





About the Annual Report and Sustainability Report

The Board of Directors and the Chief Executive Officer of SJ AB (corporate registration number 556196-1599) hereby present SJ's Annual Report and Sustainability Report for the 2017 financial year. The statutory Annual Report, including the Directors' Report, which has been audited, comprises pages 23–41 and 51–80; see also the Auditor's Report on pages 82–83.

Sustainability Report

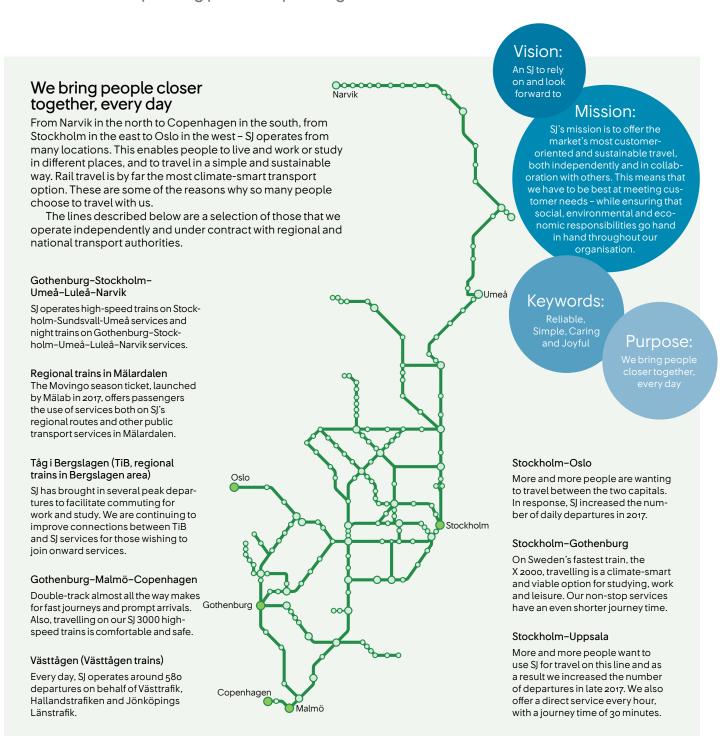
The Sustainability Report consists of the section "Responsible Governance" on pages 24-37 of the Directors' Report, and the report in accordance with Global Reporting Initiatives (GRI), Guidelines G4, "Core", which follows the structure of the GRI Index on pages 86-88. The Sustainability Report has undergone a combined audit and review by an external auditing firm; see the Auditor's Review Report on page 85.

Disclaimer

While every care has been taken in the translation of this Report, readers are reminded that the original and complete Annual and Sustainability Report 2017, signed by the SJ Board, is in Swedish.

SJ — a sustainable business

SJ is a Swedish travel partner that offers sustainable train travel, independently and in collaboration with others. In 2017, the Group had 4,500 employees and sales of approximately SEK 7.8 billion. As the market-leading train operating company, SJ not only connects the towns and regions of Sweden, but also Scandinavia's capital cities. Every day, 130,000 people opt to travel on one of SJ's 1,200 departures from 284 stations. SJ, owned by the Swedish State, is tasked with operating profitable passenger rail services.



Significant events in 2017

Improved punctuality during the year

year through systematic, long-term work by SJ and at industry level. Punctuality for SJ medium-distance services for long-distance services at 82 per-

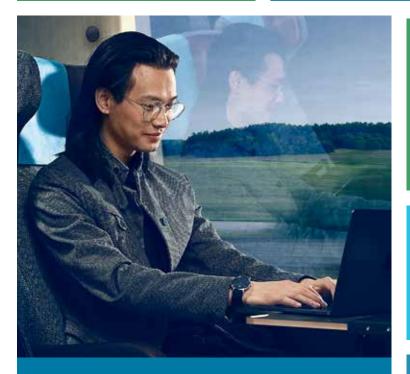
SI recruits more train drivers and train hosts

Rising demand for rail travel is creat-SJ. Over a three-year period, we will be recruiting up to 500 train drivers and



New record-highs for rail travel

More and more people are choosing to go by train, and by SJ. Rail travel in Sweden increased to 13.2 billion passenger kilometres in 2017, compared with 12.8 billion passenger kilometres in 2016. Travel on SJ's independent commercial services rose by 3 percent, compared with the preceding year.



SJ investing billions in trains

SJ is planning to invest around SEK 9 billion in meeting the demands of tomorrow for comfortable and efficient train travel. Modernisation of all X 2000 trains continues on schedule, and the first new X 2000s will enter service in the course of 2018. In 2017, planning began for the procurement of around 30 new high-speed trains that will be able to serve the entire Scandinavia region from 2021. During the year, a decision was also taken to modify, refurbish and upgrade all SJ's night-train carriages, to create a more enjoyable travel experience and so attract more passengers. The first carriages will enter service in late 2018.

Renewed agreements in tendered services

During the year, SI was re-appointed to operate the Mälaren Line service under a new agreement with Mälab. Via a renewed agreement with the Swedish Transport Administration (STA), we are continuing to operate overnight services to Upper Norrland. Several procurements are in progress in Sweden and in neighbouring Norway, Denmark and Finland. SJ is carefully evaluating the opportunities offered by these business operations.

Lower absence due to illness among SJ employees

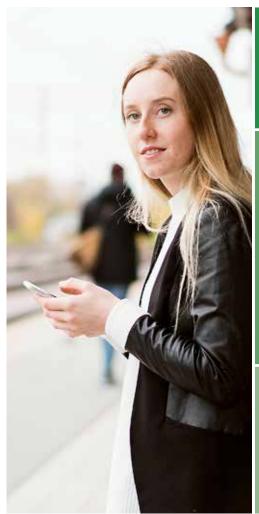
Systematic measures helped to lower the rate of absence due to illness in the SJ Group to 5.4 percent

Digitial services making it easier to book and travel

Our customers and passengers are not only demanding but also participating in the development of the new digital services from SJ that are making it easier to travel. During the year, we continued to develop the SJ mobile app. For example, we introduced Swish for payments via our own channels. The app function "Where should I stand on the platform?" reduces stress for passengers and helps to ensure that our trains depart on time.

Comparative figures in parenthesis refer to the full year 2016.

2017 in figures



Our employees

Absence due to illness

Leadership Index

Performance Index

Our customers and passengers

Traffic Safety Index

Punctuality, long-distance services

Passenger Satisfaction Index, SJ Götalandståg commuter services

Passenger Satisfaction Index, SJ Götalandståg

Our environmental work

millilitre of petrol

Comparative figures in parenthesis refer to the full year 2016.

was invested by SJ in 2017, above all in trains and IT systems

was in total distributed by SJ to the owner, the Swedish State, in 2017

employees in the SJ Group on 31 December 2017

Financial overview in brief

	2017	2016	2015	2014	2013
Net sales, SEK million	7,780	9,336	9,052	9,065	9,023
Operating profit ¹ , SEK m	666	837	625	568	298
Operating margin ¹ , %	8.5	8.9	6.9	6.2	3.3
Profit/loss for the year, SEK m	523	650	471	460	220
Return on operating capital ¹ , %	16.4	20.0	13.2	11.5	5.7
Net debt/equity ratio ¹ , multiple	-0.1	0.0	0.2	-0.1	0.0
Investments in property, plant and equipment and intangible non-current assets, SEK m	596	390	525	828	448

¹ SJ's alternative key metrics; for definitions, see page 92.

For more about financial events during the year, see the Directors' Report, page 23.

Net sales and operating profit, SEK million



SJ's initiatives are continuing to attract more passengers



SJ's strategic offensive, focusing on development of both independent commercial services and tendered services, again proved successful. Customer-led improvements, our focus on attracting more passengers and our success in reducing our cost base by SEK 1 billion have delivered. The buoyant demand for rail travel by SJ reached a peak of more than 30 million journeys in 2017, compared with 28 million in the previous year. As a result, sales in SJ's independent commercial services in 2017 were higher than in 2016.

Total sales for the Group in 2017 were SEK 7,780 million (9,336) partly because in 2017 we no longer had the contract for operating the commuter train service in Stockholm County, a contract that generated sales of SEK 1,900 million in 2016. On the other hand, sales were boosted during the year by SJ's successful operation of regional and commercial services on behalf of Västtrafik and the acquisition of new, and renewal of existing, contracts for tendered services.

