

Interim report

January – September 2019

“Smoother airports with a
focus on the customer”

Jonas Abrahamsson
President and CEO



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- During the first nine months of the year, Swedavia's airports had 30.8 million (32.1)¹ passengers, which is a 4.2 per cent decrease compared to the previous year
- Net revenue totalled SEK 4,671 M (4,424). The increase in net revenue is mainly due to the increase in airport charges and higher revenue from retail
- Operating profit was SEK 721 M (666). Restructuring costs of SEK 54 M were charged to operating profit due to the cost reduction and change programme decided in December 2018
- Operating profit excluding restructuring costs, capital gains, impairment losses and disposals was SEK 775 M (611). Last year, operating profit was positively affected by an earnout of SEK 55 M from the sale of S ave Airport
- Profit for the period was SEK 645 M (533) and was positively affected by SEK 102 M attributable to the capital gain from the sale of the company's holding in an associated company
- Investments for the Group during the first nine months of the year totalled SEK 2,421 M (2,267).
- As a result of the transition to IFRS 16 "Leases", operating profit increased SEK 14 M during the first nine months of the year. Due to the introduction of the new standard, the debt/equity ratio increased by 0.1 times. Last year, accounts were measured in accordance with IAS 17

KEY FINANCIAL FIGURES, GROUP ³

| | 2019 Jul-Sep | 2018 Jul-Sep | 2019 Jan-Sep | 2018 Jan-Sep | 2018 Jan-Dec |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| SEK M, unless otherwise indicated | | | | | |
| Net revenue | 1,600 | 1,511 | 4,671 | 4,424 | 5,922 |
| Operating profit | 373 | 335 | 721 | 666 | 682 |
| Operating profit excluding restructuring costs, capital gains, impairment losses and disposals ² | 384 | 335 | 775 | 611 | 711 |
| Operating margin, % | 23.3 | 22.2 | 15.4 | 15.1 | 11.5 |
| Operating margin excluding restructuring costs, capital gains, impairment losses and disposals, % ² | 24.0 | 22.2 | 16.6 | 13.8 | 12.0 |
| Profit for the period | 386 | 240 | 645 | 533 | 517 |
| Return on operating capital, % | 4.9 | 3.9 | 4.9 | 3.9 | 4.6 |
| Return on operating capital excluding restructuring costs, capital gains, impairment losses, and disposals, % ² | 5.1 | 4.5 | 5.1 | 4.5 | 4.7 |
| Debt/equity ratio, times | 1.3 | 1.1 | 1.3 | 1.1 | 1.1 |
| Cash flow from operating activities ⁴ | 642 | 336 | 1,591 | 877 | 1,359 |
| Capital spending | 821 | 749 | 2,421 | 2,267 | 3,195 |
| Average number of employees | 3,132 | 3,191 | 3,132 | 3,191 | 3,217 |
| Passengers, million | 11.2 | 11.6 | 30.8 | 32.1 | 42.0 |
| Operating costs per departing passenger, SEK ^{2, 3} | 170.2 | 162.6 | 201.9 | 193.0 | 200.7 |
| Commercial revenues per departing passenger, SEK ³ | 78.5 | 73.1 | 80.0 | 74.3 | 75.2 |

¹ Figures in parentheses are results for the corresponding period for the previous year, except for liquidity, financial position, and contingent liabilities and pledged assets, where the comparison is with the opening balance for the previous year

² The key metric is calculated excluding restructuring costs

³ Comparative periods have been adjusted because Swedavia Airport Telecom AB and Swedavia Energi AB were moved from the Real Estate segment to the Airport Operations segment at year-end 2018

⁴ Comparative periods have been adjusted in conjunction with the introduction of IFRS 16

⁵ For definitions of key metrics, see pages 22-23

Smoother airports with a focus on the customer

The access that air travel creates is an essential requirement for Sweden's competitiveness, economic growth and prosperity. Air travel links the different parts of the country together and links Sweden to the rest of the world, which enables trade, business and meetings between people and cultures. To meet our customers' continuously changing needs, we create the airports of the future. We are always striving to improve the customer experience and operate sustainable airports that offer smooth, efficient products for passengers, airlines and tenants.

There were 30.8 million passengers who flew to or from one of Swedavia's airports during the period January-September, which is a 4.2 per cent decrease compared to the same period last year. The decrease is most apparent in domestic travel, but international travel is also falling. There are a number of reasons for this. The climate discussion, concerns about a weaker general economic trend both in Sweden and around the world, and a historically weak Swedish krona are all factors that have an impact on air travel.

During the quarter, we were notified that we will unfortunately lose a number of important routes, which are being moved to other big airports nearby, which will have direct consequences for business in Sweden. Along with consequences for passenger traffic, this will also have negative effects for air cargo, which will affect logistics chains for many companies in the country. Air travel plays a critical role in attracting investments and in encouraging companies to set up operations both in metropolitan areas and in other parts of the country. In line with our mission, we will continue to work to ensure the access Sweden needs so that the country can also be competitive going forward.

Swedavia performed well during the first nine months of the year, with net revenue of SEK 4,671 M (4,424) and operating profit of SEK 721 M (666).

The company's development programmes are going according to plan, and during the period investments totalled SEK 2,421 M (2,267).

The change work under way to increase cost-effectiveness in both the short and long term at Swedavia entailed restructuring costs of SEK 54 M during the first nine months of the year.

PROGRESS IN THE WORK TO CHANGE AIR TRAVEL

Air travel will undoubtedly be an important mode of transport in the future as well, but there is also no doubt whatsoever that air travel must be transformed and become sustainable. Therefore a broader discussion is needed in society about how this is to be done, and one that goes beyond "flight shaming". I would warmly recommend a national mobilisation of resources dedicated to transforming air travel as well as developing the infrastructure that Stockholm Arlanda Airport constitutes and which is so vital to the country. This requires collaboration and dialogue between the aviation industry, political leaders, academia and the business community in general – in order to create a sustainable transport system that includes air travel and which provides the basis for Sweden's economic growth and competitiveness going forward as well.

At Swedavia, we are very proud of our environmental and sustainability work and the work we do to include the entire aviation industry in the journey towards the air travel of the future. We expect that Swedavia's own operations will not emit any fossil carbon dioxide after the end of 2020. It is also gratifying that we can now present our Green Bond Framework, which gives Swedavia even better financing opportunities and also a stamp of quality on our sustainability work.

DEVELOPMENT AND CAPACITY OPTIMISATION

After many years of uninterrupted passenger growth, we have been carrying out development programmes at our big airports for a number of years to alleviate the shortage of capacity that has gradually developed and increased. During the quarter, good progress was made.

At Bromma Stockholm Airport, we have now basically completed the major modernisation projects and plan to complete the programme in 2020.

At Göteborg Landvetter Airport, the terminal is being expanded to the south with the addition of three new gates connected by passenger bridge, and the work is going according to plan so that it can be completed during the second quarter of next year. To the north, work has begun on an upgraded baggage handling facility, and the framework of a new hotel is starting to take shape. During the quarter, we sold our holding in Landvetter Logistik Center, which we at Swedavia formed in partnership with Bockasjö in 2015, in line with our property development strategy. Under the scope of our partnership with Bockasjö we were able to realise a total profit of SEK 102 M.

Progress also continues at Stockholm Arlanda Airport, and the development projects there are now starting to attract more and more attention from our passengers. The extensive work we have carried out so far has in many ways been preparation for the renovation and new construction going on now in many places involved in the passenger flow. In the near future, this will lead to clear improvements at the airport that have long been desired, with more space at the gates and upgraded baggage systems with upgraded x-ray equipment. In the years ahead, a brand-new marketplace for shopping and restaurants will also be completed. Stockholm Arlanda will be the leading airport in the Nordic region, with smooth passenger flows, inspiring meeting places and, above all, a well-developed network of destinations and connections, contributing to Sweden's economic growth by connecting the country's different regions and connecting the entire country to the rest of the world.

AIRPORTS ARE HUBS FOR ACCESS

Airports are critical to access and create potential for trade, meetings and the linking of various transport modes. With the world in constant change, we airport operators also have to change in order to meet our customers' needs and demand.

It is very gratifying that our passengers are more satisfied than in a long time at many of our airports. In our customer experience survey, our overall result was two percentage points higher compared to last year. Among the results that stood out, Bromma Stockholm Airport had an increase of 18 percentage points compared to the same period last year. This makes me feel very proud and pleased that our measures to make travel easier and create a smoother, better passenger experience are yielding results.

We work continuously with our cost-effectiveness, and the savings programme we presented last autumn has now been largely implemented. With new targets and a more explicitly process-oriented way of working, we ensure going forward that Swedavia will create added value for our customers in a way that keeps us competitive and that we are an international role model in sustainability and contribute to Sweden's competitiveness and hospitality industry.

