Swedavia

Sweden | Business Services

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Preparing for the next level

Following strong growth in passenger volumes, Swedavia is in the middle of expanding its capacity to cope with its expectations of coming passenger volumes. The investment level will give rise to funding needs and put pressure on Swedavia's net debt/equity ratio. We expect SEK 1bn of the proposed hybrid capital note will support the ratio and allow further expansion. We estimate the fair spread range to be 150-200 bp.

Quasi-monopoly with 100% state ownership

Swedavia's credit profile is supported by the company's strategically important position for Sweden and 100% state ownership. Its market position is very strong, and the almost insurmountable barriers to entry position Swedavia in a quasi-monopoly. Swedavia is affected by passenger volumes, and the current climate debate together with weak FX and general economic uncertainty has translated into falling volumes in 2018 and 2019. With Swedavia's price model, volume and investments risks are efficiently shared with its customers.

Leverage is high and investment plan suggests need for further debt

Swedavia guides for an additional SEK ~13bn in investments in 2019-21. According to our forecast, Swedavia needs SEK 5.3bn in additional capital (including the proposed hybrids) to fund these investments. Credit-adjusted leverage stood at 5.3x in Q3 and we forecast an increase to 6.7x in 2021. Although we acknowledge Swedavia's asset and business model being very long-term and capable of carrying high leverage, the high leverage puts boundaries on our credit profile assessment.

100% IFRS equity treatment from the proposed hybrid capital

Issuance of SEK 1bn of the proposed hybrid will allow for high investments and permit Swedavia to remain within its net debt/equity target range of 0.7-1.5x. Pro forma, Q3 gearing will fall from 1.21x to 0.98x, since the hybrid will be treated as equity under IFRS. Credit-adjusted metrics, however, will be unaffected by the hybrid issue, as we will treat the hybrids as 100% debt in our analytical approach.

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KEY INFO

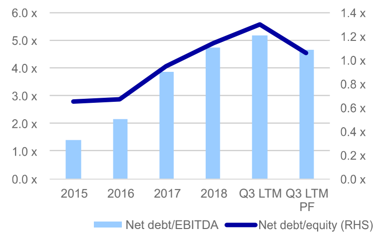
Country	Sweden
Bloomberg debt	SWEDAV
Bloomberg equity	0256996D SS
Moody's	NR/---
S&P	NR/---
MSCI ESG rating	NR
Market cap. (bn)	n.a.
Company website	www.swedavia.com
Next report date	

FAIR RANGE ASSESSMENT

Bond	Fair spread range
NC5 hybrid	150-200bp

Source: Nordea estimates

REPORTED GEARING AND LEVERAGE



Source: Company data and Nordea estimates

KEY CREDIT METRICS AND RATIOS SEKm

Reported	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Total revenues	4,965	5,233	5,885	6,381	5,829	5,781	6,026	6,357	6,548	6,810
EBITDA	1,681	1,887	2,351	2,670	1,927	1,703	1,784	2,049	2,160	2,276
- margin	34%	36%	40%	42%	33%	29%	30%	32%	33%	33%
Net debt	7,537	8,473	6,795	3,721	4,161	6,560	8,430	10,191	11,812	13,794
Net debt/EBITDA	4.5	4.5	2.9	1.4	2.2	3.9	4.7	5.0	5.5	6.1
Credit adjusted										
EBITDA	1,681	1,895	2,351	2,692	2,014	1,831	1,931	2,106	2,217	2,333
Debt	8,321	8,952	7,602	4,486	5,600	8,316	10,301	11,956	13,577	15,559
Debt/EBITDA	5.0	4.7	3.2	1.7	2.8	4.5	5.3	5.7	6.1	6.7
FFO/Debt	15.3%	16.1%	24.6%	51.8%	30.2%	18.4%	16.4%	15.6%	14.0%	13.0%
FOCF/Debt	-23.2%	-11.2%	15.4%	11.9%	-12.9%	-27.0%	-16.9%	-13.9%	-20.9%	-17.4%
DCF/Debt	-23.3%	-11.3%	15.2%	6.7%	-17.0%	-28.7%	-18.1%	-13.9%	-20.9%	-17.4%
EBITDA interest coverage	5.6	7.0	9.5	11.5	11.9	14.0	17.2	27.7	24.5	21.5

Source: Company data and Nordea estimates

State-owned airport operator

SWEDAVIA'S AIRPORTS

Source: Swedavia

Swedavia owns, operates and develops Sweden's national infrastructure of airports. This includes ten larger international and regional airports across Sweden, which are all part of Sweden's fundamental national infrastructure. The main airports are Stockholm Arlanda, Göteborg Landvetter and Malmö Airport. Swedavia is organised in two segments:

Airport operations, consisting of:

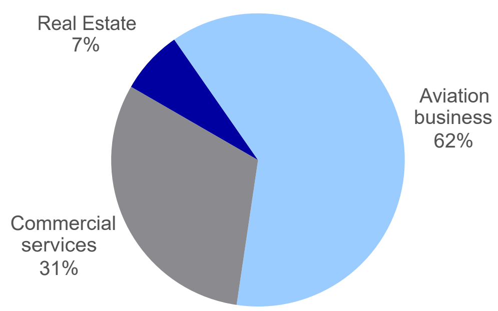
- **Aviation Business (62% of 2018 revenues).** Provides take-off, landing and passenger services, ground handling, airline security and aircraft parking. This includes goods loading/unloading, security screening of passengers and goods, luggage management and airport surveillance.
- **Commercial Service (31%).** Offers premises for lease of shops, restaurants, office space, warehousing, logistics and advertisement. Offers parking and adjacent services.

Real Estate (7%). In 2011, the company formed Swedavia Real Estate AB, which is tasked with owning, developing and managing properties and exploitable land at or in the vicinity of the group's airports. This has involved major acquisitions of properties.

The company is 100% owned by the Kingdom of Sweden. Swedavia was formed in 2010 when it assumed the ownership and operational responsibility of the airport portfolio from the Swedish Civil Aviation Authority (LFV).

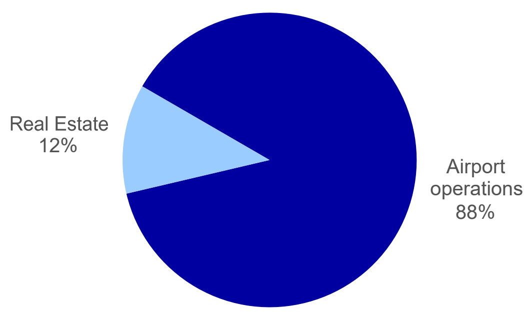
Swedavia is operated on a commercial basis. The overall objective is to create long-term profitability in order to meet Sweden's needs for air access in line with the transport policy goals set by the Swedish parliament. As a state-owned company, Swedavia shall also be a role model in sustainable development.

