellants
- 3% Energy
- 2% Rescue service



UN SUSTAINABILITY GOAL: 13. COMBAT CLIMATE CHANGE

Swedavia contributes to fighting climate change by working for the increased use of renewable aviation fuel and to create greater demand for such propellants from government authorities, businesses and individuals. Swedavia also contributes by working in the Company for operations that are free of fossil carbon dioxide emissions. This is done in part through a gradual switch to non-fossil fuel for the Company's own vehicle fleet and continuous work to improve efficiency in order to reduce the use of energy and materials.

terminals, will be the first fossil-free airport in the world in 2017.

One of the most important activities in 2016 was continued investment in the development and increased use of renewable aviation fuel throughout the air travel industry. Swedavia was the first company in the world to purchase aviation biofuel equivalent to the amount used by its employees' air travel for official business for one year. The Fly Green Fund, an economic association in which Swedavia is a partner, was entrusted with the task, and the first fuel was delivered in December. The total investment of ten million kronor will be divided, depending on the final price of the fuel, between fuel purchases and support for research and development in projects leading to large-scale production in the Nordic countries. So far, airlines have shown only limited interest in Swedavia's efforts to cover part of the additional cost of renewable fuel for airlines. One of the challenges in 2017 is to contribute to the establishment of a pilot facility for producing sufficient biofuel

volumes in order to establish large-scale Nordic production in the long term.

DISCHARGES TO WATER

Swedavia carries out continuous measures to reduce its use of resources and their impact on water. To reduce this impact, the work mostly entails limiting the discharge of agents used to de-ice aircraft and prevent skidding on the runways. These products have a low level of toxicity and are biodegradable but require oxygen. Swedavia regularly checks the oxygen content of the water at and around the airports since this can be affected by residue. Swedavia also monitors emission levels for cadmium and other elements.

ENVIRONMENTAL PERMITS

The new environmental permit for Stockholm Arlanda Airport was placed in service on January 1, 2016. There are five matters in the permit that have not been resolved yet, three of which concern the use of flight paths and aviation noise. One concerns the flight

An ever smaller carbon footprint per passenger, kilo tonnes CO₂

Airport	Air traffic	Ground transport	Swedavia	Total
Bromma Stockholm Airport	19	3	0.3	22
Göteborg Landvetter Airport	46	29	0.4	75
Kiruna Airport	2	1	0.2	3
Luleå Airport	9	6	0.1	15
Malmö Airport	22	17	0.2	39
Ronneby Airport	2	1	0.0	3
Stockholm Arlanda Airport	221	100	1.1	322
Umeå Airport	8	6	0.2	15
Visby Airport	3	1	0.0	4
Åre Östersund Airport	4	2	0.3	6
Swedavia Real Estate			0.0	0
Total	336	166	2.7	504
Percentage change 2015–2016:	-2.7%	-10.2%	-11.2%	-2.0%

The carbon dioxide levels for Swedavia's airports in 2016 reported here are broken down into air traffic emissions in the landing and take-off (LTO) cycle (flying below 3,000 feet including taxiing on the ground), from passengers' ground transport to and from the airports, and from Swedavia's own operations. During the year, the carbon footprint for Swedavia's airports was reduced by about two per cent, from about 515 kilo tonnes of CO₂ in 2015 to 504 kilo tonnes of CO₂ in 2016. Meanwhile, passenger volume increased five per cent, which means that the carbon footprint per passenger decreased about seven per cent.

path for slow-moving aircraft from Runway 1, over Mårsta. The permit also includes more stringent noise restrictions, which could have a major impact on the airport's capacity. Swedavia therefore requested a change in the permit's conditions in the Land and Environmental Court, but the appeal was rejected. A leave to appeal was submitted to the Land and Environmental Court of Appeal.

For Göteborg Landvetter Airport, Swedavia has submitted an appeal to the Supreme Court concerning an earlier ruling on the reduction in the maximum number of aircraft movements from 120,000 to 90,000 a year. Aviation noise matters are also an issue at Visby Airport, where the Swedish Armed Forces submitted an appeal to the Swedish government concerning the airport's noise insulation conditions. During the year, Kiruna Airport was issued a new environmental permit by the Land and Environmental Court.

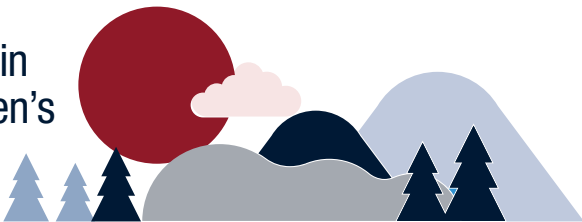
ENERGY AUDIT

Swedavia is governed by the Swedish Act on Energy Audits in Large Companies, which is aimed at promoting increased energy efficiency in the country's large companies. An energy audit was conducted at Swedavia in 2016. Prior to the audit, energy use in 2015 was 191 GWh. The audit shows what energy supplied, in the form of electricity, fuels and propellants, is used. Areas with significant energy use are: ventilation, heating and cooling in the terminals, propellants for Swedavia's vehicles, lighting in the terminals, runway lighting and apron lighting. In 2016, Swedavia also introduced a certified energy management system in accordance with ISO 50001:2011 energy management standards. The aim is for the energy management system to contribute to further energy efficiency improvements, cost savings and environmental improvements.

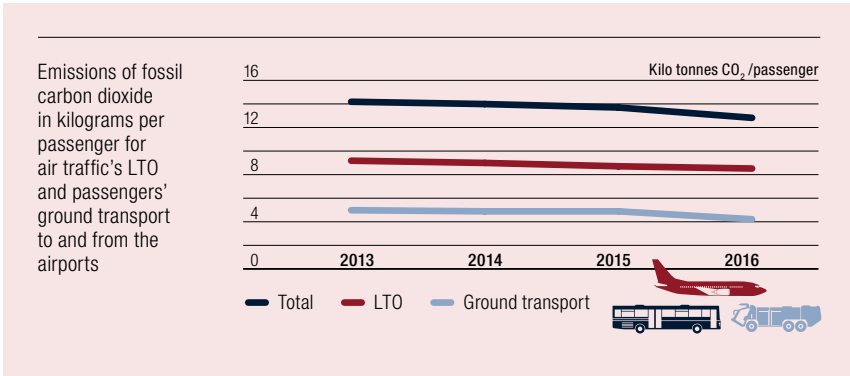
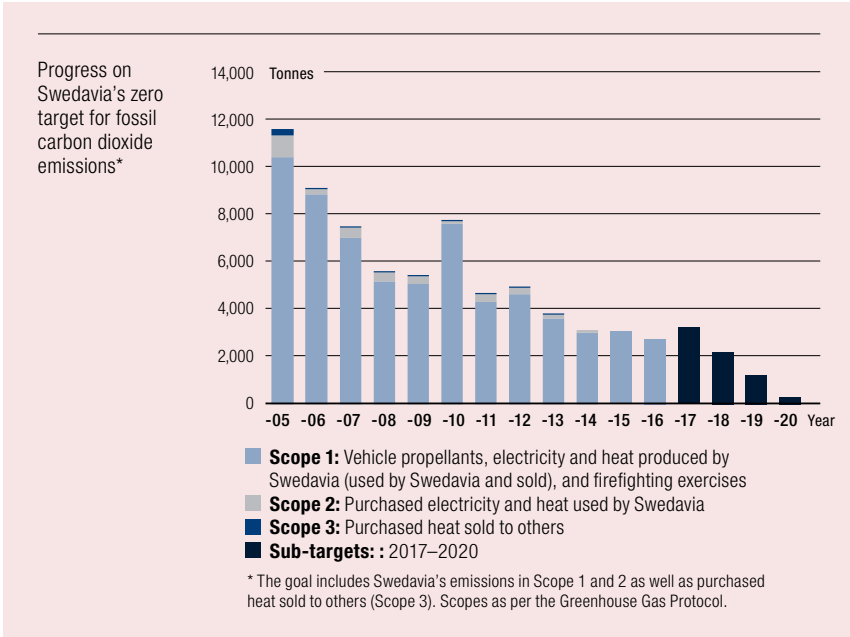
NOISE

Aviation noise is always a relevant issue for the airports' neighbours but also for the air travel industry. Swedavia works to ensure that the noise load around the airports is considered acceptable relative to the social benefits provided by air travel and the airport. Some of the measures that Swedavia works with include noise insulation of residences, higher take-off charges for aircraft that generate higher noise levels and the promotion of "green" flights. Such flights include curved approaches and avoidance of densely populated areas on approaches and "green" approaches, where the aircraft continuously descends from its cruising altitude to the landing runway. Green approaches require less engine thrust, save fuel and reduce emissions.

Swedavia helps in achieving Sweden's environmental objectives



Swedavia shall help in achieving the country's sixteen environmental quality objectives and has chosen to focus on the objectives that are already in agreement today with the Company's own environmental objectives: reduced climate impact, flourishing lakes and streams, a good built environment and a non-toxic environment. Swedavia also contributes to the generational goal, that is, the Swedish Parliament's overarching objective of environmental policy: "To pass on to the next generation a society in which the major environmental problems have been solved, without increasing environmental and health problems beyond Sweden's borders". Along with its own measures to improve the climate, Swedavia contributes by involving other companies and organisations in the reduction of fossil carbon dioxide emissions, and the Company is a driver on the issue of increased use of aviation biofuel.



Social development

For Swedavia, social development involves creating safety and security for passengers, making Swedavia an attractive employer and ensuring that the relations the Company has with others will enhance the airports' development potential. Given our strategies in these areas, we work proactively to ensure that there is a high level of safety and security through systematic risk work, that our values are integral to the development of Swedavia as an engaged, inclusive employer, and that our communication efforts create understanding and curiosity about Swedavia's development needs.



Overall strategies in Social Development

High level of safety and security

► We shall work proactively for a high level of safety and security by working systematically with our quality, identifying risks and proactively preventing, managing and accepting these. We shall always have the ability to handle serious incidents and minimise the consequences of these through continuity planning and regularly held exercises.

Developing leadership and employeeship

► Based on our values and with a focus on development, competences and engagement, leaders and employees – taking an inclusive approach – shall together create an attractive workplace that is characterised by pride, business-mindedness and pleasure in work.

External relations that enhance business

► Strategic communication and open, humble and close relations create interest, understanding and engagement in Swedavia's development and the importance of air travel. These relations also contribute to the development of operations.



Entry Hub – a path to work

In the autumn of 2016, a regional project called **Entry Hub** was launched with the aim of helping to simplify the process of getting immigrants who recently arrived in Sweden established in the Umeå labour market beginning in 2017. Swedavia is collaborating in the project with **We Link Sweden**, an organisation that works to increase knowledge about how diversity can constitute an important factor for development.

The basic idea is for established companies and their employees to share their networks in order to help every individual manage in the best way. The different employers taking part in the project will present their companies and future talent needs as well as help establish contacts and transfer knowledge. The aim is for Entry Hub to reach out to women to a greater extent compared to previous efforts aimed at people born outside Sweden.

10 REDUCED INEQUALITIES



HUMAN SUSTAINABILITY GOAL 10. REDUCED INEQUALITY

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

SAFETY AND SECURITY TOP PRIORITY

Swedavia's safety and security work is focused on aviation safety and security. Aviation safety is focus on preventing accidents, while aviation security is aimed at actively preventing criminal acts. This work is integrated in all operations and in the Group's objectives and targets. During the year, the work of adapting to the more detailed regulations issued by the EU's European Aviation Safety Agency continued. The aim is for all of Swedavia's airports except Ronneby Airport and Luleå Airport, which are both operated in partnership with the Swedish Armed Forces and are thus covered by special regulations, to get EASA certification in compliance with the new regulations in 2017.

In 2017, new security scanners will gradually be introduced at the airports' security checkpoints, which will enhance security and create faster flows while giving passengers a better experience. Development programmes at Swedavia's three largest airports also include an increase in the number of flows for security screening. If preclearance procedures for flights to the US are introduced at Stockholm Arlanda Airport, this will require a separate security checkpoint in Terminal 5, in addition to the one planned in conjunction with the terminal expansion now under way.

The work with customer service continued during the year. As check-in, baggage drop and passport control are increasingly automated, the service provided by security staff will be an ever more important factor for passenger satisfaction.

PREVENTIVE WORK

The safety and security functions undergo regular controls by the Swedish Transport Agency as well as in-house controls. Swedavia's airports today have their own emergency plans and conduct practical exercises as well as large-scale exercises with the police, among other participants, in order to create common methods and processes for effective crisis management. In continuity planning, that is, planning for how the Group manages disruptions such as major power outages or water supply problems, proactive work is under way to develop concrete action plans. Swedavia is also taking part in the establishment of a national testing and skills centre for security screening. All of Sweden's airports – not just those operated by Swedavia – will be able to benefit from experiences, processes and tests that can enhance security.

MORE STRNGENT REQUIREMENTS

The development programmes that have

been launched place higher requirements on Swedavia's work with safety and security. While this construction is under way, efficient flows need to be maintained, despite limited space in some cases. At the same time, Swedavia needs to plan for the thousands of building contractors moving in and out of the construction sites. Due to events around the world, greater focus must be placed on security on landside, that is, outside and in the terminals before the security checkpoint. Swedavia bears responsibility for security, together with the police, which means that roles and areas of responsibility must be clear and well defined.

ACCIDENTS AND SERIOUS INCIDENTS

Swedavia has a vision of zero accidents and serious incidents. The definitions for these are based on a standard EU regulation and are evaluated in Sweden by the Swedish Accident Investigation Authority. Swedavia reports all incidents with an assessment of their impact on aviation safety to the Swedish Transport Agency. All accidents and serious incidents are reported directly to the Swedish Accident Investigation Authority. In 2016, there was one such incident – one accident and zero serious incidents. In comparison, there were four such incidents in 2015.

Swedavia's anti-corruption work

“Swedavia works proactively against corruption – with the support of clear governing documents, recurrent training and an open dialogue”

Swedavia's operations are characterised by taking a responsible approach to all aspects of the Company's business. The Company therefore carries out proactive work against corruption, based on three components: clear governing documents, recurrent training and an open dialogue with employees, suppliers and other stakeholders. Ethical, moral actions are part of Swedavia's corporate culture and an essential condition for the sustainability work that constitutes the foundation of operations.

As a State-owned company that carries out major projects and has

many external suppliers, it is vital to Swedavia's sustainability work to have clear governing documents combined with continuous training and dialogue on ethical matters concerning anti-corruption.

Governing documents

Swedavia has a Code of Conduct for both employees and suppliers. It includes the Company's ethical guidelines and describes, among other things Swedavia's approach to suppliers and what business methods are responsible and ethical. Swedavia has also adopted a Bribery Policy and Guidelines for External Business Entertainment. The Company has likewise chosen to comply with the Swedish Anti-Corruption Institute's code of business conduct. The code is a complement to Swedish bribery laws but is stricter than what these laws require and includes guidelines on gifts, rewards and other benefits.

Recurrent training

Swedavia provides training in anti-corruption on a regular basis for leaders and employees who, in their roles as project managers, managers or procurement buyers, for instance, often meet external suppliers in their work. Swedavia also offers online training on Swedavia's Bribery Policy and Guidelines for Anti-Corruption. With this training, employees can clearly know what applies at Swedavia, with the objective being to maintain good ethics in business relations. Employees are exposed to realistic scenarios and have to answer questions about how they would have reacted in the same situation. The intention is to increase awareness so that employees are always mindful of the different kinds of situations where there may be a risk of corruption. During the year, special workshops were also held to clarify the content of the comprehensive accord on fighting corruption in the

Swedish construction sector signed by the some of the country's largest building contractors.

Dialogue and monitoring

The third component, open dialogue, is aimed at creating increased awareness and ensuring that issues concerning corruption and bribery are addressed in the day-to-day work of every employee. Swedavia's legal counsel serves as an advisor and sounding board.

Monitoring and control of compliance with governing documents are carried out through internal audit's sample controls. Swedavia's whistleblower function also enables employees and other stakeholders to anonymously report suspected irregularities. All reports are immediately investigated in a special ethics committee consisting of the Company's chief legal counsel, internal audit manager and procurement manager.

At present, there is nothing to indicate that Swedavia's infrastructure or operational procedures contributed to any of these incidents. A growing problem in terms of aviation safety is the increasingly common unmanned aerial vehicles – drones – which have disrupted air traffic on a number of occasions, including at Bromma Stockholm Airport.

SKILLS AND INCLUSIVENESS

Swedavia is a multifaceted company whose employees work with everything from providing airport services, technical expertise and construction engineering know-how to customer service, procurement and project management. This means that Swedavia always needs access to a wide range of different skills. The ability to recruit and retain skilled, engaged employees is thus a critical success factor.

Swedavia's objective is to offer all employees a workplace with conditions that enable them to carry out their duties, further develop their skills and achieve set goals. The workplace shall be characterised by respect for the individual, diversity and an inclusive way of working. Swedavia's drive for diversity is closely connected to business performance. In order to attract and develop skills, diversity and differences are an asset. Proactive diversity

work enables a broad base for new employees, and diversity among employees enhances the possibility of better customer service.

COMMUNICATIVE LEADERSHIP

Swedavia carries out continuous work to further develop communicative, inclusive leadership. During the year, there was leader and employee training and, as in previous years, a special leader day. A communicative organisation, where colleagues and leaders are good messengers, is a critical success factor. The work to clarify Swedavia's organisation, mandate and division of responsibilities continued. In the employee survey conducted in 2016, 69 per cent of employees were actively positive about leadership at Swedavia, compared to an average of 64 per cent for comparable companies.

CAREERS AT SWEDAVIA

During the year, Swedavia continued to invest in the Group-wide trainee programme launched in 2015. The programme is part of the Company's strategic efforts to attract talent that will build the Swedavia of the future. The trainee programme lasts for twelve months and begins in September each year.

In 2016, for the fourth straight year, Swe-

davia was named by the recruitment firm Jobtip as one of Sweden's 100 most exciting companies to pursue a career in. Each year, more than 1,200 companies are assessed in terms of development opportunities, employee engagement and international scope. Among the reasons cited for this distinction, it was noted that: “As a valued-governed company, Swedavia offers a unique and exciting workplace. Together with its newly launched trainee programme, Swedavia demonstrates that it is investing in tomorrow's talents.”

PARTNERSHIPS

Swedavia works closely with a number of different organisations and stakeholders, both to generate economic growth and to increase benefits to society. In 2016, the Company expanded its partnership with the Swedish employment agency Arbetsförmedlingen of taking in interns from groups that are normally considered far outside the labour market. To date, Swedavia has taken in about 50 interns.

The Company also chose to continue its partnership, along with a large number of companies, with the Royal Swedish Academy of Engineering Sciences' national technology initiative, Tekniskprången, which is aimed at attracting students to university stud-

ies in technical subjects, thereby enhancing Sweden's talent supply. A total of 41 young people with a high school diploma have completed a four-week paid internship at Swedavia. The statistics show that about 80 per cent of all the young people who take part in Tekniksprånget choose to continue their studies. They also indicate young women are choosing to apply for internships at Swedavia to an ever greater extent.

OCCUPATIONAL HEALTH AND SAFETY

In 2016, Swedavia reduced the number of employees who were absent due to illness compared to the previous year. For Swedavia, it is of utmost importance to carry out systematic work with occupational health and safety to counter the trend in society of the growing rate of such absences. Important tools in this work are preventive measures, for instance, in the form of activities involving

food, well-being and exercise, as well as clear follow-up procedures and rapid rehabilitation efforts, which reduce the risk of long-term absences due to illness. Over the next couple of years, Swedavia will carry out extensive development projects, and a large number of building contractors will be working at the airports. The Company is responsible for coordination on occupational health and safety issues and during the year continued the work to create a clear division of responsibilities concerning the building contractors hired.

NEW MAIN OFFICE

In 2017, Swedavia will bring together a large share of its administrative units in a new main office immediately adjacent to Stockholm Arlanda Airport. In the new building, an activity-based way of working will be applied, with flexible workplaces adapted to different activities and tasks.

RELATIONS TO ENHANCE BUSINESS

Swedavia strives to build relations that enhance the Company's business. This is done through cross-sector collaborations with representatives from politics, business and academia. The ultimate aim is to create good conditions for the continued development of Swedish access. The work is carried out internationally in organisations such as Airports Council International (ACI), which organises 500 airports in 45 countries, but also nationally with the Swedish trade group Svenskt Flyg, where Swedavia collaborates on the country's national aviation strategy. Swedavia also works together with Sweden's ambassadors on Team Sweden to support the new Swedish export strategy.

Swedavia collaborates with external stakeholders as well to increase the number of direct routes to and from Sweden. This is done through the initiative Connect Sweden,

Human rights and inclusion

“The foundation of Swedavia's work is the Company's Code of Conduct, with a version for employees and a version for suppliers.”

For Swedavia, human rights and proactive, inclusive diversity work provide a foundation of values, are an investment in a business advantage and constitute an integral part of the Company's sustainability work and corporate culture.

The Company bases its work on the UN's Universal Declaration of Human Rights and works proactively for greater diversity, for gender equality and for people's equality in dignity and rights. For Swedavia, diversity entails not just reflecting the society the Company operates in through its employees but also working for a society that safeguards the rights and skills of individuals. Swedavia proceeds from the assumption that all people are equal in dignity and rights – regardless of their age, sex, nationality, ethnicity, disability, sexual orientation, religion, political opinions or social status.

An important tool for Swedavia is the Company's Code of Conduct, with

a version for employees and a version for suppliers. The code is based on the Global Compact, which in turn is based on the UN's Universal Declaration of Human Rights. The declaration also includes the International Labour Organisation's Conventions on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention against Corruption.

In Sweden, there are laws that guarantee freedom of speech and the right to be a member of a trade union, political organisation or religious community, laws that prohibit child labour and forced labour, and laws that are aimed at creating a good workplace environment and restricting corruption. Swedavia has almost all of its operations in Sweden and has therefore chosen to focus its human rights work in day-to-day operations on equal opportunity as well as combatting and actively preventing all forms of discrimination, victimisation, bullying and sexual harassment, areas in which there is strict zero tolerance.

Reporting unsatisfactory conditions

All new employees are introduced to Swedavia's ethical principles through

the Company's Code of Conduct and to the five leadership and employee-ship principles, which are based on Swedavia's values. All leaders also receive training in Swedavia's bribery policy.

If someone in a management position at Swedavia deliberately ignores unsatisfactory conditions, this can be reported via the Company's whistleblower function, which is available to Swedavia's own employees as well as to customers, suppliers and other stakeholders. Swedavia has also decided to introduce new procedures in 2017 in order to better identify and take action in the event of discrimination, victimisation, bullying or sexual harassment.

Equality and diversity plan

Swedavia's equality and diversity plan is linked to the Company's annual equality measurements as well as to the percentage of employees with a foreign background and is compared with the benchmark JÄMIX equality index. This means that the plan is checked against results so that the Company will better reflect demographics in society today. The target is for Swedavia to have at least 23 per cent of employees born outside Sweden by 2018, and the Company also

strives for a more balanced breakdown in gender. Today 35 per cent of employees are women and 65 per cent are men. A diversity perspective is included in training for the Company's leaders, and there are special diversity groups in Stockholm and Gothenburg. Swedavia also takes part in the Stockholm Pride Festival and West Pride in Gothenburg. The rainbow flag is also flown at the airports in conjunction with local Pride events.