Jonas Abrahamsson
President and CEO



About Swedavia

Swedavia owns, operates and develops a network of ten airports in Sweden, 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 a competitive and international market. The company's role is to create the access Sweden needs to facilitate travel, business and meetings – in Sweden, elsewhere in Europe and the rest of the world. Swedavia's customers are passengers, airlines and tenants. At the same time, tenants and airlines are important partners in Swedavia's drive to create access and offer passengers – the mutual end-customer – a smooth, inspiring travel experience. In the work to attract airline investments, Swedavia competes with other airports. Safety, security and sustainable development with a focus on the customer are the basis of everything Swedavia does, both in its own operations and in society in general. Operations are run based on solid business principles, and the company shall build a long-term sustainable business through development, planning and operational efficiency. Engaged employees and a good workplace environment are crucial to Swedavia's operations. Swedavia shall continuously reduce its carbon footprint and help reduce the climate impact of the entire air transport industry.



SUSTAINABLE DEVELOPMENT AS A STRATEGIC FOCUS

Swedavia's strategic focus is based on three sustainability dimensions – social development, economy and environmental concern – combined with a focus on the customer.



OUR SUSTAINABILITY TARGETS

| | Actual ⁶ Sep 30, 2019 | Actual ⁶ Sep 30, 2018 | Targets 2019 | Targets 2025 |
|---|-------------------------------------|-------------------------------------|-----------------|-----------------|
| Satisfied passengers, % | 75 | 73 | 75 | 85 |
| Engaged leaders and employees, % ⁷ | 65 | 65 | 70 | 75 |
| Return on operating capital, % | 4.9 | 3.9 | 6.0 | 6.0 |
| Carbon dioxide emissions, tonnes ⁸ | 410 | 1,870 | 1,200 | 0 |
| Mixture of renewable jet fuel, % ⁹ | 0.1 | - | 0 | 5 |

⁶ The actual figure is for 12 rolling months

⁷ Starting in 2019, the key metric is measured every other year. The book value for 2019 pertains to the measurement in 2018.

⁸ For the overall environmental target of zero tonnes of fossil carbon dioxide emissions from the company's own operations, the target year is 2020.

⁹ Starting in 2019, Swedavia has supplemented its sustainability target with a target for air traffic at Swedavia's airports which shall use a 5 per cent mix of renewable fuel by 2025.

Mission

Swedavia is a State-owned company that owns, operates and develops Sweden's national basic infrastructure of airports – a network of airports that connects the whole country with the rest of the world. Our role is to create the access Sweden needs to facilitate travel, business and meetings.

Objective

Together, we enable people to meet.

Vision

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

Business concept

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

Values

- ➔ Reliable
- ➔ Innovative
- ➔ Engaged
- ➔ Welcoming

Important events

January – September

NEW GROUP ORGANISATION INTRODUCED

In December 2018, a new Group organisational structure for Swedavia was decided, which was implemented on January 1, 2019. The new organisation will help ensure that Swedavia has the conditions needed to gradually change its working methods, be more results- and process-oriented and create better potential to realise the company's strategies. In conjunction with the organisational change, Swedavia has a new executive management team to some extent and fewer people reporting directly to the President and CEO, Jonas Abrahamsson.

SWEDAVIA ANNOUNCES LAYOFFS

Swedavia has taken measures to ensure its competitiveness and meet changes in market conditions. The measures are aimed at ensuring efficiency and adjusting cost levels in both the short and long term. As a result of a cost reduction and change programme, on January 15 Swedavia notified the Swedish public employment agency Arbetsförmedlingen that it would lay off employees. A total of 125 full-year equivalent employees were affected, both in the corporate units and at Swedavia's airports. The executive management's decision served as a basis for collaborative negotiations with the trade unions. The organisation and these changes were implemented as of July 1, 2019.

NEW AIRPORT MAINTENANCE AREA AT STOCKHOLM ARLANDA AIRPORT

After five years of work, the new airport maintenance area at Stockholm Arlanda Airport was completed in February. The maintenance area houses many of Stockholm Arlanda's operational and maintenance functions such as the Airside and Landside field unit, surveillance, buses, runway lighting and vehicle workshops. Its mission is to make sure the airport's operations and maintenance work are in compliance with laws and regulations and based on the traffic situation. The new maintenance area was certified as "excellent" under Swedish environmental standards, and the change in location is part of the preparations for the new pier at Terminal 5.

NEW DIRECTOR OF FACILITIES AND SYSTEMS UNIT

In March, Swedavia appointed Caroline Ottoson, formerly CEO of the Swedish transport companies SL and Waxholmsbolaget, to be the new director of its Facilities and Systems unit and a new member of Swedavia's Group management. She assumed the position in August.

INVESTMENT DECISION ON STOCKHOLM ARLANDA AIRPORT

In March, Swedavia's Board of Directors made an implementation decision concerning the construction of a new pier and an expanded marketplace as well as a new central security checkpoint for all passengers in Terminal 5 at Stockholm Arlanda. This implementation is part of Stockholm Arlanda's development programme for 2016–2025, which includes total investments of SEK 17.3 billion in the period. The aim of Stockholm Arlanda's development programme is to meet current and future capacity needs and improve the passenger experience at the airport.

APPEAL ON AIRPORT CHARGES CONCLUDED

In October 2018, Swedavia made a pricing decision for 2019 which entailed an underlying increase in charges to airlines of 7.8 per cent

starting January 1, 2019. A number of airlines submitted an appeal to the Swedish Transport Agency concerning Swedavia's decision on airport charges for 2019, and the agency examined the matter. After examining the matter, the Swedish Transport Agency announced in mid-March that the decision on charges was properly made by Swedavia. The charges were introduced on January 1, 2019.

ANNUAL GENERAL MEETING

At the Annual General Meeting 2019, a new dividend policy was adopted. The policy stipulates that the normal dividend shall be between 10 and 50 per cent of profit after tax. Annual dividend decisions shall take into account the company's operations, implementation of the company's strategy and its financial position. In deciding the matter, special consideration shall be given to the company's assessed ability to achieve its capital structure target (a debt/equity ratio of 0.7–1.5 times) going forward. At the AGM, a new composition for the Board of Directors was also adopted. Swedavia's Board consists of chairman Åke Svensson and members Lars Backemar, Lottie Knutson, Lotta Mellström, Lottie Svedenstedt, Lars Mydland and Mikael Norman.

SAS STRIKE

In late April/early May, pilots at Scandinavian Airlines System (SAS) went on strike. The dispute lasted for seven days, from April 26 to May 2, and had an impact on traffic at all of Swedavia's airports.

SECURITAS NEW SECURITY SERVICES PROVIDER AT GÖTEBORG LANDVETTER AIRPORT

As of May 1, Securitas is the new security services provider at Göteborg Landvetter Airport. Prior to this, the airport was the only one of Swedavia's big airports at which security operations were carried out under Swedavia's auspices. As a result of the agreement, Securitas has responsibility for security screening operations, airport protection and patrolling at Göteborg Landvetter Airport. The agreement is for three years, with the option of an extension of up to four years.

INAUGURATION AND NEW TENANTS IN OFFICE ONE AT STOCKHOLM ARLANDA AIRPORT

Office One, with a total of 15,000 square metres of floor space, is Swedavia's largest office property venture located near its airports so far and was placed in service in the autumn of 2018. On May 15, United Spaces inaugurated its co-working facilities in Office One at Stockholm Arlanda Airport. Leases have been signed with a number of tenants this year.

DELIVERY OF BIO FUEL TO SWEDAVIA'S AIRPORTS

In early June, bio fuel was delivered to and used for refuelling aircraft at Stockholm Arlanda Airport, Göteborg Landvetter Airport, Malmö Airport, Umeå Airport and Åre Östersund Airport. Since 2016, Swedavia has purchased bio fuel equivalent to the amount used for the company's flights for business purposes. This investment is part of Swedavia's strategy to be fossil-free in its operations by 2020, to work to transform the aviation industry in the face of climate change and to achieve fossil-free Swedish air transport by 2045.

SWEDAVIA SIGNS TWO BILLION KRONOR CREDIT FACILITY

In June, Swedavia signed a credit facility for two billion Swedish kronor with the German state-owned bank KfW-IPEX Bank. The loan agreement runs for a maximum of ten years and is intended to finance Swedavia's development programme.

SWEDAVIA SELLS HOLDING IN LANDVETTER LOGISTIK CENTER

In September, Swedavia sold its 50 per cent holding in Landvetter Logistik Center. The buyer is its partner, Bockasjö, which is now the sole owner of the company. The sale gives Swedavia a capital gain of 102 million Swedish kronor and is in line with Swedavia's strategy to create value by developing properties in the vicinity of its airports in order to reinvest in the airports' competitiveness.