REVENUE DISTRIBUTION, 2018



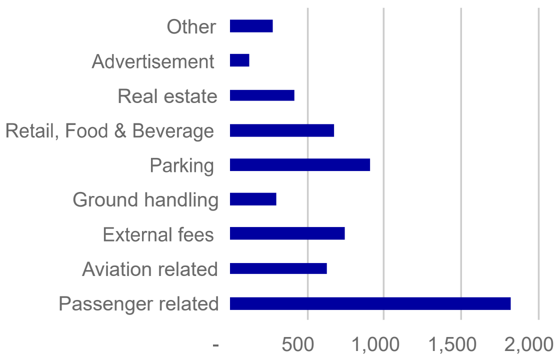
Source: Company data and Nordea

ASSET DISTRIBUTION, 2018



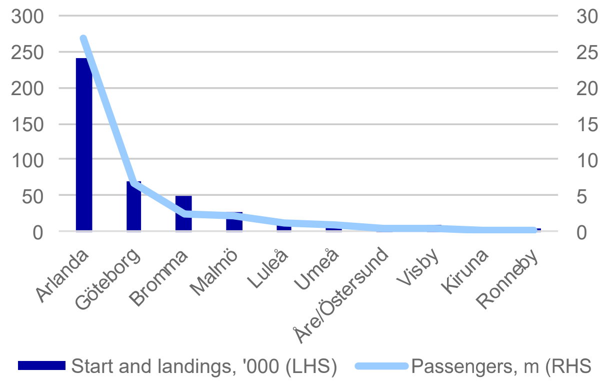
Source: Company data and Nordea

NET REVENUE DISTRIBUTED BY SERVICE 2018, SEKm



Source: Company data and Nordea

AIRPORT ACTIVITY, 2018

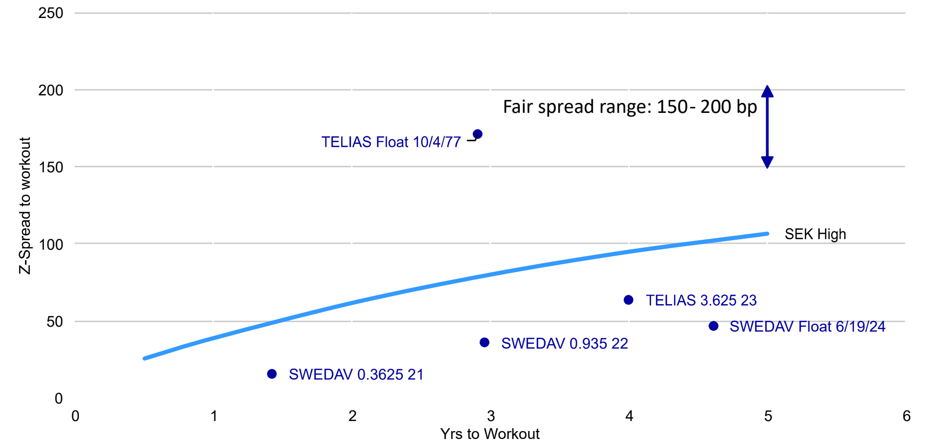


Source: Company data and Nordea

Proposed hybrids issuance of SEK 1bn

We assess a fair spread range of 150-200 bp, which roughly translates to a coupon of 1.75-2.25%. We base this view on the following factors: our credit profile assessment of the issuer, implicit government support, the subordination of the hybrids, and an unrated status for the bonds/issuer. We have not been able to review the final terms of the proposed hybrids but base our assessment on typical terms for capital hybrid notes in the market.

FAIR SPREAD RANGE ASSESSMENT*



Source: Bloomberg and Nordea estimates
*The reference curve represents a regression of bond spreads from a broad selection of SEK-denominated corporate bonds. We estimate the average credit quality of the bonds comprising this reference curve to be about BBB.

Typical hybrid note terms serves as an example for our assessment

We have not been able to review the final terms of the proposed hybrid capital notes but base our assessment on typical terms for similar capital outstanding in the market. The terms typical include:

- The status of the bonds is subordinated, classified as equity under IFRS. In case of enforcement, the notes will rank before equity capital but after any unsubordinated debt.
- The notes run without any maturity being perpetual. The issuer may call the bonds five years after issuance. If they are not called, a step-up to the coupon will be added. The step-up is typically 500 bp.
- Besides the regular call option, the issuer has the ability to call the bonds should a tax, withholding tax, accounting or substantial repurchase event occur.
- Should a change-of-control occur, the issuer has the ability to call the bonds. If they are not called, the coupon should increase with a step-up. The step-up is typically 500 bp.
- Interest is deferrable at the issuer's discretion but is subject to certain restrictions which typically include the coupon having to be paid out should the issuer pay out any kind of distribution to its owners. The deferred interest will be cumulative and compounding.
- No negative pledge, no indebtedness restrictions and no cross-acceleration/default clauses.

Credit profile

The 100% state ownership is a large credit-driving factor and hence also the largest risk for the credit profile if it were to change, albeit unlikely. Other risks for bondholders include cyclicality and exposure to the struggling airline industry. Even if lower traffic volumes are likely, we argue that Swedavia's services are essential and act as a backstop for bondholders.

Credit profile positively affected by ownership support

Full state ownership and transport policy role

We consider that Swedavia has an important role for Sweden and that it benefits from its very strong link to the owner. Hence, we also expect high likelihood of extraordinary ownership support. Together, this will give significant support to Swedavia's credit profile, which is demonstrated by relevant rated peers (see "Peer comparison" below). We base our assessment on:

- Swedavia is 100% owned by the state of Sweden, with no political agenda within the ruling government or the opposition parties for it to be privatised.
- We believe that the Swedish government has a strong influence on Swedavia's strategies and business plans.
- We acknowledge that Swedavia has an important strategic and policy role to fulfil in securing and developing Sweden's airway access in a secure and sustainable way, both internationally and regionally within Sweden.
- Swedavia operates as a profit-seeking company, but a default and disruption of the company's activities would have significant systematic impact on the Swedish economy.

SUMMARY OF KEY CREDIT STRENGTHS AND CHALLENGES

Credit supportive factors
Quasi-monopolistic position and utility-like features as owners and operators of Sweden's national airport infrastructure, an industry with very high entry barriers and limited direct competition.
Strong pricing power and ability to secure cost coverage.
Highly valuable and largely beneficial investments in airport infrastructure and real estate asset base.
100%-owned by the Swedish state with assessed high strategic value.
Credit constraining factors
High debt leverage with debt/EBITDA above 5x, reflecting high capital intensity and major recent investments.
Significant investment plans that will burden the free cash flow.
Exposure to customers within the airline industry, including large dependence on SAS.
Negative recent traffic volume trends following increased climate debate, waek SEK, taxes on flights and general economic uncertainty.

Source: Company data and Nordea estimates

SUMMARY OF KEY RISKS FOR BONDHOLDERS

		Impact for		
Risk	**Probability**	**Swedavia**	**Bondholders**	**Comment**
Falling traffic volumes	High	Moderately low	Moderately low	Owing to increased environmental focus in Sweden, traffic is down and alternatives are becoming more attractive. The trend has already started.
Exposure to financially weak airliners	High	Moderately high	Moderately high	Airliners face challenging conditions and the industry has experienced several defaults with potential impact on Swedavia.
High customer concentration	High	Moderately high	Moderately high	Largest customer accounts for 20% of Swedavia's revenues. The economic risk is however higher in the short term, in our view, since the largest Scandinavian airliner is such a dominant player in the Swedish airline industry.
Competition from other airports	Moderate	Low	Low	Mainly a risk for long-haul air routes. We often see reallocations of routes between regional competitors such as Copenhagen and Oslo.
Project risks	Low	Moderately low	Moderately low	Swedavia is involved in large projects with adherent risks with large connected costs. Swedavia has a proven strong track record, however.
Cyclicality exposure	Low	Low	Low	General economic activity will affect traffic volumes and revenue for Swedavia, although the impact is low thanks to strong pricing power and underlying needs.
Not government owned	Very low	Low	High	Unlikely scenario, however with huge implications for the credit profile. Bondholders are partly insured by c-o-c put option.