Diversity in practice

There are instructions today for how the Company's job advertisements are formulated in order to be inclusive. One practical application of this diversity work is the unisex uniform developed for employees at the airports. The uniform consists of various items of clothing that can be adapted based on an employee's duties. Swedavia also works to an increasing extent to enable individuals with different kinds of functional ability to work at the Company's various facilities.

The work with human rights and diversity also includes ensuring that Swedavia's suppliers and sub-suppliers respect human rights, and all suppliers are expected to comply with the Company's Code of Conduct.

which along with Swedavia includes the Stockholm Chamber of Commerce and Stockholm Business Region. Swedavia also partners with Visit Sweden and Business Sweden, with Go:Connect in Western Sweden, Connect Jämtland Härjedalen and the umbrella organisation Svensk Turism. Through its membership in the Fly Green Fund, Swedavia works together with the airlines KLM and SAS and other stakeholders to increase the use and supply of biofuel for aviation. Swedavia also takes part in the initiative Fossil-Free Sweden. At the regional and local levels, Swedavia works continuously with the airports' neighbours, represented by local businesses, local authorities, chambers of commerce, regional aviation councils and other stakeholder groups. Regardless of the level, the aim is to secure and develop Swedish access within the country and to the rest of the world.

Engaged leaders and employees

In 2016, Swedavia changed its annual employee survey. Instead of measuring the percentage of satisfied employees, the Company now measures the engagement of leaders and employees.

Research indicates that increased engagement among leaders and employees leads to increased productivity and more satisfied customers as well as having a direct effect on profit. This change, which coincides with Swedavia's switch to a new provider of survey services, entails a new approach to what information Swedavia wants to obtain from our surveys.

We want our employees to feel a great sense of engagement as well as feeling safe, secure and satisfied. By measuring engagement, we can monitor how clear the tasks are for each

employee and how high their level of energy – their satisfaction – in their job is as well as how leaders and employees approach their duties. With the new survey, we also have an opportunity to conduct short, theme-based surveys.

As a result of the change, there is a new scale so the previous target of 85 per cent satisfied employees by 2020 is not comparable with the new target. For the employee survey completed in 2016, Swedavia had 64 per cent engaged leaders and employees according to the new scale, slightly more than the benchmark of 63 per cent for comparable companies. Successful companies are at 70 per cent, which shows that Swedavia's new target of 75 per cent actively engaged leaders and employees by 2020 is an ambitious but also an achievable target.

Employees in figures

Swedavia's employees in figures*

	Employees	Permanent	Part-time	On hourly wages	Full-time	Part-time
2016						
Women	1,201	875	56	270	781	94
Men	2,275	1,592	206	477	1,543	49
Total	3,476	2,467	262	747	2,324	143
2015						
Women	1,148	849	51	248	755	94
Men	2,204	1,519	240	445	1,461	58
Total	3,352	2,368	291	693	2,216	152
2014						
Women	1,148	829	54	265	727	103
Men	2,100	1,464	208	428	1,377	86
Total	3,248	2,293	262	693	2,104	189

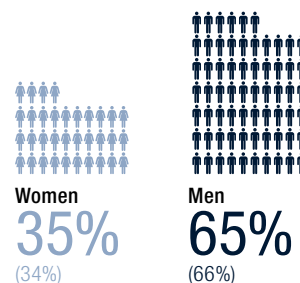
* Information pertains to the number of employee contracts as of December 31.

The increase in the number of employees is mainly due to additional traffic at Swedavia's airports and the increase in passenger volume. The increase is mainly in airport operations.

Average number of employees 2016

2,949
(2,787)

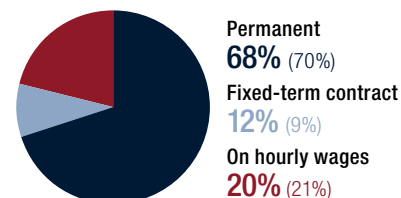
Breakdown of employees by gender, 2016



Employees with a foreign background, 2016

15%
(14%)

Breakdown by form of employment, 2016





Annual report 2016

Financial reports

Contents

Report of the Directors	54	Note 20 Fair value	96
Corporate Governance Statement	62	Note 21 Investment properties	97
Consolidated accounts	72	Note 22 Biological assets	97
Consolidated income statement	72	Note 23 Non-current financial assets	97
Consolidated balance sheet	73	Note 24 Other long-term receivables	97
Changes in equity	75	Note 25 Holdings in associated companies and joint ventures	98
Consolidated cash flow statement	76	Note 26 Holdings in Group companies	99
Parent Company's accounts	77	Note 27 Financial assets and liabilities	99
Parent Company income statement	77	Note 28 Materials and supplies	100
Parent Company balance sheet	78	Note 29 Current receivables	100
Changes in equity	79	Note 30 Receivables from Group companies	100
Parent Company cash flow statement	80	Note 31 Other receivables	101
Notes	81	Note 32 Receivables from associated companies and joint ventures	101
Note 1 Corporate information	81	Note 33 Prepaid expenses and accrued income	101
Note 2 Accounting principles	81	Note 34 Equity	101
Note 3 Segment reporting	86	Note 35 Provisions	102
Note 4 Net revenue	87	Note 36 Provisions for pensions	102
Note 5 Transactions with related parties	87	Note 37 Other provisions	103
Note 6 Other operating income	88	Note 38 Deferred tax	104
Note 7 Remuneration and compensation for auditors	88	Note 39 Interest-bearing liabilities	104
Note 8 Employees and staff expenses	88	Note 40 Long-term and current liabilities	104
Note 9 Depreciation, amortisation and impairment losses on tangible fixed assets/intangible non-current assets	92	Note 41 Borrowings	105
Note 10 Other operating costs	92	Note 42 Bank credit facilities	105
Note 11 Financial income and expenses	92	Note 43 Other liabilities	105
Note 12 Allocations and untaxed reserves	93	Note 44 Accrued expenses and prepaid income	105
Note 13 Tax	93	Note 45 Financial risks	106
Note 14 Intangible non-current assets	93	Note 46 Pledged assets and contingent liabilities	108
Note 15 Fixed assets	94	Note 47 Cash flow	108
Note 16 Buildings and land	94	Note 48 Supplementary information for financial ratios	108
Note 17 Field structures	95	Note 49 Events after the balance sheet date	108
Note 18 Electrical installations, vehicles and equipment	95	Signatories to the Annual Report	109
Note 19 New construction in progress related to tangible fixed assets	95	Auditor's Report	110
		Statement of Compliance	113

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 2016. 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 the State-owned airports in Sweden. Swedavia's operations are divided into two segments, Airport Operations and Real Estate. At year-end 2016, the Airport Operations segment at Swedavia ran operations at ten airports in the national basic infrastructure of airports as determined by the Swedish government, which consists of 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. The airports are managed as and consolidated into an integrated airport system with shared corporate functions. Real Estate owns, develops and manages properties and developable land at and in the vicinity of Swedavia's airports.

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

VISION AND MISSION

Swedavia's vision is "Together we bring the world closer", and its mission statement is "We at Swedavia create added value for our customers through attractive airports and access. We continually develop our business together with our partners".

IMPORTANT EVENTS DURING THE YEAR

The year was dominated by continued good passenger growth, with an increase of 5.2 per cent compared to the previous year, which means a new passenger record for Swedavia, with seven airports reaching all-time highs. In January, Stockholm Arlanda Airport placed its new environmental permit in service. As a result, the airport carries out operations in full in accordance with the rulings issued by the Land and Environmental Court in 2013 and the Land and Environmental Court of Appeal in 2014. In May, Stockholm Arlanda Airport submitted trial period reports to the Land and Environmental Court on deferred questions concerning a steeper glide bath and a change in runway use patterns. The main ruling on these deferred questions is planned for March 28–29, 2017. In June, the Land and Environmental Court rejected Swedavia's application to change Condition 5 concerning the handling of low-speed traffic. Swedavia appealed the ruling to the Land and Environmental Court of Appeal. A ruling was issued on March 16, 2017.

In late April, the Land and Environmental Court of Appeal issued Göteborg

Landvetter Airport a permit for 90,000 aircraft movements per year in a ruling on the airport's environmental permit. As a result, the court has lowered the number of movements from the 120,000 specified in the environmental permit issued by the Land and Environmental Court in June 2015. According to Swedavia's forecast, between 2015 and 2025 the airport will go from about 70,000 to about 90,000 movements. In addition to modifying the number of movements, the Land and Environmental Court of Appeal also changed the possibility of aircraft leaving established flight paths after take-off from Göteborg Landvetter Airport. Swedavia has therefore decided to appeal the ruling to the Supreme Court in the hope of obtaining an environmental permit that satisfies the long-term development at the airport. At this writing, the Supreme Court has not ruled whether it will grant a leave to appeal.

Despite increased capital spending, Swedavia reduced charges to airlines by an average of 0.8 per cent starting April 1, 2016. Compared to other airports, charges at Swedavia's airports are very competitive and, after the implemented cut, are on average about 20 per cent lower than at comparable competing airports in Northern Europe. Swedavia's pricing decision was appealed to the Swedish Transport Agency, which refused to grant a leave to appeal. The agency's ruling was in turn appealed to the Administrative Court, which has not yet ruled on the matter.

During the year, Swedavia took another step in realising its vision of fossil-free domestic air travel in Sweden by 2030. In December, the Fly Green Fund delivered 450 tonnes of renewable aviation fuel equivalent to the amount used in Swedavia's air travel for official business. The fuel was delivered to three of Swedavia's airports – Stockholm Arlanda Airport, Bromma Stockholm Airport and Åre Östersund Airport.

At the Annual General Meeting 2016, Åke Svensson, formerly CEO of the Association of Swedish Engineering Industries, was elected as a new Board member and as Chairman of the Board. He replaced the departing member and Chairman Ingemar Skogö. The other Board members were re-elected. At the Board meeting in July 2016, Jonas Abrahamsson was appointed Swedavia's new President and CEO, assuming those duties in January 2017.

In May, Göteborg City (Säve) Airport was sold to Serneke Group AB. In the agreement signed, Serneke Group AB undertakes to carry out its operations at the airport in a way that enables emergency services for the national emergency (112) call system to operate for a period of at least fifteen years and enables general aviation that does not need runways longer than 1,000 metres for a period of five years.

In late September, Swedavia submitted its consultation response to the Swedish government's coordination group on Stockholm's airport capacity. Swedavia shares the coordinator's view that discussions should begin soon in order to present a policy decision on the long-term approach to Stockholm's future air capacity.

The International Civil Aviation Organisation (ICAO), a UN agency, reached an agreement in early October on a global scheme to reduce greenhouse gases from international air travel. As a result of the decision, carbon dioxide emissions from international air travel will be benchmarked at the level in 2020, in line with the UN's climate targets. Swedavia views the ICAO's decision very favourably. The global air travel industry, including Swedavia, has long emphasised that aviation is a global transport mode.

In November, the Swedish government and the US signed a bilateral agreement to introduce US border control at Stockholm Arlanda Airport. In conjunction, Swedavia signed a declaration of intent with US Customs and Border

Protection (CBP) on how this function is to be handled at the airport. The government has appointed an investigator who is tasked with proposing how the agreements are to be modified to conform to Swedish law.

Nordic Choice Hotels will be the operator of the large hotel to be built at Stockholm Arlanda Airport. The hotel is expected to have about 460 rooms and will be an alternative to the business hotels at the airport. The hotel is an important piece of the puzzle in what will be the construction of the new airport city.

THE GROUP IN BRIEF¹

SEK M, unless otherwise indicated	2016	2015	2014	2013	2012
Net revenue	5,546	5,416	5,384	5,137	4,883
Operating profit	966	1,755	1,405	946	831
Operating margin, %	17.4	32.4	26.1	18.4	17.0
Profit for the year	717	1,410	926	501	447
Return on operating capital, %	8.6	14.5	10.3	7.1	7.4
Debt/equity ratio, times	0.7	0.7	1.4	1.9	1.9
Capital spending	2,138	1,120	924	2,413	3,418
Dividend ²	143	232	231	-	-
Average number of employees	2,949	2,787	2,516	2,369	2,380
Number of passengers, millions	39.5	37.6	35.7	33.5	32.4
Operating costs per departing passengers, SEK	202.6	203.0	193.6	198.7	205.6
Commercial revenue per departing passenger, SEK	75.5	76.1	78.5	78.2	75.5

¹ For definitions of financial ratios, see page 118.

² Dividend proposed to the Annual General Meeting.

NET REVENUE AND PROFIT

Consolidated net revenue for the full year totalled SEK 5,546 M (5,416), an increase of SEK 130 M or 2.4 per cent compared to the previous year.

Revenue from Aviation Business totalled SEK 3,446 M (3,258), an increase of SEK 188 M. However, passenger-related revenue did not increase to the same extent as the passenger increase due to price reductions and a higher share of transfer passengers, which meant lower average revenue per passenger. Because of the passenger increase, more discounts were also given under the scope of Swedavia's airline incentive programmes. Revenue as compensation for more stringent security requirements and increased sales of de-icing, apron and passenger services helped to increase revenue in Aviation Business.

Revenue from Commercial Services totalled SEK 2,062 M (2,130), which is a decrease of SEK 68 M. The property portfolio sold in June last year led to a SEK 143 M reduction in rental income during the first half of the year. Revenue from car parking facilities increased SEK 48 M and revenue from retail, food & beverage increased SEK 11 M. The rate of growth for these revenue groups exceeded the rate of passenger growth. Revenue from retail fell despite the increase in passenger volume. The decrease in revenue per departing passenger is mostly due to a change in the mix of destinations, which led to lower tax- and duty-free sales, and a change in passengers' purchasing behaviour. Total commercial revenue per departing passenger was SEK 75.5 (76.1).

Other operating revenue totalled SEK 283 M (965) and consists mostly of a capital gain attributable to the sale of Göteborg City Airport totalling SEK 146 M. There was also an entry for an earnout of SEK 95 M attributable to the previous sale of TreDhotel, the company that owns the Clarion Hotel property. Last year was affected by the sale of a property portfolio, with a capital gain of SEK 820 M, as well as the sale of land, with a capital gain of SEK 98 M.

External costs were SEK 130 M higher compared to last year. Higher costs attributable to higher passenger volumes, expanded security checkpoints and strategic investments especially in IT had an impact on this figure. In the Real Estate segment, the figure was affected by higher costs attributable to the sale of services, and the sale of the property portfolio last year entailed lower external costs. The sale of Göteborg City Airport had a positive effect on costs attributable to a reversal of an environmental provision of SEK 25 M and smaller operations.

Staff expenses increased SEK 86 M. The change is explained by an increase in operational staff at the airports to comply with changes in security regulations, increased ground handling operations and increased passenger volume. Higher staff expenses are also explained by increased resources for development projects and the effect of annual salary reviews. Staff expenses attributable to Göteborg City Airport were lower compared to the previous year.

The financial metric of operating costs per departing passenger was SEK 203 (203).

Depreciation, amortisation and impairment losses increased SEK 46 M compared to last year. The figure for the year was affected by impairment losses of SEK 31 M in conjunction with new investments while the remaining increase is explained by an increase in fixed assets.

Consolidated operating profit totalled SEK 966 M (1,755). Operating profit in 2016 was affected by capital gains totalling SEK 241 M attributable to the sale of Göteborg City Airport and the earnout from TreDhotel. The operating margin was 17.4 per cent (32.4). The operating profit in 2015 was affected by capital gains totalling SEK 918 M. Operating profit excluding capital gains totalled SEK 725 M (837). Last year includes operating profit from operations sold totalling SEK 117 M.

LIQUIDITY AND FINANCIAL POSITION

Equity in the Group at year-end totalled SEK 7,351 M (6,863).

Swedavia's borrowings at year-end totalled SEK 4,298 M, an increase of SEK 594 M. Swedavia's borrowings consist of notes issued of SEK 3,298 M and commercial paper of SEK 1,000 M. Liquid assets increased SEK 164 M to SEK 170 M. The increase in liquid assets is explained by temporary fluctuations in payment flows. The debt/equity ratio was 0.7 times, which was the same level as for the previous year.

On the balance sheet date, Swedavia had credit facilities totalling SEK 700 M divided between a credit line of SEK 500 M and overdraft facilities of SEK 200 M. No overdraft facilities were used at the end of the period.

CASH FLOW

Cash flow for the year totalled SEK 164 M (-107). Cash flow from operating activities was SEK 1,650 M (1,374), which is SEK 276 M better than the same period last year. The change is mostly due to lower operating capital, caused by increased trade payables attributable to higher operating costs and investments.

Cash flow from investing activities totalled SEK -1,855 M (1,943). Capital spending for the year of SEK 2,138 M had an adverse effect on cash flow. Cash flow from investing activities was positively affected by liquid assets received from the sale of Göteborg City Airport and the sale of land to a joint venture with Bockasjö. Last year's cash flow was positively affected by SEK 3,854 M attributable to the sale of the property portfolio, while the acquisition of shares in a joint venture had a negative effect of SEK 790 M.

Cash flow for the year from financing activities totalled SEK 370 M (-3,424). The difference is explained by a loan in conjunction with the sale of the property portfolio in 2015. The payment of a dividend decided had an adverse effect on cash flow of SEK 232 M and the increase in borrowings had a positive effect.

CAPITAL SPENDING

During the year, capital spending totalled SEK 2,138 M (1,120). Important investments during the period were for development programmes to expand capacity at Stockholm Arlanda Airport and Göteborg Landvetter Airport. Investments were also made in the safety classification of the runway system at Bromma Stockholm Airport as well as in maintenance and capacity expansion measures at other airports.

FINANCIAL TARGETS

Swedavia's financial targets consist of a profitability target, which entails a return on operating capital of 7 per cent, and a gearing target, which specifies a debt/equity ratio of 1.0–1.5 times.

These financial targets are long-term, which means that performance may exceed or fall below the targets in some years 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 1.0–1.5 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 in Swedavia were administered by the Ministry of Enterprise and Innovation as of December 31, 2016. The par value of a share is one Swedish krona.

ACQUISITIONS AND DISPOSALS

In May, Göteborg City (Säve) Airport was sold to Serneke Group AB. In the agreement signed, Serneke Group AB undertakes to carry out its operations at the airport in a way that enables emergency services for the national emergency (112) call system to operate for a period of at least fifteen years and enables general aviation that does not need runways longer than 1,000 metres for a period of five years. The sale generated a capital gain of SEK 146 M.

MARKET

Passenger volume increased 5.2 per cent during the full-year 2016. International passenger volume increased 6.1 per cent, while domestic passenger volume increased 3.5 per cent. Demand for international flights was strong throughout the year, and the offering of air links has been enhanced, which had a positive effect on passenger growth. Domestic air travel also increased compared to last year, demonstrating the important role that air travel plays in Sweden. The cabin factor overall remained at a high level throughout the year.

In volume terms, traffic to elsewhere in Europe grew most, with a continued increase in services available and very strong demand. Intercontinental scheduled traffic has the strongest growth rate. Increased capacity on existing routes and new direct routes from Stockholm Arlanda Airport to destinations such as Hong Kong and Los Angeles contributed to the sharp increase. Charter traffic overall continued to decline somewhat at Swedavia's airports. One explanation for this is decreased demand for summer trips to Turkey, which was not fully offset by increases to other countries. A trend shift was also noted from travel via charter to scheduled service.

The seasonally adjusted passenger trend shows that international travel achieved record volumes in 2016 and that domestic travel is at historically high levels. Seven of Swedavia's ten airports had their highest passenger volumes ever during the year.

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 management 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, we direct decisions, priorities and change work toward our overall objectives.

Definition of risk criteria and risk management principles

Strategic risks – Risk of loss or other adverse consequence that affects Swedavia's sustainable development. In general, this risk has 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.

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

There is also what is known as the precautionary principles, which is aimed at proactivity. This is enforced through the mandatory completion of risk analyses on a continuous basis when there are changes and projects.

Swedavia's airport operations strive for a low level of risk taking, which safeguards Swedavia's brand and meets the requirements of its owner, oversight authorities, partners and customers in line with Swedavia's business strategy.

Risk identification and risk assessment

Risk identification is carried out on a continuous basis in Swedavia's operations at the strategic level and in all portfolio operations. In Swedavia's management system structure, risk work is included in the "planning and preparing" control process, which serves as a basis for the airports' and corporate units' work with business planning. The risks specified in the business plans and quarterly reports are checked on a continuous basis against Swedavia's overall top risks.

Risk identification can lead to the start of work with risk change management. For each identified risk, a risk owner and measures to manage risk changes are documented. All the risks and types of risks in operations are assessed and compiled into 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.

Reporting

The operations' risks are reported on a quarterly basis as part of the strategy and business planning process with a focus on risks based on strategies, objectives, targets and activities. The risk values and activities are assessed. Based on the risk banks reported from operations and portfolios, the relevant risks are aggregated up to the Group level for assessment. The risks assessed then constitute the basis of a Group-wide risk report that is adopted by the Group management prior to the preparation of matters in the Audit Committee and a Board decision.

Control and monitoring

Necessary 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 to prepare matters for decision-making concerning 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 being carried out in the operations.

Results in 2016

The risk work at Swedavia during the year resulted in analyses, measures and continuity plans to manage most risks associated with our sustainability perspective – customer, social development, environmental concern and economy. Clearer coordination of risk, crisis and continuity work was implemented in order to clarify interfaces and enhance the effects of activities carried out. Projects in development programmes that are in the implementation phase are also monitored on a continuous basis in order to ensure that disruptions in ongoing airport operations are kept to a minimum.

Customer

Swedavia strives to continuously develop, improve and create flexibility in operations in order to have a focus on customers. To meet increased demand in the short term, efficient flows in the existing infrastructure are needed. In the long term, the demand for more capacity is met through development plans that then result in investment plans. 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. There is also a risk that Swedavia will not be able to translate insights and customer needs into new ventures and business opportunities quickly enough, which could lead to declining profitability. To ensure increased growth and the potential to take advantage of business opportunities in the long term, extensive business intelligence is carried out.

Risk management work



Social development

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

Being an attractive employer that attracts and retains the right employees is an important part of Swedavia's drive to secure the supply of future talent and thus minimise dependence on key people at all levels of the Group. With a precise breakdown of targets and clear leadership, we motivate and engage our employees, which also results in an improved engaged leader and employee (ELE) index.

Environmental concern

One essential requirement for carrying out airport operations is for them to have an environmental permit in accordance with the Swedish Environmental Code. Stockholm Arlanda Airport's new environmental permit entered into force on May 25, 2015, when the Supreme Court rejected another party's leave to appeal. A condition was imposed on Swedavia whereby the airport shall use other approach methods to avoid the built-up portion of Upplands Väsby when possible, in consideration of the airport's capacity, air traffic management regulations, aviation safety and weather conditions. The so-called emissions cap was also eliminated and replaced with an action plan aimed at reducing emissions of carbon dioxide, nitrogen oxides and other particulate matter. The action plan must also include both air traffic and ground transport to and from the airport. This is Swedavia's most important strategic issue, and the risk associated with Stockholm Arlanda Airport's environmental permit is managed with the highest priority.