EVENTS AFTER THE END OF THE PERIOD

Swedavia has established a Green Bond Framework. The framework allows Swedavia to issue green bonds through its regular medium-term note programme and is based on the International Capital Market Association (ICMA)'s Green Bond Principles. The framework has been assessed by the independent Center for International Climate and Environmental Research Oslo (CICERO) and rated "light green".

Passenger trends

January – September

During the first three quarters of 2019, the number of passengers at Swedavia's airports fell 4.2 per cent, with a 8.1 per cent decrease in domestic and 2.3 per cent decrease in international passengers.

The airlines' supply, measured in the number of seats in the market, decreased 1.6 per cent. The fall in demand contributed to the somewhat lower load factor for airlines during the first nine months of the year.

All of Swedavia's airports saw a negative traffic trend during the first three quarters of 2019. However, half of Swedavia's airports saw positive growth in their international traffic, with Göteborg Landvetter posting the largest increase.

This year, scheduled European traffic is down slightly. Passenger volume decreased in domestic, charter and intercontinental traffic.

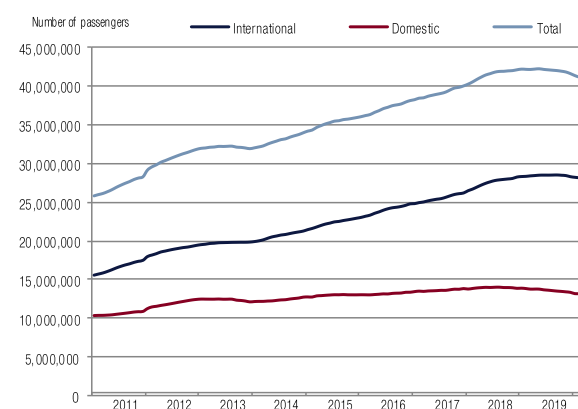
After many years of growth, passenger volume is now falling, which can also be measured over a rolling twelve-month period. The lower demand is considered to be the result of a number of factors such as concerns about weaker Swedish and global economic growth, the weak Swedish krona and the climate debate. Combined with Sweden's national aviation tax and generally higher costs for airlines, this has had an impact on demand and market prices.

July – September

During the third quarter of 2019, passenger volume continued to fall, but at a slower pace than during the first half of the year. It is primarily demand for domestic flights that continues to show a weak trend, whereas the demand for international flights is not decreasing as much as before. The number of international passengers fell 1.7 per cent while the number of domestic passengers fell 8.6 per cent. The airlines' capacity, measured in the number of seats in the market, showed a sharper decline during the quarter than during the first nine months combined, 2 per cent. During the third quarter, demand decreased to a greater extent than supply, measured by the number of seats, primarily in domestic traffic. That contributed to lower capacity.

PASSENGER TREND – SWEDAVIA

ROLLING TWELVE-MONTH TREND, APRIL 2010 – SEPTEMBER 2019



PASSENGER VOLUMES

- SWEDAVIA'S FIRST NINE MONTHS AND THE THIRD QUARTER OF 2019

| Passengers | Number of passengers Jan-Sep | | | Number of passengers Jul-Sep | | |
|---------------|------------------------------|-------------------|-----------------|------------------------------|-------------------|-----------------|
| | 2019 | 2018 | Per cent change | 2019 | 2018 | Per cent change |
| International | 21,535,000 | 22,049,000 | -2.3% | 8,229,000 | 8,371,000 | -1.7% |
| Domestic | 9,238,000 | 10,056,000 | -8.1% | 2,935,000 | 3,211,000 | -8.6% |
| Total | 30,773,000 | 32,106,000 | -4.2% | 11,164,000 | 11,582,000 | -3.7% |

Economic overview

Net revenue and operating profit

JANUARY–SEPTEMBER

Consolidated revenue for the period totalled SEK 4,671 M (4,424), which is an increase of SEK 247 M or 5.6 per cent compared to the same period the previous year.

Revenue from aviation business totalled SEK 2,953 M (2,772), which is an increase of SEK 181 M. Passenger- and aircraft-related revenue increased 9.7 per cent. The increase in revenue despite lower passenger volume is mainly due to the increase in airport charges. The change in airport charges is both the result of the pricing decision for 2019, an 8 per cent increase, and of retroactive adjustments based on the previous decision of 4 per cent.

Revenue from commercial services totalled SEK 1,699 M (1,630), which is an increase of SEK 69 M. Commercial revenue per passenger was SEK 80.0 (74.3).

Revenue from food & beverage was on a par with the figure last year while revenue from retail exceeded the figure last year as a result of increased revenue from tax- and duty-free operations. Revenue from car parking & parking facilities was lower compared to the previous year due to the decline in passengers.

The key metric operating costs per departing passenger was SEK 201.9 (193.0), an increase that is largely due to lower passenger volume. External costs were SEK 35 M lower compared to the previous year, with winter costs rising and costs for using external services falling. The transition to IFRS 16 resulted in a SEK 78 M decrease in operating costs.

Staff expenses, less capitalised labour costs and restructuring costs, decreased SEK 39 M compared to the previous year. Restructuring costs totalled SEK 54 M for the period. The restructuring programme, which was launched at the beginning of the year, is proceeding according to plan.

Depreciation and amortisation increased SEK 149 M compared to the previous year, which is largely explained by the placing in service of projects in the development programmes at Stockholm Arlanda and Bromma Stockholm as well as in IT during the first nine months of the year. Depreciation and amortisation also increased SEK 64 M as a result of the transition to IFRS 16.

Consolidated operating profit was SEK 721 M (666). The operating margin was 15.4 per cent (15.1).

JULY–SEPTEMBER

Consolidated revenue for the third quarter was SEK 1,600 M (1,511), which is an increase of SEK 89 M or 5.9 per cent compared to the previous year.

Revenue from aviation business totalled SEK 1,007 M (936), which is an increase of SEK 71 M. Revenue from commercial services for the third quarter was SEK 587 M (567), which was SEK 20 M higher than the previous year. The increase is explained by the continued positive trend for revenue from retail as well as by higher revenue from real estate during the third quarter. Revenue from food & beverage was in line with the figure last year while revenue from car parking & parking facilities decreased.

External costs increased SEK 18 M, with security costs above all higher than last year. The transition to IFRS 16 contributed to lower costs.

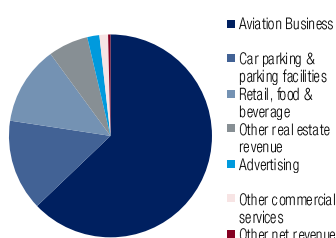
Staff expenses, less capitalised labour costs and restructuring costs, decreased SEK 37 M compared to the previous year. Restructuring costs totalled SEK 11 M during the third quarter.

Depreciation and amortisation increased SEK 52 M, which is explained by the placing in service of important investments at Bromma Stockholm and Stockholm Arlanda as well as in IT and by the transition to IFRS 16.

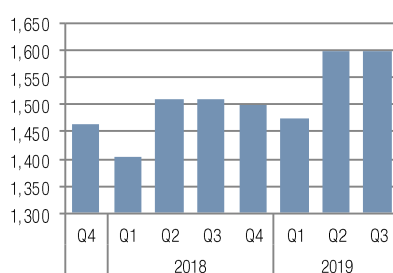
Consolidated operating profit was SEK 373 M (335). The operating margin was 23.3 per cent (22.2).

BREAKDOWN, NET REVENUE

Third quarter 2019

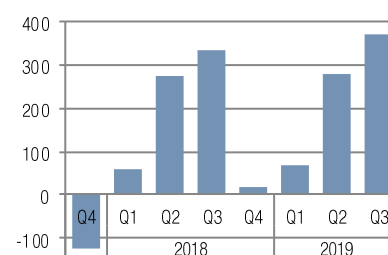


NET REVENUE, SEK M



OPERATING PROFIT, SEK M

(including capital gains)



Financial items

Net financial items for the period totalled SEK 75 M (-22). This positive figure is explained by a capital gain from the sale of the holding in an associated company of SEK 102 M. Compared to the previous year, interest-bearing liabilities increased, but net interest on borrowings increased marginally due to a lower average interest rate. Other net financial items totalled SEK -2 M (3) mainly as a result of the transition to IFRS 16. The share of profit from joint ventures had a positive effect on net financial items of SEK 51 M (48).

Net financial items for the third quarter totalled SEK 91 M (-17). There was a capital gain from the sale of a holding in an associated company of SEK 102 M, and the share of profit from joint ventures had a positive effect on net financial items of SEK 18 M (14).

Profit for the period

Profit before tax for the period totalled SEK 796 M (644) and profit for the period was SEK 645 M (533).

Profit before tax for the third quarter was SEK 464 M (318) and profit for the period was SEK 386 M (240).