Source: Company data and Nordea estimates

Regulated and with risk-sharing price model

Swedavia is in the midst of a heavy investment period to increase capacity in line with its long-term forecast. We view Swedavia's position as a quasi-monopoly, with a supportive price model that allows for risk sharing and cost coverage. Besides capacity, Swedavia is investing to become fossil CO_2 emission-free in its own operations by 2020. The airline industry, as well as Swedavia, needs to improve its impact on the environment in order not to experience a continued fall in demand, in our view.

Unchallenged Swedish market position based on a quasi-monopoly

Barriers to entry are almost insurmountable

In our view, Swedavia operates in a quasi-monopoly-like position, being the largest airport operator in Sweden, appointed by the government owner to run the national airport infrastructure. The barriers to entry in the Swedish airport market are very high due to almost insurmountable cost and regulatory challenges. The regulatory framework allows the company to operate with a cost-cover price model of the airport service. All in all, this makes the operation utility-like.

Cost-covering price model allows for investments with risk-sharing principles. Swedavia's prices for aviation business are regulated and are based on actual costs and investments. The scheme uses forecast passenger volumes and investments to calculate the charge for year 1. Potential deviations from the forecast will be adjusted in the charge for year 2, although with a cap on the relative adjustment. We view the pricing model as supportive to the credit profile, allowing Swedavia to share the long-term financial risks for investments and passenger volumes with its customers.

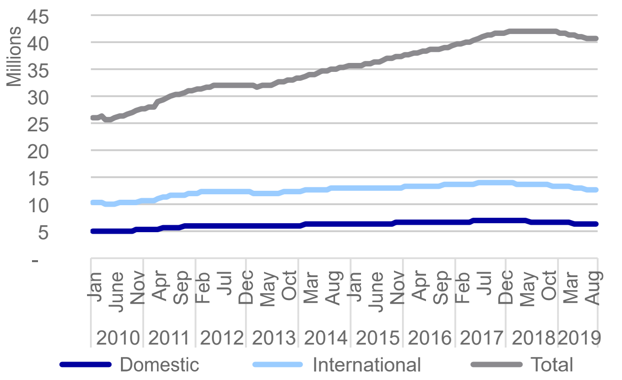
The company is exposed to some competition from smaller Swedish airports, other modes of transport (eg rail, largely for domestic transport) and foreign air hubs. This tempers Swedavia's pricing power and provides some demand price elasticity, but we do not see it as a major concern. According to Swedavia's own competitive index, Swedavia's airport fees in 2014-2018 were around 20% below those of the competition. With the price increases conducted for 2019 the picture ahead will likely be less favourable. The average charge for airliners per passenger was SEK 133, only constituting a limited share of the total air ticket for the end-customer.

The climate debate is taking its toll

Negative trend in passenger volumes. Historically, air traffic volumes have followed the development in GDP. Factors that could dent this relation could be major shifts in customer behaviour (potentially linked to environmental issues or cost of travelling) or events (such as terrorist attacks, volcano activity, etc). Following strong structural growth, air traffic declined in late 2018 and 2019. This is likely driven by increased climate debate in Sweden, the introduction of a tax on flights, the SAS strike in April/May 2019 and higher uncertainty about economic activity.

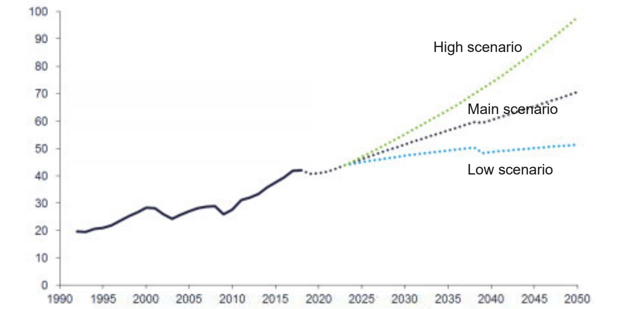
According to Swedavia's long-term forecasts for passengers (2018-50), volumes should however increase annually by 1.6% on average. Nevertheless, passengers on domestic flights (with more travelling alternatives) are expected to grow annually at 0.1% on average, while passenger volume growth for international flights is expected to be 2.2%. Traffic volume is very important in Swedavia's pricing model towards airliners and other entrepreneurs handling adjacent services since it determines the single unit price in the cost-coverage pricing model.

PASSENGER VOLUME DEVELOPMENT, SWEDAVIA AIRPORTS



Source: Swedavia and Nordea

SWEDAVIA'S LONG TERM FORECAST FOR PASSENGERS, M



Source: Swedavia and Nordea

Concentration risk among airline operators

High single name exposure to financially weak airlines

Customer concentration in a weak airline sector constitutes a risk. Apart from revenue cyclicality, Swedavia is also indirectly dependent on the viability of the airlines. Financial difficulties facing airlines can translate into reduced routes and frequency, adversely affecting revenues. Recent years have seen an increased number of defaults in the airline industry, and the situation remains tough.

Swedavia's key airlines in terms of traffic and revenues are SAS, Norwegian, Lufthansa and BRA. No breakdown of revenues per airline is disclosed, but the largest customer is said to represent 20% of the group's revenues. Meanwhile, we expect that any disruption in flight frequencies and routes resulting from challenges facing an airline will, over time, be mitigated by a step-up and step-in of existing and new operators. Short term, however, such a development would be negative for Swedavia due to credit losses and lowered volumes.

Strategy and priorities

Swedavia has adopted a number of strategic priorities for its 2025 targets. The strategies are customer-oriented with long-term focus on sustainable development:

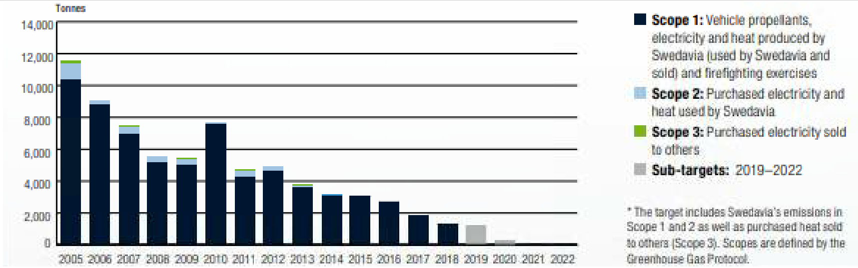
- Commercial excellence in order to establish attractive air links. This includes the whole passenger experience, including service and retail.
- Operational excellence, optimising resources to meet customer needs. This includes cost efficiency, automation and flexibility.
- Increased capacity, developing the airports for the future in a safe and prudent way.
- Engaging culture, being an attractive employer to secure needs, based on an inclusive and developing environment.
- Responsibility for society and people; entails safety for customers and employees, environmental issues, etc.