As a result of further positive growth in passenger numbers, full-year operating profit amounted to SEK 666 million (837). The lower profit than a year earlier was due to the fact that SI no longer operates commuter services in Stockholm County and to a strong finish in 2016 partly as a result of supplementary agreements.

SJ is a Swedish travel partner that offers sustainable rail travel independently, in partnership and under contracts with national and regional transport authorities. By maximising gains from synergies between commercial and tendered services, we create cost-efficient services that focus on meeting the needs of our customers and passengers for attractive departure and arrival times, short journey times and value-for-money, comfortable train journeys.

Cooperation with regions and municipalities throughout Sweden plays an important part in our ambition to create attractive public transport solutions, in both publicly funded and SJ's independent commercial services. Our collaborations extend from regions in the north to those in the south. They are underpinned by dialogue and agreements with

regional stakeholders and decision-makers. For example, our partnership with Mälab was extended in 2017 by the addition of a new combined offering - Movingo. Movingo is a season ticket that offers the many commuters in the Mälardalen region access to services both on SJ's regional routes and other public transport services in the region. A simple, universal customer offering. This was made possible by a collaborative effort to jointly offer attractive travel solutions.

SJ's prospects for continued success are good, and longterm development lies at the heart of our strategic plan, which covers the period until 2040. We are focusing on our core business, passenger services on the rail network. As market-leading train operator in Sweden, we have high ambitions for managing and developing our operations in a sustainable way.

We are expanding our capacity to meet the rising demand for rail travel and to offer our customers an even better travel experience. A major programme to modernise all SJ's X 2000 trains has been in progress for some years. This will enable us to meet the demand for shorter journey times and a high level of comfort. In early 2017, SI's Board of Directors approved a programme to upgrade all the Company's night-train carriages, and well as an even bigger investment to procure around 30 new high-speed trains for long-distance services. The total for the investment in X 2000s, night-train carriages and new high-speed trains is approximately SEK 9 billion.

SJ has a clearly stated ambition to harness new technology to improve internal processes and make things simpler for our customers and passengers. Over the next five years, we will be leveraging digital technology to develop new ways of working, new services and products to enable us to retain our strong position in the rail market. For example, we have started on the task of making our trains smarter. By digitising rolling stock maintenance, we can create more robust trains, more punctual services, and faster and more accurate information to our passengers.

Customer expectations that SJ should always be accessible online puts pressure on our availability. Today, 97 percent

of our customers book their journeys digitally via SJ's own buying channels. For that reason, we focus closely on continuing to develop our digital channels. To make things even simpler for our customers, we brought in Swish as a payment method early in the year. It was welcomed very warmly, and at year-end Swish was being used for more than half of digital bookings.

Our systematic way of working, which involves interested passengers in testing and evaluating ideas via the SJ Labs development app, is still successful. The digital function "Where should I stand on the platform?" is a result of this cooperation. It simplifies boarding for passengers and improves the chances of a punctual departure.

SJ was the first travel company worldwide to offer its passengers the facility of using a chip implant for ticket inspection. The experiment has attracted much attention, both in Sweden and internationally, and has played a part in establishing SJ as an innovative, digital enterprise.

The growth in travel continued during 2017 and customer satisfaction is improving. During the year, the number of journeys on SJ's independent commercial services rose by 5 percent and travel (measured in passenger kilometres) by 3 percent, compared with the figures for the preceding year. A major factor in the growth in travel during the year was the expanded service offering via the agreement with Tag i Bergslagen (regional trains in Bergslagen area). At the same time, our customer experience improvements bore fruit and customer satisfaction improved steadily over the year. SJ AB's Customer Satisfaction Index (CSI) improved to 72 (70).

During 2017, punctuality improved on all SJ services and SJ's share of disruption hours has fallen sharply in recent years. One challenge now is to highlight clearly that our punctuality is better than many believe, without minimising the experience of passengers when we fail to deliver a punctual journey A year ago, a large number of Swedes were asked how punctual they thought SJ trains were. The answer was that people believed that 53 percent of trains arrived on time. The truth is that SJ's overall punctuality, within a margin of five minutes, was measured at 90 percent in 2017.

Work on improving punctuality continues, and SJ's active work in sector initiatives such as Together for Trains on Time (TTT), Stronger Industry Collaboration and the Rail Industry's Forum for Cooperation are increasing the chances of achieving the industry's joint strategic objective, that is, 95 percent punctuality for all train services in Sweden by 2020. Our involvement in the Community of European Railway and Infrastructure Companies (CER) is also playing a part in the development of the European rail industry.

SJ is part of a forward-looking industry to be proud of. SJ will be an attractive employer, with an employeeship concept based on dialogue, involvement and clear opportunities for engagement. In our interaction with customers, SJ employees act as ambassadors for the Company and bearers of SJ's values. We want employees to feel a strong sense of belonging at the Company, to be clearly aligned with SJ's long-term goals and to create a good travel experience for our customers every day.

Low levels of absence due to illness are important in enabling SJ to continue to operate in a long-term sustainable way. The involvement of our managers in supporting those absent due to illness, working closely with the company health service and the Swedish Social Insurance Agency, has contributed to a substantial reduction in,



above all, long-term absence due to illness and enabled us to achieve our annual target.

Over the year, many employees at SJ were engaged in the emphasis on zero tolerance of bullying and harassment. Based on our clear core values as a caring enterprise, we are developing our positive corporate culture. This has been an ever-present theme at workplace meetings and SJ's dialogue meetings during the year.

Over the next few years, a rising population will drive increased demand in daily commuting, and this challenge will have to be met in a sustainable way. The ability to do so will be closely linked to our capacity both to upgrade the existing rail infrastructure and invest in very high-speed lines. The growth in long-distance rail journeys is estimated at up to 16 percent over the next five years. It is in SJ's interests for Sweden's transport network to play a part in further shortening journey times between the big cities and for the regional services to be able to meet the day-to-day demand for travel.

SJ's major focus for the future is to continue to live up to our most important customer promise, safe and punctual travel with a high level of service. Passengers should be offered a travel experience adapted to their unique preferences, and we want our offerings to continue to be viewed as value-for-money, flexible options. As a concrete example, SJ is working on creating convenient connections between long-distance services and regional services to make SJ an automatic choice as part of the customer's overall journey.

In recent years, we have concentrated resources in tendered services to ensure a long-term profitable position as the leading rail operator in the Nordic region. With Norway and Denmark opening up to tendering for rail services, the expertise we have acquired from operating in a deregulated rail market will also create new business opportunities for us in our neighbouring markets in Scandinavia.

SJ has an important role to play in developing sustainable travel both independently and in partnership with others. With a successful 2017 behind us, we will continue to focus on what creates value for our customers and passengers and engage in the development of the rail industry. An exciting future lies ahead.

Stockholm, March 2018 Signature on Swedish original.

Crister Fritzson Chief Executive Officer

Seven keys to sust

All businesses aiming to be successful in the long term must be operated responsibly. This means taking responsibility for people, the environment and finance - in general and in detail, and in that order. The sustainability challenges differ according to the nature of the business. Equally well, there are a number of general challenges that all businesses have to deal with.

STATULE LANGER COMPARE A COMPANIA

1. Make an active contribution to a sustainable society

Developing the economy and functionality of society in the best interests of all, while at the same time husbanding our shared resources is a gigantic challenge. For Sweden's part, the task is to create sustainable growth not only in the cities but also in sparsely-populated regions. What is SJ doing: Read more on page 9.

2. Ensure that climate goals can be achieved

Sweden has set itself the goal of becoming one of the world's first fossil-free welfare nations, with zero emissions of greenhouse gases by 2045. This will require technological advancement and structural

interventions in, for example, agriculture, industry, urban development, travel, logistics and consumption. At the same time, all businesses must focus systematically on reducing their particular climate impact. What is SJ doing: Read more on page 11.

3. Deliver customer value that meets real needs

We live in a complex and diverse society where people have different needs, expectations and conditions. Companies have to develop and offer goods, services and other benefits that meet relevant aspects of these needs and create value for their customers, now and in the future. This demands responsiveness, innovation and investment. What is SJ doing: Read more on page 12.

ainable enterprise

4. Be a player to rely on

Sustainable relationships are based on promises and commitments that are fulfilled. Not over-promising is essential in preventing unnecessary disappointment. Even so, things can still go wrong. In that situation, there needs to be transparency about problems, their causes and possible solutions if trust is to be maintained. What is SJ doing: Read more on page 14.