Investments

During the period, investments totalled SEK 2,421 M (2,267), with investments in the airport operations segment totalling SEK 1,976 M (1,863). Important capital spending during the period was used to enhance capacity in Stockholm Arlanda Airport's and Göteborg Landvetter Airport's development programmes, but maintenance of the landing runways also represents a significant share of investments for the year.

Investments in Real Estate and property development totalled SEK 445 M (404). Important capital spending was for the construction of a hotel at Stockholm Arlanda Airport, a hotel at Göteborg Landvetter Airport and Office One, Sky City.

During the third quarter, investments totalled SEK 821 M (749).

Cash flow

Cash flow for the period totalled SEK 215 M (-46). Cash flow from operating activities was SEK 1,591 M (877), which is SEK 714 M lower compared to the same period last year. The difference is largely explained by the trend in operating capital, which had a positive effect on the third quarter compared to the same period last year. Investments for the period entailed payments of SEK 2,421 M while cash flow from financial assets had a positive effect of SEK 85 M.

Cash flow from financing operations totalled SEK 960 M (1,280). Bank loans increased SEK 1,000 M, commercial paper borrowings increased SEK 319 M, medium-term notes decreased SEK 298 M, and the balance on a line of credit decreased SEK 7 M.

During the period, lease liabilities of SEK 71 M (4) were repaid and other loan liabilities increased SEK 19 M (-).

The Annual General Meeting 2019 decided not to pay any dividend to the company's owner. Last year, SEK 122 M was paid out in dividends.

Cash flow for the third quarter totalled SEK 27 M (-168).

Liquidity and financial position

Consolidated equity at the end of the period was SEK 8,500 M (8,066).

Swedavia's loan liabilities at the end of the period totalled SEK 9,377 M (8,363), which is an increase of SEK 1,014 M. Swedavia's loan liabilities are broken down into bank loans of SEK 2,700 M (1,700), medium-term notes of SEK 4,752 M (5,150), commercial paper of SEK 1,925 M (1,506) and the balance on a line of credit of SEK - M (7). At the end of the period, the average capital tie-up period, which includes the effect of interest rate derivatives, was 4.2 years (4.2), and the average interest rate lock-in period was 3.6 years (2.7). The average interest rate as of September 30 was 1.0 per cent (1.0). On the balance sheet date, the nominal total of interest rate derivatives was SEK 3,500 M (2,500).

Liquid assets increased SEK 215 M and at the end of the period totalled SEK 225 M (10). Net liabilities increased SEK 1,884 M from SEK 9,195 M to SEK 11,079 M due to the introduction of IFRS 16 and increased borrowing as a result of the high investment pace. The debt/equity ratio was 1.3 times (1.1).

At the end of the period, Swedavia had unutilised credit facilities totalling 1,800 M (1,800), which reduces the company's refinancing risk and ensures access to capital.

On the balance sheet date, there was also a framework loan agreement with Nordic Investment Bank of SEK 2,000 M which allows loans with maturities of up to 10 years, with SEK 1,700 M (1,700) of this utilised. During the period, a framework loan agreement was signed with the German State-owned KfW-IPEX Bank for SEK 2,000 M, which allows loans with maturities of up to 10 years, with SEK 1,000 M (-) of this utilised.

The key metric net liabilities/EBITDA increased from 5.1 on December 31, 2018, to 5.6 on September 30, 2019. The key metric increased 0.5 due to the transition to IFRS 16.

The return on operating capital excluding restructuring costs, capital gains, impairment losses and disposals at the end of the period was 5.1 per cent (4.7).

SWEDAVIA'S FINANCIAL TARGETS

| | Actual Sep 30, 2019 | Target |
|----------------------------------|------------------------|---------|
| Return on operating capital, % | 4.9 | 6.0 |
| Debt/equity ratio, times | 1.3 | 0.7-1.5 |
| Dividend target, % ¹⁰ | - | 10-50 |

¹⁰ Pertains to the dividend pay-out ratio in accordance with the new dividend pay-out ratio policy adopted by the AGM 2019

KEY FINANCIAL METRICS

| | Actual Sep 30, 2019 | Actual Sep 30, 2018 | Actual Sep 31, 2018 | Policy |
|--|------------------------|------------------------|------------------------|--------|
| Average interest rate, % | 1.0 | 1.1 | 1.0 | n/a |
| Average interest rate lock-in period, year | 3.6 | 3.1 | 2.7 | 1-4 |
| Average capital tie-up period, years | 4.2 | 4.4 | 4.2 | 2-5 |

Employees

The average number of employees for the period October 1, 2018 – September 30, 2019, was 3,132 (3,191). The change is explained by the change in operations for security screening staff at Göteborg Landvetter Airport and the replacement of consultants with permanent staff, including in IT and Major Projects.

Risks and uncertainty factors

Risk is defined here as an event that affects the Group's prospects of achieving its operational goals and implementing its strategies. Swedavia works continuously to map, monitor and manage risks in its operations. Risk reports are prepared and presented to the Board of Directors on a quarterly basis. Swedavia's significant risks are described in the Annual Report 2018 on pages 65-71 and in Note 46. Swedavia's overall top risks consist of a reduction in air traffic, in which a decrease in passengers can have a negative effect on Swedavia in the form of lower revenue. A decrease can occur as an effect of aviation taxes introduced, the debate on climate change or the general economic trend. Swedavia has a small number of large airline customers, which could have a large impact on its operations in the event one of them were to have financial problems. There are also risks in the ability to meet the need for investments in capacity in the long term and carry them out in a sustainable and cost-effective way. There is also a risk of disruptions or interruptions in service in the airport's aviation and commercial operations as well as the risk of not being able to convert insights and customer needs quickly enough into new business opportunities. In conjunction with the transition from leases to concession agreements in retail, food & beverage operations, there are risks associated with the use of premises, the ability to satisfy customer wishes and the potential to maintain good relations with tenants. There is likewise the risk of not being able to attract and retain employees, which could lead to insufficient resources and competences, but Swedavia carries out proactive work on the workplace environment here. Furthermore, other external factors could affect Swedavia's performance.

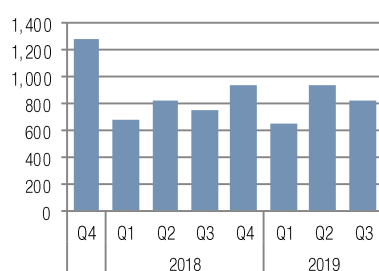
Parent Company

Net revenue and operating profit

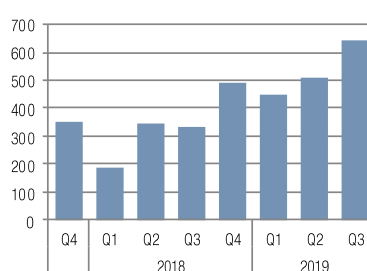
The Parent Company's net revenue for January through September was SEK 4,622 M (4,390), which is an increase of SEK 232 M. Operating profit totalled SEK 575 M (477) and the operating margin was 12.4 per cent (10.9). Profit before tax was SEK 513 M (414) and profit for the period was SEK 401 M (318).

During the third quarter, the Parent Company's net revenue totalled SEK 1,582 M (1,501), which is an increase of SEK 81 M. Operating profit totalled SEK 313 M (288) and the operating margin was 19.8 per cent (19.1). Profit before tax was SEK 288 M (269) and profit for the period was SEK 225 M (210). Dividends from subsidiaries had a positive effect on profit in 2018 of SEK 67 M.