Targets being fossil CO_2 emission-free in own operations by 2020

Reducing the CO_2 impact is key for the whole airline industry

Following a 89% decline in CO_2 emissions in 2005-18, Swedavia targets zero fossil carbon dioxide emissions from its own operations by 2020. In addition, Swedavia aims to have 5% of the jet fuel used being renewable by 2025 (in 2018 it was 0.4%) and for Swedish domestic air transport to be fossil-free by 2030 and all Swedish air travel to be fossil-free by 2045. In order to achieve the long-term targets, Swedavia is engaged in projects together with other stakeholders such as the Fly Green Fund and Nordic Initiative for Sustainable Aviation. Given the recent focus on the environmental impact of air travel, the entire industry is adapting to improve its green footprint and Swedavia risks falling demand (and passenger volumes) if these issues are not addressed.

SWEDAVIA'S FOSSIL CO2 EMISSIONS INCLUDING TARGETS



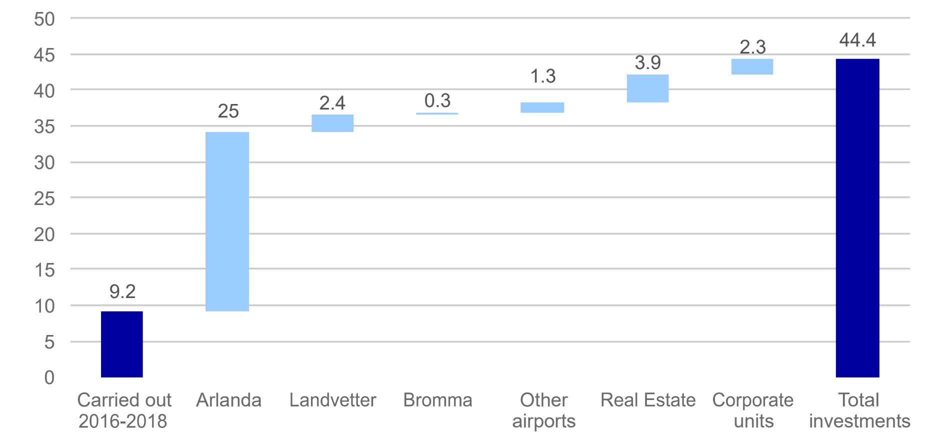
Source: Company data and Nordea

Investments

Arlanda to see the largest capacity investments

To meet the increased traffic volumes and improve the attractiveness of the airports, Swedavia will invest SEK 44.4bn in 2016-25. The main investments are in the Stockholm Arlanda airport (SEK 29.1bn), although both Göteborg Landvetter and Bromma Stockholm will experience significant investments. For the real estate segment, investments include a hotel investment at Landvetter and a hotel and an office complex at Arlanda. In line with its strategy, Swedavia has already divested the hotels in advance of their completion with cash flow expected in 2020 and 2021. The investments will now enter an accelerated phase, which will increase debt levels and temper the credit metrics for the foreseeable future. The investments are growth-driven to support the long-term expectations of increased passenger volumes. For maintenance Swedavia is likely to need SEK 1bn in annual investments.

INVESTMENT BRIDGE, SEKbn



Source: Company data and Nordea estimates

In our view, the development activities within the real estate area carry somewhat higher risk than the overall business, but we expect a prudent application. We would expect any adverse outcome regarding Arlanda to temper the development potential more than constituting any major challenge to the business.

Capital heavy in the midst of expansion

Swedavia's balance sheet underpins the utility-like features of the company. Leverage is elevated and capex is currently running high with the current expansion of capacity. Although underlying cash flow is solid, investments will warrant further debt incurrence.

Leverage above 5x

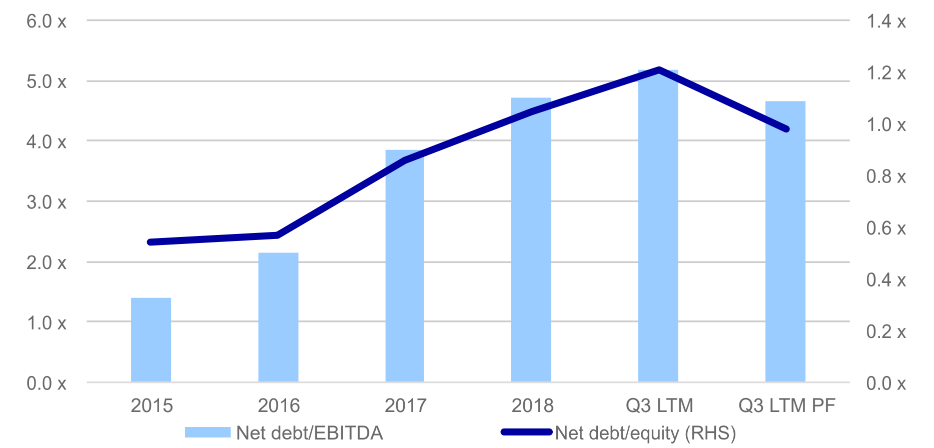
High leverage constrains the standalone credit profile

Reported net debt/EBITDA for the last 12 months stood at 5.1x in Q3. We understand that capitalisation and leverage are inflated by the significant airport infrastructure and real estate portfolio, which tolerates higher leverage than for regular corporates. Nevertheless, the level will put boundaries on our credit profile assessment.

We treat the proposed hybrids as debt, although IFRS treatment will be 100% equity

Assuming a successful hybrid issuance of SEK 1bn, reported leverage will drop to 4.7x, pro forma. A similar reduction will be seen in net debt/equity, from 1.21x to 0.98x. The hybrid will allow Swedavia to continue to invest according to its plan and at the same time remain within its debt/equity target range of 0.7-1.5x. In our credit-adjusted figures, we treat the hybrid as 100% and they are hence unaffected by the issuance.

REPORTED AND PRO FORMA LEVERAGE RATIOS



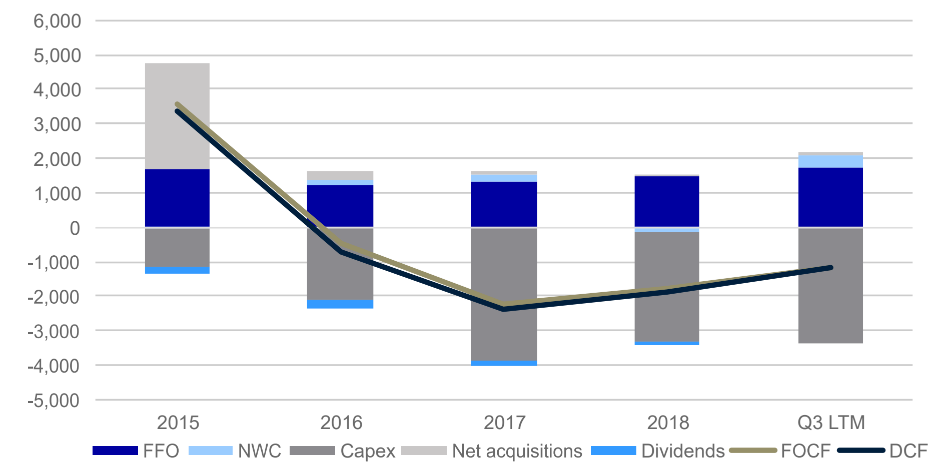
Source: Company data and Nordea estimates

Negative FOCF owing to high investments...

Solid underlying cash flow balanced by heavy investments

Historical cash flow generation has been stable with fluctuations in FFO/debt mainly from the increase in debt. Given the large investments conducted, however, FOCF has been volatile and recently deeply negative. In line with the investment guidance, we anticipate continued negative FOCF for the foreseeable future, meaning that the company will need capital.