5. Strive to constantly improve as an employer

The ability to attract and retain the right employees is essential to long-term sustainable development. Competition for skills is rising all the time. In that situation, the employer's values and strategic objectives take on greater importance, alongside good working conditions and opportunities for employees to develop. What is SJ doing: Read more on page 15.

6. Create conditions for profitable business

Sustainable enterprise creates economic profitability and at the same time generates social and environmental values. A profitable company is better equipped to be reliable and make a contribution as a player in society. All companies must operate within the framework of laws and regulations. At the same time, many other conditions can be influenced and some can be controlled in accordance with the company's strategic objectives. What is SJ doing: Read more on page 17.

7. Take total responsibility for own development in order also to be able to take on broader responsibility

All companies must put their own house in order before taking on their industry and issues of society in general with any credibility. Work on sustainability always starts within the business itself, even when external conditions also demand action. What is SJ doing: Read more on page 19.

1. Make an active contribution to a sustainable society

Our aim is to connect Sweden, to make it possible for every part of the country to develop

We want to make all parts of Sweden accessible to people and business, to connect small and large communities with each other and the world outside, and to bring people closer together.

Sweden's population¹, millions

Yesterday, 2012	Today, 2017	Tomorrow, 2022	
9.6	10.1	10.7	

We want to be an SJ for everyone - both for passengers and in our role as employer. People's travel needs are different and everyone should be able to travel with SJ. People should be able to live or study in different locations and to travel between home and other places in their life. We want to operate trains under our own brand and on behalf of regional public transport authorities, wherever the necessary infrastructure and sufficient demand exist. On the first and last parts of the journey, our partners help to make sure that passengers enjoy a coordinated public transport experience on the same ticket - ResPlus. Read more on page 29.

As an employer, we want to reflect the Sweden of today in all its diversity so that our passengers feel at home and so that we can identify new business opportunities. SJ has 4,500 employees over the entire country and is strongly rooted in the local community.

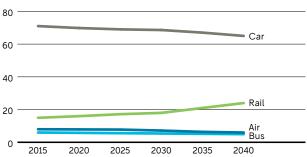
SJ will be the partner of choice at national, regional and local level when it comes to creating a sustainable transport system in the broadest sense of the term. Our owner, the Swedish State, has not imposed a social mission upon us, but we are keen to perform in a socially responsible way. Our goal is to help to connect Sweden and promote growth in every part of the country.

A sustainable Sweden must have a sustainable infrastructure.

According to UN calculations, Sweden has the fastest-rising population in the West, with a growth rate of around 0.75 percent. To meet the growing demand for travel and transport from an expanding population, Sweden needs an infrastructure that measures up, and makes growth possible.

The number of passenger journeys has nearly doubled over the past 20 years, and on many rail routes the capacity ceiling has been reached as a result of insufficient track capacity. On many routes, the Swedish Transport Administration (STA) has been forced to introduce speed limits because of delayed maintenance. Because of overburdened capacity on strategic routes, trains cannot make up for lost time on journeys. Major investments are needed, both to restore and to maintain Sweden's existing infrastructure and at the same time to roll out the programmes

Forecast for respective shares of longdistance1 travel for transport modes, %



Source: Source: Swedish Transport Administration, KTH (Royal Swedish Institute of Technology) and SJ analysis where very high-speed services were added. 1) Journeys of a minimum of 100 km that cross at least two municipal borders or a county border.

to increase capacity to what is needed to meet transport needs of the rising population and the country's ambitious environmental targets.

A sufficient and adequately robust rail network

In 2017, STA presented the government with its proposals for a national plan for the Swedish transport system in the 2018-2029 period. The plan is expected to be adopted by the government in spring 2018. SJ has commented on the proposals, arguing that four principles should govern action plans and funding limits, if a sustainable rail industry is to be achieved. The four principles are:

- Focus on the passenger and create a reliable train service
- Increase capacity and prioritise climate targets
- Invest and focus resources to where they deliver greatest
- Restore and maintain functionality on prioritised lines In SJ's judgement, STA's proposed national plan for the transport system does not fulfil these principles to the extent needed. The negative impact of inadequate track infrastructure is not limited to train operators alone. It also weakens trust in rail as a mode of transport among both passengers and freight operators. Much of Swedish industry depends on adequate, and functional, capacity in the rail network for reliable shipments.

Sweden needs real very high-speed rail

SJ takes the view that the expansion of capacity required on the southern and western main lines is such that new main lines need to be built right into the central stations in Stock-

¹⁾ Source: Statistics Sweden



SJ's view of need for investments in infrastructure 2018-2029

Gävle-Sundsvall

Stockholm-Luleå offers substantial potential for growth once the entire line is converted into a modern dualtrack line, in which the initial stage should be to develop the Gävle-Sundsvall section into dual-track.

West Coast Line (Gothenburg-Malmö)

Demand on the line cannot be met because the capacity ceiling has now been reached. In addition to the dual-track proposed in the national plan, more passing places need to be built.

Värmland Line (Stockholm-Oslo)

Despite high demand, it is not possible for capacity reasons to expand the currently limited service owing to a long section of single track. Dual-track from Karlstad-Kil and a new connection to the Western Main Line east of Laxå would increase capacity.

Western and southern main lines (Stockholm-Gothenburg and Stockholm-Malmö)

Further measures to expand capacity are needed and normal speed also has to be restored on both main lines. Very high-speed lines will deliver most impact.

holm, Gothenburg and Malmö. The biggest increase in capacity and the greatest positive impact on punctuality across the rail network as a whole will be obtained if the two tracks are designed as a purely very high-speed system and are used only by very high-speed trains, with the existing main lines being used for regional and goods traffic.

New main lines will generate growth in the labour market regions of the south, and for Sweden as a whole, by enabling people to commute to work from further away from their workplace. Short journey times will also take the pressure off the housing market in the country's three big cities by creating more choice of places to live.

Investment in real very high-speed rail, with speeds of at least 320 kph, will be the great enabler, both in shifting traffic to rail from other transport modes and in relieving the burden on the existing rail network. Very high-speed rail would also pave the way for two to three times as many goods trains as currently operate.

If the current rail network were to be used only by trains travelling at roughly the same speed - commuter, regional and goods trains - punctuality would improve when the risk of faster trains catching up with slower trains is removed. The upshot is that a separate very high-speed line would improve punctuality across the entire rail system. Read more about SJ's view on very high-speed rail on page 11.

SJ today

- We connect Sweden and the cities of Scandinavia we operate trains from Narvik in the north to Copenhagen in the south, from Stockholm in the east to Oslo in the west. We operate independent commercial services and we also operate services on behalf of Sweden's regional public transport authorities and national transport service tendering authorities.
- We offer 1,200 departures at 284 stations. In association with county public transport operators and our collaboration partners, we take passengers from door to door.
- We maintain active dialogue with the Swedish Transport Administration (STA) and the regional public transport authorities regarding the routes and the actions that need to be prioritised in terms of maintenance and upgrading.
- We have commented on STA's proposed action plan for the transport system in the 2018-2029 period.

SJ tomorrow

- We believe that the sharp increase in rail travel is a natural consequence of the new sharing economy. Travel is increasing on all the services operated by SJ, both within independent commercial services and on those operated on behalf of regional public transport authorities, and within both intra- and inter-regional services. As an operator of independent commercial services and tendered services, our aim is to play a part in this development, by enabling passengers to an even greater extent to continue their train journey by other public $transport\,service, to\,make\,every\,part\,of\,the\,country\,accessible.$
- We want to continue to offer viable travel options between Stockholm and the other capitals of Scandinavia.
- We want to operate very high-speed trains in southern Sweden and in that way help actively in reducing the volume of air and car traffic on the routes served. It will also enable us to offer more efficient travel solutions in the existing rail network.

2. Ensure that climate goals can be achieved

Our aim is that everyone should be able to play their part - in the way they travel

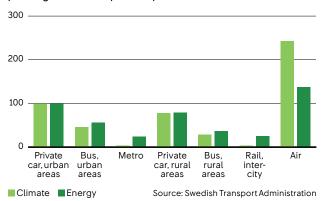
Rail travel is the most energy-efficient and most eco-friendly mode of transport. On that basis, in order for Sweden to reach its ambitious environmental targets, we need more rail capacity to be able to move traffic over to rail.