Economy

Swedavia carries out work on a continuous basis to make operations more efficient, which is required to meet performance targets and over time achieve economic viability to withstand periods of decelerating growth in traffic and passengers. Very complex infrastructure investments are needed as a result of increased demand and a rapid pace of change. That constitutes a challenge in terms of priorities, funding and resource use. There is a risk of insufficient quality in the planning process and in the assessment of long-term future development and capacity needs, which could produce inaccurate data for decision-making. In order to monitor and mitigate this risk and to manage and give priority to the Company's investment funds, the investment process has been developed in a forum for capital spending, contracts and development. Swedavia's customers operate in a market subject to intense competition, where there are a small number of major airline customers and changes occur rapidly. The risks that Swedavia faces because of uncertainty about the economy, a possible aviation tax and airlines in financial imbalance include the risk of lower revenue as a result of lower profitability 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 Group Finance function. Operations are carried out based on a financial policy adopted by the Board of Directors which is characterised by a low risk level. The aim is to minimise the Group's capital costs through effective funding solutions and effective management and control of the Group's financial risks. For more information about definitions and the management of financial risks, see Note 45 on pages 106–107.

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
Passenger volume	+1	+37
Salary level	+1	-17
Interest rate level	+1	-3.5

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. Revenue from Aviation Business 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 revenue is based largely on its customers' revenue, which means Swedavia's revenue depends on its tenants' sales, which in turn depend directly on the number of passengers at the airport. An increase in passenger volume means a direct increase in Swedavia's revenue while a decrease in passenger volume means a direct decrease in revenue. The correlation between percentage change in passenger volume and percentage change in revenue is not linear; instead there is some difference due to route development discounts, differentiated charges for domestic and international traffic and rental revenue, which depends partly on customer revenue. A negative change in passenger growth of 1 per cent has a negative impact on Swedavia's revenue of SEK 37 M (34) on an annual basis.

Salary level

With an average of 2,949 employees (2,787), Swedavia's staff expenses totalled SEK 1,761 M (1,675). A 1 per cent change in staff expenses would have a SEK 17 M (16) on an annualised basis.

Interest rates

As of December 31, 2016, Swedavia had external borrowings of SEK 4,298 M (3,704) which is 29 per cent (28) of the balance sheet. Swedavia is sensitive to changes in interest rates, which affect the Company's financial expenses. As of December 31, 2016, 92 per cent of external funding is hedged via

financial instruments, which means a 1 per cent increase in interest rates would have a SEK 3.5 M (0) effect on Swedavia's interest rate expense. However, given the current interest rate situation, a 1 per cent decrease in interest rates would have a SEK 23 M (20) effect on Swedavia's interest rate expense. Current lock-in periods and financial instruments are taken into account in calculating the sensitivity analysis. The analysis thus reflects the actual risk on the balance sheet date.

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.

EMPLOYEES AND SWEDAVIA

Based on Swedavia's values and with a focus on development, skills and engagement, leaders and employees – taking an inclusive approach – shall together create an attractive workplace characterised by pride, business-mindedness and pleasure in work. It is critical to Swedavia's success to have engaged employees with the right skills and a desire to develop. Work is carried out with a focus on sustainability as well as ambitious targets and objectives in the priority areas of employee-ship, leadership, talent management, occupational health and safety, and diversity and inclusiveness. Each year, an employee survey is conducted. In 2016, a decision was taken to measure engaged leaders and employees (ELE) instead of satisfied employees. This is thus a new metric that was implemented during the year and is not comparable to surveys in previous years. In this year's survey, Swedavia had 64 per cent leaders and employees who were actively positively engaged, compared to a benchmark of 63 per cent actively positively engaged. The target at Swedavia is 75 per cent engaged leaders and employees by 2020.

At year-end 2016, the number of employees, regardless of the form of employment, was 3,476 (3,352). Restated as average number of employees during the financial year (see definition on page 118), the number was 2,949 (2,787). The increase in employees is due mostly to increasing traffic at Swedavia's airports and the increase in passenger volume. This increase is mostly in airport operations. The breakdown by gender was 35 (34) per cent women and 65 (66) per cent men. Further information about employees can be found in Note 8 on pages 88–92.

Effective talent management

During the year, Swedavia continued to develop the processes in the area of talent management. There was further development of the recruitment process, and the new process for enhancing employees' personal engagement performance (PEP) was implemented. PEP is Swedavia's model for creating engagement and reaching its goals. The process is part of the work

to achieve the Company's overall objectives and is based on Swedavia's business plan and the operations plan for each airport/unit. PEP is based on a continuous dialogue between employees and leaders and also entails an "ongoing discussion" that takes place in the day-to-day work in order to enhance engagement and participation. PEP ensures that each employee has the possibility of an individual development plan.

Leadership

Swedavia's leaders play an important role in creating the essential conditions for their employees, providing support and creating a feeling of connection as well as clarity and participation regarding Swedavia's objectives and targets. Leaders are the key to ensuring that Swedavia's vision and values are communicated to the rest of operations. Continuous work is carried out to strengthen the Company's leaders, in part through training and communication tools for their dialogue with employees. Compulsory leadership training programmes are carried out to create a common platform for leadership and individual development.

Occupational health and safety

Occupational health and safety have high priority at Swedavia. Our employees shall have a physical and psychosocial work environment that enables them to be healthy and thus work and perform to their best potential. Swedavia works actively with occupational rehabilitation in case of repeated short-term absences due to illness as well as longer such absences. Swedavia also works to develop measures and tools to prevent injury. This is important since many of our employees have physically demanding tasks. Employees are supported and encouraged to take responsibility for their health through occupational healthcare service, crisis management support and subsidised wellness activities. All employees have an employee insurance programme for illness and occupational rehabilitation through Swedavia aimed at quickly providing the help they need. Swedavia also has a service that includes an internal rehabilitation coordinator who was appointed to increase the quality and speed of this crucial rehabilitation process. Swedavia has a zero tolerance policy on victimisation and harassment.

Diversity and gender equality

At Swedavia, diversity and an inclusive approach are a strategic issue and a priority. Having carefully prepared, inclusive diversity work is critical to our business because Swedavia operates from the assumption that people's differences enrich us. In 2016, Swedavia continued the work to set clear goals in the area of diversity in operations. In 2018, Swedavia shall have gender equality in its occupational groups and thus achieve gender balance, that is, a breakdown of 40–60 per cent. At year-end 2016, four of six occupational groups had gender equality. Swedavia's aim is also to have at least 23 per cent of employees with a foreign background by 2018. At year-end 2016, Swedavia had 15 per cent (14) of employees with a foreign background. Having a diversity perspective in the choice of suppliers is also an increasingly important issue in enhancing our contribution to social well-being.

Leadership and employee-ship 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, One Swedavia, a good role model, courage to be better and clear communication. 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". Moreover, all new leaders are trained in Swedavia's Bribery Policy and Guidelines for External Business Entertainment through a web-based programme. Leader and employee compliance with these principles and guidelines in their day-to-day work is monitored through our performance review process, in which behaviour is assessed and strengths and areas for development are identified in order for them to continuously develop in line with these principles.

REMUNERATION TO EXECUTIVE OFFICERS

The term "executive officers" refers to the people who, together with the President and CEO, constitute the executive management and/or report directly to the President and CEO. The Swedish Government has established guidelines for remuneration to executive officers. Guidelines for remuneration to executive officers were adopted at the Annual General Meeting (AGM) held on April 28, 2016. Swedavia follows the Government's guidelines for terms of employment for executive officers in State-owned companies. For 2017, the Board is proposing new guidelines to the Annual General Meeting on April 27, 2017, that are in conformity with the guidelines for remuneration and other terms of employment for executive officers in companies with State ownership adopted by the Swedish Government on December 22, 2016. 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 88–92.

ENVIRONMENTAL PERMIT

Swedavia carries out operations subject to the conditions of its environmental permits under the Swedish Environmental Code. These consist primarily of operations that are hazardous to the environment under Chapter 9 (airport operations) and water operations under Chapter 11 (ponds, treatment facilities and groundwater redirection). Swedavia must therefore have an environmental permit for each airport in order for the Company to be allowed to operate the airports. At year-end 2016, Swedavia was responsible for eight airports subject to conditions in its environmental permits under the Swedish Environmental Code. The Swedish Armed Forces was responsible for the environmental permits for the remaining two, Luleå Airport and Ronneby Airport. Swedavia's primary environmental impact is atmospheric greenhouse gas emissions, mainly carbon dioxide. The largest source of the Company's emissions is exhaust from vehicles and the operation of terminals and other buildings. Another significant environmental impact is discharges into the ground and water, mainly of oxygen-depleting substances from the de-icing of runways and aircraft. The vicinity of the airports is also affected by aviation noise as a result of airport operations. Stockholm Arlanda Airport's environmental permit entered into force on May 25, 2015. Stockholm Arlanda Airport placed the new permit in service on January 1, 2016. Although the permit is new, Swedavia has identified a shortcoming in Condition 5 which means that the airport cannot comply with this condition. Swedavia therefore applied for a change in the condition with the Land and Environmental Court, but this request was rejected. Swedavia appealed the Land and Environmental Court's decision, and the Land and Environmental Court of Appeal issued a ruling on March 16, 2017. In the new permit, the emissions cap, which limited carbon dioxide and nitrogen oxide emissions, was eliminated and replaced with an action plan for reducing emissions of carbon dioxide, nitrogen oxides and other particulate matter. The action plan is to include Swedavia's operations and the operations of other companies and organisations at the airport as well as ground transport and air traffic. As a result of the condition regulating flights over Upplands Väsby, regular

straight approaches over the densely populated areas of Upplands Väsby may now take place when possible, taking into consideration the airport's capacity, air traffic management regulations, aviation safety and weather conditions. Three airports have old environmental permits in compliance with the Swedish Environmental Code: Göteborg Landvetter Airport, Kiruna Airport and Visby Airport. Göteborg Landvetter Airport applied for a new environmental permit in April 2013, and Visby Airport submitted its application in July 2013. Kiruna Airport submitted its application in November 2015.

The Land and Environmental Court ruled on June 17, 2015, on the case concerning Göteborg Landvetter Airport. The ruling was appealed by, among others, Swedavia, the Swedish Environmental Protection Agency and the West Götaland County Administrative Board. The main hearing in the Land and Environmental Court was held on March 15–17, and a ruling was issued on April 28, 2016. The ruling entails a cap on production volume of 90,000 movements, compared to the 120,000 movements that was applied for. Swedavia requested a leave to appeal from the Supreme Court on May 25, in part concerning questions involving production volume, noise level standards and water issues.

The County of Stockholm Environmental Permit Office issued a ruling in February concerning Visby Airport. The ruling includes noise insulation conditions that have been appealed by Swedavia and the Swedish Armed Forces to the Swedish government. The government is expected to rule on the matter in the spring of 2017.

On November 11, 2016, the Land and Environmental Court issued a ruling in the case concerning Kiruna Airport. The ruling has entered into force, and the airport placed the new environmental permit in service on January 1, 2017.

Swedavia's four other airports – Bromma Stockholm Airport, Malmö Airport, Umeå Airport and Åre Östersund Airport – did not have any permit-related issues during the year.

EVENTS AFTER THE BALANCE SHEET DATE

Jonas Abrahamsson assumed his duties as President and CEO of Swedavia on January 2, 2017. In conjunction, Karl Wistrand resumed his previous role as Deputy CEO and Director of Commercial and Real Estate.

On January 3, 2017, the first official refuelling using biofuel purchased by Swedavia took place at Stockholm Arlanda Airport. The first flight running on biofuel flew between Stockholm and Copenhagen. On January 9, the first official refuelling using biofuel at Åre Östersund Airport took place. Bromma Stockholm Airport was also supplied with some of the 450 tonnes of biofuel purchased to offset the environmental impact of Swedavia's own flights for official business in 2016.

On January 11, 2017, Swedavia announced its decision to reduce charges for airlines and ground handling companies by an average of 1.0 per cent starting on April 1, 2017. The charges were reduced for the third straight year, and as a result Swedavia further enhances its competitiveness.

The main hearing concerning Swedavia's application to change Condition 5 at Stockholm Arlanda Airport was held in the Land and Environmental Court of Appeal on January 24, 2017. A ruling on the case was issued on March 16, 2017. The Court rejected Swedavia's appeal. At this writing, Swedavia has not determined whether it will appeal the Land and Environmental Court of Appeal's decision or not.

On January 26, 2017, the Swedish government presented Sweden's first national strategy for the role of aviation in the country's future transport system. In the strategy, emphasis is placed on the critical importance of air travel for Sweden's economic growth and development. The government noted in particular the importance of Stockholm Arlanda Airport to growth and access to international contacts for all of Sweden. The strategy also includes the

proposal previously put forth by the government to introduce an aviation tax. An aviation tax, which the air travel industry believes will have minor effects on greenhouse gas emissions, risks being a competitive disadvantage for Sweden, especially in terms of the country's attractiveness to international airlines.

THE PARENT COMPANY

Operating profit was positively affected by a capital gain attributable to the sale of land of SEK 19 M. Profit before tax was SEK 1,219 M (594) and profit for the period was SEK 1,095 M (523). Dividends from subsidiaries had a positive effect of SEK 757 M (483).

DISTRIBUTION OF PROFIT

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

In view of the Board of Directors' proposed distribution of profit, the Board of Directors for Swedavia AB, corporate identity no. 556797-0818, hereby issues the following statement in accordance with chap 18 sec 4 of the Swedish Companies Act. The proposed distribution of profit is based on the Annual Report 2016. The proposed distribution of profit, the Parent Company's income statement and balance sheet, and the statement of comprehensive income and the report on the financial position of the Group will be presented at the Annual General Meeting on April 27, 2017.

In its proposal for the distribution of profit, the Board proposes that the shareholder at the AGM 2017 agree to Swedavia paying a dividend of SEK 0.9921 per share for the 2016 calendar year, which means a total dividend of SEK 143 M.

The Board furthermore proposes that the shareholder at the AGM adopt May 22, 2017, as the date of payment.

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

Share premium account	2,161,354,539
Retained earnings	210,884,036
Profit for the year	1,094,568,644
	3,466,807,219

The Board proposes that the profit be appropriated as follows:

Paid to shareholder SEK 0.09921 per share	143,001,594
Brought forward	3,323,805,625
	3,466,807,219

The owner's financial targets for Swedavia AB are a return on operating capital of 7 per cent and a debt/equity ratio of 1.0–1.5 times. 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. Swedavia AB achieved its target of return on operating capital while the debt/equity ratio is lower than the targeted range. The proposed dividend totals SEK 143 M, which is 30 per cent of consolidated profit after tax and after adjustments for capital gains in its real estate segment.

The Group's debt/equity ratio is 0.7 times before the distribution of profit. The equity/assets ratio of the Parent Company and the Group will fall in the years ahead but is still considered satisfactory given the industry the Company operates in and the strong cash flow that is generated. The Parent Company will thus be able to fulfil its obligations in the short and long term even after the proposed distribution of profit.

Justification

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

ANNUAL GENERAL MEETING

Swedavia AB's Annual General Meeting takes place on April 27, 2017, at Stockholm Arlanda Airport. The Annual Report and other financial reports are available on Swedavia's website, www.swedavia.com.

CALENDAR

Annual report 2016	March 31, 2017
Annual General Meeting 2017	April 27, 2017
Quarterly report Q1 2017	April 27, 2017
Quarterly report Q2 2017	July 18, 2017
Quarterly report Q3 2017	October 31, 2017
Year-end report 2017	February 15, 2018

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

Corporate Governance Statement

Swedavia AB (publ)

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

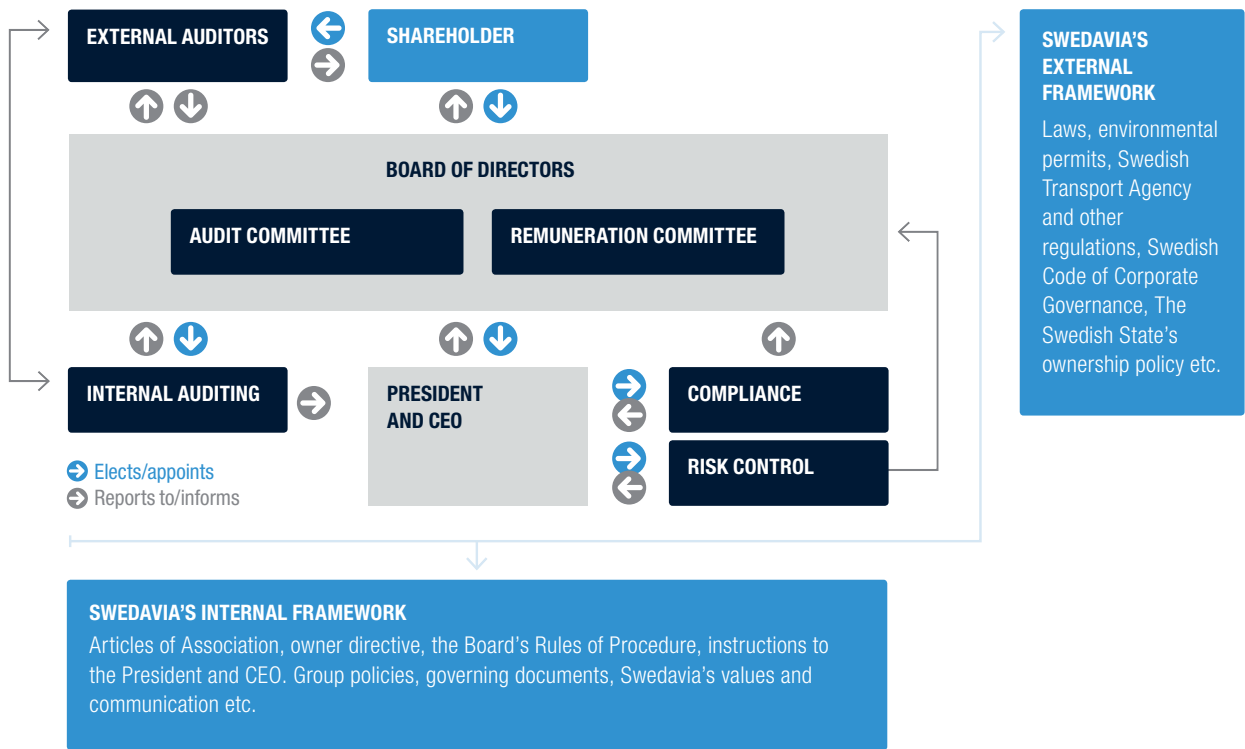
All shares in Swedavia AB are owned by the Swedish State. The Ministry of Enterprise and Innovation represents the Swedish State’s shares at Swedavia’s Annual General Meeting and thereby nominates Board members in Swedavia.

CORPORATE GOVERNANCE

Swedavia’s corporate governance is regulated by external legal frameworks such as the Swedish Companies Act and other applicable Swedish laws, the State’s ownership policy and the Swedish Code of Corporate Governance (the Code). The Government conveys its position on important matters of principles concerning corporate governance of all State-owned companies in its ownership policy. Among other things, the decision has been made that all companies in which the State owns a majority shall apply the Swedish Code of Corporate Governance. The Code is applied based on the “comply or explain” principle, which means that deviations from the Code are allowed but must be explained.

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

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



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.

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, Code regulations regarding the selection of Board members and auditors are replaced by a special nomination process that applies to companies wholly owned by the State. The primary reason for deviations from the Code is that Swedavia has only one owner whereas the Code is aimed at listed companies with dispersed ownership.

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

ANNUAL GENERAL MEETING

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

According to the Swedish Companies Act, the AGM shall be held annually 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.

ANNUAL GENERAL MEETING 2016

Swedavia's Annual General Meeting 2016 was held on April 28 at Stockholm Arlanda Airport. Outsiders were entitled to attend the AGM. Minutes from the AGM are available on Swedavia's website.

The AGM decided to elect Åke Svensson as a new Board member and to re-elect Karin Apelman, Lars Backemar, Anna Elgh, Adine Grate Axén, Lottie Knutson, Lotta Mellström, Lars Mydland and Lottie Svedenstedt as Board members. Åke Svensson was elected Chairman of the Board by the AGM.

The AGM adopted the Annual Report 2015 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 2015. The AGM also decided, in accordance with the Board's proposed distribution of profit, that a dividend of SEK 232 M is to be paid to the owner. The decision was in conformity with the dividend policy.

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

THE NOMINATION PROCESS FOR THE BOARD OF DIRECTORS

For companies that are wholly owned by the Swedish State, a nomination process that complies with the Swedish State's ownership policy is applied, replacing the Code's rules for appointing Board members and auditors.

The nomination process for Board members is managed and coordinated by the State ownership unit at the Ministry of Enterprise and Innovation. A working group analyses the need for talent based on the Company's operations, situation and future challenges, the composition of the Board and Board assessments carried out. After this, it is determined whether there are any recruitment needs and recruitment work is initiated. Members are selected from a broad recruitment base. Once 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 statutory Board meetings apart from the statutory Board meeting shall be held per calendar year. 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 the President and CEO's work on a continuous basis and gives particular consideration to this matter at least once a year.

Composition of the Board

In 2016, Swedavia's Board consisted of nine members elected at the AGM, including the Chairman. In addition, the Board had two regular employee representatives and their two deputies. An account is given on pages 68–69 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. The AGM elected nine Board members, of which three are men and six are women. The employee representatives in 2016 were two men. The average was 57 years.

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 2016

The Board held fourteen meetings in 2016, five of which extra meetings and one of which was statutory. Among the matters dealt with were business operations including strategic development, recruitment of a President and CEO, 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 Stockholm Arlanda Airport's development programme, low-cost air travel and commercial strategy areas.

Among the main issues dealt with by the Board in 2016 were:

- Recruitment of a President and CEO
- Strategic development
- Sustainability objectives and targets, mission objectives and economic targets
- Access and new air links
- US preclearance

- Development plans at Stockholm Arlanda Airport, Bromma Stockholm Airport and Göteborg Landvetter Airport
- Development plan for Real Estate operations
- Development of Commercial Services
- Major investments and procurements
- Governing documents*
- Internal control
- Risk management and risk assessment
- Financial reports
- Reporting from internal and external audits

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

The Board's committee work

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

The Audit Committee's tasks include being responsible for preparing the Board's work to quality assure and prepare the Company's financial reports and maintain an ongoing dialogue with the Company's auditors. Minutes for each committee meeting are attached to the minutes for the following Board meeting. In 2016, the Audit Committee held eight meetings for which minutes were kept, which were all attended by the Company's internal and external auditors. During the year, among the matters dealt with by the Audit Committee were financial reports and up-to-date risk reporting, assessment of internal and external auditors, internal control logs and the external auditor's reporting on internal control. The Audit Committee also dealt with Internal Auditing's reports and a detailed review of Swedavia's investment process and risk management process, further explored investment issues and the external auditor's more stringent requirements for their auditor's report. Due to changes in chap 8 sec 49 of the Swedish Companies Act concerning the Audit Committee's duties, the Rules of Procedure for the Audit Committee were revised in 2016. Since the 2016 statutory Board meeting, the Audit Committee includes Board member Karin Apelman as chair and Board members Adine Grate Axén and Lotta Mellström as members.