INVESTMENTS, SEK M



CASH FLOW FROM OPERATING ACTIVITIES, SEK M



Consolidated income statement

| Amounts in SEK M | Note | 2019 Jul-Sep | 2018 Jul-Sep | 2019 Jan-Sep | 2018 Jan-Sep | 2018 Jan-Dec |
|--|----------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net revenue | 2, 6 | 1,600 | 1,511 | 4,671 | 4,424 | 5,922 |
| Other operating revenue | | 6 | 11 | 20 | 80 | 104 |
| Work performed by the company for its own use and capitalised | | 38 | 35 | 138 | 118 | 170 |
| External expenses | | -537 | -519 | -1,677 | -1,712 | -2,366 |
| Staff expenses | | -428 | -451 | -1,526 | -1,491 | -2,030 |
| Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets | | -304 | -252 | -900 | -751 | -1,103 |
| Other operating expenses | | -1 | 0 | -5 | -2 | -16 |
| Operating profit | 2 | 373 | 335 | 721 | 666 | 682 |
| Income from financial items | | | | | | |
| Income from holdings in associated companies and joint ventures | 9 | 120 | 14 | 153 | 48 | 53 |
| Interest income and similar items | | 4 | 1 | 7 | 2 | 3 |
| Interest expenses and similar items | | -33 | -32 | -85 | -73 | -96 |
| Profit before tax | | 464 | 318 | 796 | 644 | 642 |
| Tax | | -78 | -79 | -151 | -111 | -126 |
| Profit for the period | | 386 | 240 | 645 | 533 | 517 |
| Earnings per share | | | | | | |
| Earnings per share before and after dilution, SEK | | 0.27 | 0.17 | 0.45 | 0.37 | 0.36 |
| The total number of shares was 1,441,403,026 for all periods | | | | | | |

Consolidated statement of comprehensive income

| Amounts in SEK M | Note | 2019 Jul-Sep | 2018 Jul-Sep | 2019 Jan-Sep | 2018 Jan-Sep | 2018 Jan-Dec |
|--|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Profit for the period | | 386 | 240 | 645 | 533 | 517 |
| Other comprehensive income: | | | | | | |
| Items that can be reclassified to the income statement | | | | | | |
| Cash flow hedges | | | | | | |
| Items reclassified to the income statement | | 0 | -1 | -1 | 0 | 1 |
| Change in fair value for the period | | -66 | 17 | -178 | 59 | 57 |
| Tax | | 14 | -3 | 37 | -13 | -13 |
| Other comprehensive income from joint ventures, net after tax | | -2 | 2 | -10 | 4 | 4 |
| Items that cannot be reclassified to the income statement | | | | | | |
| Revaluations of defined benefit pensions | | -33 | 0 | -33 | -16 | -54 |
| Tax | | 7 | 0 | 7 | 4 | 12 |
| Total other comprehensive income, net after tax | | -80 | 15 | -178 | 37 | 7 |
| Comprehensive income for the period | | 307 | 254 | 468 | 570 | 523 |

Consolidated balance sheet

| Amounts in SEK M | Note | Sep 30, 2019 | Sep 30, 2018 | Dec 31, 2018 |
|--|----------|---------------|---------------|---------------|
| ASSETS | 2 | | | |
| NON-CURRENT ASSETS | | | | |
| Intangible non-current assets | | 769 | 650 | 777 |
| Tangible non-current assets | | 17,565 | 16,175 | 16,213 |
| Right-of-use assets | | 1,076 | 48 | 44 |
| Non-current financial assets | | 1,145 | 1,165 | 1,192 |
| Total non-current assets | | 20,555 | 18,038 | 18,225 |
| CURRENT ASSETS | | | | |
| Materials and supplies | | 55 | 46 | 47 |
| Trade receivables | | 575 | 552 | 575 |
| Receivables from associated companies | | 14 | 71 | 20 |
| Other receivables | | 255 | 145 | 220 |
| Prepaid expenses and accrued income | | 111 | 174 | 154 |
| Derivative instruments | 4 | 4 | 10 | 31 |
| Liquid assets | | 225 | 12 | 10 |
| Total current assets | | 1,239 | 1,010 | 1,057 |
| Assets held for sale | 7 | 711 | - | 442 |
| TOTAL ASSETS | | 22,505 | 19,048 | 19,725 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Share capital | | 1,441 | 1,441 | 1,441 |
| Other paid-in capital | | 2,162 | 2,162 | 2,162 |
| Hedge reserve | | 124 | -17 | -18 |
| Retained earnings | | 4,773 | 4,527 | 4,480 |
| Total equity | | 8,500 | 8,113 | 8,066 |
| NON-CURRENT LIABILITIES | | | | |
| Provisions ¹¹ | | 978 | 1,002 | 947 |
| Deferred tax liability | | 441 | 482 | 488 |
| Interest-bearing liabilities | | 6,727 | 6,225 | 6,027 |
| Lease liability | | 995 | 41 | 38 |
| Derivative instruments | 4 | 225 | 68 | 76 |
| Other non-current liabilities | | 144 | 23 | 23 |
| Total non-current liabilities | | 9,510 | 7,840 | 7,599 |
| CURRENT LIABILITIES | | | | |
| Provisions | | 148 | 4 | 121 |
| Interest-bearing liabilities | | 2,675 | 1,735 | 2,364 |
| Lease liability | | 115 | 13 | 13 |
| Trade payables | | 636 | 504 | 651 |
| Other liabilities | | 123 | 150 | 161 |
| Liabilities to associated companies | | 6 | 0 | 0 |
| Accrued expenses and prepaid income | | 769 | 689 | 750 |
| Total current liabilities | | 4,473 | 3,095 | 4,059 |
| Liabilities attributable to assets held for sale | 7 | 22 | - | 2 |
| TOTAL EQUITY AND LIABILITIES | | 22,505 | 19,048 | 19,725 |

¹¹ Pension and related payroll tax receivable are netted. The comparative period has been restated.

Consolidated change in equity

| Amounts in SEK M | Note | Sep 30, 2019 | Sep 30, 2018 |
|-------------------------------------|------|--------------|--------------|
| GROUP | | | |
| Equity, opening balance | | 8,066 | 7,665 |
| Adjustments | 1 | -34 | - |
| Comprehensive income for the period | | 468 | 570 |
| Dividend | | - | -122 |
| Equity, closing balance | | 8,500 | 8,113 |

Consolidated cash flow statement

| Amounts in SEK M | Note | 2019 Jul-Sep | 2018 Jul-Sep | 2019 Jan-Sep | 2018 Jan-Sep | 2018 Jan-Dec |
|--|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating activities | | | | | | |
| Profit before tax | | 464 | 318 | 796 | 644 | 642 |
| Adjustments for items not included in cash flow etc. | | 175 | 244 | 799 | 687 | 989 |
| Tax paid | | -44 | -44 | -146 | -92 | -135 |
| Cash flow from operating activities before changes in working capital | | 594 | 518 | 1,448 | 1,239 | 1,496 |
| Cash flow from changes in working capital | | | | | | |
| Increase(-)/Decrease(+) in materials and supplies | | -2 | -1 | -8 | -2 | -2 |
| Increase(-)/Decrease(+) in operating receivables | | 233 | -17 | 107 | 27 | -1 |
| Increase(+)/Decrease(-) in operating liabilities | | -183 | -163 | 44 | -387 | -134 |
| Cash flow from operating activities | | 642 | 336 | 1,591 | 877 | 1,359 |
| Investing activities | | | | | | |
| Disposal of subsidiaries | | - | 55 | - | 55 | 55 |
| Acquisitions/disposal of intangible non-current assets | | -6 | -37 | -49 | -76 | -224 |
| Acquisitions/disposal of tangible fixed assets | | -815 | -715 | -2,372 | -2,182 | -2,955 |
| Acquisitions/disposal of other financial assets | | 31 | 1 | 85 | - | - |
| Cash flow from investing activities | | -791 | -696 | -2,337 | -2,203 | -3,124 |
| Financing activities | | | | | | |
| Borrowings raised | | 200 | 184 | 2,170 | 3,284 | 3,805 |
| Borrowings repaid | | - | - | -1,157 | -1,880 | -1,980 |
| Repaid lease liabilities | | -27 | -3 | -71 | -4 | -9 |
| Increase(+)/Decrease(-) in other financial liabilities | | 4 | 11 | 19 | - | 23 |
| Dividend paid | | - | - | - | -122 | -122 |
| Cash flow from financing activities | | 176 | 192 | 960 | 1,280 | 1,717 |
| Cash flow for the period | | 27 | -168 | 215 | -46 | -48 |
| Liquid assets at the beginning of the period | | 197 | 181 | 10 | 58 | 58 |
| Liquid assets at the end of the period | | 225 | 12 | 225 | 12 | 10 |

Parent Company income statement

| Amounts in SEK M | Note | 2019 Jul-Sep | 2018 Jul-Sep | 2019 Jan-Sep | 2018 Jan-Sep | 2018 Jan-Dec |
|--|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net revenue | | 1,582 | 1,501 | 4,622 | 4,390 | 5,873 |
| Other operating income | | 6 | 11 | 20 | 25 | 49 |
| Work performed by the company for its own use and capitalised | | 38 | 35 | 138 | 118 | 170 |
| External expenses | | -600 | -551 | -1,844 | -1,794 | -2,453 |
| Staff expenses | | -434 | -452 | -1,535 | -1,499 | -2,083 |
| Depreciation/amortisation and impairment losses on tangible fixed assets and intangible non-current assets | | -279 | -255 | -822 | -762 | -1,111 |
| Other operating expenses | | -1 | 0 | -5 | -2 | -16 |
| Operating profit | | 313 | 288 | 575 | 477 | 429 |
| Income from financial items | | | | | | |
| Interest income and similar items | | 7 | 4 | 17 | 11 | 15 |
| Interest expenses and similar items | | -32 | -23 | -78 | -73 | -97 |
| Profit after financial items | | 288 | 269 | 513 | 414 | 346 |
| Appropriations | | - | - | - | - | 44 |
| Profit before tax | | 288 | 269 | 513 | 414 | 390 |
| Tax | | -63 | -59 | -112 | -96 | -118 |
| Profit for the period | | 225 | 210 | 401 | 318 | 272 |