INVESTMENTS DRIVING THE FREE CASH FLOW GENERATION, SEKm



Source: Company data and Nordea

Challenging liquidity position is not a concern

... with additional debt needs

Our forecasts imply additional capital needs of SEK 5.3bn (including the proposed SEK 1bn hybrid) to cope with the investments in 2019-21. During the same period, Swedavia also has bond maturities of SEK 550m (2020) and SEK 1,550m (2021). To handle the outflows, the company has unutilised credit facilities of SEK 1,800m and cash of SEK 225m (as of Q3 2019). In addition, it has signed divestments of two hotels (we expect SEK 2.2bn in total divestments during 2019-21) and operational cash flow of SEK 5.6bn, we estimate. Liquidity for the whole period will be constrained, which is not a concern, since we view Swedavia's access to both bank and market debt as strong and the three-year forecast horizon will allow the company to gradually add more capital.

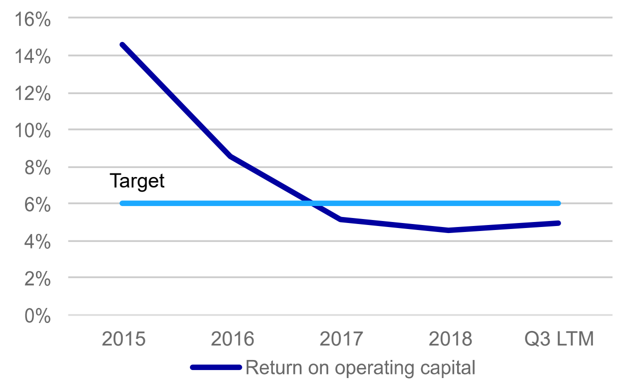
Diversified debt portfolio with recently added green bond framework

Swedavia currently runs an MTN programme of SEK 15bn (SEK 4.7bn issued as of Q3 2019) to which Swedavia recently added a green bond framework ("Light green" second opinion from Cicero) and a commercial paper programme of SEK 5bn (SEK 1.9bn). In addition, Swedavia has bank loans of SEK 2.7bn under two different frameworks where both allow debt up to ten years; Nordic Investment Bank with a framework of SEK 2bn (SEK 1.7 drawn) and KfW-IPEX bank with a framework of SEK 2bn (SEK 1bn drawn).

Updated financial policy lowers dividend expectations

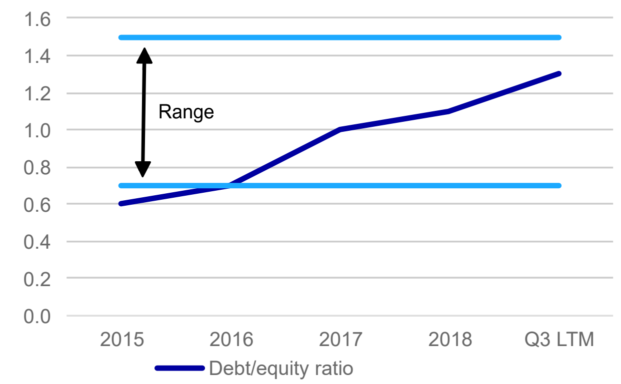
Swedavia recently updated its financial targets. It lowered its dividend policy (including consideration of the gearing) and reiterated its targets for gearing and return on equity. We view the targets as neutral, although we acknowledge the more flexible dividend target as an improvement.

PROFITABILITY CURRENTLY BELOW TARGET, %



Source: Company data and Nordea

GEARING ON THE RISE FROM INVESTMENTS, x



Source: Company data and Nordea

Solid hedge policy but Swedavia allows for up to 40% debt maturities in the next 12 months

Included in the financial policy, Swedavia has a hedge policy to cope with market risks. Net FX transaction exposure (no identified translation exposure) over SEK 1m within two years is to be hedged between 75% and 100%, 88% of the electricity exposure was as of 2018 hedged up to ten years and the interest rate risk is handled with derivatives, and the interest duration should be between one and four years (2018: 2.7 years). For refinancing risks, not more than 40% of borrowings are to mature within the next 12 months and the average capital duration should be between two and five years. Finally, Swedavia shall have at least SEK 1.5bn of back-up facilities. We consider the hedging policy to be solid, while the 40% maturity target to be on the high side. This is on the other hand not a concern in our opinion given that we view Swedavia's access to both capital markets and the bank market as very strong.

Financial forecasts

We forecast that Swedavia will grow its business with the help of its investments and increased passenger volumes. Owing to high investments throughout the forecast period, leverage will remain elevated, with operational cash flow development in line with EBITDA. We have also modelled a scenario with less positive development, driven by lower demand for flights. In this case, Swedavia's revenues would be negatively affected by falling income both from the aviation business and the commercial business.

Base scenario – price increases offset the current volume dip, leverage will increase further

- We expect revenues CAGR to be 4.4% in 2019-21. In 2019, Swedavia increased its prices by 12% due to its pricing scheme and lower-than-expected passenger volumes. We do not expect a swift turnaround in volumes but foresee decent progress based on our GDP growth forecast for Sweden (1.3% on average for 2019-21), offset by increased prices from investments and potential shortfalls from Swedavia's passenger forecast.
- EBITDA margin to improve slightly due to price increases and efficiency measures. During 2019, Swedavia announced a 125 FTE (~4% of the 3,217 average FTEs 2018) reduction to improve efficiency. Staff expenses represented 46% of the operational costs in 2018. Also, reported EBITDA will enjoy a positive IFRS 16 effect in 2019.
- Operational cash flow to gradually grow from 1.4bn in 2018 to 1.9bn in 2021. We foresee small positive contributions in NWC, while increased interest payments from higher debt levels and slightly higher taxes paid weigh on cash generation. In our forecast, we use similar weighted funding costs as in 2018 (1%) and use 22% corporate tax on PTP (assuming full cash flow effect).
- Investments to be SEK 3.5bn in 2019 and SEK 4.4bn in 2020 and 2021 in order for Swedavia to reach its investment guidance. At the same time, we include divestments of SEK 1.3bn (announced) in 2020 for the hotel at Arlanda (already sold) and SEK 800m (assessed by us) for the hotel at Landvetter.
- We include a successful issue of SEK 1bn of the proposed hybrids. With our credit adjustments, we will treat the capital as debt and the coupon payments as interest. Following a hybrid issue, reported debt/equity will remain within the 0.7-1.5x financial target range, however. In addition to the SEK 1bn in proposed hybrid capital, we forecast SEK 4.3bn in additional debt needed to cope with the investments. All maturing debt is expected to be refinanced at similar terms.
- We do not expect any dividends over the forecast period.