The Remuneration Committee's task is to prepare matters concerning remuneration and other terms of employment for executive officers. The committee shall also assess compliance with decisions regarding remuneration that were made at the AGM. Minutes for each committee meeting are attached to the minutes for the following Board meeting. In 2016, the Remuneration Committee held eight meetings for which minutes were kept. During the year, among the matters dealt with by the Remuneration Committee were recruitment of a President and CEO and a contract for the new President and CEO for overall remuneration and terms of employment for the team of executive officers as well as preparing salary matters for the acting President and CEO and head of Internal Auditing. The committee also worked with the assessment of the Board of Directors, which was carried out by an external independent party. The committee furthermore had a review of the results from Swedavia's employee survey and action plans as well as the President and CEO's succession planning for executive officers. Since the 2016 constituent Board meeting, the Remuneration Committee includes Åke Svensson as chair, Lotta Mellström and Lottie Svedenstedt as members and Robert Olsson as employee representative.

Assessment of the work of the Board of Directors, 2016

During the year, the Board's work was assessed, at the Chairman of the Board's initiative, through a methodical, structured process by an external independent party. The assessment is aimed at, among other things, developing a good basis for the Board's own development work. The results of the assessment are reported to the Board and by the Chairman of the Board to the owner. Based on this assessment, the Board adopts measures to develop the Board's working methods and effectiveness. In addition to the annual assessment, the Board conducts an assessment after every Board meeting at which the Company's executive management are 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 Chair 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 Chair 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.

Recruitment for a President and CEO was carried out during the year and on July 15, 2016, Jonas Abrahamsson was named the new President and CEO. Jonas Abrahamsson assumed the position on January 2, 2017. During 2016, the deputy CEO served as acting President and CEO. No deputy CEO was appointed during 2016. 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 70–71.

Remuneration to executive officers

At Swedavia's AGM on April 28, 2016, 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 decided in the "Guidelines for Terms of Employment for Executive Officers in Companies under State Ownership" adopted by the Government. Similar principles are applied in Swedavia's subsidiaries. Swedavia does not use variable remuneration for executive officers.

Facts about the Board

Members elected at the AGM	Main Board	Attendance, Board meetings	Year elected	Attendance, Audit Committee	Attendance, Remuneration Committee
Åke Svensson ^{1,2}	Chair	10/14	2016		5/8
Ingemar Skogö ¹	Chair	4/14	2010		2/8
Karin Apelman	Member	14/14	2010	8/8	
Lars Backemar	Member	14/14	2010		
Anna Elgh	Member	14/14	2010		
Adine Grate Axén	Member	13/14	2010	7/8	
Lottie Knutson	Member	13/14	2015		
Lotta Mellström	Member	13/14	2015	8/8	8/8
Lars Mydland	Member	14/14	2014		
Lottie Svedenstedt	Member	14/14	2010		8/8

Employee representatives

Lars Andersson	Member	13/14	2010		
Robert Olsson	Member	13/14	2010		8/8
Agne Lindbom	Deputy member	0/14	2010		
Michael Sjönnäs	Deputy member	0/14	2015		

¹ At the Annual General Meeting 2016, Åke Svensson was elected as a new Board member and as chairman of the Board, replacing the departing Board member and chairman Ingemar Skogö.

² At the Annual General Meeting 2016, Åke Svensson was elected as a new member of the Remuneration Committee, replacing the departing member, Ingemar Skogö.

Subsidiaries and associated companies

Swedavia had four subsidiaries at year-end 2016 – Swedavia Real Estate AB, Arlanda Development Company AB, Bromma Stockholm Airport Fastigheter AB and Cityflygplatsen i Göteborg AB. Through its subsidiary Swedavia Real Estate, Swedavia has two associated companies – Swedish Airport Infrastructure and Landvetter Logistik Center, strategic partnerships in the form of joint ventures – which means Swedavia does not have a controlling interest in these. There is an officer from Swedavia's executive management represented on the Board of every subsidiary and associated company in the Group.

Swedavia's owner directive is applied to all subsidiaries in order to have uniform management principles in the Group.

AUDITORS

Extern audit

Under the Swedish State's ownership policy in effect at the AGM 2016, responsibility for electing auditors in companies owned by the State always lies with the owner. The final decision on the choice of auditors was thus made by the owner at the AGM. The auditors' duties are to examine the financial reporting of the Company and the Group as well as the administration of the Company by the Board and the President and CEO. At Swedavia's AGM on April 28, 2016, the auditing firm Ernst & Young was elected as auditors. Auditing duties are to be performed until the end of the AGM being held in 2017. Authorised public accountant Magnus Fagerstedt was elected as the principal auditor. Magnus Fagerstedt has no duties at the Company that affect his independence as an auditor for Swedavia. Remuneration has been paid to the auditors and auditing firm for auditing and 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 2016 consisted of two auditors.

THE BOARD'S REPORTING ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Governance and control environment

The basis of Swedavia's internal control consists of the control environment, which consists mainly of the organisational structure and governing documents such as the Code of Conduct and Group policies. Swedavia's Board has established Rules of Procedure for its work and the work of the committees. Some of the Board's work entails developing, updating and approving basic Group policies 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 Company's President and CEO has delegated responsibility and authority to members of the executive management team in specific rules of procedure concerning their mandate to enter agreements, make investment decisions and authorise invoices. All Group policies are reviewed annually and adopted by the Board or executive management and are then available on the Company's intranet, which employees have access to.

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

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

Risk management

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

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

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

Control activities

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

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

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

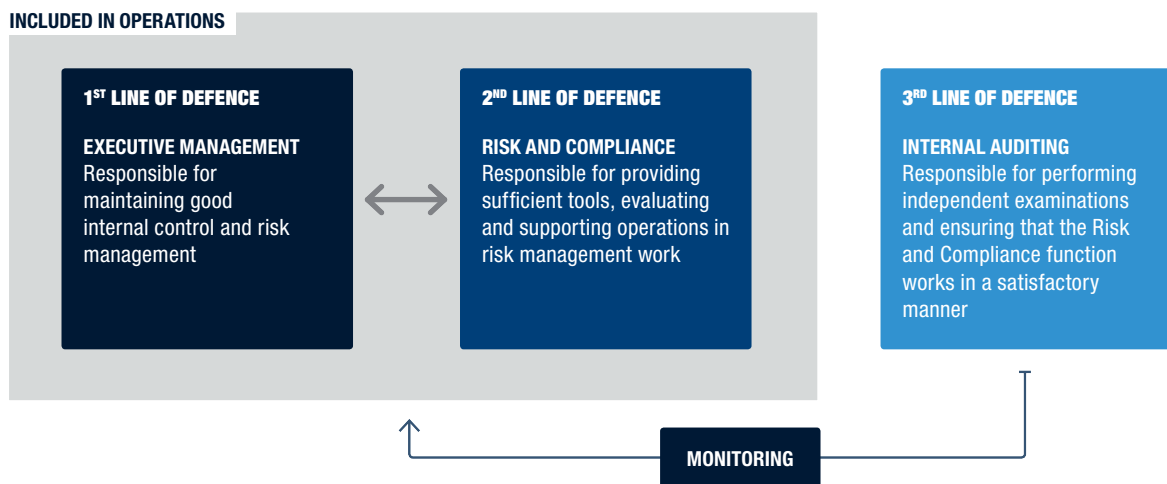
Company's auditors, who report on their review work to the Audit Committee and the Board of Directors. Swedavia's Internal Auditing also conducts reviews in different areas in order to ensure quality in financial processes and in the financial reporting. The Audit Committee also has the possibility to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

Information and communication

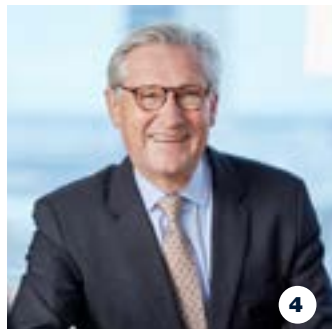
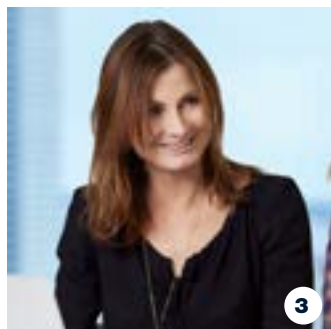
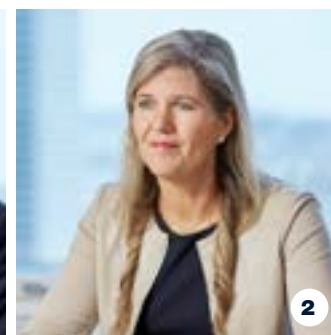
Swedavia is a State-owned company and under the Swedish State's guidelines shall follow the same regulations for accounting and reported as publicly listed companies. Swedavia has issued financial instruments listed on the Nasdaq OMX exchange, which means the Company is obliged to apply Nasdaq OMX's regulations for issuers as well as other regulations that arise regarding this. Swedavia has therefore developed a Communication, Information and Insider Policy that regulates the spread of information internally and the disclosure of information to the market. Swedavia's public financial reports consist of four interim reports and 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 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 into 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.



Swedavia's Board of Directors



1. ÅKE SVENSSON

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

Born: 1952

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

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

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

2. KARIN APELMAN

Member (elected 2010),
Chair Audit Committee

Born: 1961

Other Board duties: Svenska Handelsbanken AB, Bliwa Livförsäkring, Swedish Foundation for International Cooperation in Research and Higher Education (STINT)

Education: BS in Economics, Stockholm School of Economics

Work experience: Own company. Formerly Director-General, EKN; CFO, Luftfartsverket; Deputy CEO, Saab Aircraft Leasing; Manager, Leasing and Project Financing, Scandinavian Airlines

3. ADINE GRATE AXÉN

Member (elected 2010)
Member Audit Committee

Born: 1961

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

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

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

4. LARS BACKEMAR

Member (elected 2010)

Born: 1950

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

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

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

5. ANNA ELGH

Member (elected 2010)

Born: 1963

Other Board duties: None

Education: MS in Engineering, KTH Royal Institute of Technology, Stockholm; Executive MBA, Instituto de Empresa, Madrid

Work experience: CEO, Svenska Retursystem AB. Formerly Business Area Manager, Elder Care Private Management, Vardaga; Vice President Supply Chain and Group Logistics Director, Lantmännen; Supply Chain Director, SAS Component; various executive positions at Svenska Statoil AB

6. LOTTIE KNUTSON

Member (elected 2015)

Born: 1964

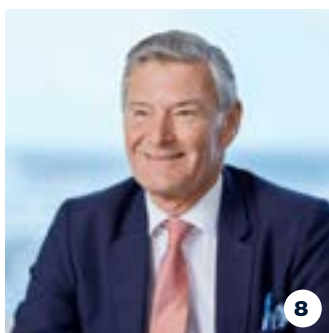
Other Board duties: Stena Line BV, STS Alpresor AB, Cloetta AB, Wise Group AB, Scandic Hotels AB, Careereye AB and Actic AB

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

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



7



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11



Together we
bring the
world closer

7. LOTTA MELLSTRÖM

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

Born: 1970

Other Board duties: AB Svensk
Exportkredit

Education: BS in Economics, Lund
University

Work experience: Senior advisor and
Deputy Director, Division for State-Owned
Enterprises, Ministry of Finance. Formerly
management consultant Resco AB; con-
troller in the Sydkraft and ABB Groups

8. 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 RNAS/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

9. LOTTIE SVEDENSTEDT

Member (elected 2010),
member Remuneration Committee

Born: 1957

Other Board duties: MiL Institute
(Chair), Uppstart Helsingborg (Chair), MiL
Foundation, Byggmax Group AB, ITAB
Shop Concept AB, Gullberg & Jansson
AB, Vanna AB and Helsingborg IF
Education: Law degree, Uppsala
University

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

10. LARS ANDERSSON

Employee representative (elected 2010)

Born: 1953

Other Board duties: Chair, SEKO
Swedavia negotiations organisation

Education: First repairman

11. ROBERT OLSSON

Employee representative (elected 2010)

Born: 1966

Other Board duties: Section Chair, ST
Education: High school, trade union
training etc. Safety officer/security guard,
Swedavia

DEPUTY MEMBERS

AGNE LINDBOM

Born: 1961

MICHAEL SIÖNÄS

Born: 1952

AUDITOR

MAGNUS FAGERSTEDT

Principal auditor, Ernst &
Young AB

Born: 1957

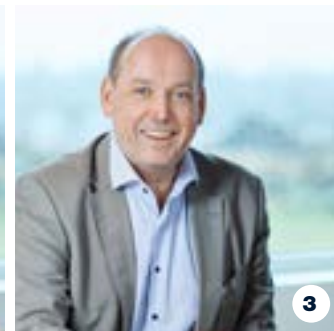
Swedavia's executive manage- ment



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7

1. JONAS ABRAHAMSSON

President and CEO, assumed office January 2017

Born: 1967

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

Board duties: Board member, Åforsk Foundation; member, Royal Swedish Academy of Engineering Sciences (IVA)

2. KARL WISTRAND

Acting President and CEO from December 2015 to December 2016, Deputy CEO of Swedavia since July 2012, Director of Commercial and Real Estate since February 2014 (during the period he served as Acting President and CEO, Karl Wistrand was replaced by Torbjörn Wiberg as Director of Commercial and Real Estate)

Born: 1957

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

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

Board duties: Chair, Swedavia Real Estate AB; Board member, Airport City Stockholm AB

3. PER ARENHAGE

Chief Technical Officer since July 2011

Born: 1956

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

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

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

4. LENNART BERGBOM

Chief Strategic Officer since December 2010

Born: 1969

Education: BS in Economics, Uppsala University

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

Board duties: None

5. ANNA BOVALLER

Chief Legal Counsel since April 2010

Born: 1963

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

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

Board duties: None

6. PEDER GRUNDITZ

Airport Director, Bromma Stockholm Airport since December 2013

Born: 1963

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

Board duties: Chair, Bromma Stockholm Airport Fastigheter AB; Board member, Cityflygplatsen i Göteborg AB

7. CHARLOTTE LJUNGGREN

Airport Director, Göteborg Landvetter Airport since August 2012

Born: 1967

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

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

Board duties: Chair, Cityflygplatsen i Göteborg AB and Börssällskapet i Göteborg. Board member, Swedish Exhibition and Congress Centre, Thomas Concrete Group AB and Arlanda Development Company AB



8



11

8. SUSANNE NORMAN

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

Born: 1966

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

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

Board duties: Chair, Fristilen AB. Board member, Svensk Turism AB

9. MATS PAULSSON

Director of Security and Safety since February 2016 and head of Security, Stockholm Arlanda Airport since January 2011

Born: 1960

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

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

Board duties: Board member, Rollercoaster AB



9



12

10. MATS PÅLSSON

Chief Financial Officer since August 2014

Born: 1963

Education: Economics, Växjö University

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

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

11. LINDA SJÖDIN

Chief Market and Communication Officer since 2015

Born: 1976

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

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

Board duties: Board member, Svenskt Flyg Intresseaktiebolag



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13

12. KJELL-ÅKE WESTIN

Airport Director, Stockholm Arlanda Airport since September 2011

Born: 1957

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

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

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

13. MARIE WIKSBORG

Chief Human Resources Officer since October 2013; HR Director, Stockholm Arlanda Airport since August 2013

Born: 1965

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

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

Board duties: None



14

14. TORBJÖRN WIBERG

Acting Director of Commercial and Real Estate for the period February 2016 to December 2016

Born: 1962

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

Work experience: CEO, Solnaberg AB (publ); Real Estate Director, Folksam; CEO, Gyllenforsen KB; CEO, Diligentia AB; head of strategy, Skandia Fastigheter AB, real estate director, Skandia Fastigheter AB; head of business development, SIFAB; senior consultant, Catella AB

Board duties: Chair, Arlanda Development Company AB. Board member, Landvetter Logistic Center AB, Swedish Airport Infrastructure AB and Wiberg Property Advice AB

Consolidated income statement

Amounts in SEK M	Note	2016	2015
Net revenue	3,4,5	5,546	5,416
Other operating income	6	283	965
Own work capitalised		127	94
External expenses	7	-2,251	-2,121
Staff expenses	8	-1,761	-1,675
Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets	9	-961	-915
Other operating costs	10	-17	-9
Operating profit		966	1,755
Income from financial items	11		
Income from financial items and joint ventures		41	22
Interest income and similar items		6	4
Interest expenses and similar items		-144	-234
Profit after financial items		869	1,547
Tax	13	-152	-136
Profit for the year		717	1,410
Earnings per share			
Earnings per share before and after dilution, SEK		0.50	0.98
Number of shares		1,441,403,026	1,441,403,026

Consolidated statement of comprehensive income

Amounts in SEK M	Note	2016	2015
Profit for the year		717	1,410
Other comprehensive income:			
Items that can be reclassified to the income statement			
Cash flow hedges:			
Reclassified to the income statement		13	81
Change in fair value for the year		57	18
Tax		-15	-36
Other comprehensive income joint ventures, net		-12	–
Items that cannot be reclassified to the income statement			
Revaluations of defined benefit pensions		-51	42
Tax		11	-9
Total other comprehensive income, net after tax		3	96
Comprehensive income for the year		720	1,506

Consolidated balance sheet

Amounts in SEK M	Note	2016-12-31	2015-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	632	615
Other tangible non-current assets	15,16,17,18,19	11,530	10,515
Investment properties	20,21	283	181
Biological assets	20,22	84	85
Non-current financial assets	20,27,23,24,25	1,091	988
Total non-current assets		13,620	12,385
CURRENT ASSETS			
Materials and supplies	28	43	45
Trade receivables	45	420	451
Receivables from associated companies and joint ventures	31	58	113
Other receivables	32	178	141
Prepaid expenses and accrued income	33	225	118
Derivative instruments	20,27	2	–
Liquid assets	27,42	170	6
Total current assets		1,096	874
TOTAL ASSETS		14,716	13,259

BALANCE SHEET

Consolidated balance sheet (cont.)

Amounts in SEK M	Note	2016-12-31	2015-12-31
EQUITY AND LIABILITIES			
Equity	34		
Share capital		1,441	1,441
Other paid-in capital		2,162	2,162
Hedge reserve		-119	-175
Retained earnings		3,866	3,435
Total equity		7,351	6,863
Non-current liabilities	45		
Provisions	35,36,37	1,048	945
Deferred tax liability	38	447	447
Interest-bearing liabilities	18,39,41	3,321	2,412
Derivative instruments	20,27	161	209
Other non-current liabilities		8	9
Total non-current liabilities		4,985	4,022
Current liabilities	45		
Provisions	37	42	49
Interest-bearing liabilities	18,39,41	1,010	1,315
Derivative instruments	20,27	–	15
Trade payables		601	372
Liabilities to associated companies and joint ventures		0	18
Other liabilities	43	107	82
Prepaid expenses and accrued income	44	621	521
Total current liabilities		2,380	2,373
TOTAL EQUITY AND LIABILITIES		14,716	13,259

Changes in equity

Amounts in SEK M	Share capital	Other paid-in capital	Hedge reserves	Retained earnings	Total capital
2015					
Equity, opening balance	1,441	2,162	-237	2,205	5,571
Dividend paid	–	–	–	-231	-231
Adjustment	–	–	–	16	16
Comprehensive income for the year	–	–	62	1,444	1,506
Equity, closing balance 2015-12-31	1,441	2,162	-175	3,435	6,863
2016					
Equity, opening balance	1,441	2,162	-175	3,435	6,863
Dividend paid	–	–	–	-232	-232
Comprehensive income for the year	–	–	56	664	720
Equity, closing balance 2016-12-31	1,441	2,162	-119	3,866	7,351

Consolidated cash flow statement

Amounts in SEK M	Note	2016	2015
Operating activities	47		
Profit after financial items		869	1,547
Adjustments for items not included in cash flow etc.		739	-13
Tax paid		-125	-137
Cash flow from operating activities before changes in working capital		1,483	1,397
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in materials and supplies		12	-4
Increase(-)/Decrease(+) in operating receivables		-167	-73
Increase(+)/Decrease(-) in operating liabilities		322	53
Cash flow from operating activities		1,650	1,374
Investing activities			
Sale of subsidiaries		274	3,854
Acquisition of intangible non-current assets		-42	-22
Acquisition of tangible fixed assets		-2,094	-1,098
Sale of tangible fixed assets		19	2
Acquisition of financial assets		-12	-793
Cash flow from investing activities		-1,855	1,943
Financing activities			
Borrowings raised		2,141	4,563
Borrowings repaid		-1,548	-7,748
Dividend paid		-232	-231
Increase (+)/Decrease (-) in other financial liabilities		9	-8
Cash flow from financing activities		370	-3,424
Cash flow for the year		164	-107
Liquid assets at the beginning of the period		6	112
Liquid assets at the end of the period		170	6

Parent Company income statement

Amounts in SEK M	Note	2016	2015
Net revenue	4,5	5,492	5,259
Other operating income	6	41	54
Capitalised work for own account		127	94
External expenses	7	-2,267	-2,167
Staff expenses	8	-1,733	-1,858
Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets	9	-980	-936
Other operating costs	10	-17	-9
Operating profit		662	436
Income from financial investments	11		
Income from holdings in Group companies		757	398
Interest income and similar items		4	33
Interest expenses and similar items		-128	-277
Profit after financial items		1,295	590
Appropriations	12	-76	4
Profit before tax		1,219	594
Tax	13	-125	-70
Profit for the year		1,095	523

Parent Company statement of comprehensive income

Amounts in SEK M	Note	2016	2015
Profit for the year		1,095	523
Other comprehensive income		–	–
Other comprehensive income		1,095	523

Balance sheet

Amounts in SEK M	Note	2016-12-31	2015-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets	14	608	615
Tangible fixed assets	15,16,17,18,19	11,467	10,411
Financial non-current assets	23,24,26,38	1,070	986
Total non-current assets		13,145	12,012
CURRENT ASSETS			
Materials and supplies	28	40	41
Current receivables	29,30,31,33	1,653	1,424
Liquid assets	27,42	165	2
Total current assets		1,859	1,467
TOTAL ASSETS		15,003	13,479
EQUITY AND LIABILITIES			
EQUITY	34		
Restricted equity			
Share capital		1,441	1,441
Reserve for development costs		22	–
Total restricted equity		1,463	1,411
Unrestricted equity			
Share premium		2,162	2,162
Retained earnings		210	-58
Profit for the year		1,095	523
Total unrestricted equity		3,467	2,627
Total equity		4,931	4,068
Untaxed reserves	12	1,943	1,982
Provisions	35,36,37	1,332	1,312
Non-current liabilities	18,39,40,41	3,324	2,413
Current liabilities	18,39,40,41,42,44	3,475	3,705
TOTAL EQUITY AND LIABILITIES		15,003	13,479

Changes in equity

PARENT COMPANY	Restricted equity		Unrestricted equity		
	Share capital	Reserve for development costs	Share premium	Retained earnings	Total capital
Amounts in SEK M					
2015					
Equity, opening balance	1,441	–	2 162	173	3,775
Dividend paid	–	–	–	-231	-231
Comprehensive income for the year	–	–	–	523	523
Equity, closing balance 2015-12-31	1,441	–	2,162	465	4,068
2016					
Equity, opening balance	1,441	–	2,162	465	4,068
Dividend paid	–	–	–	-232	-232
Reclassification between restricted and unrestricted equity	–	22	–	-22	–
Comprehensive income for the year	–	–	–	1,095	1,095
Equity, closing balance 2016-12-31	1,441	22	2,162	1,305	4,931

Parent Company cash flow statement

Amounts in SEK M	Note	2016	2015
Operating activities	47		
Profit after financial items		1,295	590
Adjustments for items not included in cash flow etc.		981	1,249
Tax paid		-125	-146
Cash flow from operating activities before changes in working capital		2,152	1,693
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in materials and supplies		-8	-3
Increase(-)/Decrease(+) in operating receivables		-166	2,052
Increase(+)/Decrease(-) in operating liabilities		-167	364
Cash flow from operating activities		1,810	4,106
Investing activities			
Acquisition of intangible non-current assets		-49	-22
Acquisition of tangible fixed assets		-1,971	-1,030
Sale of tangible fixed assets		19	–
Paid-in shareholder contribution		–	-50
Cash flow from investing activities		-2,001	-1,101
Financing activities			
Borrowings raised		2,141	4,563
Borrowings repaid		-1,548	-7,700
Dividend paid		-232	-231
Increase (+)/Decrease (-) in other financial liabilities		10	-1
Group contribution received/paid in		-18	256
Cash flow from financing activities		353	-3,113
Cash flow for the year		163	-108
Liquid assets at the beginning of the period		2	111
Liquid assets at the end of the period		165	2

Notes

NOTE 1. CORPORATE INFORMATION

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

Regulations governing operations

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

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

NOTE 2. ACCOUNTING PRINCIPLES

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

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

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

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

Reporting for the Group and the Parent Company is in millions of Swedish kronor (SEK M) unless otherwise indicated. Swedish kronor is abbreviated as SEK, and thousands of kronor is abbreviated as SEK T. The amounts recognised have in some cases been rounded off. In cases where the amount is less than SEK 1 M and rounded down, this is presented as a zero (0). 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 valuation and information about fair value under IFRS 13, see Note 20.