Passenger travel in Sweden¹, billions of passenger kilometres

Yesterday, 2012	Today, 2017	Tomorrow, 2022
11.8	13.2	14.2

Sweden has the goal of becoming one of the world's first fossil-free welfare nations with zero emissions of greenhouse gases by 2045. The bar has been set high for the short term, too. A 40 percent reduction in the level of climate-impacting emissions in 1990 is to be achieved by 2020. This is one of the most ambitious climate targets worldwide. In the EU, the target is to cut greenhouse gas emissions by 20 percent in the same period.

Rail travel is the most energy-efficient and most eco-friendly mode of transport. The train is unique in that it can transport many people directly from one city centre to another, which reduces the need for additional car and bus transport. Other transport modes are gradually cutting down their environmental impact, but the adjustment takes time and is often swallowed up by volume increases. The conclusion is that, if environmental targets are to be achieved, we need more rail capacity so we can move traffic from less eco-friendly transport modes to rail. We also need operators who leverage the opporEnergy consumption and climate impact per passenger kilometre, per transport mode



All figures are set against the standard energy consumption and climate impact of a private car used in an urban environment, index = 100. A flight between Stockholm and Gothenburg generates the same volume of carbon dioxide emissions as those from 50,000 train journeys.

tunities for utilising the full potential of rail travel in terms of total travelling time, reliability and giving passengers the option of using travelling time for work or other activities. More and more people are choosing rail ahead of air travel, since the time on board can be used efficiently and because the train offers superior environmental benefits. Taking the train is a simple



¹⁾ Source: Transport Analysis government agency, 2012 and 2017. Transport Analysis, Swedish Transport Administration and SJ Analysis for 2022 forecast.



way of helping to reduce climate impact. One of the UN's global sustainability goals that SI has chosen to prioritise is number 7: Affordable and Clean Energy, which aims to double the global rate of improvement in energy efficiency by 2030. We are working unceasingly on improving our own energy efficiency, for example by eco-driving. We also procure electricity from 100 percent renewable resources, for both train operations and administrative facilities. Read more on pages 30, 32 and 90.

Major impact from very high-speed rail

An investment in very high-speed rail would create in a major move by passengers from air and car to rail, provided that the target of two hours' travelling time for the Stockholm-Gothenburg service and two and a half hours for Stockholm-Malmö is achieved. This would require a speed of at least 320 kph, because every minute gained/lost in travelling time has a direct bearing on the number of people choosing to travel by the particular mode of transport.

If the travelling times quoted above are achieved, a highspeed line would have the effect of moving nearly three million journeys by air to rail annually. It would also create

Potential service with very high-speed trains Stockholm C Norrköping Gothenburg C Linköping Borås Jönköping Värnamo Hässleholm Estimated journey time: Lund Malmö C Stockholm-Gothenburg 2 hrs Copenhagen Airport (Kastrup) Stockholm-Malmö 2.5 hrs Stockholm-Copenhagen 3 hrs Copenhagen Central

a move from cars and buses. Overall, the environmental impact would be very concrete. It is estimated that a lower speed limit of 250 kph as proposed by STA would halve the shift from air to rail, at around 1.5 million journeys annually, because of the longer Stockholm-Malmö journey time.

A fast construction process is essential if the very highspeed rail network is to have sufficient capacity to play a decisive role both in the climate-adaptation of the transport system and to enable climate-smart management of the sharply rising demand for transport capacity generated by the fast-rising population. Read more about SJ's views on very high-speed rail travel on page 9.

If the EU's climate targets are to be achieved, an expanded and seamless European rail network will be needed, in which the entire rail infrastructure is harmonised and dimensioned for very high-speed travel. The major countries in continental Europe have long operated very high-speed rail networks.

SI today

- We make it easy for all individuals to contribute and for businesses to achieve their environmental and climate targets by offering journeys with the Good Environmental Choice label.
- We offer our high-speed train passengers a level one KRAVlabelled bistro.
- We use rail replacement buses that are powered by more than 50 percent biofuel.
- We invest in our train fleet to be able to offer a broader range so that more can opt to travel by rail.

SI tomorrow

- We want to offer new, climate-smart mobility solutions that take passengers door-to-door.
- Our goal is to be the leading player in very high-speed rail and will be developing new solutions on an ongoing basis that will persuade more people to take the train and so play a part in climate targets being achieved.

3. Deliver customer benefit that meets real needs

Our aim is to offer greater mobility and make everyday life simpler - for all

We live in a society where people have different needs, expectations and conditions. Sweden is a country where distances are great and this creates a major need for mobility. Whoever you are and wherever you want to go, SJ wants to be a relevant option.

Customer Satisfaction Index (CSI) SJ AB

SJ yesterday, 2014	SJ today, 2017	SJ tomorrow, 2022
63	72	85

In practice, our undertaking requires us to work at being first choice, irrespective of whether a journey is on business, for example to a meeting in Gothenburg, or a family trip, for example to a few days skiing in Åre. It is also relevant to daily commuting for people living in one place and working or studying in another. For those who commute, we develop offerings in conjunction with regional public transport author-

To be able to offer mobility to all, SJ must maintain a high level of availability. To this end, we maintain continuous and close dialogue with our passengers in reviewing the routes we operate and the frequency of service. We also have to work on making journeys by SJ even more available to passengers with particular requirements. Availability is also about the experience with SJ, over and above the train journey itself, for example via our digital buying channels.

Diversity among our employees helps us to gain more perspectives and a greater understanding of the changing needs of our customers and passengers. As one way of providing even greater availability, many of those who are involved with customer contact wear a badge showing the languages which that person speaks. Nearly 50 languages are represented among SJ's employees.

We want to make day-to-day travelling simple

Based on customer needs identified, we are constantly developing and improving services that simplify travelling. Our company website sj.se and SJ's mobile app can be

accessed everywhere, making it easy to book tickets and obtain information before, during and after the journey.

Time spent on SJ trains can be used for work, studying, socialising or rest. We offer the conditions needed, quiet carriages for concentration or rest, an opportunity to socialise, or have a bite to eat or drink a coffee in the bistro. Read more about SJ's customer offering on page 33, and about how we develop new solutions in conjunction with our customers on page 34.

SJ today

- In dialogue with our most important stakeholders, our passengers, we are continuously developing our offerings and departures. For example, the new train timetable from December 2017 includes more SJ departures between Stockholm and Gothenburg than for the preceding year.
- Via our SJ Labs app, we get our customers and passengers to take part actively in both evaluation and actual development of services to create the most useful services possible.
- We are modernising our X 2000 trains and our night trains to make travelling with SJ even more comfortable and enjoyable.
- We work actively with regions in jointly developing public transport services. Mälab's commuter season ticket Movingo, launched in autumn 2017, is a combo ticket that enables the passenger to travel on both SI trains and other public transport services in Mälardalen. SJ is a reseller of Movingo, offering a customised sales and distribution system for the new product. Another example is our joint operation with Västtrafik, intended to increase passenger numbers and passenger satisfaction on the Västtågen service, for example via an improved service offering and better customer information.
- We are progressively developing our digital buying channels. It is now possible to book and buy tickets using the Swish payment service in all SJ digital channels.
- We are making life simpler for rail commuters, for example by offering on-board WiFi on most of our trains and subscription services for service information during disruptions on any particular line.

SJ tomorrow

- We want to use the opportunities created by digitisation to make contact with SI even simpler for our customers and passengers. One of our aims, for example, is to inform passengers in real time.
- We want to expand our offering in tendered services, both in Sweden and in our Nordic neighbours. With the combination of experience and an attractive offering, we want to be a clear choice for transport-contracting authorities, where we can offer passengers seamless travel solutions in combination with our independent commercial services.
- We want combined mobility to be a clear choice for those travelling with SJ. We also want to offer passengers the first and last parts of their journey and guide them during these stages, as this experience is at least as important as the train journey itself.

4. Be a player to rely on

Our aim is to keep our promises and do our utmost when problems arise

SJ has many relationships that impact on our success. In all these relationships, we work on earning and enjoying trust. Good dialogue with our stakeholders is therefore crucial in ensuring that we continue to develop and have competitive offerings.