Parent Company statement of comprehensive income

| Amounts in SEK M | Note | 2019 Jul-Sep | 2018 Jul-Sep | 2019 Jan-Sep | 2018 Jan-Sep | 2018 Jan-Dec |
|--|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Profit for the year | | 225 | 210 | 401 | 318 | 272 |
| Other comprehensive income | | - | - | - | - | - |
| Comprehensive income for the year | | 225 | 210 | 401 | 318 | 272 |

Parent Company balance sheet

| Amounts in SEK M | Note | Sep 30, 2019 | Sep 30, 2018 | Dec 31, 2018 |
|---|------|---------------|---------------|---------------|
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Intangible non-current assets | | 677 | 583 | 703 |
| Tangible fixed assets | | 16,383 | 14,978 | 15,249 |
| Total financial assets | 3 | 1,113 | 1,090 | 1,132 |
| Non-current assets | | 18,172 | 16,651 | 17,083 |
| CURRENT ASSETS | | | | |
| Materials and supplies | | 51 | 43 | 44 |
| Current receivables | 3 | 2,765 | 2,288 | 2,645 |
| Liquid assets | | 219 | 6 | 5 |
| Total current assets | | 3,035 | 2,337 | 2,694 |
| Total assets | | 21,207 | 18,987 | 19,777 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Restricted equity | | | | |
| Share capital (1,441,403,026 shares) | | 1,441 | 1,441 | 1,441 |
| Reserve for development expenditures | | 38 | 48 | 44 |
| Unrestricted equity | | | | |
| Retained earnings/Share premium reserve | | 4,742 | 4,455 | 4,460 |
| Profit for the period | | 401 | 318 | 272 |
| Total equity | | 6,623 | 6,263 | 6,217 |
| Untaxed reserves | | 2,035 | 2,000 | 2,035 |
| Provisions | | 1,429 | 1,345 | 1,367 |
| Non-current liabilities | | 6,823 | 6,241 | 6,040 |
| Current liabilities | 3 | 4,297 | 3,139 | 4,117 |
| TOTAL EQUITY AND LIABILITIES | | 21,207 | 18,987 | 19,777 |

Notes

NOTE 1. ACCOUNTING PRINCIPLES

GENERAL

This interim report was prepared in conformity with IAS 34, "Interim Financial Reporting" and applicable standards of Sweden's Annual Accounts Act. Disclosure requirements stipulated in IAS 34 have been applied both in the notes and elsewhere in the interim report. The Parent Company has prepared the interim report in accordance with the Annual Accounts Act Chapter 9, "Interim Reports".

The Group's reporting is in millions of Swedish kronor, SEK M, unless otherwise indicated. Rounding differences may occur.

New accounting principles

As of January 1, 2019, Swedavia applies IFRS 16 "Leases". When a contract is entered into, Swedavia assesses whether the contract is, or includes, a lease. A contract is, or includes, a lease if the contract transfers the right to control the use of an identified asset during a given period in exchange for payment.

As a lessee, Swedavia recognises a right-of-use asset and a lease liability on the lease commencement date. The right-of-use asset is measured initially at cost, which consists of the original value of the lease plus lease charges paid on or prior to the lease commencement date plus any initial direct costs. The right-of-use asset is then depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the underlying asset's period of use or the end of the lease term.

The lease liability is initially measured at the present value of future lease charges that have not been paid by the lease commencement date. The lease charges are discounted using the rate implicit in the lease. If this rate cannot easily be determined, the Group's incremental borrowing rate is used.

The lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured if the future lease charges change, including as a result of changes in an index or a rate. When the lease liability is remeasured in this way, a corresponding adjustment is made in the book value of the right-of-use asset.

In accordance with IFRS 16 5a and 5b, Swedavia has chosen to apply a simplified approach to short-term leases and contracts with a low value of the underlying asset, which means that the cost is recognised on a straight-line basis over the lease term, while no right-of-use asset or lease liability is recognised. Swedavia has chosen not to distinguish lease components from non-lease components for each class of underlying assets under IFRS 16 p15.

Summary of effects of the transition to IFRS 16 "Leases"

The following paragraph concerns leases in which Swedavia is the lessor. Swedavia has not needed to make any adjustments in contracts in which Swedavia is the lessor.

Swedavia previously classified leases as operational or finance leases based on whether the lease transferred significant risks and benefits that ownership of the underlying asset entails to the Group. Under IFRS 16, Swedavia recognises right-of-use assets and lease liabilities for most leases – in other words, leases are included in the balance sheet. Exceptions are specified in the text below and in the accounting principles for leases.

To determine opening balances for the leases previously classified as operational, Swedavia has chosen to apply a modified

retrospective approach, which means that any transition effects are adjusted in the opening balance of equity for 2019 and no restatement was made for the previous year. Lease charges are discounted using the incremental borrowing rate (IBR) on the initial application date. In accordance with IFRS 16 appendix C p10a, Swedavia has chosen to apply a single discount rate on a portfolio of leases with somewhat similar qualities such as leases with a similar remaining lease term and a similar class of underlying assets. The discount rate is based on Swedavia's IBR. The weighted average IBR used on the application date to discount future lease charges is 2.92 per cent. Swedavia has chosen the option of measuring, for each contract, the right-of-use of all contracts as though the standard had been applied since the initial date under IFRS 16 appendix C p8b i.

On the initial application date, initial direct costs were excluded from the measurement in accordance with IFRS 16 appendix C p10d. Assessments, for example, to determine the lease term if the contract includes options to extend or cancel the lease were subsequently made in accordance with IFRS 16 C p10e. In accordance with IFRS 16 C p10c, Swedavia has also chosen not to recognise right-of-use assets and lease liabilities for leases whose lease terms end in 12 months or less.

Swedavia has a number of leases that are recognised as finance leases under IAS 17. No adjustments in the values of assets or liabilities for these were made in the opening balance. However, the assets in question have been reclassified from other tangible fixed assets to right-of-use assets, while the liabilities have been reclassified from interest-bearing liabilities to lease liabilities.

On January 1, 2019, Swedavia recognised additional lease liabilities of SEK 1,117 M, right-of-use assets of SEK 1,096 M and deferred tax receivables of SEK 9 M in the Group while prepaid lease costs were reduced SEK 22 M, for a net reduction in equity of SEK 34 M on January 1, 2019. In the Annual Report 2018, Swedavia recognised operational lease obligations of SEK 1,318 M. The difference between the present value of these lease obligations and the additional lease liability recognised on January 1, 2019, is immaterial.

The income statement for the third quarter of 2019 and the first nine months of the year with current and previous accounting principles is shown below.

| Income Statement Jan-sep 2019 | Group | | | |
|--|--------------|--------------|--------------|--------------|
| | Jul-sep | | Jan-sep | |
| Amounts in SEK M | IFRS 16 | IAS 17 | IFRS 16 | IAS 17 |
| Total revenue | 1,644 | 1,644 | 4,829 | 4,829 |
| Operating expenses | -967 | -991 | -3,208 | -3,286 |
| Depreciation, amortisation and impairment losses | -304 | -283 | -900 | -836 |
| Operating profit | 373 | 370 | 721 | 707 |
| Income from financial items | 91 | 99 | 75 | 99 |
| Profit before tax | 464 | 468 | 796 | 806 |
| Tax | -78 | -79 | -151 | 99 |
| Profit for the period | 386 | 390 | 645 | 653 |

As a result of the transition to IFRS 16, the portion of the lease charges paid down is now recognised as a payment in financing activities instead of being included in operating activities. This means that the cash flow from operating activities for the first three quarters of 2019 is SEK 71 M higher while cash flow from

financing activities is now SEK 71 M lower compared to if previous accounting principles had been used for the period.

RELATED PARTY TRANSACTIONS

Related party transactions involve transactions with State-owned companies and enterprises as well as government agencies. Related parties also include companies over which Swedavia can exercise a controlling interest. Costs arise mostly from meteorological services, fees to government authorities and air traffic management services, which are largely included in the costs reimbursed by the Swedish Transport Agency. The transactions are carried out at market prices and on standard commercial terms.

PARENT COMPANY

The Parent Company has prepared the interim report in accordance with Sweden's Annual Accounts Act Chapter 9, "Interim Reports".

NOTE 2. SEGMENT REPORTING

Swedavia's operations are organised and managed in two operating segments, Airport Operations and Real Estate. The highest executive decision-maker at Swedavia is identified as the president and CEO of the Parent Company.