New accounting principles

Only a few changes in IASB standards entered into force in 2016. None of these had any effect on Swedavia's reporting.

New and amended standards and interpretations that enter into force in 2017 or later

IFRS 9 Financial instruments is a new standard that replaces IAS 39. The standard is divided into three areas: classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. The standard enters into force on January 1, 2018, but may be applied before this. Swedavia has decided not to apply the standard in advance. Classification and measurement of financial assets and liabilities in accordance with IFRS 9 is not expected to entail any change in items reported in Swedavia's financial reports. Impairment on expected credit losses entails recognising a loss allowance in the first reporting period and not as before, under IAS 39, first in conjunction with when a loss has occurred. Swedavia has not quantified this effect but believes it will be limited since credit losses historically have been low. The rules on hedge accounting are not expected to affect Swedavia, except that they generally entail a clearer connection between the Company's risk management strategies and some simplifications in applying hedge accounting.

- IFRS 15 Revenue from contracts with customers. This standard concerns the accounting of revenue from contracts and from the sale of some non-financial assets and includes greater disclosure requirements. The standard replaces IAS 11 and 18, IFRIC 13, 15 and 18 and SIC-31. The effective date is January 1, 2018; application in advance is allowed. Furthermore, a clarification to the recommendation issued in 2016 which is expected to be adopted by the EU during the first six months of 2017. The initial analysis of IFRS 15 for important revenue streams indicates that the new standard will not have any material effect on the timing of revenue accounting. Swedavia's main revenue streams are in its Aviation Business segment, which accounts for about 60 per cent of net revenue, and are related to the provision of infrastructure aimed at airlines and ground handling companies for take-offs and landings. A performance

obligation in Aviation Business is considered to be satisfied at a time similar to that under the current accounting standard. Revenue streams in Commercial Services are related to services connected to the airports' operations such as the leasing of premises, parking operations and rental of advertising space. Lease income will be recognised in accordance with IFRS 16. There will also be a review of Swedavia's leases in 2017 to study the drawing of boundaries between lease income and service revenue. In 2017, the analysis will focus on identifying any effects in other parts of Aviation Business and Commercial Services. Swedavia has decided not to apply the standard in advance.

- IFRS 16 Leases. The standard requires that 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. The standard replaces IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. The effective date is the financial year that begins January 1, 2019, or later. Earlier application is permitted (once the EU has approved this) provided that IFRS 15 is also applied. Swedavia has decided not to apply the standard in advance. Swedavia has not yet analysed the effects of the new standard, which however is expected to affect Swedavia's accounting and financial reports.

Significant judgements and assumptions

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

The most significant judgements and assumptions for Swedavia have been made in the following areas: valuation of goodwill through impairment testing (see Note 14), and assumptions in conjunction with provisions for pensions and other provisions (see Note 36 and 37).

The executive management's best judgement is 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 "Income 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.

In 2015, Swedavia sold subsidiaries to a joint venture. In conjunction with the sale, Swedavia lost its controlling interest over these subsidiaries, which means that the companies were deconsolidated. The indirect holding of 50 per cent via the joint venture is recognised revalued at fair value in accordance with IFRS 10.

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. Revenue from Aviation Business 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. Revenue from car parking services is recognised in conjunction with a parking customer using a parking space. 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.

Financial income and expenses

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

Financial expenses consist of interest expenses on liabilities to credit institutions, corporate notes and commercial paper, effects of reversing provisions calculated at their present value, the loss on a change in value in

financial assets recognised at fair value via profits or losses and such losses on hedging instruments as are recognised in net financial items.

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

Tax

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

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

Intangible non-current assets

The Group's intangible non-current assets consist of goodwill and other intangible non-current assets. Goodwill arises when the cost for the acquisition of shares in a subsidiary exceeds the fair value of the identifiable net assets of the company acquired. Goodwill is recognised at cost less any impairment loss. Goodwill has an indeterminable 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.

Tangible fixed assets

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

Cost comprises the purchase price and expenditures directly attributable to the asset in order to convey it to its location and to use it for the purpose for which it was acquired. Borrowing costs are capitalised for large-scale construction and refurbishment projects to the extent they have arisen during the construction period and the interest expense constitutes a significant amount. Interest expenses are calculated based on the Group's average interest rate on all borrowings. Additional expenses are added to the asset's book value or recognised separately when it is likely that the company will derive future economic benefits attributable to the asset and the cost of the asset can be calculated in a reliable way.

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.

New expenditures are added to the cost for the share of improvement in the asset's performance. Other new expenditures are recognised as a cost in the period they occur.

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 valued and recognised at fair value on each reporting date. Changes in fair value are recognised in the income statement. Fair value has been calculated as the present value of the discounted future return from long-term sustainable forest operations, that is, the expected future cash flow from forest operations. For further information, see Note 20 and 22.

Leasing

Leases are classified in the consolidated financial accounts as either financial leases or operating leases. Financial leases arise when the economic risks and benefits associated with ownership in all essential aspects are transferred to the lessees. If that is not the case, then it is a question of an operating lease. The Group's significant leases are classified as financial leases and recognised as assets in the consolidated balance sheet. The obligation to pay future leasing fees is recognised as a current or non-current liability. The leased assets are depreciated according to a set schedule while lease payments are recognised as interest and principal payments on the liabilities.

Impairment losses

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

In valuation of the airports, a systems approach is applied. Since the airports included in the national basic airport infrastructure are operated as a system, integrated and mutually dependent, the individual airports have been valued according to their systemic useful life rather than based on recognised

profit. Operating the airports as a system means that it is not possible to isolate cash flow attributable to individual airports included in the system on a meaningful basis. Therefore the system of airports that are included in Sweden's national basic infrastructure is treated as a single cash-generating unit.

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

Materials and supplies

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

Receivables and liabilities in foreign currencies

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

Liquid assets

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

Trade payables

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

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when an asset or liability arises under the terms of the instrument stipulated in the contract. A financial asset is derecognised from the balance sheet when the contractual rights are realised, expire or when the company loses control over it. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in any other way eliminated.

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

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

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

Financial assets recognised 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 with value changes recognised in the profit for the year. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, independent parties. In determining fair value, the official price listing in an active market or other observable market data are preferably used. If these do not exist, fair value is calculated with the aid of the methods that can be considered on each occasion to give the best estimate of fair value. Financial assets are valued at fair value based on hierarchy level 2 (see Note 20).

Loans and customer receivables

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

Financial liabilities recognised at fair value through profit or loss

This category includes derivatives with a negative value that are not intended for hedge accounting. Financial instruments in this category are measured at fair value with value changes recognised in the profit for the year.

Other financial liabilities

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

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

Hedge accounting

General

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

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

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

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

Cash flow hedges

To hedge uncertainty in highly likely forecast interest cash flows related to borrowings at floating interest rates, interest rate swaps – in which the company receives a floating rate and pays a fixed rate – are used. Interest rate swaps are recognised at fair value on the balance sheet. The interest coupon portion is recognised directly in the profit for the year as part of interest expenses. Unrealised changes in fair value on the interest rate swaps are recognised in other comprehensive income and are included in the hedge reserve until

the hedged item affects the profit for the year and as long as the criteria for hedge accounting and effectiveness are fulfilled. The gain or loss attributable to the non-effective portion of unrealised value changes on the interest rate swaps is recognised in profit for the year.

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

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

Provisions

A provision is recognised in the balance sheet when the company has a formal or informal obligation as a result of an event occurring, it is likely that an outflow of resources is required to settle the obligation, and a reliable estimate of the amount can be made.

A present value calculation is made to take into account significant time effects of future payments. Provisions are divided into non-current and current provisions.

Restoration reserve

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

Restructuring reserve

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

Other provisions

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

Contingent liabilities

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company prepares its financial reports in conformity with Sweden's Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities. The differences between the consolidated and Parent Company

accounting principles are presented below. The accounting principles specified for the Parent Company have been applied consistently in all the periods presented in the Parent Company's financial reports.

Group contributions

Group contributions received and paid are recognised as appropriations.

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 a joint venture is a limited partnership, 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 IAS 39; instead, financial instruments are recognised based on their cost in conformity with Sweden's Annual Accounts Act. This means that non-current financial assets are recognised at cost minus any impairment loss, and current financial assets are valued based on the lower of cost or market rule.

Interest rate swaps that effectively hedge cash flow risk for interest payments on liabilities are recognised at the net of the accrued asset on floating interest and accrued liability on fixed interest. The difference is recognised as an interest expense or interest income.

Pensions

The Parent Company complies with the statutes in the Swedish Pension Obligations Vesting Act and the instructions of the Swedish Financial Supervisory Authority since that is a requirement for making tax deductions. The most significant differences compared to reporting in the consolidated financial accounts and in that case with the regulations in IAS 19 are the way the discount rate is determined, with the calculation of the defined benefit obligation based on the current salary level without any assumption of future salary increases, and 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. 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. Financial expenses, financial income and income tax are handled at the Group level. The accounting principles conform with those applied in the consolidated financial accounts.

	Airport Operations		Real Estate		Eliminations/ adjustments		Total Swedavia	
Income statement Jan–Dec	2016	2015	2016	2015	2016	2015	2016	2015
Revenue from external customers	5,555	5,291	401	1,302	–	-117	5,956	6,476
Revenue from other segments	114	141	336	311	-450	-452	–	–
Total revenue	5,669	5,432	737	1,613	-450	-569	5,956	6,476
Operating costs	-4,067	-3,888	-411	-369	450	452	-4,029	-3,806
Depreciation, amortisation and impairment losses	-956	-912	-5	-3	–	-1	-961	-915
Operating profit	646	632	321	1,241	–	-118	966	1,755

	Airport Operations		Real Estate		Eliminations/ adjustments		Total Swedavia	
Balance sheet, on December 31	2016	2015	2016	2015	2016	2015	2016	2015
Non-current assets	13,086	11,960	1,234	1,137	-700	-713	13,620	12,385
Current assets	1,858	1,437	1,263	1,555	-2,025	-2,119	1,096	874
Total assets	14,944	13,398	2,497	2,693	-2,725	-2,832	14,716	13,259
Equity	6,749	5,858	1,421	1,882	-819	-877	7,351	6,863
Liabilities	8,195	7,539	1,076	810	-1,906	-1,954	7,366	6,395
Total equity and liabilities	14,944	13,398	2,497	2,693	-2,725	-2,832	14,716	13,259

One customer in 2016 accounted for 16 per cent (14) of consolidated revenue, equal to SEK 958 M (918), allocated to both segments.

Of the Group's total capital spending in 2016, SEK 2,138 M (1,120), 2,019 M (1,053) is attributable to Airport Operations and SEK 119 M (67) is attributable to Real Estate.

NOTE 4. NET REVENUE

Revenue by source	Group		Parent Company	
	2016	2015	2016	2015
Aviation Business				
Passenger-related revenue	1,638	1,576	1,640	1,587
Aircraft-related revenue	625	647	622	644
Externally regulated charges	727	650	725	640
Ground handling	257	240	256	230
Other supplementary services	198	145	198	145
Total Aviation Business	3,446	3,258	3,442	3,247
Revenue by source	Group		Parent Company	
	2016	2015	2016	2015
Commercial Services				
Car parking	845	796	845	796
Retail, food & beverage	645	634	645	634
Property revenue	401	525	337	409
Advertising	99	90	99	90
Other commercial products	72	84	76	55
Total Commercial Services	2,062	2,130	2,002	1,985
Other net revenue	38	27	48	26
Total net revenue	5,546	5,416	5,492	5,259

⁴ As of January 1, 2016, Swedavia made minor changes in the definition of net revenue. Comparable period have been restated.

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	
	2016	2015	2016	2015
Sales of goods and services				
Subsidiaries	–	–	119	174
Associated companies and joint ventures	17	18	2	9
Total sales of goods and services	17	18	121	183
Sales of immovable property or other assets				
Subsidiaries	–	–	10	10
Associated companies and joint ventures	19	918	19	–
Total sales of property and other assets	19	918	29	10
Purchases of goods and services				
Subsidiaries	–	–	322	312
Associated companies and joint ventures	51	16	23	16
Total purchases of goods and services	51	16	345	328
Interest, net				
Subsidiaries	–	–	0	27
Total interest	–	–	0	27

Transactions with the Swedish State

Swedavia AB is wholly owned by the Swedish State. The Swedavia Group's products and services are provided to the State, government agencies and State-owned companies (hereinafter called other related parties) in competition with other suppliers on commercial terms. Similarly, Swedavia AB and its Group companies purchase products and services from government authorities and State-owned companies at market prices and on commercial terms. Costs for other related parties consist mostly of the purchase of meteorological services, fees to government authorities and air navigation services, which are largely included in the costs covered via remuneration from the Swedish Transport Agency for security screening and parts of air traffic management services. The Group's sales of goods and services to other related parties totalled SEK 131 M (105) and its purchase of goods and services totalled SEK 195 M (169). Transactions with the Swedish State pertaining to taxes and payroll fees have not been included.

NOTE 6. OTHER OPERATING INCOME

	Group		Parent Company	
	2016	2015	2016	2015
Other operating income				
Capital gains	266	938	23	–
Other	18	27	18	54
Total	283	965	41	54

Capital gains in 2016 pertain to the sale of subsidiaries, SEK 241 M, the sale of land, SEK 20 M, and other capital gains of SEK 5 M. Capital gains in 2015 pertain to the sale of a property portfolio, SEK 820 M, and land, SEK 118 M.

NOTE 7. REMUNERATION AND COMPENSATION FOR AUDITORS

	Group		Parent Company	
	2016	2015	2016	2015
Ernst & Young				
Auditing assignments	3	3	3	3
Tax consultancy	–	–	–	–
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. Tax consultancy refers to all consultancy pertaining to taxes.

Other services refers to advice on accounting issues as well as advice on processes and internal auditing.

NOTE 8. EMPLOYEES AND STAFF EXPENSES

	2016			2015		
	Total	Share of women	Share of men	Total	Share of women	Share of men
Average number of employees, Sweden						
Parent Company	2,941	35%	65%	2,759	34%	66%
Subsidiaries	8	25%	75%	28	40%	60%
Group	2,949	35%	65%	2,787	34%	66%

	2016-12-31		2015-12-31	
	Share of women	Share of men	Share of women	Share of men
Gender breakdown of executive management				
Group				
Board of Directors	67%	33%	67%	33%
Other executive officers including CEO	40%	60%	42%	58%

	Group		Parent Company	
	2016	2015	2016	2015
Salaries, other remuneration, and payroll taxes, SEK M				
Salaries and remuneration				
Board of Directors	2	2	2	2
CEO and executive officers	27	32	27	32
Other employees	1,147	1,103	1,141	1,077
Total	1,175	1,137	1,171	1,111
Payroll taxes	509	705	506	696
of which pension expenses including special employee income tax for CEO and executive officers	8	9	8	9
of which pension expenses including special employee income for other employees	114	335	113	334
Other staff-related expenses	57	53	57	51
Group-related adjustments	20	-219	–	–
Total staff expenses	1,761	1,673	1,733	1,858

Remuneration to the Board 2016, SEK T	Board fee	Audit Committee	Remu- neration Committee	Other benefits
Chairman of the Board				
Åke Svensson ^{1, 2}	293	–	17	–
Ingemar Skogö ¹	147	–	8	–
Board members				
Karin Apelman	220	35	–	–
Lars Backemar	220	–	–	–
Anna Elgh	220	–	–	–
Adine Grate Axén	220	20	–	–
Lottie Knutson	220	–	–	–
Lotta Mellström	–	–	–	–
Lars Mydland	220	–	–	–
Lottie Svedenstedt	220	–	20	–
Total	1,980	55	45	–

¹ At the Annual General Meeting, Åke Svensson was elected as a new Board member and the Chairman of the Board, replacing departing Board member and Chairman Ingemar Skogö.

² At the Annual General Meeting Åke Svensson was elected as a Board member of the Remuneration Committee, replacing the departing member Ingemar Skogö.

Remuneration to the Board of Directors consists of a fee decided at the Annual General Meeting. The Board fee is paid as a salary or as an invoice from the Board member's sole proprietorship or company. In cases where the Board fee is invoiced, an amount equivalent to the payroll taxes that Swedavia AB does not have to pay as a result is added.

Guidelines for remuneration to the Board of Directors

Swedavia follows the State's guidelines for remuneration to the Board. A fee is paid to the Chairman and Board members based on a decision at the Annual General Meeting (AGM) on April 28, 2016. No pension contribution is paid for Board members. No remuneration is paid to Board members who are employed in the Swedish Government Offices. No Board fee is paid to employee representatives or their deputies. Board fees are paid as salary or are paid to the Board member's company. No Board fee is paid to Board members in any subsidiary since all members are employees of companies in the Swedavia Group.

Remuneration for the Audit Committee is based on a decision taken at the AGM held on April 28, 2016. Since the constituent Board meeting, the Audit Committee includes the Board members Karin Apelman as Chair and 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 28, 2016. Since the 2016 constituent Board meeting, the Remuneration Committee includes Chairman of the Board Åke Svensson as Chair and Board members Lotta Mellström and Lottie Svedenstedt as members as well as Robert Olsson as employee representative.

Remuneration to the Board 2015, SEK T	Board fee	Audit Committee	Remu- neration Committee	Other benefits
Chairman of the Board				
Ingemar Skogö	440	–	25	–
Board members				
Karin Apelman	220	35	–	–
Lars Backemar	220	–	–	–
Anna Elgh ²	220	7	–	–
Adine Grate Axén ²	220	13	–	–
Hans Jeppsson ¹	73	–	–	–
Lottie Knutson ¹	147	–	–	–
Jenny Lahrin ^{1, 2}	–	–	–	–
Lotta Mellström ^{1, 2}	–	–	–	–
Lars Mydland	220	–	–	–
Lottie Svedenstedt	220	–	20	–
Total	1,980	55	45	–

¹ At the Annual General Meeting 2015, Lottie Knutson and Lotta Mellström were elected as new Board members, replacing departing Board members Hans Jeppsson and Jenny Lahrin.

² At the Annual General Meeting 2015, Adine Grate Axén was elected as a new member of the Audit Committee and the Remuneration Committee, replacing departing member Jenny Lahrin.

Remuneration to executive officers Parent Company ¹ , 2016 SEK T			Base salary	Variable remuner- ation	Other benefits	Pension expenses	Employer's period of notice of termination + number of months' severance pay	Base salary
President and CEO	Karl Wistrand ²		3,032	–	12	895	3,938	6+ 12
Chief Financial Officer	Mats Pålsson		2,120	–	12	626	2,757	6+ 6
Chief Human Resources Officer	Marie Wiksborg		1,684	–	0	464	2,148	6+ 6
Chief Legal Counsel	Anna Bovaller ³		1,460	–	11	380	1,852	6+ -
Chief Information Officer	Linda Sjödin		1,437	–	12	385	1,834	6+ 6
Director of Security & Safety	Mats Paulsson	starting 2016-02-01	1,256	–	8	328	1,592	6+ 6
Director of Security & Safety	Anders Lennerman ⁴	until 2016-01-31	1,782	–	5	323	2,111	6+ 6
Chief Strategy Officer	Lennart Bergbom		1,329	–	11	323	1,662	6+ 6
Chief Technical Officer	Per Arenhage ³		1,655	–	7	497	2,159	6+ -
Director, Commercial & Real Estate	Torbjörn Wiberg ⁵	period 2016-02-16– 2016-12-31	2,736	–	–	–	2,736	–
Airport Director, Bromma Stockholm Airport	Peder Grunditz		1,621	–	3	422	2,046	6+ 6
Director, Regional Airports and Airport Director, Åre Östersund Airport	Susanne Norman		1,366	–	2	306	1,673	6+ 6
Airport Director, Göteborg Landvetter Airport	Charlotte Ljunggren		1,839	–	2	545	2,385	6+ 6
Airport Director, Stockholm Arlanda Airport	Kjell-Åke Westin		1,920	–	7	576	2,503	6+ 6
Director, Aviation Business ⁶	Elizabeth Axtelius ³		1,028	–	12	202	1,241	3+ -
Head of Commercial Services ⁷	Magnus Ros ³	period 2016-09-20– 2016-12-31	389	–	0	73	462	6+ -
Total			26,653	–	105	6,343	33,101	

¹ Remuneration has been recognised based on the period each executive officer was included in executive management. Base salary reported is based on a fixed monthly salary, statutory holiday entitlement, any salary increase and severance pay. Other benefits include a parking benefit and a mass transit subsidy. Pension cost includes the effect of any exchange of salary for benefits and premiums for supplementary health insurance.