Punctuality, SJ long- and medium-distance trains

SJ yesterday, 2012	SJ today, 2017	SJ tomorrow, 2020
87%	90%	95%

We maintain constant dialogue with customers, employees, industry colleagues, suppliers, government agencies and politicians at all levels - including representatives of our owner, the Swedish State. Read more on pages 20-21.

Reliability is one of SJ's core values. People should be safe in assuming that in SJ they are choosing an organisation that takes its responsibility for society, the environment and delivering a value-for-money service seriously. Confidence and trust is built through clarity about what we as a Group want and where we want to be, combined with transparency in success and failure. We want more people to take the train for the sake of its benefits to society, the environment and the social economy. On our scorecard, we openly state the goals we have set for SJ. We are clear about the challenges that we ourselves face, and about the solutions that we believe in. Read more on pages 24-25.

Safety and punctuality are our two most important customer promises, and we always put safety first. People

who buy a train ticket expect the train to depart and arrive on schedule. Our customer promise to passengers also includes service. In 2017, we invested in more powerful and faster WiFi on our high-speed trains and began installation of WiFi on night and locomotive trains. Many people choose to go by train because of its good environmental image and expect it to be reflected in the food and drink offering on board. Since 2015, bistros on SJ high-speed trains are level one KRAV-certified.

Improved punctuality, but we need to do better

SJ works on punctuality on all lines, whether independently or on behalf of others. We also operate many connections, which also have to arrive and depart on time if everything is to function properly.

A systematic focus both within SJ and elsewhere in the rail industry have made it possible for punctuality on SJ short- and medium-distance services to get near the industry-wide target of 95 percent punctuality by 2020. During 2017, punctuality for SJ medium-distance services was calculated at 92 percent (90) and for short-distance services 93 percent (92). Although the trend is heading in the right direction, we are still some way from our target for long-distance services, and it will be a challenge to reach 95 percent by 2020. In 2017, SJ recorded punctuality of 82 percent (81) for





long-distance services. Around 10 percent of all disruptions on the Swedish rail network in 2017 were attributable to SJ. We are working systematically on further reducing that percentage, for example by creating more robust timetables and by improving our rolling stock and processes. All other disruptions arose through causes beyond SJ's direct control, such as infrastructure malfunctions, unauthorised persons in the track area and disruptions caused by other train operators.

Punctuality is the industry's greatest operational challenge and it requires combined efforts, over and above the measures needed by each player in their spheres of operation. The rail network is an integrated system that depends on all involved being operationally agile and able to cooperate. Read more about SJ's work on punctuality, on pages 35-36.

Focus on information during disruptions

SJ and the industry as a whole work together to alleviate the consequences to passengers once disruptions are a fact, above all through clear information. Because there may be many reasons for a disruption, information and forecasting about when service may be resumed are not always available. Both SJ and the industry are striving to become better at managing and providing information in a way that is acceptable to passengers.

SJ is making every effort to ensure that passengers affected are informed as soon as possible, and preferably in advance, about delays and new departure and arrival times via SMS texts and the SJ mobile app. Activities are under way both within SJ and in association with the Swedish Transport Administration to ensure that we can get relevant information to our passengers more quickly.

Reliable partner in tendered services

Contracting authorities for tendered services are important customers of SJ and we must be a reliable player. We must deliver what we have contracted to perform and, in partnership

with the contracting authority, develop the travel of the future. As part of this partnership, we are focusing on creating synergies between the service we perform on behalf of the contracting authority and other SJ services, in the best interests of passengers. In particular, the point is to ensure that expertise and new developments are applied across all services.

SJ today

- It is clear that our trains are becoming more and more punctual. In 2017, overall nine out of ten SJ trains arrived on time. But differences can be considerable from one route to another and from one week to another, and we cannot yet rest on our laurels. A continued systematic focus, both on our own operations and in the rail network in general, will bring further improvements so that the industry's target of 95 percent punctuality by 2020 is achieved. Read more on pages 35-36.
- We are working with all rail industry players via the industry initiative, Together for Trains on Time (TTT) to improve the preconditions for punctuality through long-term, systematic action.
- We are developing ways of working and tools that improve punctuality, such as the function "Where should I stand on the platform?" in the SJ mobile app. This function reduces stress and rushing for passengers, and enables us to improve punctuality.
- We employ digital tools for information and communication between train drivers, traffic management and on-board employees, and to inform passengers via SMS texts and the SJ mobile app.

SJ tomorrow

- Our goal is to rank among the most-highly digitised businesses in Sweden by exploiting the full potential of new digital technology to bring about a more robust service, which in turn will lead to higher satisfaction among both employees and customers.
- We want to be even more proactive when informing about disruptions, so that our passengers can use their time effectively.

5. Focus constantly on becoming a better employer

Our aim is to set an example as a values-driven organisation

Every day, we are in contact with 130,000 customers and passengers. It is largely during these contacts that people form an image of SJ. Our core values must be embedded in our activities and contacts with our customers and passengers.

Performance Index¹

SJ yesterday, 2013	SJ today, 2017	SJ tomorrow, 2022
75	79	83

If we are to enhance SJ's image, a critical factor will be competent and committed employees, who are given the right conditions to meet our customers' expectations. Our employees must in their actions reflect our core values: Reliable, Simple, Caring and Joyful.

The way the rail industry is viewed has changed. It is once again being seen as an industry of the future. This change is being driven above all by increased rail travel, largely reflecting greater understanding of our shared environmental responsibilities. However, another factor is that trains and railway technology are increasingly at the leading edge. To attract the right skills, it is important for the railway to position itself more clearly as an industry of the future. Through high-technology initiatives, both for SJ's employees and its passengers, we are taking an active role to secure that position.

An inclusive and welcoming workplace

SJ is a values-driven organisation. In practice, this means that we work actively to ensure that our core values are embedded throughout SJ, in our attitudes towards each other and towards those we meet. Our principle "whoever you are, wherever you want to go" applies not only to our passengers but also our employees. We work actively for greater equality and diversity, and to create an inclusive workplace climate characterised by respect, security and accessibility. An SJ for everyone makes for a better company and inspires pride and commitment, which in turn will underpin our competitiveness in the markets for both passengers and skills.

Bullying and harassment exists at SJ, as it does elsewhere in society. That's not what we want, and as a result we took robust action in 2017 to create awareness and to educate to change behaviours. SJ's managers engaged in appropriate training, and possible solutions to the problems were discussed in cross-functional dialogue meetings, in workplace meetings and at Executive Management meetings.

Committed employees a decisive factor

SJ strives to be as an attractive employer as possible - with a clear sustainability profile, leadership that is recognised as effective, together with strong commitment to health issues and excellent opportunities for development within the

Group. We are proud of our employer profile, but we must maintain constant development.

We direct operations on the basis of balanced strategic objectives in which employees have a key role. Our conviction is that the mood of an organisation reflects that of its employees. In our annual employee survey, we gauge the extent to which employees feel they can influence their work situation and perform their duties with scope for their own initiatives. Read more about what SJ does to retain and attract committed employees on pages 26-28.

SJ today

- We have a range of skills initiatives in place, partly for personal development of individual employees and partly to strengthen SI. In that way, our aim is to become even better at obtaining maximum advantage from the onward march of digitisation and other changes in society.
- We are improving all the time in response to the ever-increasing demands that our stakeholders make of us. Our journey of change and improvement is fully under way, requiring both employees and managers to play their part in creating a culture based on constant improvements.
- We operate a leadership development programme that produces leaders who have the desire and courage to live up to SJ's core values and leadership principles.
- We focus on early identification of employees at risk of illness. The aim is as quickly as possible to engage the support and the measures needed to deal with and resolve the situation.
- We offer SJ employees the chance of spending eight hours a year in voluntary work during office hours in the SJ Volunteer programme. New perspectives create enthusiasm, which benefit our passengers, customers and SJ - doing good feels good.
- We work with Pride, Friends and other organisations, which helps to develop our corporate culture and become the inclusive organisation we want to be.

SJ tomorrow

- Via flexible scheduling we want to offer employees greater scope to decide on their working hours and in that way fit the pieces of their daily life together more easily.
- We want more of our employees to act as ambassadors for SJ and play a part in strengthening our brand.
- We want diversity among our employees to be part of creating a creative and dynamic corporate culture that in the long run will lead to new business opportunities.
- We want our clearly inclusive culture to attract and help us to retain employees on an increasingly international labour market.
- We want to establish SJ as an attractive employer in the Nordic region.