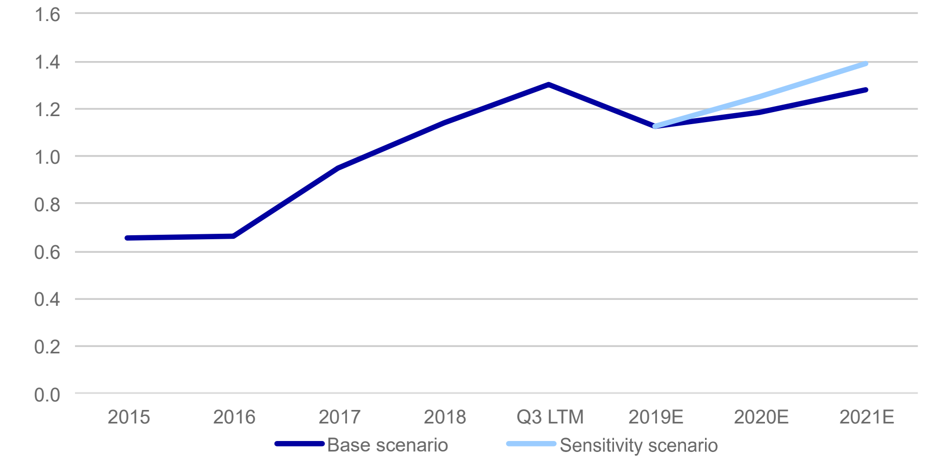
The results point to further credit-adjusted leverage increases with a peak in 2021 above 6x, putting higher pressure on our credit assessment. However, the investments made are long term, and the full revenue effects are not seen in the relatively short-dated forecasts. Cash flow metrics remain commensurate, with a significant financial risk profile in our base scenario.

Sensitivity scenario – further drop in demand dents the top line

In our sensitivity scenario, we expect Swedavia's operational development to be less positive, driven by continued falling passenger volumes and rental income. For such a scenario, we would probably need a recession together with increased environmental pressure/taxes making flying a less attractive alternative. For 2020 and 2021, we expect revenues to be more or less flat. Margins are to fall slightly compared to our base scenario but are partly to be defended by the risk-sharing price scheme. Owing to the falling demand, Swedavia will postpone part of its investment programme in 2021 but still make significant investments over the forecast horizon.

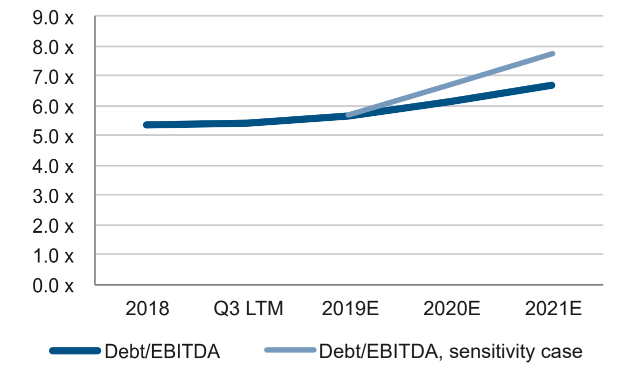
The result points to leverage at 7.6x and FFO/debt at 12% in 2021, clearly pressuring Swedavia's current credit profile. Swedavia will remain within its net debt/equity target range but with limited headroom in 2021.

REPORTED NET DEBT/EQUITY



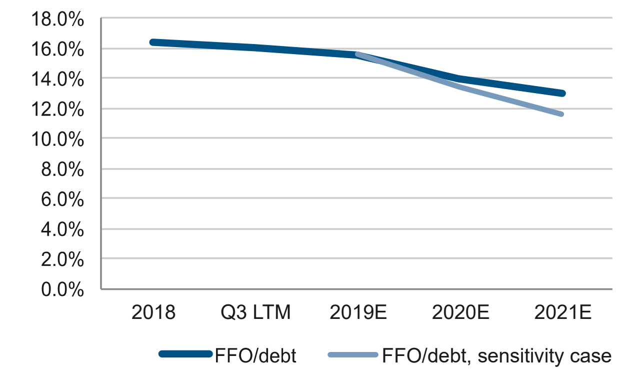
Source: Company data and Nordea estimates

CREDIT ADJUSTED DEBT/EBITDA



Source: Company data and Nordea estimates

CREDIT ADJUSTED FFO/DEBT



Source: Company data and Nordea estimates

SUMMARY OF FORECAST

Credit adjusted figures

SEK(m)	2018	Q3 LTM	2019E	2020E	2021E	2018	2019E	2020E	2021E
Revenues	6,026	6,213	6,357	6,548	6,810	6,026	6,357	6,326	6,294
EBITDA	1,931	2,045	2,106	2,217	2,333	1,931	2,106	2,039	2,011
- margin	32%	33%	33%	34%	34%	32%	33%	32%	32%
Debt	10,301	11,052	11,956	13,577	15,559	10,301	11,956	13,698	15,565
Equity	7,301	7,735	6,952	7,850	8,617	7,301	6,952	7,386	7,742
FFO	1,693	1,771	1,862	1,897	2,028	1,693	1,862	1,836	1,810
Change in NWC	-137	368	35	20	28	-137	35	-3	-3
OCF	1,437	2,073	1,840	1,860	1,999	1,437	1,840	1,739	1,713
Capex	-3,179	-3,342	-3,500	-4,700	-4,700	-3,179	-3,500	-4,700	-4,300
FOCF	-1,742	-1,269	-1,660	-2,840	-2,701	-1,742	-1,660	-2,961	-2,587
Net acquisitions	55	0	85	1,300	800	55	85	1,300	800
Dividends	-122	0	0	0	0	-122	0	0	0
						0			
FFO/debt	16.4%	16.0%	15.6%	14.0%	13.0%	16.4%	15.6%	13.4%	11.6%
FOCF/debt	-16.9%	-11.5%	-13.9%	-20.9%	-17.4%	-16.9%	-13.9%	-21.6%	-16.6%
DCF/debt	-18.1%	-11.5%	-13.9%	-20.9%	-17.4%	-18.1%	-13.9%	-21.6%	-16.6%
Debt/EBITDA	5.3 x	5.4 x	5.7 x	6.1 x	6.7 x	5.3 x	5.7 x	6.7 x	7.7 x

Source: Company data and Nordea estimates

Peer comparison

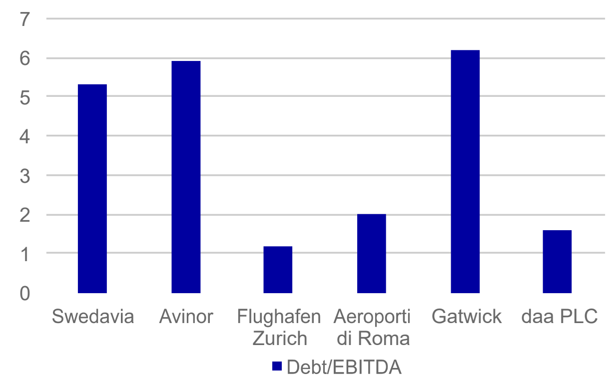
We compare Swedavia with rated peers operating airports in Europe. In our view, Avinor is the best peer, featuring a similar ownership profile, responsibilities and mandate even though it also manages the air traffic control in Norway (which increases the likelihood of government support). Other peers are mainly one-airport operators (although usually very large ones) and with a more mixed ownership.