² Karl Wistrand took over the position of President and CEO on December 17, 2015. During his time as President and CEO, he was given a supplementary salary and severance pay for a period of 12 months should the Company terminate his employment.

³ These employment contracts do not include any severance package terms.

⁴ In conjunction with the restructuring of Security & Safety, Mats Paulsson assumed the position of Director of Security & Safety on February 1, 2016. In conjunction with this restructuring, there was a redundancy, which meant that Anders Lennerman left his position as Director of Security & Safety on January 31, 2016. Anders Lennerman stayed on during the period February 1-March 18, 2016, as a senior adviser at Security & Safety. Remuneration recognised for 2016 includes remuneration and a pension provision during his period as senior adviser and during his period of notice of SEK 992 T and SEK 290 T, as well as a severance package for a period of 6 months of SEK 674 T. The maximum total remuneration was SEK 1,956 T. Severance is paid out on a monthly basis and is offset against any other income; the cost of the severance package including payroll taxes was expensed in 2016.

⁵ The acting Director of Commercial & Real Estate was a co-opted member of Swedavia's executive management for the period February 16-December 31, 2016. He was hired as a consultant, with remuneration paid as a consulting fee.

⁶ Reports to the President and CEO but is not included in Swedavia's executive management.

⁷ The Head of Commercial Services was a co-opted member of Swedavia's executive management for the period September 20 to December 31, 2016.

Remuneration to executive officers Parent Company ¹ , 2015, SEK T			Base salary	Variable remuner- ation	Other benefits	Pension expenses	Employer's period of notice of termination + number of months' severance pay	Base salary
President and CEO	Torborg Chetkovich ²	until 2015-12-17	9,347	–	9	1,468	10,824	6+ 15
President and CEO Deputy CEO CEO Swedavia Real Estate Director Commercial & Real Estate	Karl Wistrand ³	starting 2015-12-17	2,453	–	1	724	3,177	6+ 9 / 12
Chief Financial Officer	Mats Pålson ⁴		2,248	–	0	540	2,788	6+ 6
Director of Aviation, Customer & Marketing	Michael Persson Gripkow ⁵	until 2015-07-05	2,312	–	0	384	2,696	6+ 6
Chief Human Resources Officer	Marie Wiksborg		1,629	–	0	449	2,078	6+ 6
Chief Legal Counsel	Anna Bovaller ⁷		1,420	–	0	385	1,805	6+ -
Chief Information Officer	Linda Sjödin		1,366	–	7	362	1,734	6+ 6
Director of Security & Safety	Anders Lennerman		1,367	–	13	410	1,790	6+ 6
Chief Strategy Officer	Lennart Bergbom		1,186	–	0	256	1,442	6+ 6
Chief Technical Officer	Per Arenhage ⁷		1,619	–	7	487	2,113	6+ -
Airport Director, Bromma Stockholm Airport	Peder Grunditz		1,580	–	3	412	1,995	6+ 6
Airport Director, Regional Airports and Airport Director, Åre Östersund Airport	Susanne Norman		1,344	–	2	341	1,687	6+ 6
Airport Director, Göteborg Landvetter Airport	Charlotte Ljunggren		1,803	–	2	534	2,340	6+ 6
Airport Director, Stockholm Arlanda Airport	Kjell-Åke Westin		1,884	–	7	566	2,457	6+ 6
Director of Aviation Business	Elisabeth Axtelius ^{6,7}	starting 2015-07-06	492	–	0	96	589	3+ -
Total			32,050	–	51	7,414	39,514	

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 consist of a parking benefit, a mass transit subsidy and newspaper benefits. Pension expense includes the effect of any exchange of salary for benefits and premiums for additional health insurance.

² Torborg Chetkovich was dismissed from her position as President and CEO by the Board of Directors with immediate effect on December 17, 2015. Remuneration reported for 2015 also includes her base salary and pension premiums during the period of notice of dismissal and until June 17, 2016, of SEK 1,885 T and SEK 501 T respectively, as well as severance pay for a period of 15 months of SEK 4,178 T. The maximum total remuneration in connection with her dismissal is SEK 6,564 T. Salary during the period of notice of dismissal and severance pay are paid on a monthly basis and offset against any other income. The total cost of the dismissal including payroll taxes was expensed in 2015.

³ Karl Wistrand assumed the role of President and CEO on December 17, 2015. During his time as President and CEO, a supplemental salary and a severance package of 12 months are given should the company terminate his employment.

⁴ Mats Pålson assumed the role of Chief Financial Officer on February 12, 2015. Until February 11, 2015, he was acting Chief Financial Officer, for which remuneration was paid through a consulting fee.

⁵ A merger of Corporate Communications and Market Communications took place on July 6, 2015, with Chief Information Officer Linda Sjödin assuming responsibility for the new organisation. In conjunction with the restructuring, there was a redundancy, which meant that Michael Persson Gripkow left Swedavia. Remuneration recognised for 2015 also includes his base salary and pension provision during the period of notice until December 5, 2015, of SEK 800 T and SEK 180 T, respectively, and severance pay for a period of 6 months of SEK 744 T. The maximum total remuneration is SEK 1,724 T. The severance package is paid out on a monthly basis and offset against any other income. The cost of the severance package including payroll taxes was expensed in 2015.

⁶ In her capacity as Director Aviation Business, Elisabeth Axtelius reports to the President and CEO as of July 6, 2015, but she is not a member of Swedavia's executive management.

⁷ These employment contracts do not include any severance package terms..

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 rea-

sonableness 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 April 20, 2009. 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 income.

Pensions

A pension provision was made in accordance with the ITP 1 defined contribution plan. 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. 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 a new position or income from another economic activity is found, severance pay shall be reduced by the amount equal to the new income during the period in question. Severance pay is not pensionable income and is not subject to statutory holiday pay.

The CEO and other executive officers have six months' notice of termination by mutual consent, except for one person who must give four months' notice of termination and one person who is included in a three months' notice of termination by mutual consent. All executive officers are entitled to all employment benefits that apply during the period of notice.

Other employees

Employees in the Swedavia Group receive remuneration in the form of a fixed base salary, a fixed hourly wage, benefits and pension provision in accordance with collective bargaining agreements. For some age groups whose positions were transferred from LFV to Swedavia on April 1, 2010, there is also an age-related graduated pension premium for the ITP plan 1 as determined through a collective agreement. As a supplement to their fixed base salary, advertising sales representatives also have a variable portion of their salary which is commission-based, which is capped.

NOTE 9. DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES ON TANGIBLE FIXED ASSETS AND INTANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
Depreciation and amortisation	2016	2015	2016	2015
Goodwill	–	–	25	25
Other intangible non-current assets	32	27	32	27
Buildings and land	323	322	323	320
Investment properties	1	1	–	–
Field structures	165	158	165	158
Electrical installations, vehicles and equipment	409	405	404	404
Total	930	913	949	934

	Group		Parent Company	
Depreciation and amortisation	2016	2015	2016	2015
Buildings and land	24	2	24	2
Field structures	4	–	4	–
Electrical installations, vehicles and equipment	3	–	3	–
Total	31	2	31	2
Total	961	915	980	936

NOTE 10. OTHER OPERATING COSTS

	Group		Parent Company	
Other operating costs	2016	2015	2016	2015
Divestment costs	16	8	16	8
Other	1	1	1	1
Total	17	9	17	9

NOTE 11. FINANCIAL INCOME AND EXPENSES

	Parent Company		
Income from holdings in Group companies	2016	2015	2015
Impairment loss on holdings in Group companies ¹	–	-85	-85
Dividend		757	483
Total		757	398

¹ See Note 26 for information about impairment losses on holdings in Group companies.

	Group		Parent Company	
Income from holdings in associated companies and joint ventures	2016	2015	2016	2015
Portion of earnings of associated companies and joint ventures for the year	41	22	–	–
Total	41	22	–	–

	Group		Parent Company	
Financial income	2016	2015	2016	2015
Interest income	3	2	2	31
Net changes in foreign exchange rates	3	2	2	3
Total	6	4	4	33

	Group		Parent Company	
Financial expenses	2016	2015	2016	2015
Interest expenses, financial liabilities	32	54	39	54
Derivative instruments	85	157	85	220
Portion of interest on pension expenses for the year	23	21	–	–
Other financial expenses	4	2	4	2
Total	144	234	128	277

The interest expense from financial liabilities is attributable to liabilities to credit institutions, medium-term notes and commercial paper. Borrowing expenses attributable to refurbishment and rebuilding projects totalling SEK 6 M were capitalised during the year.

NOTE 12. APPROPRIATIONS AND UNTAXED RESERVES

	Parent Company	
	2016	2015
Appropriations		
Change in accelerated depreciation	39	-15
Group contribution paid	-203	-33
Group contribution received	89	52
Total appropriations	-76	4
Untaxed reserves		
Accumulated accelerated depreciation	1,733	1,772
Tax allocation reserves	210	210
Total untaxed reserves	1,943	1,982

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

NOTE 13. TAX

	Group		Parent Company	
	2016	2015	2016	2015
Current tax expense (-)/tax income (+)				
Tax expense/tax income for the year	-156	-78	-135	-49
	-156	-78	-135	-49
Deferred tax expense (-)/tax income (+)				
Deferred tax for temporary differences	4	-58	10	-21
Total tax expense recognised	-152	-136	-125	-70

	2016		2015	
Group	Per cent	Amount	Per cent	Amount
Reconciliation of effective tax				
Profit before tax		869		1,547
Tax calculated using Swedish tax rate in effect	22.0	-191	22.0	-340
Tax pertaining to taxation for the previous year		-1		-1
Deficit not capitalised		15		–
Tax effect of non-deductible costs		-35		-24
Tax effect of non-taxable revenue		52		232
Other		8		-3
Recognised effective tax	17.5	-152	8.8	-136

	2016		2015	
Parent Company	Per cent	Amount	Per cent	Amount
Reconciliation of effective tax				
Profit before tax		1,219		594
Tax calculated using Swedish rate for the Parent Company	22.0	-268	22.0	-131
Tax pertaining to taxation for the previous year		–		-1
Tax effect of non-deductible costs		-24		-44
Tax effect of non-taxable revenue		167		106
Recognised effective tax	10.3	-125	11.7	-70

In the consolidated accounts, non-taxable revenue in 2015 and 2016 is mostly capital gains from the sale of shares and holdings. In the Parent Company's accounts, the corresponding item for 2016 and 2015 is mostly dividends from subsidiaries.

NOTE 14. INTANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
Intangible non-current assets	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Goodwill	352	352	327	352
Other intangible non-current assets	281	263	281	263
Total	632	615	608	615

	Group		Parent Company	
Goodwill	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accumulated cost				
Opening balance	377	377	493	493
Closing balance	377	377	493	493
Accumulated scheduled amortisation				
Opening balance	-25	-25	-142	-117
Scheduled amortisation for the period	–	–	-25	-25
Closing balance	-25	-25	-166	-142
Book value, closing balance	352	352	327	352

Goodwill

In conjunction with the conversion of airport operations into a limited liability company on April 1, 2010, assets and liabilities from LFV were transferred to Swedavia at an estimated market value. In conjunction with the transaction, goodwill of SEK 493 M arose in the Parent Company. In the consolidated accounts, goodwill totalled SEK 377 M, with the difference due to the valuation of defined benefit pension commitments in accordance with IAS 19.

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). Goodwill has an indeterminable expected useful life. An impairment review is carried out at least once a year or more frequently if there is any indication of a decrease in value. The recovery value is based on calculations of the value in use. Calculations for the first four-year period are based on estimated cash flows in the business plan and budget. After this, estimated cash flows consist of executive management forecasts through 2032. Significant assumptions in determining the value in use are the traffic trend, investment level and cost trend. Cash flow beyond 2032 is assumed to have annual growth equivalent to 2 per cent (2) a year. The pre-tax discount rate used was 7.9 per cent (7.7). The impairment review has not entailed any impairment loss on goodwill, and reasonable changes in the assumptions would not lead to any need for impairment.

	Group		Parent Company	
Other intangible non-current assets	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accumulated cost				
Opening balance	363	341	363	341
Reclassifications for the year	49	22	49	22
Closing balance	412	363	412	363
Accumulated scheduled amortisation				
Opening balance	-100	-73	-100	-73
Scheduled amortisation for the year	-32	-27	-32	-27
Closing balance	-131	-100	-131	-100
Book value, closing balance	281	263	281	263

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

NOTE 15. TANGIBLE FIXED ASSETS

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Buildings and land (Note 16)	4,890	5,111	4,904	5,057
Field structures (Note 17)	2,364	2,331	2,364	2,324
Electrical installations, vehicles and equipment (Note 18)	2,171	2,343	2,120	2,327
New construction in progress related to tangible fixed assets (Note 19)	2,106	731	2,079	702
Total	11,530	10,515	11,467	10,411

NOTE 16. BUILDINGS AND LAND

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accumulated cost				
Opening balance	6,827	6,513	6,758	6,470
Acquisitions/reclassifications for the year	168	326	210	306
Disposals/divestments for the year	-49	-12	-24	-18
Closing balance	6,946	6,827	6,944	6,758
Accumulated scheduled depreciation				
Opening balance	-1,686	-1,373	-1,681	-1,369
Reversal of depreciation on disposals	3	9	3	9
Depreciation for the year	-323	-322	-323	-321
Closing balance	-2,006	-1,686	-2,000	-1,681
Accumulated depreciation				
Opening balance	-30	-28	-20	-18
Reversal of depreciation from previous year	4	–	4	–
Depreciation for the year	-24	-2	-24	-2
Closing balance	-50	-30	-40	-20
Book value, closing balance	4,890	5,111	4,904	5,057
Of which land				
Opening balance	399	397	309	315
Acquisitions for the year	18	2	58	–
Disposals for the year	-37	–	-10	-6
Book value, closing balance	380	399	357	309

NOTE 17. FIELD STRUCTURES

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accumulated cost				
Opening balance	3,162	2,937	3,156	2,931
Reclassifications for the year	209	256	215	256
Disposals/divestments for the year	-8	-31	-8	-31
Closing balance	3,362	3,162	3,362	3,156
Accumulated scheduled depreciation				
Opening balance	-820	-693	-820	-693
Reversal of depreciation on disposals	-10	30	-10	30
Scheduled depreciation for the year	-165	-158	-165	-158
Closing balance	-994	-820	-994	-820
Book value, closing balance	2,364	2,331	2,364	2,324

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	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accumulated cost				
Opening balance	4,383	3,774	4,365	3,770
Reclassifications for the year	246	644	207	630
Disposals/divestments for the year	-44	-35	-44	-35
Closing balance	4,585	4,383	4,528	4,365
Accumulated scheduled depreciation				
Opening balance	-2,036	-1,659	-2,034	-1,658
Reversal of depreciation on disposals	34	28	34	28
Scheduled depreciation for the year	-409	-405	-404	-404
Closing balance	-2,412	-2,036	-2,405	-2,034
Accumulated depreciation				
Opening balance	-4	-4	-4	-4
Reversal of depreciation	4	—	4	—
Depreciation for the year	-3	—	-3	—
Closing balance	-3	-4	-3	-4
Book value, closing balance	2,171	2,343	2,120	2,327

Leasing

Swedavia's leases pertain to the financial leasing of vehicles. Leased items that the Group has under leasing agreements are recognised under the item "Electrical installations, vehicles and equipment" for the following amounts. Consolidated leasing fees for the year totalled SEK 9 M (7) in the Group.

	Group	
	2016-12-31	2015-12-31
Book value		
Cost – capitalised financial leases	60	46
Accumulated depreciation	-33	-29
Book value, closing balance	27	17

The Group leases a number of vehicles under leasing agreements; the leasing periods run between 3 and 8 years.

	2016		2015	
	Future minimum leasing fees	Present value of future minimum leasing fees	Future minimum leasing fees	Present value of future minimum leasing fees
Future leasing fees				
Within one year	9	9	7	7
Between two and five years	22	21	11	11
More than five years	1	1	—	—
Total	32	31	18	18

NOTE 19. NEW CONSTRUCTION IN PROGRESS RELATED TO TANGIBLE FIXED ASSETS

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Opening balance	731	932	702	902
Acquisitions for the year	2,051	1,090	2,079	1,031
Disposals for the year	-10	-21	-10	-17
Reclassifications for the year	-667	-1,271	-693	-1,214
Book value, closing balance	2,106	731	2,079	702

New construction in progress related to tangible fixed assets mostly consists of investments in infrastructure and terminals as well as landing runways and baggage handling systems. A reclassification of the asset is made when the asset is placed in service. The asset is reclassified as the type of asset it constitutes.

NOTE 20. FAIR VALUE

The table below presents the assets and liabilities that are valued at fair value or for which fair values are given for information purposes. Fair value is defined as the price at the time of valuation that would be received in the sale of the asset or charged in the transfer of a liability in an orderly transaction between market participants. Assets and liabilities that are valued at fair value are classified in a hierarchy with three different levels based on the information used to determine their fair value. Level 1 applies when fair value is determined based on listed prices (unadjusted) in active markets for identical assets and liabilities. Level 2 applies when fair value is determined based on observable data for the asset or liability other than listed prices included in Level 1. Level 3 applies when fair value is determined based on input for the asset or liability that are not based on observable market data.

Valuation at fair value

Hierarchy levels in valuation of fair value Dec 31, 2016	Level 1	Level 2	Level 3	Total
Derivative instruments (Note 27) ¹	–	153	–	153
Biological assets (Note 22) ¹	–	84	–	84
Long-term interest-bearing liabilities (Note 27) ²	–	–	–	–
Investment properties (Note 21) ²	–	–	1,059	1,059
Total	–	237	1,059	1,296

Hierarchy levels in valuation of fair value Dec 31, 2015	Level 1	Level 2	Level 3	Total
Derivative instruments (Note 27) ¹	–	224	–	224
Biological assets (Note 22) ¹	–	85	–	85
Long-term interest-bearing liabilities (Note 27) ²	–	2,454	–	2,454
Investment properties (Note 21) ²	–	–	367	367
Total	–	2,763	367	3,130

¹ Recognised at fair value in the consolidated balance sheet.

² Recognised at cost in the consolidated balance sheet. The amounts above are fair values for information purposes.

There were no changes in the levels for 2016 compared to 2015.

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.

Swedavia's biological assets consist of large forest holdings adjacent to Swedavia's airports, with standing timber assessed at fair value.

The holdings are valued on each balance sheet date. Valuation is made by an external appraiser in conjunction with the year-end closing every two years or at another time if there are any indication of changes in market value. For other balance sheet dates, the stock of standing timber is valued through an internal valuation.

The valuation method used for external valuation is in accordance with the Swedish land registration authority Lantmäteriet's forest valuation method. This method is based on a discounted cash flow valuation of expected future cash flows from long-term sustainable forestry. Important input are local pricelists for timber and pulp with average prices for the past ten years, potential harvestable volume in accordance with the Swedish Forestry Act's restrictions on clear-cutting, and discount rates based on the age of the forest. A change in fair value is recognised in the income statement as other external costs. Fair value is determined based on hierarchy level 2, which means that input in the valuation are based on 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 2016 annual accounts.

Long-term interest-bearing liabilities

For information purposes, fair value is calculated for interest-bearing liabilities. The fair value of a loan is calculated by discounting future cash flows. The calculation also takes into account any change in Swedavia's credit risk since the loan was taken out. For some borrowings, the book value is considered to reflect the fair value, given the short remaining maturity of the liabilities.

Investment properties

Swedavia's investment properties are recognised at accumulated cost. The properties are valued to determine their fair value, that is, their estimated market value. The portfolio of investment properties is valued annually in conjunction with the year-end closing. Valuation is made either by external independent appraisers or through internal valuation. An external valuation was carried out in conjunction with the 2016 annual accounts.

The valuation of properties is based on the cash flows the asset is expected to generate, discounting net operating income. To estimate net operating income, 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 totalling SEK 3 M (5) and direct costs totalling SEK 3 M (12). 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 367 M to SEK 1,059 M. This increase in value is due to some extent to a number of properties that have been added and are subject to valuation since the previous valuation, especially land at Stockholm Arlanda Airport for hotel, office and conference purposes. The demand for modern facilities for logistics/warehousing has also increased, while the trend in the investment market has generally been positive. This has led to rising land prices, mostly for the properties at Stockholm Arlanda Airport.

	Group	
	2016-12-31	2015-12-31
Accumulated cost		
Opening balance	191	164
Acquisitions for the year	88	34
Disposals for the year	–	-7
Reclassifications for the year	14	–
	293	191
Accumulated scheduled depreciation		
Opening balance	-3	-2
Scheduled depreciation for the year	-1	-1
Closing balance	-4	-3
Book value, closing balance	283	181
Fair value (Note 20)	1,059	367

Operational leases – the Group as lessor

The Group's investment properties are leased through operational lease agreements and generate rental revenue. Future rental revenue attributed to non-cancellable operational leases is broken down as follows.

	Group	
	2016	2015
Expiry		
Within one year	2	3
Between one and five years	3	6
More than five years	6	6
Total	11	14

NOTE 22. BIOLOGICAL ASSETS

	Group	
	2016-12-31	2015-12-31
Accumulated cost		
Opening balance	85	86
Change in fair value	-1	-1
Book value, closing balance	84	85

Swedavia's biological assets consist of large forest holdings adjacent to Swedavia's airports, with standing timber assessed at fair value. The stock is valued on each balance sheet date. Valuation is made by an external appraiser in conjunction with the year-end closing every two years or at another time if there are any indication of changes in market value. For other balance sheet dates, the stock of standing timber is valued through an internal valuation. An external valuation was carried out in conjunction with the 2016 annual accounts. Any change in fair value is reported in the income statement as other external expenses. For information about valuation assumptions, see Note 20 "Fair value".

NOTE 23. NON-CURRENT FINANCIAL ASSETS

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Holdings in Group companies	–	–	889	889
Holdings in associated companies and joint ventures	856	815	–	–
Other long-term receivables	229	173	160	87
Derivative receivables	6	–	–	–
Deferred tax assets	–	–	20	10
Total	1,091	988	1,070	986

NOTE 24. OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accumulated cost				
Opening balance	173	108	87	68
New receivables	73	66	73	19
Receivables settled	-18	0	–	0
Reclassifications	–	–	–	–
Book value, closing balance	229	173	160	87

NOTE 25. HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	Group	
	2016-12-31	2015-12-31
Accumulated cost		
Opening balance	815	0
Acquisitions for the year	12	793
Share of profit	29	22
Book value, closing balance	856	815

Acquisitions for the year pertain to a shareholder contribution to Landvetter Logistik Center AB. In 2015, holdings in Swedish Airport Infrastructure were acquired.