¹⁾ The Performance Index measure employees' perception of the conditions enabling them to perform. The Performance Index is a key metric in the control area Employee on SJ's scorecard. Read more on page 26.

6. Create conditions for profitable business

We aim to – and must – operate profitable services

The Swedish rail industry is fully deregulated and thus completely open to competition. This is good for society, customers and the industry, since wider offerings and free competition drive market growth and force us, as operators, to be even more customerfocused and competitive.

SJ - operating income, SEK million

SJ yesterday, 2012	SJ today, 2017	SJ tomorrow ¹ , 2022
467	666	n/a

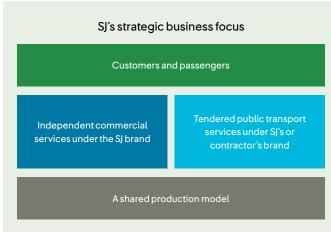
At SJ, we aim to continue developing and optimising all our services, with the overall goal of gaining more customers and passengers and creating higher service satisfaction.

Our owner, the Swedish State, makes demands of us in terms of long-term profitability. SJ operates on a linear basis, in which every line and business transaction must contribute to SJ's targets. This means demands for efficiency, the ability to continue developing operational excellence and ongoing adaptation in order to meet passengers wishes to the highest degree possible. All to the end of achieving profitability and contributing to SJ's non-financial targets.

Business and revenue model

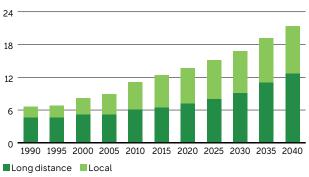
Our focus on profitability is vital in enabling us to take to the offensive in initiatives that develop our opportunities for increased revenue, today and tomorrow. The other side to our work on profitability is cost efficiency, where we need to keep costs constantly under control if we are to remain competitive. Cost efficiency in turn requires an efficient and robust production system based on standardised processes.

SJ operates commercial services independently and tendered services procured by regional public transport authorities or national transport tendering authorities. The model for traffic production is basically identical, which gives us significant competitive advantages and benefits of



¹⁾ SI does not provide a forecast.

Outcome and forecast for the rail market i Sweden, billion passenger kilometres



Source: The Transport Analysis Agency, Swedish Transport Administration and SJ analysis

scale. By being active in both commercial and tendered services, we also create synergies for our passengers, as we can service and coordinate both short and long routes.

Independent commercial services under the SJ brand

Within the independent commercial services sector, SJ is acting to increase our competitiveness on all the lines that we service. Short journey times, frequent departures and customer-oriented arrival times make SJ an attractive option compared to other train operators - and also compared to other modes of transport.

We operate our independent commercial services under four service concepts: SJ High-Speed, SJ InterCity, SJ Regional and SJ Night Train. The high-speed service is SJ's premium product with short journey times, high levels of comfort, a bistro and 1st Class. SJ InterCity's locomotive trains partly service the same routes, but have longer travel times, somewhat less comfort and lower prices. SJ's regional trains service shorter routes, and the concept is designed to meet the needs of commuters. SJ night trains are equipped with the facilities for passengers to sleep in couchettes, sleeping cars or private 1st Class compartments. Commercial services are always operated under the SJ brand and we are responsible for all aspects of the development, sale, production and delivery of our customer offerings. We are currently reviewing our concepts and deciding on modifications to our offering going forward.

Tendered services under SJ's or contractor's brand

Tendered services are operated on sections of lines and routes subject to a public-service obligation. Under the Swedish Public Transport Act, one of the main tasks of the



regional public transport authorities (PTAs) is to make decisions about public-service obligations for regional public transport services for which the community is to assume responsibility. All decisions on general public-service obligations are to be based on the regional public transport programme. Decisions on public-service obligations may only be made by a PTA and will apply solely to public transport within or between regions where commercial services are not possible.

Tendered services are carried out on behalf of contracting authorities (procurers), after operators have competed for the tender award. The contracting authority sets the requirements. The operators are the suppliers of transport and other contracted services. Examples of tendered services are regional and commuter trains in Western Sweden, which SJ operates via its wholly owned subsidiary, SJ Götalandståg on behalf of Västtrafik, Hallandstrafiken and Jönköpings länstrafik.

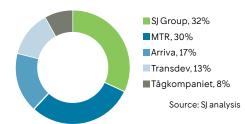
The Swedish Transport Administration government agency procures long-distance air, ferry, bus and train services that are regarded as fulfilling an important social function. For example, SJ operates a night train service to and from Upper Norrland.

In Norway, the Norwegian Railway Directorate procures regional and interregional rail services via geographically defined concession agreements. In this system, operators compete mainly for tenders where one operator is awarded

SJ today

- The process of modernising our X 2000 trains continues, with the aim of further increasing the attractiveness and competitiveness of our train fleet. In 2017, a decision was also approved to invest in around 30 new high-speed trains and to upgrade all SJ night-train carriages.
- We have been operating the Tåg i Bergslagen service since December 2016 and in 2017 we had our remit from Mälab expanded regarding services in the Mälardalen area.
- We are creating opportunities for more people to travel cheaply and are optimising our revenue by dynamic pricing. We match supply and demand with prices so that popular departures attract a higher price and lower-demand departures a lower price.
- We are honing our competitiveness in commercial services via ongoing passenger dialogue on lines and service frequency.
- In recent years, we have delivered considerable contributions to society in the form of dividends to our owner, the Swedish State.

Estimated market shares in tendered rail services in Sweden, 2018



more or less exclusive rights to service a region. Only to a limited extent is more than one operator allowed to operate side by side on tracks in Norway and to compete for passengers.

SJ a major player in contracted rail services

SJ has the largest market share in tendered rail services in Sweden, despite not operating commuter services in Stockholm County since December 2016.

However, in terms of total revenue SJ is a very small operator compared with its competitors, most of which operate under a parent company owned by a foreign state. Over the next few years, several major procurement projects will be conducted in Sweden, Norway, Denmark and Finland.

SJ tomorrow

- We want to continue to offer customer-led solutions that make SJ the first choice for passengers. With that aim in view, we are developing our offerings in consultation with our customers and our most frequent passengers. With the SJ Labs mobile app, customers take part in the development of servicers or products that meet their wishes.
- We want to continue to renew and improve our rolling stock fleet through investments in new and existing trains.
- We want to develop into one of the industry's most efficient operators via operational excellence, not only in our own services but throughout the rail system that SJ operates.
- We want long term to be a leading rail operator not only in Sweden, but also our neighbouring countries.

7. Take total responsibility for own development in order also to be able to take on broader responsibility

We aim to lead developments in the rail industry in partnership with others

The increased competition on the tracks has both spurred growth and driven us to work closer to the customer, and more efficiently. In 16 years, SJ has evolved from a State-owned public-service corporation in a monopoly market to an efficient and business-led train operator in a fully competitive market.

Dividends paid by SJ to owner, SEK million

SJ yesterday, 2012	SJ today, 2017	SJ tomorrow, 2022
12	260	30-50% of profit for the year

In 2011, the last stage of deregulation of Sweden's now fully competitive rail network was completed. However, SJ's journey of change from State-owned public-service corporation to business led rail operator began long before that. So, competition on equal terms is something that we have long advocated. Implementation of the EU's Fourth Railway Package requires, among other measures, the market for national passenger services throughout the EU to be opened up to competition by 2020.

Today, SJ is a profit-making business. One important factor in the Company's success is its strategy of sustainable enterprise, a clear choice over a separate sustainability strategy. Sustainability issues are fully integrated into SJ's corporate governance model, in which the organisation is governed from a value-generating, holistic perspective. Our governance model ensures a higher degree of attainment for our non-financial goals, along with stable financial profitability. Read more about the goals and outcome for the year on page 25.

A sustainable strategy

In 2012, a wide-ranging process of change began at SJ, in which the most important strategic issues were identified. The result was three overarching priorities, a closer focus on quality, including punctuality; a change from network to linear management; and a general cost efficiency programme. In 2012, SJ also expanded its governance model such that social, environmental and financial perspectives were linked to the Group's new scorecard. Read more on how SJ is governed in the Corporate Governance Report on pages 42-50.