PEER COMPARISON - PEERS RELATIVE TO SWEDAVIA

	Swedavia	Avinor	Flughafen Zurich	Aeroporti di Roma	daa PLC
Moody's	n.a	A1/Stable	n.a	Baa2/CW Negative	
S&P	n.a	AA-/Stable	AA-/Stable	BBB+/Negative	A-/Stable
Business risk profile	Strong	Strong	Strong	Strong	Strong
Financial risk profile	Significant	Intermediate	Modest	Modest	Modest
Government ownership	100%	100%	38% (listed)	Listed	100%
Government support	+3	+4	+1	n.a	n.a
Modifiers			+1 (financial profile)		-1 (comparable)
RISK ASSESSMENT					
Country exposure/risk		Similar	Similar	Weaker	Weaker
Industry exposure/risk		Similar	Similar	Similar	Similar
Competitive position		Similar	Similar	Similar	Similar
Business position overall		**Similar**	**Similar**	**Similar**	**Similar**
Cash flow protection		Similar	Stronger	Stronger	Stronger
Capital structure		Stronger	Stronger	Stronger	Stronger
Financial position overall		**Stronger**	**Stronger**	**Stronger**	**Stronger**
OVERALL POSITION		**Stronger**	**Stronger**	**Weaker**	**Similar**

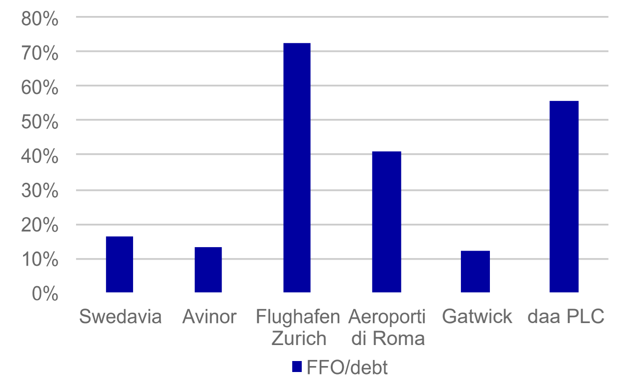
Source: Company data and Nordea estimates

CREDIT-ADJUSTED DEBT/EBITDA



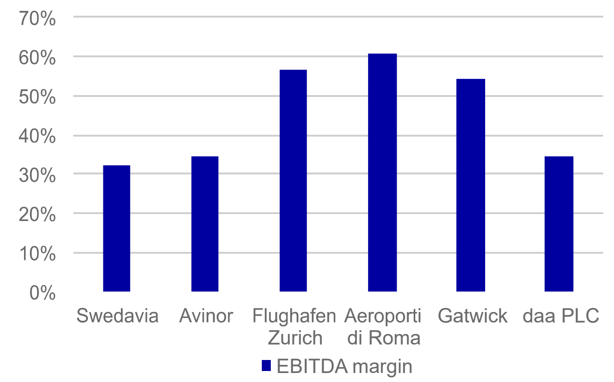
Source: Company data, S&P and Nordea estimates

CREDIT ADJUSTED FFO/DEBT



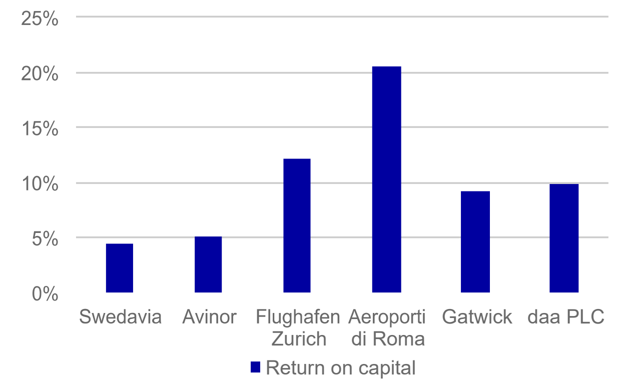
Source: Company data, S&P and Nordea estimates

CREDIT ADJUSTED EBITDA MARGIN



Source: Company data, S&P and Nordea estimates

CREDIT ADJUSTED REDTURN ON CAPITAL (EBIT/CAPITAL)



Source: Company data, S&P and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT										
SEKm	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**
Total revenue	4,965	5,233	5,885	6,381	5,829	5,781	6,026	6,357	6,548	6,810
- growth	n.a.	5.4%	12.5%	8.4%	-8.7%	-0.8%	4.2%	5.5%	3.0%	4.0%
Gross profit	4,965	5,233	5,885	6,381	5,829	5,781	6,026	0	0	0
- margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%
EBITDA	1,681	1,887	2,351	2,670	1,927	1,703	1,784	2,049	2,160	2,276
- margin	33.9%	36.1%	39.9%	41.8%	33.1%	29.5%	29.6%	32.2%	33.0%	33.4%
EBITA	1,681	1,887	2,351	2,670	1,927	1,703	1,784	901	978	1,047
- margin	33.9%	36.1%	39.9%	41.8%	33.1%	29.5%	29.6%	14.2%	14.9%	15.4%
EBIT	831	947	1,405	1,755	966	651	681	774	846	910
- margin	16.7%	18.1%	23.9%	27.5%	16.6%	11.3%	11.3%	12.2%	12.9%	13.4%
Net finance	-296	-268	-242	-230	-138	-113	-93	-93	-107	-125
Pre-tax profit	554	687	1,163	1,547	869	575	641	839	1,147	983
Taxes	-108	-185	-236	-136	-152	-167	-126	-168	-229	-197
Net profit, continuing operations	446	502	927	1,411	717	408	515	671	918	787
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit to equity	446	502	927	1,411	717	408	515	671	918	787
EBITDA (credit adj)	1,681	1,895	2,351	2,692	2,014	1,831	1,931	2,106	2,217	2,333
EBIT (credit adj)	831	955	1,405	1,777	1,032	701	750	831	903	967
Interest expense (credit adj)	-299	-272	-248	-234	-169	-131	-112	-76	-91	-109

Source: Company data and Nordea estimates

BALANCE SHEET										
SEKm	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangibles	457	452	621	615	632	618	777	650	518	382
Tangible assets	13,040	10,590	10,389	10,781	11,897	14,741	16,257	18,610	22,128	25,598
Shares associates	211	3,847	150	988	1,091	1,089	1,192	1,145	1,145	1,145
Interest bearing assets	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0
Other non-interest bearing non-current	0	147	108	0	0	0	0	0	0	0
Other non-current assets	0	87	86	0	0	0	0	0	0	0
Non-current assets	**13,708**	**15,123**	**11,354**	**12,384**	**13,620**	**16,448**	**18,226**	**21,510**	**24,897**	**28,231**
Inventory	38	46	42	45	43	44	47	50	51	53
Accounts receivable	555	492	424	451	420	571	575	607	625	650
Other current assets	358	420	307	372	463	467	425	448	462	480
Cash and cash equivalents	129	52	112	6	170	58	10	24	34	52
Current assets	**1,080**	**1,010**	**885**	**874**	**1,096**	**1,140**	**1,057**	**1,129**	**1,172**	**1,235**
Assets held for sale	0	0	3,027	0	0	0	442	711	500	0
Total assets	**14,788**	**16,133**	**15,266**	**13,258**	**14,716**	**17,588**	**19,725**	**23,350**	**26,568**	**29,466**
Shareholders equity	**4,290**	**4,904**	**5,571**	**6,863**	**7,351**	**7,665**	**8,066**	**9,717**	**10,615**	**11,382**
Minority interest	**10**	**11**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Deferred tax	242	332	363	447	447	496	488	441	441	441
Convertible debt	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	3,013	6,308	3,107	2,412	3,321	4,426	6,064	6,734	8,364	10,364
Non-current liabilities	351	186	375	209	161	97	76	144	144	144
Pension provisions	784	882	983	945	1,048	993	947	978	978	978
Other long-term provisions	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	22	16	15	9	8	7	23	78	715	774
Non-current liabilities	**4,412**	**7,724**	**4,843**	**4,022**	**4,985**	**6,019**	**7,598**	**9,481**	**11,748**	**13,806**
Short-term provisions	0	20	4	49	42	14	121	128	131	137
Accounts payable	606	490	333	372	601	854	651	687	707	736
Other current liabilities	817	766	630	636	728	843	911	961	990	1,030
Short term interest bearing debt	4,653	2,217	3,800	1,315	1,010	2,192	2,376	2,376	2,376	2,376
Current liabilities	**6,076**	**3,493**	**4,767**	**2,372**	**2,381**	**3,903**	**4,059**	**4,152**	**4,205**	**4,278**
Liabilities for assets held for sale	0	0	83	0	0	0	2	0	0	0
Total liabilities and equity	**14,788**	**16,132**	**15,264**	**13,257**	**14,717**	**17,587**	**19,725**	**23,350**	**26,568**	**29,466**
Cash and cash eq (credit adj)	0	0	0	0	0	0	0	0	0	0
Total assets (credit adj)	14,659	16,081	15,154	13,252	15,250	18,556	20,821	23,325	26,534	29,414
Shareholders equity (credit adj)	3,506	4,425	4,764	6,098	6,616	6,935	7,301	6,952	7,850	8,617
Debt (credit adj)	8,321	8,952	7,602	4,486	5,600	8,316	10,301	11,956	13,577	15,559