Specification of the Parent Company's and Group's holdings in associated companies and joint ventures on December 31, 2016

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 Stockholm	–	25,000	50.0	0	0	Joint venture
Swedish Airport Infrastructure KB, 969775-2609, Stockholm County, Municipality of Stockholm	29	1	49.9	841	0	Joint venture
Landvetter Logistik Center AB, 556986-7236, West Götaland County, Municipality of Gothenburg	–	250	50.0	15	0	Joint venture
Airport City Stockholm AB, 556872-9619, Stockholm County, Municipality of Stockholm	–	495	33.0	0	0	Associated company
Total				856	0	

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

SEK M	2016-12-31	2015-12-31
Investment properties	4,189	3,971
Liquid assets	168	49
Other assets	37	51
Long-term interest-bearing liabilities	2,540	2,370
Current liabilities	172	77
Equity	1,682	1,624
Consolidated book value of holding	841	812

SEK M	2016-01-01 – 2016-12-31	2015-07-01 – 2015-12-31
Revenue	328	153
Depreciation and amortisation	-113	-58
Other expenses	-103	-37
Net interest	-27	-14
Profit before tax	85	44
Tax	-3	0
Profit for the year	82	44
Other comprehensive income	-24	–
Total comprehensive income	58	44
Group's portion of comprehensive income for the year	29	22

On June 30, 2015, Swedavia acquired a 49.9 per cent holding in a newly formed company, Swedish Airport Infrastructure KB. Alecta owns 49.9 per cent and Swedish Airport Infrastructure AB owns 0.2 per cent. Alecta and Swedavia together have a controlling interest and joint liability. On June 30, 2015, Swedish Airport Infrastructure acquired 20 large properties, reported in a number of companies, from Swedavia and has managed these properties since then. The properties are located at Göteborg Landvetter Airport, Malmö Airport and Stockholm Arlanda Airport. Swedavia is a tenant in some of the properties. The value of Swedavia's holding is estimated using the equity method. For more information, see the accounting principles. No dividend was paid by Swedish Airport Infrastructure in 2016.

NOTE 26. HOLDINGS IN GROUP COMPANIES

Parent Company's holdings in Group companies	Parent Company	
	2016-12-31	2015-12-31
Accumulated cost		
Opening balance	1,212	1,150
Shareholder contributions for the year	–	62
Closing balance	1,212	1,212
Accumulated impairment losses		
Opening balance	-322	-237
Impairment losses the year	–	-85
Closing balance	-322	-322
Book value, closing balance	889	889

Impairment losses for 2015 consist of impairment losses of SEK 24 M on the shares in Arlanda Development Company AB and SEK 62 M on the shares in Cityflygplatsen i Göteborg AB.

Specification of the Parent Company's holdings in Group companies

Subsidiary, corporate identity number, registered office	Number of shares	Owner-ship in %	Book value 2016-12-31	Book value 2015-12-31
Swedavia Real Estate AB, 556858-9872, Stockholm County, Municipality of Sigtuna	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 Sigtuna	50,000	100	17	17
Cityflygplatsen i Göteborg AB, 556195-5823, West Götaland County, Municipality of Gothenburg	13,110	100	–	–
Book value, closing balance			889	889

Other important Group companies wholly owned by Swedavia Real Estate**Subsidiary, corporate identity number, registered office**

Swedavia Energi AB, 556951-8185, Stockholm County, Municipality of Stockholm
Swedavia Airport Telecom AB, 556951-8193, Stockholm County, Municipality of Stockholm
Logistic City 1 AB, 556876-7007, Stockholm County, Municipality of Stockholm
Office Arlanda AB, 556876-6983, Stockholm County, Municipality of Stockholm
TreOffice AB, 556844-2932, Stockholm County, Municipality of Stockholm

NOTE 27. FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities, excluding the Group's derivative instruments, are recognised at cost in the balance sheet. The Group's derivative instruments are recognised at fair value in the balance sheet. Other financial assets and liabilities are valued at fair value for information purposes. For information about fair value regarding derivative instruments, see the Group's valuation below as well as Note 20. For current receivables and liabilities, such as trade receivables and trade payables, with a remaining useful life of less than six months, the book value is considered to reflect fair value.

The Parent Company recognises its financial instruments at amortised cost.

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, 2016, there were no significant financial liabilities or assets that should be offset in the event of a bankruptcy.

Group	Book value		Fair value	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Financial assets				
Other long-term receivables	235	173	235	173
Trade receivables	420	451	420	451
Receivables from associated companies	58	113	58	113
Other receivables	75	71	75	71
Derivative instruments	8	–	8	–
Liquid assets	170	6	170	6
Total	966	814	966	814

Group	Book value		Fair value	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Financial liabilities				
Long-term interest-bearing liabilities	3,297	2,397	3,333	2,454
Current interest-bearing liabilities	1,000	1,307	1,000	1,307
Derivative instruments ¹	161	224	161	224
Liabilities to leasing companies	33	23	33	23
Other long-term liabilities	8	9	8	9
Trade payables	601	372	601	372
Other liabilities	8	8	8	8
Accrued interest expenses	34	34	34	34
Total	5,142	4,374	5,178	4,431

¹ Derivative instruments pertain to derivatives for hedge accounting.

Fair value valuation

Assets and liabilities that are valued at fair value are classified in a hierarchy with three different levels based on the information used to determine their fair value. The Group's financial assets and liabilities are valued at fair value based on Level 2. For more information about valuation at fair value, see Note 20.

Net income from items for which hedge accounting is not applied

	2016	2015
Financial assets/liabilities that are valued at fair value ²	–	–
Total	–	–

² The subcategory held for sale.

	Level 1	Level 2	Level 3
Derivative instruments ³	–	153	–
Long-term interest-bearing liabilities ⁴	–	3,297	–
Total	–	3,450	–

³ Recognised at fair value in the Group's balance sheet.

⁴ Recognised at cost in the Group's balance sheet. The amounts above are fair value for information purposes.

There was no change in levels in 2016 compared to 2015.

Other long-term receivables

For information purposes, fair value for long-term receivables is calculated by discounting future cash flows based on current market interest rates.

Derivative instruments

Interest rate swaps

Fair value for interest rate swaps is calculated as the present value of expected future cash flows based on current market interest rates.

Electricity derivatives

For electricity derivatives, fair value is calculated based on listed rates. If there are no listed rates, fair value is calculated by discounting the difference between the contracted forward rate and the forward rate available on the balance sheet date for the remainder of the contract period.

Remainder of the contract period

For information purposes, fair value for long-term receivables is calculated by discounting future cash flows based on current market interest rates.

NOTE 28. MATERIALS AND SUPPLIES

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Supplies	32	36	32	32
Gravel stocks	3	3	3	3
Supplies, buildings and land	3	3	3	3
Other stocks	6	3	3	3
Total	43	45	40	41

NOTE 29. CURRENT RECEIVABLES

	Parent Company	
	2016	2015
Trade receivables	398	430
Receivables from Group companies	925	729
Receivables from associated companies	53	1
Other receivables	133	123
Tax receivable	26	36
Prepaid expenses and accrued income	118	105
Total	1,653	1,424

NOTE 30. RECEIVABLES FROM GROUP COMPANIES

	Parent Company	
	2016-12-31	2015-12-31
Swedavia Real Estate AB	539	398
Logistic City 1 AB	42	42
TreDoffice AB	85	31
Office Arlanda AB	9	66
Swedavia Airport Telecom AB	50	24
Swedavia Energi AB	48	39
Cargo City 1 AB	55	56
Other Group companies	96	74
Book value, closing balance	925	729

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 58 M (113) and pertain mostly to the receivable from Tor Viking Sverigehuset AB. Liabilities to associated companies totalled SEK 0 M (18). Receivables from associated companies and joint ventures to the Parent Company totalled SEK 54 M (1) and liabilities totalled SEK 0 M (6).

NOTE 32. OTHER RECEIVABLES

	Group	
	2016-12-31	2015-12-31
Tax receivables	83	62
Other receivables	96	79
Total	178	141

NOTE 33. PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accrued income Aviation Business	13	5	13	5
Accrued income retail, food & beverage	48	56	48	56
Accrued income, energy	11	12	0	2
Accrued income, parking	6	6	6	6
Prepaid material and maintenance costs	14	13	14	13
Prepaid operational services	10	10	10	10
Other accrued income and prepaid expenses	122	15	26	13
Total	225	118	118	105

Other accrued income and prepared expenses includes income derived on the earnout from the previous sale of TreDhotel AB.

NOTE 34. EQUITY

The Group

Equity attributable to the Parent Company consists of share capital, other paid-in-capital, hedge reserves and retained earnings.

Share capital

Share capital is divided into 1,441,403,026 shares with a stated value of SEK 1.

Other paid-in capital

Other paid-in capital pertains to the premium in connection with new share issues.

Hedge reserves

The reserve for cash flow hedging consists of unrealised changes in the value of interest rate, electricity and currency derivatives (net of deferred tax). Hedge accounting entails that the change in value has been charged to equity in the balance sheet via other comprehensive income.

Retained earnings

Retained earnings includes profit for the year and the portion of untaxed reserves that constitutes equity. This also includes revaluations of defined benefit pensions in accordance with IAS 19 (net of deferred tax).

Capital management

	2016		2015	
Group financial targets	Actual	Target	Actual	Target
Return on operating capital	8.6%	7.0%	14.5%	7.0%
Debt/equity ratio	0.7 times	1-1.5 times	0.7 times	1-1.5 times

Parent Company

Restricted and non-restricted equity

Equity is divided between restricted and unrestricted (payable as dividends) capital in accordance with the Annual Accounts Act. A dividend may only be paid if there is full coverage for restricted equity after the payment of dividends. Dividends are also regulated by the precautionary principle, which means that a dividend may only be paid if this is justifiable taking into consideration the risks that the nature and scope of operations place on the size of the Parent Company's and consolidated equity as well as the Group's consolidation requirements, liquidity and financial position in general.

In the Parent Company, restricted capital consists of share capital of SEK 1,441 M (1,441) and a reserve for development costs of SEK 22 M (0). The unrestricted capital in the Parent Company is SEK 3,467 M and consists of a share premium fund of SEK 2,162 M, retained earnings of SEK 211 M and profit for the year of SEK 1,095 M.

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	210,884,036
Profit for the year	1,094,568,644
	3,466,807,219

The Board proposes that the profit be appropriated as follows:

Paid to shareholders SEK 0.09921 per share	143,001,594
Brought forward	3,323,805,625
	3,466,807,219

NOTE 35. PROVISIONS

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Provisions for pensions	803	765	1,084	1,121
Other provisions	245	180	248	191
Total	1,048	945	1,332	1,312

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 present-day value is not calculated. Unvested pension commitments are entered as a liability at 60 per cent in both the Parent Company and the Group. The unvested pension commitments pertain to a small number of employees who have the option of taking early retirement at the age of 63.

The Parent Company complies with the statutes in the Swedish Pension Obligations Vesting Act and the instructions of the Swedish Financial Supervisory Authority since that is a requirement for making tax deductions. The most significant differences compared to the regulations in IAS 19 are the way the discount rate is determined, the fact that the calculation of the defined benefit obligation is calculated based on the current salary level without any assumption of future salary increases, and the fact that actuarial gains and losses are recognised in the income statement. The Parent Company's total commitments for defined benefit pensions are covered by credit insurance with FPG/PRI.

Actuarial assumptions

In the Group, the liability is calculated using a discount rate that corresponds to the interest rate on mortgage bonds with a maturity corresponding to the average duration of the commitment. The assumed interest rate for 2016 is 2.5 per cent (3.0), an increase attributable to the current interest rate situation. The assumption on the discount rate used is considered to be the same.

The assumption for inflation, like last year, was 1.5 per cent. This assumption is based on current expectations of future inflation and on an inflation rate that has fallen significantly below Sweden's Riksbank's inflation target over the past few years.

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
The following important actuarial assumptions have been applied in calculating the obligations (weighted average values):				
Discount rate				
Future changes in price base amount (inflation)	2.50%	3.00%	-0.40%	-0.40%
Changes in the present value of defined benefit obligations	1.50%	1.50%	2.00%	2.00%
Obligations as of January 1				
Payments made during the year	765	807	1,121	971
Payments made during the year	-27	-25	-27	-25
Cost of vesting, current period	1	1	1	1
Interest expense	23	23	–	–
Actuarial gains (-)/losses (+)	41	-42	-10	174
Obligation as of December 31	803	765	1,084	1,121

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Cost recognised in profit for the year				
Defined benefit plans				
Cost of pensions vested during the year	1	1	1	1
Actuarial gains (-)/losses (+)	–	–	-10	174
Cost of defined benefit plans	11	–	–	–
Special employee income tax	8	–	-3	42
Interest expense	24	22	–	–
Cost of defined benefit plans	44	23	-12	217
Cost of defined contribution plans	103	90	102	95
Special employee income tax	25	22	25	23
Cost of defined contribution plans	128	112	127	118
Total cost of remuneration after termination of employment in the profit for the year	172	135	115	335

	Group	
	2016-12-31	2015-12-31
Cost recognised in other comprehensive income		
Defined benefit plans		
Revaluation including special employee income tax		
Actuarial gains (-)/losses (+) on change in financial assumptions	-51	-42
Tax	11	9
Recognised in other comprehensive income	-40	-33

	Group			
	2016		2015	
Sensitivity analysis	Increase	Decrease	Increase	Decrease
	0.5% percentage points	0.5% percentage points	0.5% percentage points	0.5% percentage points
Change in discount rate				
Effect on obligation	-55	61	-52	58

	Group	
	2016-12-31	2015-12-31
The obligation broken down by members in the plans as follows		
Active members	49	60
Paid-up pension policyholders	2,326	2,373
Pensioners	482	449
Total number of obligations	2,857	2,882

The remaining average vesting period for active members is 6.0 years (6.0).

Effect of payments for the pension liability on consolidated cash flow:	2016-12-31	2015-12-31
Within one year	31	30
Between one and five years	135	129
More than five years	1,035	1,099
Effect of discounting	-398	-492
Total	803	765

NOTE 37. OTHER PROVISIONS

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Restoration reserve, opening balance	141	115	133	115
Provision for the year	73	29	73	21
Provisions used during the year	0	-1	0	-1
Reversal of unused provisions during the year	-34	-2	-25	-2
Restoration reserve, closing balance	181	141	181	133
Restructuring reserve, opening balance	22	7	19	7
Provision for the year	17	43	18	30
Provisions used during the year	-27	-29	-25	-18
Restructuring reserve, closing balance	13	22	12	19
Other provisions during the year	66	57	39	17
Provision for the year	51	35	16	21
Provisions used during the year	-25	-26	–	–
Other provisions, closing balance	92	66	55	39
Of which current portion	-42	-49	–	–
Total other provisions	245	180	248	191

Current provisions constitute SEK 42 M (49) of the total. The current portion consists of a restructuring reserve of SEK 12 M (22) and other provisions of SEK 29 M (27). The definition of provisions can be found in the accounting principles on page 85.

NOTE 38. DEFERRED TAX

Group, 2016-12-31	Deferred tax asset	Deferred tax liability
Temporary difference goodwill	-11	–
Temporary difference tangible fixed assets	-20	–
Temporary difference biological assets	–	7
Temporary difference financial instruments	-34	–
Temporary difference untaxed reserves	–	430
Temporary difference pensions	–	75
Offset	65	-65
Total	–	447

Group, 2015-12-31	Deferred tax asset	Deferred tax liability
Temporary difference goodwill	-10	–
Temporary difference tangible fixed assets	-23	–
Temporary difference fixed biological assets	–	7
Temporary difference financial instruments	-49	–
Temporary different untaxed reserves	–	437
Temporary difference pensions	–	97
Other temporary differences	-12	–
Offset	94	-94
Total	–	447

Parent Company, 2016-12-31	Tax asset	Deferred tax liability
Temporary difference tangible fixed assets	18	–
Other temporary differences	2	–
Total	20	–

Parent Company, 2015-12-31	Tax asset	Deferred tax liability
Temporary difference tangible fixed assets	8	–
Other temporary differences	2	–
Total	10	–

NOTE 39. INTEREST-BEARING LIABILITIES

	Group		Parent Company	
Non-current interest-bearing liabilities	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Medium-term notes issued	3,298	2,397	3,298	2,397
Liabilities to leasing companies	24	15	24	15
Total	3,321	2,412	3,321	2,412

Current interest-bearing liabilities	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Liabilities to credit institutions	–	8	–	8
Medium-term notes and commercial paper	1,000	1,300	1,000	1,300
Liabilities to leasing companies	10	8	10	8
Total	1,010	1,315	1,010	1,315

NOTE 40. LONG-TERM AND CURRENT LIABILITIES

	Parent Company	
Long-term liabilities	2016	2015
Medium-term notes	3,298	2,397
Liabilities to leasing companies	24	15
Other long-term liabilities	1	1
Total	3,324	2,413

Current liabilities	2016	2015
Liabilities to credit institutions	–	8
Medium-term notes and commercial paper	1,000	1,300
Liabilities to leasing companies	10	8
Trade payables	575	356
Liabilities to Group companies	1,232	1,460
Liabilities to associated companies	–	6
Other liabilities	77	77
Accrued expenses and prepaid income	581	490
Total	3,475	3,705

NOTE 41. BORROWINGS

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Liabilities to credit institutions	–	8	–	8
Medium-term notes	3,298	3,097	3,298	3,097
Commercial paper	1,000	600	1,000	600
Total	4,298	3,704	4,298	3,704

Capital market programme

Swedavia has a medium-term note (MTN) programme denominated in SEK for medium-term borrowing in the Swedish capital market. The limit is set at SEK 5,000 M (5,000) and borrowings via notes issued totalled SEK 3,048 M (3,097). In addition, Swedavia has corporate bonds totalling SEK 250 M (0) via private placement. Swedavia also has a Swedish commercial paper programme. The limit is set at SEK 5,000 M (5,000) and borrowings under this programme totalled SEK 1,000 M (600).

The average maturity on borrowings as of December 31, 2016, was 2.0 years (2.1) with an average interest rate of 2.8 per cent (3.2). As of December 31, 2016, the share of borrowings at a fixed rate was 92 per cent (99) and the average lock-in period was 2.2 years (2.9).

NOTE 42. OVERDRAFT FACILITIES

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Overdraft facilities approved	200	200	200	200
Unutilised portion	200	192	200	192
Credit amount used	–	8	–	8

As of December 31, 2016, Swedavia had overdraft facilities at SEB of SEK 200 M, SEK 0 M of which was utilised on the balance sheet date.

NOTE 43. OTHER LIABILITIES

	Group	
	2016-12-31	2015-12-31
Current tax liabilities	23	0
Other liabilities	84	82
Total	107	82

NOTE 44. ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accrued staff-related expenses	158	193	157	191
Accrued interest	34	34	34	34
Accrued construction and property costs	139	44	129	36
Prepaid aviation income	26	41	26	41
Prepaid property income	57	60	57	59
Prepaid income retail, food & beverage	66	58	66	58
Prepaid parking income	14	13	14	13
Prepaid advertising income	13	7	13	7
Other accrued expenses and prepaid income	113	71	84	52
Total	621	521	581	490

NOTE 45. FINANCIAL RISKS

The Group is exposed to a number of different financial risks in its operations, which in turn have an impact on the company's profit, cash flow and valuation. Swedavia's financial policy identifies and defines these risks and governs the risk mandate and principles for calculation, reporting, monitoring and control. This financial policy is characterised by a low risk level, and compliance is ensured through quarterly reports to the Board of Directors. The Board adopted the policy each year, and assessment is on a continuous basis.

The Group's financial operations and financial risk management are centralised in the corporate economy and finance unit and is part of Swedavia's overall risk management methodology. The objective is to minimise the Group's capital cost through effective funding solutions while ensuring efficient management and control of the Group's financial risks

Swedavia has exposure to changes in exchange rates, commodity prices and interest rates as well as when current market conditions and the Group's capital structure give rise to refinancing and credit risks. To minimise the Group's exposure to fluctuations in interest rates, electricity prices and exchange rates, different kinds of derivatives are used.

Exchange rate risks

"Exchange rate risk" is defined as the risk that movements in currency prices will have a negative impact on the Group's profit, financial position and/or cash flow. Since all subsidiaries are Swedish and use SEK as their currency, there is no translation exposure.

Transaction exposure

Most revenue is not affected by any foreign exchange fluctuations since invoices are largely denominated in SEK. When invoicing is in a foreign currency, an internal match against supplier invoices is made in the corresponding foreign currency. For other payments in foreign currencies, currency hedges are entered into that match the foreign flow. Currency hedges are entered into in conjunction with the signing of a contract or upon receipt of an invoice.

Interest rate risks

"Interest rate risk" is defined as the risk that changes in market interest rates will have a negative impact on the Group's net interest income/expense.

As of December 31, 2016, Swedavia had external borrowings of SEK 4,298 M (3,704). 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, 2016, 92 per cent of external funding was hedged via financial instruments. On the balance sheet date, the nominal amount of interest rate swaps was SEK 2,500 M (2,500) with a fair value of SEK -153 M (-202). Funding at fixed interest rates totalled SEK 1,449 M. Based on those hedges, a 1 per cent increase in the interest rate would have a negative effect of SEK 3.5 M (0.1) whereas a 1 per cent decrease would have a negative effect of SEK 23 M (20). Under Swedavia's financial policy, interest rates shall be fixed for a period of 3 years \pm 1 year. On the balance sheet date, the fixed rate period was 2.2 years (2.9).

Commodity price risks

Swedavia's commodity price risk is concentrated on the purchase of electricity, and the way this is handled is governed in its financial policy. There is continuous hedging of electricity prices in accordance with the financial policy. Hedging is done through electricity derivatives as well as through bilateral agreements with producers. The hedge ratio was 83 per cent (85) 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 MSEK (0.1), given the current level of hedging.

Hedge accounting

The Group applies cash flow hedging for its interest rate risk, foreign exchange risk and electricity price risk. The effective portion of the changes in fair value recognised in other comprehensive income during the year was SEK 57 M (18). The ineffectiveness recognised in the income statement during the year was SEK 0 M (0.7).

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.

The liquidity risk is minimised by Swedavia having a diversified portfolio of borrowings, which ensures access to capital and flexibility. In accordance with the financial policy, the Group has overdraft facilities of SEK 700 M (700).

On the balance sheet date, there was an unutilised bank loan guarantee of SEK 500 M (500) and overdraft facilities of SEK 200 M (200), SEK 0 M (8) was utilised. The Group believes there are no risks associated with its refinancing potential.

The following tables show the discounted cash flows for financial liabilities as well as net settled derivatives at the prices on the reporting date. Floating interest rates on borrowings and interest rate swaps in effect on the reporting date are assumed to apply for the remaining maturity of the respective instruments.