The review also highlighted the importance of restoring trust in the rail service as a whole. It led to activities designed to change SJ's corporate culture, together with trust-building measures aimed at external stakeholders.

In 2013, SJ's long-term strategy to meet the challenges that the industry faces was adopted. The strategy is divided into three partly-overlapping time horizons. In horizon one, the focus is on establishing a base for profitability, in which cost efficiencies are central. In horizon two, long-term profitability is assured via continuous development of the customer offering. In horizon three, SJ is to lay the foundations for strategic growth, for example via a broader geographical offering or by operating very high-speed trains. Today, we are working on activities within all three horizons in order to underpin our future growth.

SJ cooperating via all relevant industry forums

SJ operates independent and tendered services, and we operate both our own and others' rolling stock. As a result, we have a broad overview of the industry, which, in conjunction with our long experience, makes SJ unique. We recognise the necessity of working with other industry players on a series of issues in the best interests of the industry and passengers, even if in other respects we meet as competitors.

SJ is an active partner in all meaningful collaboration at both national and European level. The Rail Industry's Forum for Cooperation (JBS) serves as an industry-wide forum addressing issues such as skills provision and punctuality. SJ has a strong commitment to Together for Trains on Time (TTT), which is operated by JBS and is described on page 29. SJ CEO Crister Fritzson is Chairman of the Association of Swedish Train Operating Companies (BTO), in which SJ actively participates in working groups on issues such as traffic safety, infrastructure, implementation of the European Rail Traffic Management System (ERTMS) and EU regulations.

In turn, BTO is a member of the Community of European Railway and Infrastructure Companies (CER), the most important organisation for collaboration among rail companies across Europe to influence EU institutions. SJ CEO Crister Fritzson has chaired CER since 2017, providing excellent opportunities to raise issues of particular importance from the viewpoint of Sweden's rail industry. SJ is also a member of the International Union of Railways (UIC), whose tasks include facilitating operation of international rail ticketing and work on technological standardisation.

Digitisation creating new opportunities

Our wide-ranging stakeholder dialogue is fundamental to enabling SJ to continue to be relevant in a fast-changing world. But for us talking is not enough; we involve customers and industry colleagues in the development of new services and products. Digitisation is bringing with it great change not only to SJ and the rail industry, but also to our customers and passengers.



At SJ Labs, we are constantly researching new opportunities and technologies with the aim of offering new innovations to our customers and passengers. All activities are focused on SJ working with customers step by step on developing new services. For example, SJ was the first in the world to offer passengers the option of having their ticket on a chip implant. The idea of a ticket-on-a-chip came from a customer, and the project was developed at SJ Labs.

We are also reviewing our internal processes and working tools in a way that maximises the opportunities offered by digitisation. The technology is already there, and it is our employees who are contributing suggestions of where benefit can be delivered. GPS transmitters in tablet PCs used by SJ train drivers have enabled us to obtain more accurate information about the location of other trains and to adjust speeds in order to avoid delays. Digitisation is also creating greater

operational monitoring of the status of our rolling stock, to support decisions in maintenance management and for analysis and trend monitoring to identify potential improvements.

possibilities for remote status monitoring. It can be used for

SJ - the industry expert of choice

SJ aims to be the partner of choice at national, regional and local level when it comes to creating a sustainable transport system in the broad sense of the term. With our involvement in a range of consultation bodies, committees and industry collaborations, SJ is also the industry expert of choice in passenger rail transport. Just as in our other work on sustainability, SJ can, and intends to, play its part in ensuring that the rail industry as a whole develops, improves and gains greater trust from our stakeholders. That will be good for us as train operators, for our customers and passengers and for the climate.

SJ today

- We are investing heavily in both existing and new trains, thanks to the work done in establishing an SJ that is stable and profitable
- We are taking an active part in all relevant national and European industry initiatives, with a view to taking part in development of the rail industry as a whole.
- Via SJ Labs, we are working with our customers in developing SJ into an even better travel partner. Several projects are in progress with a focus on internal processes and how we interact with our customers and passengers.
- We apply for train paths (track time) responsibly and only apply for track time that we intend to use.
- We engage actively with our suppliers to ensure that in partnership we make our products even better.
- We meet regularly with representatives of Sweden's regions in order as far as possible to identify the opportunities for cooperation between SJ's independent services and tendered public transport services.
- We monitor the ongoing process of deregulation in the European rail industry and continuously assess opportunities for operating trains outside Sweden.

SJ tomorrow

- We aim to continue to develop our collaboration with transportcontracting authorities and Sweden's regions on an ongoing basis. We will engage in close dialogue to seek out solutions that benefit the inhabitants of each region.
- We want to incorporate more intelligence into our rolling stock. Via the Internet of Things (IoT), SJ's trains will be connected to and communicate with other systems, making it possible to automate servicing and maintenance. Every hour, our X 2000 fleet will be sending a billion signals containing information about components that are about to need servicing.
- In the long term, and as more and more markets are opening up to competition, we aim to be a European train operator. An initial obvious step is for us to take advantage of the opportunities that arise, above all in tendered services as the rail markets in our neighbouring countries are deregulated.

Cooperation generates value

Customers and passengers are SJ's most important stakeholders. Our employees are in contact with them daily - before, during and after their journeys. To ensure that our offerings are competitive, dialogue with our stakeholders is crucial. We both want, and are expected, to live up to high expectations.

stakeholder dialogue

Customers/passengers

Relationships with customers and passengers are absolutely critical in determining SJ's continued success and growth.

Dialogues: Continuous dialogue via SJ's sales organisation, customer service, on-board personnel and social media. Other dialogues comprise various forms of customer surveys, in which customers and passengers give their opinions and participate in the development of new products and services, for example via the SJ Labs app.

Follow-up: Customer Satisfaction Index (CSI), including Service Index and other key metrics (quarterly), Passenger Satisfaction Index (PSI, quarterly). Issues in focus, 2017: Better service communication, personalisation of our customer offering and continued development and improvement of our digital services and channels.

Employees

SJ is defined by its employees. Our employees' commitment and performance is decisive in terms of solid service delivery and customer satisfaction. SJ must offer a safe and stimulating workplace.

Dialogues: Cross-functional dialogues, employee survey, performance review, workplace meetings and other internal channels. Dialogue with employees' union representatives.

Follow-up: Goal contract, absence due to illness (monthly), Service Index (quarterly), annual employee survey with Leadership Index and Performance Index plus issues relating to bullying and harassment, metrics for health and issues relating to victimisation, accompanied journeys and performance review.

Issues in focus, 2017: Employee contribution to increased punctuality, SJ's long-term strategy and objectives and the challenges of the next few years, SJ's corporate culture, actions to prevent bullying and harassment.

Swedish Transport Administration

The Swedish Transport Administration (STA) is SJ's most important supplier and partner in delivering efficient train journeys to passengers. Collaboration with STA includes strategic work on train scheduling and maintenance on the rail network, as well as operational work on service conditions.

Dialogues: Strategic, tactical and operational meetings. SJ maintains contact with STA at all levels..

Follow-up: Punctuality statistics (weekly).

Issues in focus, 2017: The industry's target of 95 percent punctuality and joint projects for achieving this, award of departures in connection with maintenance works and action plan for avoiding major disruptions on long weekends.



SJ is 100 percent owned by the Swedish state. The overriding objective for the owner is that SI's operations should be conducted efficiently with a long-term approach to ensure sustainable value creation.

Dialogues: Ongoing dialogue with the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation, Board meetings and AGMs.

Follow-up: Interim reports, annual and sustainability report, corporate governance report, presentations and other reports

Issues in focus, 2017: Monitoring of corporate sustainability, procurement of new rolling stock.

Regional PTAs

SJ operates both independent commercial services and services on behalf of regional public transport authorities (PTAs). SJ's services therefore contribute to regional transport provision programmes on both commercial and publicly-funded sides.

Dialogues: "Route meetings" involving infrastructure and service planners, as well as personal contacts and industry forum. Follow-up: Follow-up of agreements, meetings and dialogues

Issues in focus, 2017: Quality including punctuality, passenger satisfaction and optimised, cost-efficient offerings to pas-

SJ has an important role in society.

Individuals, organisations and companies rightfully make high demands of us as a company, and expect much more than a smooth journey. Sl is expected both to assume responsibility for the overall impact of rail operations on people and the environment, and to generate value for society.