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
EBITDA	1,681	1,887	2,351	2,670	1,927	1,703	1,784	2,049	2,160	2,276
Adj due to change in group structure	0	0	0	0	0	0	0	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Net financials	-296	-268	-242	-230	-138	-113	-93	-56	-71	-89
Dividends received	0	0	0	0	0	0	0	0	0	0
Paid taxes	0	-45	-115	-137	-125	-167	-135	-168	-229	-197
Other	-197	-76	-229	-630	-457	-93	-60	0	0	0
Operating cash flow before NWC	**1,188**	**1,498**	**1,765**	**1,673**	**1,207**	**1,330**	**1,496**	**1,825**	**1,860**	**1,991**
Change in NWC	305	-159	344	-23	167	207	-137	35	20	28
Operating cash flow	**1,493**	**1,339**	**2,109**	**1,650**	**1,374**	**1,537**	**1,359**	**1,860**	**1,880**	**2,019**
CAPEX	-3,421	-2,344	-941	-1,118	-2,117	-3,857	-3,179	-3,500	-4,700	-4,700
Free Operating cash flow	**-1,928**	**-1,005**	**1,168**	**532**	**-743**	**-2,320**	**-1,820**	**-1,640**	**-2,820**	**-2,681**
Dividends paid	-9	-9	-10	-231	-232	-143	-122	0	0	0
Share issues / buybacks	0	0	0	0	0	0	0	0	0	0
Discretionary cash flow	**-1,937**	**-1,014**	**1,158**	**301**	**-975**	**-2,463**	**-1,942**	**-1,640**	**-2,820**	**-2,681**
Other investments / divestments	0	0	-54	-793	-12	-3	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Proceeds from sale of assets	80	86	617	3,854	274	95	55	85	1,300	800
Net change to group borrowing/repaym	1,845	851	-1,661	-3,193	602	2,260	1,839	670	1,630	2,000
Other	0	0	0	0	0	0	0	0	0	0
Change in cash	**-12**	**-77**	**60**	**169**	**-111**	**-111**	**-48**	**14**	**9**	**18**
Adjusted metrics										
Funds from operations (FFO) (adj)	1,274	1,438	1,867	2,322	1,693	1,533	1,693	1,862	1,897	2,028
Operating cash flow (OCF) (adj)	1,493	1,339	2,109	1,650	1,395	1,615	1,437	1,840	1,860	1,999
Free operating cash flow (FOCF) (adj)	-1,928	-1,005	1,168	532	-722	-2,242	-1,742	-1,660	-2,840	-2,701
Discretionary cash flow (DCF) (adj)	-1,937	-1,014	1,158	301	-954	-2,385	-1,864	-1,660	-2,840	-2,701

Source: Company data and Nordea estimates

KEY RATIOS

Profitability	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
ROC	13.8%	7.4%	10.6%	15.0%	8.7%	4.9%	4.4%	4.4%	4.4%	4.2%
ROIC after tax	0.3%	0.1%	0.0%	0.2%	0.4%	0.3%	0.3%	0.9%	0.3%	0.2%
ROE after tax	20.8%	10.9%	17.7%	22.7%	10.1%	5.4%	6.5%	7.6%	9.0%	7.2%
Debt & Interest coverage										
FFO/Debt	15.3%	16.1%	24.6%	51.8%	30.2%	18.4%	16.4%	15.6%	14.0%	13.0%
FOCF/Debt	-23.2%	-11.2%	15.4%	11.9%	-12.9%	-27.0%	-16.9%	-13.9%	-20.9%	-17.4%
DCF/Debt	-23.3%	-11.3%	15.2%	6.7%	-17.0%	-28.7%	-18.1%	-13.9%	-20.9%	-17.4%
EBITDA interest coverage	5.6	7.0	9.5	11.5	11.9	14.0	17.2	27.7	24.5	21.5
FFO cash interest coverage	-4.3	-5.3	-7.5	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Leverage										
Debt/EBITDA	5.0	4.7	3.2	1.7	2.8	4.5	5.3	5.7	6.1	6.7
Equity ratio	29.0%	30.4%	36.5%	51.8%	49.9%	43.6%	40.9%	41.6%	40.0%	38.6%
Debt/(Debt+Equity)	0.7	0.7	0.6	0.4	0.5	0.5	0.6	0.6	0.6	0.6
Capital expenditure										
CAPEX/Depreciation and amor	n.m.	n.m.	0.99	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
CAPEX/Sales	0.69	0.45	0.16	0.18	0.36	0.67	0.53	0.55	0.72	0.69
Working capital ratios										
Inventory turnover (days)	3	3	3	3	3	3	3	3	3	3
Receivables turnover (days)	41	34	26	26	26	36	35	35	35	35
Days sales outstanding (days)	45	34	21	21	38	54	39	39	39	39
Per share data										
EPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (adj.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity valuation and yield										
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Company data and Nordea estimates

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Attractive
The spread of the instrument is more than 5% above the indicated fair spread

Fair
The spread of the instrument is within +/- 5% of the indicated fair spread

Expensive
The spread of the instrument is more than 5% below the indicated fair spread

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Investment banking transactions

Nordea has a role as joint bookrunner in the contemplated bond issuance of Swedavia.

Distribution of recommendations*

Recommendation	Count	% Distribution
Outperform	172	33%
Market perform	238	45%
Underperform	118	22%
Total	528	100%

As of 13 June 2019

* Due to changes in recommendation definitions (as of June 14 2019) the recommendation distribution according to the old recommendation definition will be presented until sufficient recommendations are issued to make a meaningful distribution. For a defintion of the old recommendation structure see https://research.nordea.com/compliance

Distribution of recommendations (transactions)*

Recommendation	Count	Distribution
Outperform	86	38%
Market perform	90	40%
Underperform	49	22%
Total	225	100%

As of 13 June 2019

* Companies under coverage with which Nordea has ongoing or completed public investment banking transactions.
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Completion Date

08 Nov 2019, 15:21 CET

Issuer Review

This report has been reviewed, for the purpose of verification of fact or sequence of facts, by the Issuer of the relevant financial instruments mentioned in the report prior to publication. No Nordea recommendations or target prices have, however, been disclosed to the issuer. The review has led to changes of facts in the report.

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