Group	2016-12-31						
Financial liabilities (including future interest expenses and derivative instruments) – Maturity structure	< 1 year	2 years	3 years	4 years	5 years	> 5 years	Total
Interest-bearing liabilities	1,036	2,036	611	254	2	456	4,395
Liabilities to leasing companies	10	24	–	–	–	–	34
Trade payables	601	–	–	–	–	–	601
Other liabilities	8	–	–	–	–	–	8
Derivative liabilities	68	52	34	14	2	2	171
Total	1,723	2,112	645	268	4	458	5,210

Group	2015-12-31						
Financial liabilities (including future interest expenses and derivative instruments) – Maturity structure	< 1 year	2 years	3 years	4 years	5 years	> 5 years	Total
Interest-bearing liabilities	1,386	35	2,033	207	1	207	3,869
Liabilities to leasing companies	8	15	–	–	–	–	23
Trade payables	372	–	–	–	–	–	372
Other liabilities	8	–	–	–	–	–	8
Derivative liabilities	76	64	50	32	12	0	234
Total	1,800	114	2,083	239	13	207	4,456

Credit risks and counterparty risks

The Group's commercial and financial transactions give rise to credit risks against its counterparties. "Credit risk" refers to the risk of loss if the counterparty does not meet its obligations agreed. The credit risk that Swedavia is exposed to consists of financial credit risk and credit risk for customer receivables.

Financial credit risk

The credit risk for financial transactions arises when the Group invests liquid assets as well as in the form of counterparty risks when the Group enters into an agreement on financial instruments with banks. The maximum credit risk consists of the book value of financial assets including derivatives with a positive market value. The Group's policy is to work with banks with a good credit rating, and Swedavia has entered ISDA master agreements with its counterparty banks.

Credit risk in customer receivables

The credit risk for commercial transactions arises when there is a risk that customers will not meet their payment commitments to the Group. This risk is managed by the Group assessing customers' creditworthiness on a frequent basis. For trade receivables, operations are run in accordance with a provision regulating credit terms and working methods. Terms of payment are in most cases net 30 days. As of December 31, 2016, there was no significant credit risk. The quality of credits appears to be good based on credit assessments carried out in accordance with the Group's credit policy.

	Group		Parent Company	
Age analysis	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Trade receivables not due	343	440	327	418
Trade receivables past due 1–30 days	76	10	67	12
Trade receivables past due 31–90 days	-1	-3	-1	-3
Trade receivables past due >90 days	2	4	2	2
Total	420	451	396	430
Doubtful trade receivables	2016	2015	2016	2015
Doubtful trade receivables, opening balance	4	16	3	16
Reversed doubtful trade receivables	-3	-10	-2	-10
Bad trade debt declared	-1	-9	-1	-9
Provision for bad debts	3	7	3	6
Doubtful trade receivables, closing balance	3	4	3	3

NOTE 46. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Pledged assets	841	812	–	–

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Contingent liabilities	89	86	89	86

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 841 M (812).

Swedavia's contingent liabilities consisted of pension commitments in Company-owned endowment insurance plans of SEK 8 M (5), a guarantee of SEK 81 M (81) for the joint venture Landvetter Logistik Center AB, which it owns together with Bockasjö. Swedavia also has contingent liabilities stemming from environmental requirements for running airport operations.

NOTE 47. CASH FLOW

SEK M	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Adjustments for items not included in the cash flow				
Profit from holdings in associated/Group companies	-41	-22	–	85
Capital gain on sale of operations/subsidiaries	-146	-918	–	–
Capital gain on sale of fixed assets	-19	–	-19	–
Depreciation, amortisation and impairment losses	979	915	980	936
Change in pension provisions	38	-1	-37	150
Change in other provisions	-16	31	57	32
Other	-45	-18	–	46
Total	739	-13	981	1 249
Interest paid and dividend received				
Dividend received	–	–	757	483
Interest received	6	4	4	4
Interest paid	-151	-297	-128	-275

Short-term borrowings (maturity of 3 months or less) that are raised and repaid during the same month are offset. In the Group, capital gains from the sale of operations/subsidiaries pertain to the sale of Göteborg City Airport (Säve Airport). In 2015, the item pertains mostly to the sale of a property portfolio. In the Parent Company, the item "Income from holdings in associated companies and joint ventures/Group companies" pertains to impairment losses on shares in subsidiaries; see information in Note 26 "Holdings in Group companies".

NOTE 48. SUPPLEMENTARY INFORMATION FOR KEY FINANCIAL FIGURES

Supplementary information for key financial figures. For definitions and justification, see page 118, Definitions.

Net liabilities

On December 31, 2016, pension liabilities totalled SEK 803 M (765).

Operating profit excluding capital gains

Total capital gains excluded in this calculation for the full year 2016 were SEK 241 M (918). Capital gains excluded in this calculation for the fourth quarter were SEK 95 M (98).

Operating costs per departing passenger

Operating costs for 2015 were reduced by staff expenses of SEK 209 M derived from a change in interest rate assumptions in calculating pension liabilities.

NOTE 49. EVENTS AFTER THE BALANCE SHEET DATE**New President and CEO**

Jonas Abrahamsson assumed his duties as President and CEO of Swedavia on January 2, 2017. In conjunction, Karl Wistrand returned to his previous position as Deputy CEO and Director of Commercial and Real Estate.

Debut flights using Swedavia's biofuel

On January 3, 2017, the first official refuelling using biofuel purchased by Swedavia took place at Stockholm Arlanda Airport. The first flight running on biofuel travelled between Stockholm and Copenhagen. On January 9, the first official refuelling using biofuel at Åre Östersund Airport took place. Bromma Stockholm Airport was also supplied with some of the 450 tonnes of biofuel purchased to offset the environmental impact of Swedavia's own flights on official business in 2016.

Reduced airport charges

On January 11, 2017, Swedavia announced its decision to reduce charges for airlines and ground handling companies by an average of 1.0 per cent starting on April 1, 2017. The charges were reduced for the third straight year, and as a result Swedavia further enhances its competitiveness.

Environmental permit

The main hearing concerning Swedavia's application to change Condition 5 at Stockholm Arlanda Airport was held in the Land and Environmental Court of Appeal on January 24, 2017. A ruling on the case was issued on March 16, 2017. The Court rejected Swedavia's appeal. At this writing, Swedavia has not decided whether it will appeal the Land and Environmental Court of Appeal's ruling or not.

A Swedish aviation strategy

On January 26, 2017, the Swedish Government presented the first Swedish strategy for the role of aviation in the country's future transport system. In the strategy, emphasis is placed on the critical importance of air travel for Sweden's economic growth and development. The Government noted in particular the importance of Stockholm Arlanda Airport for all of Sweden's growth and access to international contacts. The strategy also includes the proposal previously put forth by the Government to introduce an aviation tax. An aviation tax, which the air travel industry believes will have minor effects on greenhouse gas emissions, risks being a competitive disadvantage for Sweden, especially in terms of the country's attractiveness to international airlines.

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 21, 2017

Åke Svensson

Chairman of the Board

Karin Apelman

Board member

Adine Grate Axén

Board member

Lars Backemar

Board member

Anna Elgh

Board member

Lottie Knutson

Board member

Lotta Mellström

Board member

Lars Mydland

Board member

Lottie Svedenstedt

Board member

Lars Andersson

Board member
Employee representative

Robert Olsson

Board member
Employee representative

Jonas Abrahamsson

President and CEO

Our Auditor's Report was submitted on March 21, 2017

Ernst & Young AB

Magnus Fagerstedt

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 27, 2017.

Auditor's report

To the Annual General Meeting of Swedavia AB (publ), Swedish corporate identity number 556797-0818

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and the consolidated accounts of Swedavia AB (publ) for 2016 except for the Corporate Governance Statement on pages 62–71. The annual accounts and the consolidated accounts are included in pages 54–109 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2016, and of its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2016, and of its financial performance and cash flows for the year 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 62–71. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopts the Income Statement and Balance Sheet for the Parent Company and the Group.

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.

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 judgement, 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.

Revenue recognition

Consolidated net revenue for the year 2016 totalled SEK 5,546 M and the Parent Company's net revenue totalled SEK 5,492 M. As shown in Notes 2 and 4 of the Annual Report, net revenue is divided into a number of significant revenue streams directly related to aircraft and passenger movements (Aviation Business) as well as to closely related commercial services. There

are many revenue streams, and there are a large number of transactions generated by these streams, which therefore places high demands on the Company's internal control and administrative processes. In view of the number of transactions connected to different revenue streams, we have judged revenue recognition to be a key audit matter.

We have assessed the Company's procedures for handling significant revenue streams. For the passenger and aircraft-related revenue stream, we tested the controls established by the Company. For other revenue streams, we took a selection of samples to examine revenue recognition. We have also conducted a detailed analytical review using data-based analytical tools to assess the recognition of revenue. We have reviewed the appropriateness of the information provided in the annual accounts.

Investments and ongoing projects

Investments are a significant part of the Company's operations. In 2016, the Group invested SEK 2,138 M in its own properties, as shown in Notes 3, 19 and 21 of the Annual Report. Equivalent investments in the Parent Company during the year totalled SEK 2,079 M, as shown in Note 19 of 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 accounting includes a number of assumptions, including judgements concerning the classification of accrued costs, useful life and time of completion. Since investments are linked to these important assumptions, and since investments constitute significant amounts and thus have a material effect on the Company's financial reports, we have judged this to be a key audit matter.

We have assessed the Company's procedures for investments. We have also assessed the accounting principles applied by the Company and examined capital expenditures in detail using samples in order to assess classification, useful life and time of completion.

We have reviewed the appropriateness of the information provided in the annual accounts.

Valuation of tangible fixed assets

Tangible fixed assets as of December 31, 2016, totalled SEK 11,813 M in the Group and SEK 11,467 M in the Parent Company, constituting 80 per cent of the consolidated balance sheet and 76 per cent of the Parent Company's balance sheet. A compilation of tangible fixed assets is found in Notes 15–20 of the Annual Report. The principles applied are given in Note 2. The conditions at the different airports vary in terms of profitability and duration of access right agreements. The cash flows of all the airports 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.

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 accounts.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 3–51. 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 for ensuring 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 this going concern and using the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Managing Director intend to liquidate the Company, 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 judgement and maintain professional scepticism 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 or 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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2016 and the proposed appropriations of the Company's profit or loss.

We recommend to the Annual 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.

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 fulfil 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 stand-

ards 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 judgement and maintain professional scepticism 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 judgement 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 62–71 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 a 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 of 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.

Stockholm March 21, 2017

Ernst & Young AB

Magnus Fagerstedt

Authorised Public Accountant

Auditor's Limited Assurance Report on Swedavia AB's Sustainability Report

This is the translation of the auditor's report in Swedish.

To Swedavia AB (publ)

INTRODUCTION

We have been engaged by the Board of Directors of Swedavia AB to review Swedavia's Sustainability Report for the year 2016. Swedavia AB has defined the scope of the Sustainability Report to the pages referred to in the GRI index on the pages 115–116.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 114, and are the part of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to 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 the limited assurance procedures we have performed. We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion. Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our conclusion below.

OPINION

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm March 21, 2017

Ernst & Young AB

Magnus Fagerstedt
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 2016 in accordance with GRI's G4 guidelines, at the Core level. Reported indicators have been chosen based on our stakeholders' assessments of Swedavia's operations in order to develop long-term sustainable operations.

REPORT BOUNDARY

Swedavia has limited the report to areas in which the Company has total control over data collection and information quality, which means the entire Group is included unless otherwise indicated. Data for subsidiaries or associated companies in which Swedavia owns a minority interest are excluded. However, transition operations at Göteborg City Airport (Säve Airport) are included only in economic information and employee statistics.

REPORTING PRINCIPLES

Indicator G4-EN19 reports emission reductions under the framework for Swedavia's target of zero fossil carbon dioxide emissions, broken down in accordance with the Greenhouse Gas Protocol into Scope 1, 2 and 3. 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 2016 calculated in carbon dioxide equivalents were 2,770 tonnes, about 1 per cent higher than the emission of carbon dioxide gas. 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 (10 airports) and Swedavia Real Estate AB. Data for minority-owned subsidiaries or associated companies 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 principles of scope in Airport Carbon Accreditation Guidance, which applies the Greenhouse Gas Protocol for carbon dioxide certification to airport operations. Emissions from Göteborg City Airport are not included but in 2016 were about 240 tonnes of carbon dioxide equivalents and are reported under Scope 1.

The indicator G4-PR5 measures customer satisfaction of Swedavia's passengers, airlines and tenants at its larger airports. Swedavia is part of the ASQ Programme of passenger surveys administered by Airport Council International (ACI). The survey measures departing passengers' attitudes to and experiences at the airport. For Bromma Stockholm Airport, Göteborg Landvetter Airport and Stockholm Arlanda Airport, reporting is on a quarterly basis. Reporting for other Swedavia airports is done every six months. Swedavia's annual results are weighted based on the annual results for the airports. For Bromma Stockholm Airport, Göteborg Landvetter Airport and Stockholm Arlanda Airport, the period is for the full-year 2016. For the regional airports, the period is for the fourth quarter of 2015 to the third quarter of 2016.

The airline survey is carried out once every two years and measures the airline customers' satisfaction with the airports. The most recent survey was carried out in 2015. The tenant survey is carried out at Bromma Stockholm Airport, Göteborg Landvetter Airport, Malmö Airport and Stockholm Arlanda

Airport and is conducted every two years. The most recent measurement was carried out in 2014 using an established method of measurement in the real estate industry with ten fields of questions and an overall satisfied customer index (SCI) for 2016. A new feature for 2016 is that the survey only includes office tenants.

Beginning in 2016, employees are monitored as part of the survey of engaged leaders and employees. Previously, employee satisfaction was monitored and reported in the employee satisfaction index (ESI). The employee survey carried out in 2016 produced the first results for Swedavia's engaged leaders and employees, results that could be compared to the benchmark for comparable companies.

The number of international destinations is determined by the total number of cities outside Sweden that can be reached by direct flights in scheduled or charter operations from Swedavia's airports. Threshold values have been used in the calculation in order to filter out flights that take place on an ad hoc basis and for which the general public cannot purchase tickets.

IDENTIFYING THE CONTENT OF THE REPORT – MATERIALITY ANALYSIS

Swedavia has identified its materialities by weighing 47 issues selected from two perspectives: how they affect Swedavia's value creation potential and to what extent each issue affects stakeholders' assessments of Swedavia's value creation. Relevant global trends and drivers and Swedavia's objectives, targets and priorities provide the basis for the issues assessed.

Stakeholders are represented first by key people at Swedavia with good knowledge about and insight into the priorities of the different groups of stakeholders. Qualitative interviews were then conducted with representatives of the most important groups. Of Swedavia's seven main groups of stakeholders (see page 21), customers were given the greatest weight.

The last materiality analysis was carried out in late 2013. The findings for both 2015 and 2016 were then compared with trend analyses carried out. In 2016, the findings were also revised following executive management's decision concerning the Company's most important priorities, which led to the materiality aspect Safety and security being given higher priority. 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 possibly have a major impact on Swedavia's business. The time horizon is at least 3–5 years, but many trends are sustained in the longer term. These trends have been compiled under seven overall trend themes. All of these are considered to be certain and have a major impact, which means that Swedavia needs to plan for them; read more on pages 18–19.

The findings from the trend analysis and materiality analysis are integrated in Swedavia's vision, objectives and targets as strategies and practical operations. In 2016, a materiality analysis was carried out via a survey of stakeholders identified which serves as a basis for the Company's objectives and strategies.

EXTERNAL ASSURANCE

The sustainability information in the integrated report for 2016 was subject to a general review by Swedavia's auditors, Ernst & Young, in accordance with the Board's wishes. It was subsequently approved by Swedavia's Board of Directors.

Cross-reference table

Standard information

G4 information	Description	Page reference	Strategy and analysis
Strategy and analysis			
G4-1	Statement from most senior decision-maker	5-7	
Organisational profile			
G4-3	Name of the organisation	54	
G4-4	Primary brands, products and/or services	54	
G4-5	Location of organisation's headquarters	81	
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	81	
G4-7	Nature of ownership and legal form	81	
G4-8	Markets served	81	
G4-9	Scale of the reporting organization, including number of employees, number of operations, net revenue, total capitalisation (broken down in terms of debt/equity)	3	
G4-10		51	Winter season and snow removal entail seasonal hiring, but that does not constitute a significant share of the total number of employees
G4-11	Percentage of employees covered by collective bargaining agreements		100 per cent of Swedavia's employees are covered by collective bargaining agreements
G4-12	The Company's supply chain	41	
G4-13	Significant changes during the reporting period regarding size, structure, ownership and the value chain	54	
G4-14	How the precautionary principle is applied by the Company	56-57	
G4-15	External sustainability principles and initiatives that the organisation supports	49-50	
G4-16	Membership in associations such as industry associations	48, 50-51	
A0:G4-7	Environmental permits and other regulations in effect	35, 36, 46, 54, 58, 60	
A0:G4-8	Catchment areas for cargo and passengers	81	
A0:G4-9	Direct destinations and other information about airports' size etc.	23	At Swedavia's airports there are a total of 14 runways ranging in length from 800 to 3,350 metres. The total number of employees at the airports is 26,000. Transfer times at the airports that have transfers are 15 to 100 min. 119 air-lines (scheduled and charter service) performed 428,000 take-offs/landings in 2016
Identified material aspects and boundaries			
G4-17	Business units included/not included in the report	114	
G4-18	Process for defining report content	17, 114	
G4-19	Identified material aspects	17, 20-21	
G4-20	Boundaries of each aspect within the organisation	21, 114	
G4-21	Boundaries of each aspect outside the organisation	21, 114	
G4-22	Effect of change in information from previous reports		Any changes are noted for each indicator
G4-23	Changes from previous reporting periods concerning scope and boundaries		Any changes are noted for each indicator

Standard information (cont.)

G4 information	Description	Page reference	Strategy and analysis
Stakeholder engagement			
G4-24	List of stakeholder groups	17	
G4-25	Basis for identification and selection of stakeholders	17	
G4-26	Organisation's approach to stakeholder engagement, including frequency of engagement, specifically for preparing the report	17, 114	
G4-27	Key topics and concerns and the organisation's response to those key topics and concerns, including through its reporting	17, 114	
Report profile			
G4-28	Reporting period for the information provided	3	
G4-29	Date of the most recent previous report	3	
G4-30	Reporting cycle	3	
G4-31	Contact point for questions regarding the report and its contents	3	
G4-32	GRI content and scope	114	
G4-33	Policy for external assurance	114	
Governance			
G4-34	Governance structure of the organisation, including committees and Board responsibility for economic, environmental and social impact	62-67	
Ethics and integrity			
G4-56	Values, principles and codes of conduct	50, 59, 64	

Specific standard information

G4 information	Page reference	Strategy and analysis
Product and service labelling		
G4-Disclosure on Management Approach (DMA)	22-23, 27, 30	
G4-PR5 – Customer satisfaction	23, 30, 42	
Emissions		
G4-DMA	22-23, 27, 45	
G4-EN19 Reduced emissions and greenhouse gases (GHG)	45-46, 114	
Capacity		
G4-DMA	21, 27	
Own indicator – Punctuality	11, 32, 35, 36, 37	
Employees		
G4-DMA	21, 27, 48-49	
Own indicator – Engaged employees	23, 51	
Säkerhet		
G4-DMA	27, 48	
Own indicator – Accidents and serious incidents	23, 48-49	

Cross-reference table

UN Global Compact

Starting in 2012, Swedavia supports the United Nations Global Compact and its ten principles. Swedavia's Sustainability Report 2016 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 2016.

UN Global Compact 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	50
2. Businesses should make sure that they are not complicit in human rights abuses	50
Labour	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	50
4. Businesses should work to eliminate all forms of forced and compulsory labour	50
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	49-50
Environment	
7. Businesses should support a precautionary approach to environmental challenges	44-46
8. Businesses should undertake initiatives to promote greater environmental responsibility	44-46
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	44-46
Corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery	49

Definitions

ACCIDENTS AND INCIDENTS

The terms are defined by Regulation (EU) no 996/2010. In simple terms, an accident means (i) the death or serious injury of a person in conjunction with an aircraft during the flight, except from natural causes, (ii) damage to an aircraft that seriously affects its performance or (iii) an aircraft that is completely inaccessible. A serious incident means an incident involving circumstances indicating that there was a high probability that an accident with an aircraft could have occurred during the flight.

AIRCRAFT NOISE LEVEL

Aircraft noise level (ANL), a weighted equivalent noise level in which noise events in the evening and at night are assigned a heavier weight in the calculation.

AIRPORT OPERATIONS

Airport operations is one of Swedavia's two business segments. Owns, operates and develops Swedavia's airports.

ASQ

Airport Survey Quality, a passenger survey administered by ACI in which some 150 airports around the world take part.

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.

AVIATION BUSINESS

Services and infrastructure aimed at airlines and ground handling companies, such as take-off and landing services and security screening.

CABIN FACTOR

Cabin factor is a measure of the aircraft's utilisation rate and is calculated by dividing the number of passengers by the number of aircraft seats available.

COMMERCIAL REVENUE PER DEPARTING PASSENGER

Revenue from retail, food & beverage and parking divided by the number of departing passengers for the same period. A metric that the Group considers crucial for monitoring changes in commercial revenue.

COMMERCIAL SERVICES

Services connected to the airports, for instance rental of premises for commercial activities, offices, hotels, storage and logistics as well as leaseholds, parking operations and rental of advertising space.

COMPARABLE DATA

In contexts where Swedavia is mentioned before the Group was formed on April 1, 2010, refers to airport operations under LFV. This has been done to obtain comparable data.

DEBT/EQUITY RATIO

Net liabilities divided by equity. This financial ratio is what the owner uses as a capital structure target for the Group. The metric is considered to be directly linked to the Group's actual funding and financial risk.

EARNINGS PER SHARE

Profit for the year after tax divided by the average number of shares.

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.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities on the balance sheet consist of liabilities to credit institutions, corporate notes, commercial paper and liabilities to leasing companies.

INTERNATIONAL DIRECT DESTINATIONS

The number of international destinations is determined by the total number of cities outside Sweden that can be reached by direct flights in scheduled or charter operations from Swedavia's airports. Threshold values have been used in the calculation in order to filter out such charter flights that take place on an ad hoc basis and for which the general public cannot purchase tickets.

ISO 14001

ISO 14000 is an umbrella term for the internationally accepted standards for environmental management.

NATIONAL BASIC INFRASTRUCTURE OF AIRPORTS

Sweden's national basic infrastructure of airports consists of ten airports that the Government decided Swedavia should own. This decision is aimed at Sweden's national basic infrastructure consists of the ten airports the Government has determined Swedavia should own. The decision is aimed at securing long-term operations under the auspices of the State and a long-term sustainable air transport system that guarantees basic inter-regional access throughout the country.

NET LIABILITIES

Interest-bearing liabilities plus pension liability less liquid assets.

NET REVENUE

Swedavia's net revenue includes revenue from Aviation Business and from Commercial Services.

OPERATING CAPITAL

Equity including interest-bearing liabilities minus liquid assets.

OPERATING COSTS PER DEPARTING PASSENGER

Swedavia AB's total external costs and staff expenses 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.

PROFIT FOR THE YEAR

Profit after tax.

PUNCTUALITY

Punctuality is defined as when an aircraft is off block, that is, rolling out from the gate, within 15 minutes of the estimated departure time.

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.

RETURN ON OPERATING CAPITAL

Operating profit plus income 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.

SCI

Satisfied customer index.

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

Swedavia in partnership with

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