- **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 around Swedavia's airports. Most revenue consists of rental income

The basis of segment reporting is the Group's internal reporting. The Board of Directors and executive management mainly use operating profit by segment for their monitoring. The capitalisation of financial expenses, IFRS 16 "Leases", financial income and income tax are handled at the Group level. The accounting principles otherwise conform to those applied in consolidated financial reporting.

SEGMENT REPORTING, NOTE 2

| Income statement Jul-Sep Amounts in SEK M | Airport Operations | | Real Estate | | Eliminations/adjustments ¹² | | Group | |
|---|--------------------|--------------|-------------|-----------|--|-----------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Net revenue, external | 1,596 | 1,511 | 3 | 1 | | | 1,600 | 1,511 |
| Net revenue, internal | 4 | 3 | 3 | 1 | -7 | -4 | - | - |
| Other operating income, external | 6 | 11 | 0 | 0 | | | 6 | 11 |
| Work performed by the company for its own use and capitalised, external | 38 | 35 | | - | | | 38 | 35 |
| Total revenue | 1,644 | 1,559 | 6 | 2 | -7 | -4 | 1,644 | 1,557 |
| Operating expenses | -991 | -967 | -11 | -8 | 35 | 5 | -967 | -970 |
| Depreciation, amortisation and impairment losses | -275 | -251 | -4 | 0 | -25 | | -304 | -252 |
| Operating profit | 378 | 341 | -9 | -6 | 3 | - | 373 | 335 |

| Income statement Jan-Sep Amounts in SEK M | Airport Operations | | Real Estate | | Eliminations/adjustments ¹² | | Group | |
|--|--------------------|--------------|-------------|-----------|--|------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Net revenue, external | 4,663 | 4,423 | 9 | 2 | | | 4,671 | 4,424 |
| Net revenue, internal | 18 | 11 | 13 | 8 | -31 | -19 | - | - |
| Other operating income, external | 20 | 25 | 0 | 55 | - | - | 20 | 80 |
| and capitalised, external | 138 | 118 | - | - | - | - | 138 | 118 |
| Revenue, internal | | | | | | | - | - |
| Total revenue | 4,839 | 4,577 | 22 | 65 | -31 | -19 | 4,829 | 4,623 |
| Operating expenses | -3,287 | -3,205 | -41 | -20 | 120 | 19 | -3,208 | -3,205 |
| Depreciation, amortisation and impairment losses | -811 | -750 | -13 | -1 | -75 | - | -900 | -751 |
| Operating profit | 740 | 623 | -32 | 44 | 14 | - | 721 | 666 |

| Balance sheet Amounts in SEK M | Airport Operations | | Real Estate | | Eliminations/adjustments ¹² | | Group | |
|---|--------------------|---------------|--------------|--------------|--|---------------|---------------|---------------|
| | Sep 30, 2019 | Sep 30, 2018 | Sep 30, 2019 | Sep 30, 2018 | Sep 30, 2019 | Sep 30, 2018 | Sep 30, 2019 | Sep 30, 2018 |
| Non-current assets | 18,271 | 16,699 | 2,514 | 1,966 | -230 | -627 | 20,555 | 18,038 |
| Current assets | 3,055 | 2,364 | 179 | 54 | -1,995 | -1,408 | 1,239 | 1,010 |
| Assets held for sale | - | - | - | - | 711 | - | 711 | - |
| Total assets | 21,326 | 19,063 | 2,693 | 2,021 | -1,514 | -2,035 | 22,505 | 19,048 |
| Equity | 8,707 | 8,282 | 659 | 545 | -866 | -714 | 8,500 | 8,113 |
| Liabilities | 12,620 | 10,781 | 2,034 | 1,475 | -671 | -1,321 | 13,983 | 10,935 |
| Liabilities related to assets held for sale | - | - | - | - | 22 | - | 22 | - |
| Total equity and liabilities | 21,326 | 19,063 | 2,693 | 2,021 | -1,514 | -2,035 | 22,505 | 19,048 |

¹² Eliminations consist of intra-Group transactions, and adjustments consist of consolidating adjustments.

¹³ Comparative periods have been adjusted as a result of Swedavia Airport Telecom AB and Swedavia Energi AB being moved from the Real Estate segment to the Airport Operations segment

NOTE 3. RECEIVABLES FROM GROUP COMPANIES

Receivables from Group companies pertain mostly to loans funding the Swedavia Real Estate group.

NOTE 4. FINANCIAL INSTRUMENTS, FAIR VALUE**MEASUREMENT AT FAIR VALUE**

For current receivables and liabilities, such as trade receivables and trade payables, with a remaining life of less than six months, the recognised value is considered to reflect the fair value.

Fair value for interest-bearing liabilities is calculated by discounting the future cash flow of the amount of capital and interest discounted at the current market interest rate. All derivatives on the balance sheet date are classified under Level 2, which means prices for derivatives can be determined through directly or indirectly quoted prices based on observable market data.

The Group has entered ISDA agreements for derivatives, which allow set-off, for instance, against payments. There is no net accounting. The Group's lease liabilities have not been measured at fair value. Lease liabilities at book value have not been included in the compilation below.

| Amounts in SEK M | Group | |
|--|----------------|----------------|
| | 2019 Sep 30 | 2018 Dec 31 |
| Loan receivables and trade receivables | 1,145 | 886 |
| Other financial liabilities | -10,223 | -9,175 |
| Derivatives | -202 | -23 |
| Total | -9,281 | -8,314 |
| Total book value | -10,368 | -8,312 |

NOTE 5. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Swedavia's pledged assets consist of shares and holdings in the joint ventures Swedish Airport Infrastructure KB and Swedish Airport Infrastructure AB. The book value was SEK 910 M (935).

Swedavia's contingent liabilities consist of pension obligations in endowment insurance owned by the company, totalling 10 M (8). The guarantee reported for the joint venture Landvetter Logistik Center AB, previously owned together with Bockasjö, is no longer in place since the holding in the joint venture was sold during the third quarter, SEK - M (70).

In addition to the contingent liabilities mentioned above, Swedavia has obligations related to environmental requirements. In its operations, Swedavia handles chemical substances and products, and is responsible for waste, atmospheric emissions, discharges to water, contamination and other environmental impacts at Swedavia's airports. Swedavia's obligations pertain to events after the company was formed.

NOTE 6. NET REVENUE

| Group, amounts in SEK M | 2019 Jul-Sep | 2018 Jul-Sep | 2019 Jan-Sep | 2018 Jan-Sep | 2018 Jan-Dec |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Breakdown of net revenue | | | | | |
| <i>Aviation Business</i> | | | | | |
| Passenger-related revenue | 504 | 506 | 1,381 | 1,392 | 1,821 |
| Aircraft-related revenue | 221 | 155 | 659 | 467 | 623 |
| Externally regulated charges | 183 | 179 | 551 | 548 | 748 |
| Ground handling | 54 | 53 | 209 | 211 | 294 |
| Other additional services | 45 | 43 | 153 | 153 | 210 |
| | 1,007 | 936 | 2,953 | 2,772 | 3,696 |
| <i>Commercial Services</i> | | | | | |
| Car parking & parking facilities | 233 | 238 | 671 | 678 | 903 |
| Retail, food & beverage | 201 | 180 | 552 | 509 | 676 |
| Real estate revenue | 102 | 99 | 330 | 308 | 421 |
| Advertising | 31 | 34 | 89 | 85 | 123 |
| Other commercial services | 20 | 16 | 58 | 49 | 68 |
| | 587 | 567 | 1,699 | 1,630 | 2,191 |
| Other net revenue | 6 | 8 | 19 | 23 | 35 |
| Total net revenue | 1,600 | 1,511 | 4,671 | 4,424 | 5,922 |

Swedavia's geographic market is Sweden. Swedavia's airports are run, consolidated and reported internally as a single airport system.

Of net revenue for the first three quarters, SEK 4,671 M, SEK 22 M (10) pertains to Real Estate, broken down into real estate revenue of SEK 14 M (6), other commercial products of SEK 7 M (4) and other net revenue of SEK 1 M (0). For the full year 2018, the figure was SEK 14 M, broken down into real estate revenue of SEK 9 M, other commercial products of SEK 4 M and other net revenue of SEK 1 M.

During the first nine months of the year, revenue from contracts with customers under IFRS 15 was SEK 3,933 M (3,734) and includes total net revenue except for retail and food & beverage products of SEK 552 M (509) as well as parts of the real estate revenue product of SEK 187 M (181). For the full-year 2018, the corresponding figures were SEK 676 M and SEK 245 M. Last year's figures for the segments were restated since Swedavia Airport Telecom AB and Swedavia Energi AB were moved from the Real Estate segment to the Airport Operations segment at the end of last year.

NOTE 7. ASSETS HELD FOR SALE

In December 2017, Swedavia signed an agreement to sell the company that owns the property at Stockholm Arlanda Airport on which a future major hotel is now under construction. Under the agreement, the transfer will take place in November 2019 when the hotel is operational.

Assets classified as "held for sale" consist of investment properties with a book value of SEK 695 M and operating assets of SEK 16 M. Assets held for sale are not depreciated from the time of their reclassification. The assets are financed through intra-Group loans. Liabilities related to assets held for sale totalled SEK 22 M and consist mainly of operating liabilities.

NOTE 8. SUPPLEMENTARY INFORMATION FOR KEY FINANCIAL DATA**DEBT/EQUITY RATIO (LEVERAGE)**

Swedavia's debt/equity ratio is affected by the pension liability trend. The pension liability and pension provision less payroll tax receivable totalled SEK 793 M on September 30, 2019, and SEK 738 M on September 30, 2018. On December 31, 2018, the figure was SEK 765 M.

RETURN ON OPERATING CAPITAL EXCLUDING CAPITAL GAINS, IMPAIRMENT LOSSES, DISPOSALS AND RESTRUCTURING

In calculating this financial ratio as of September 2019, operating profit for the rolling 12-month period was adjusted by restructuring costs of SEK 54 M, impairment losses and disposals of SEK 84 M and capital gains of SEK 105 M. As of September 2018, operating profit for the rolling 12-month period was adjusted by impairment losses and disposals of SEK 160 M and an earnout of SEK 55 M. Operating profit for January-December 2018 was adjusted for impairment losses and disposals of SEK 84 M, a capital gain of SEK 3 M and an earnout of SEK 55 M.

NOTE 9. SALE OF ASSOCIATED COMPANY

In September, Swedavia sold its 50 per cent holding in the associated company Landvetter Logistik Center AB. The sale of the company resulted in a capital gain of SEK 102 M.

NOTE 10. EVENTS AFTER THE END OF THE PERIOD

Swedavia has established a Green Bond Framework. The framework allows Swedavia to issue green bonds through its regular medium-term note programme and is based on the International Capital Market Association (ICMA)'s Green Bond Principles. The framework has been assessed by the independent Center for International Climate and Environmental Research Oslo (CICERO) and rated "light green".

Definitions

AIRPORT OPERATIONS

Airport Operations is one of Swedavia's two operating segments. Owns, operates and develops Swedavia's airports.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees is calculated based on hours worked, 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 twelve-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 for the previous year divided by two.

AVIATION BUSINESS

Infrastructure services aimed at airlines and ground handling companies, such as take-off and landing services and security screening.

CAPITAL TIE-UP PERIOD

Volume-weighted average remaining maturity for interest-bearing liabilities with respect to interest rate derivatives at the end of the period. This metric tracks the Group's financial risk.

COMMERCIAL REVENUE PER DEPARTING PASSENGER

Revenue from retail, food & beverage and car parking & parking facilities divided by the number of departing passengers for the same period. A metric that the Group considers crucial for monitoring changes in commercial revenue.

COMMERCIAL SERVICES

Services connected to the airports such as leasing of premises for retail operations, offices, warehousing and logistics as well as land leases, parking operations and the leasing of advertising space.

DEBT-TO-EQUITY RATIO*

Net liabilities divided by equity. This leverage or gearing 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.

DIVIDEND PAY-OUT RATIO

The normal dividend shall be between 10 and 50 per cent of profit after tax. Annual dividend decisions shall take into account the company's operations, implementation of the company's strategy and its financial position. In determining this, special consideration shall be given to the company's assessed ability to achieve its capital structure target (a debt/equity ratio of 0.7-1.5 times) going forward.

EARNINGS PER SHARE

Profit for the period divided by the average number of shares.

EBITDA

Earnings before interest, tax, depreciation and amortisation – in other words, operating profit excluding depreciation, amortisation and impairment losses.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities on the balance sheet consist of liabilities to credit institutions, corporate notes, commercial paper, liabilities to leasing companies and other liabilities.

INTEREST RATE LOCK-IN PERIOD

Volume-weighted average interest rate lock-in period at the end of the period for interest-bearing liabilities as regards interest rate derivatives. The metric reflects the Group's interest rate risk.

INVESTMENTS*

Swedavia's investments in fixed assets and intangible long-term assets including investment projects in progress. Swedavia is in an intensive development phase, and the pace of investment is important to Swedavia's management and external stakeholders.

NET LIABILITIES

Interest-bearing liabilities plus pension liability minus liquid assets.

NET LIABILITIES/EBITDA

Interest-bearing liabilities plus pension liability minus liquid assets divided by EBITDA.

NET REVENUE

Swedavia's net revenue includes revenue from Aviation Business and Commercial Services.

Definitions (cont.)

OPERATING CAPITAL

Equity plus net liabilities.

OPERATING COSTS PER DEPARTING PASSENGER*

Airport Operations' total external costs and staff expenses minus restructuring costs (mainly due to staff changes) and own work capitalised divided by the number of departing passengers for the same period. A metric that Swedavia considers crucial for monitoring improvements in cost-effectiveness.

OPERATING MARGIN*

Operating profit as a percentage of net revenue. For the operating margin excluding capital gains, see "Operating profit excluding capital gains".

OPERATING PROFIT*

The difference between operating revenue and operating costs. A metric that is used to measure operating profitability.

OPERATING PROFIT EXCLUDING CAPITAL GAINS*

Operating profit excluding capital gains from material transactions. This metric is crucial since Swedavia's management monitors operating profit excluding capital gains.

OPERATING PROFIT EXCLUDING RESTRUCTURING COSTS, CAPITAL GAINS, IMPAIRMENT LOSSES AND DISPOSALS*

Operating profit excluding restructuring costs (mainly due to staff changes), capital gains, impairment losses and disposals. The metric is crucial since it is considered to provide a better understanding of the operating profit trend.

PASSENGER

The term "passenger" refers to the statistical event in which a person has departed from or arrived at one of Swedavia's airports by air. The term "departing passenger" thus refers to a statistical event in which a person has departed from one of Swedavia's airports by air. The number of departing passengers is approximated by dividing the number of passengers by two.

REAL ESTATE

Real Estate is the second of Swedavia's two operating segments. Owns, develops and manages developable land at and in the vicinity of Swedavia's airports.

RETURN ON OPERATING CAPITAL*

Operating profit plus profit from holdings in associated companies for a rolling twelve-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. This metric reflects the Group's cost of capital.

RETURN ON OPERATING CAPITAL EXCLUDING RESTRUCTURING COSTS, CAPITAL GAINS, IMPAIRMENT LOSSES AND DISPOSALS*

Operating profit excluding restructuring costs (mainly due to staff changes), capital gains, impairment losses and disposals plus profit from holdings in associated companies for a rolling twelve-month period divided by average operating capital. This financial ratio for profitability is considered to provide a better understanding of the Group's cost of capital based on operating profit from operations.

SUSTAINABILITY TARGETS

Swedavia's sustainability targets are monitored continuously based on the latest verified data for each target and in accordance with the same accounting principles described in the Annual and Sustainability Report 2018.

Alternative performance measures (APMs) as specified in the guidelines issued by the European Securities and Markets Authority (ESMA) are marked by an asterisk (*).



Calendar

| | |
|-----------------------------|-------------------|
| Year-end report 2019 | February 13, 2020 |
| Annual report 2019 | March 27, 2020 |
| Interim report Jan-Mar 2020 | April 29, 2020 |

Swedavia's financial reports are published on Swedavia's website www.swedavia.se.

Swedavia AB (publ) is required to disclose the information in this nine-month report under the EU Market Abuse Regulation and the Securities Market Act. The information was provided by the contact persons below for publication on October 25, 2019, at 3:00 p.m. CEST. This is an English translation of the original Swedish text, which takes precedence in the event of a discrepancy.

This interim report has been reviewed by Swedavia's auditors as per the review report on page 25.

Contact people

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MATS PÅHLSON

CFO
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The undersigned attest that the interim report provides an accurate overview of the Parent Company's and the Group's operations, position and results and describes important risks and uncertainty factors faced by the Parent Company and the companies in the Group.

Stockholm-Arlanda October 25, 2019

Åke Svensson
Chairman of the Board

Lars Backemar
Board member

Lottie Knutson
Board member

Ange Lindbom
Board member
Employee representative

Lotta Mellström
Board member

Lars Mydland
Board member

Mikael Norman
Board member

Robert Olsson
Board member
Employee representative

Lottie Svedenstedt
Board member

Jonas Abrahamsson
President and CEO

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Review report

Swedavia AB

Corporate identity number 556797-0818

Introduction

We have reviewed the condensed interim report for Swedavia AB (publ) as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 25, 2019

KPMG AB

Tomas Gerhardsson

Authorised public accountant