To live up to these expectations, being aware of and understanding what drives our stakeholders is crucial. Our close dialogues with customers, passengers and other stakeholders give us valuable insight into how we can further develop our offering. Cooperation with stakeholders builds on mutual trust, respect and openness, and is an integral element of SJ's working practices.

We cooperate at strategic, tactical and operational levels with our key stakeholders. Cooperation at tactical and operational levels is based on close day-to-day cooperation, such as daily contacts with the Swedish Transport Administration regarding the service situation or the daily dialogue with customers and passengers on board trains and through social media.



Sustainability means taking responsibility



Never before has the role of the train been more important in our common striving for a sustainable society. Public transport is in fashion again.

The environment and the climate are an absolutely integral part of a sustainable society, where everyone has to take responsibility. We in the travel industry have to commit and invest in the future. There are no short cuts. The vision that Sweden should become one of the first fossil-free welfare countries in the world will affect all modes of transport. Especially if we are to get to a position where we can meet the need for climate-smart travel and create sustainable growth, not only in the cities but also in low-population regions.

The rail industry has an important part to play in enabling Sweden to achieve its climate goals, but it will not be enough on its own. To meet the need for a sustainable transport system in the broadest sense, the travel industry as a whole needs to work together, and every player needs to take action to reduce their particular climate impact.

The travel industry serving the inter-regional, national and international sectors also has a clear responsibility to cooperate in creating a more energy-efficient transport system. All modes of transport have their place, now and in the future rail, air, car, ferry and bus. If we are to create a more sustainable travel industry, everyone needs to develop the full potential offered by research, in creating transport-efficient sustainable societies, utilising new technology and - from an energy perspective - developing the ways in which a journey is produced today.

Our shared responsibility lies in developing a sustainable society that meets the needs of today without jeopardising society's ability to meet the needs of future generations.

Rail travel is the most energy-efficient and most eco-friendly mode of transport. At the same time, the train is becoming an ever-more important component of the transport system as a whole. To be able to meet the growing demand for transport in cities and regions, as well as at the national and Nordic levels, and to create more synergies with other transport modes, government agencies and train operators active in Sweden and the Nordic region need to extend the depth of their dialogue and collaboration. Not least in order to achieve consensus on needs for infrastructure investments to strengthen the countries' competitiveness.

One interesting cross-border project on the European scene is the Fehmarn Belt tunnel, a link planned to traverse the Fehmarn Belt. The tunnel, which will include both roadway and railway, will be extend over roughly the same distance as travelled by the Rødby-Puttgarden ferry. Construction start

is planned for 2019-2020 and the link is expected to be completed eight or nine years after commencement. This project will create completely new opportunities in Europe for us in the Nordic region.

The EU Commission continues to work from a European perspective in the railway system, in the form of ERTMS, standardisation of approval for rolling stock and other critical areas. But the future of the railway system cannot be shaped by politicians alone. SJ is taking a very active part in creating a functional and standardised European railway system.

In 2017, SJ CEO Christer Fritzson was appointed Chairman of CER, the Community of European Railway and Infrastructure Companies, which has a membership of just over 70 companies. As one of its main duties, CER has taken on the task of implementing the EU's Fourth Railway Package. This is intended to deregulate the European railway market, boost rail travel and in that way help in the attainment of the EU's climate objectives.

In every industry, the biggest player has to accept the biggest measure of responsibility. To SJ, it goes without saying that it should take responsibility for effective cooperation with other train operators, as well as with regional and national stakeholders, by actively contributing our knowledge and experience in moving the industry forward.

SJ's success in recent years is very much due to the balance we have struck between the society's interests and our own. SJ has no formal public-service role, but recognises a strong responsibility to society in helping to strengthen the competitiveness of the business sector, the regions and Sweden as a whole, and to promote growth.

In 2017, SJ's skilled employees again delivered an excellent result - from each of the perspectives for sustainable enterprise: social, environmental and financial. This inspires confidence as we go forward.

Stockholm, March 2018 Sianature on Swedish orianal.

Jan Sundling Chairman of the Board

Directors' Report

The Board of Directors and the Chief Executive Officer of SJ AB (corporate registration number 556196-1599) hereby present SJ's annual accounts and consolidated financial statements for the financial year ending on 31 December 2017. The financial statements were approved for publication by the Board of Directors and the Chief Executive Officer on 19 March 2018 and will be submitted to the Annual General Meeting on 24 April

The Parent Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. The head office is located at Vasagatan 10, SE-105 50 Stockholm, Sweden. SJ AB is 100-percent owned by the Swedish State.

Significant events in 2017

- On 12 January, SJ and Mälab signed an agreement under which SJ will operate a further line. The agreement runs until December 2020, with an option to extend for another five years.
- On 14 February, SJ's Board approved a policy decision to invest around SEK 150 million to modify, refurbish and upgrade all of SJ's night-train carriages. The first refurbished night-train carriages will enter service in 2018.
- Also on 14 February, the Board approved policy decision to prepare for the tendering for some 30 new high-speed trains for long-distance services. The decision to start the tendering process was taken on 21 September. The SEK 5-6 billion investment is SJ's biggest rolling stock investment in more than 30 years.
- On 28 February, SI exercised its contractual option to voluntarily repay a SEK 243 million loan. In 2016, SJ benefited from stronger-than-expected cash flow and, as a result, surplus
- On 6 March, Swish was introduced as a payment facility for buying tickets via SJ's own channels.
- On 6 April, SJ signed an extension to its agreement with the Swedish Transport Administration (STA) regarding the overnight service on the Stockholm-Luleå-Narvik line. The new agreement extends until year-end 2020.
- Owing to STA's late planning of maintenance works on the rail network, SJ was unable, above all during the second and third quarters, to release tickets for sale until very close to departure $time. \, This \, made \, planning \, by \, passengers \, difficult \, and \, led \, to \, loss \,$ of income for SJ when passengers chose other modes of transport. In addition, the SJ brand was tarnished.
- The day before Midsummer Eve, a workplace accident at one of STA's contractors led to a total shutdown in rail services south of Stockholm Central. The incident severely impacted SJ's rail services. 36,000 passengers on 120 SJ trains were affected.
- On 26 September, an SJ regional train collided with a military vehicle. The locomotive was derailed and five people were injured, two seriously. The STA report indicated the accident was caused through failures on the part of the Swedish Armed
- On 1 October, Mälab launched Movingo, its new commuter ticket for passengers in the Mälardalen area. The ticket offers passengers access to services both on SJ's regional lines and other public transport services. As a result of the launch, SJ's monthly season ticket in Mälardalen was discontinued, with a small number of exceptions.

SJ's operations and market

SJ is a travel partner whose core business consists of passenger services on the rail network. SI mainly operates in the markets for regional and long-distance travel within Sweden, as well as to Oslo, Halden, Narvik and Copenhagen. SJ runs its commercial services independently, along with tendered services. In 2017, the Group's rail services were operated via the

Parent Company and by the subsidiary SJ Götalandståg AB. Other subsidiaries conduct activities on a limited scale.

Rail travel is showing a positive trend in Sweden, where demand is being driven by a growing population, economic growth and rising environmental awareness. Travel (measured in passenger kilometres) on SJ's independent commercial services rose by 3 percent in 2017, compared with the result for the preceding year.

The Swedish rail industry is fully deregulated and thus completely open to competition. Increased rail travel has led to an expansion in the service offering. As a result, capacity utilisation on the Swedish rail network has hit the ceiling. The situation is particularly critical around the big cities, although pressure on Stockholm Central has been relieved by the new City Line since July 2017.

Rail is the most energy-efficient and most eco-friendly mode of transport and so has a vital role to play in enabling Swedish to meet its ambitious climate targets. Faster and more punctual rail services are essential if rail travel is to remain an attractive option. This will require major investments in both existing and new rail infrastructure. Building very high-speed (320 kph) rail connections would meet the increased demand and, with shorter journey times, play a part in moving passengers from air and road, linking Sweden together. In autumn 2017, STA presented the government with its proposals for a national plan for the Swedish transport system in the 2018-2029 period. Also in the autumn, the bodies concerned, including SJ, delivered their consultation responses to the government, which is expected to approve the plan in spring 2018.

The European rail network is not harmonised. Different standards and technical systems apply in different countries, which complicates cross-border rail services. The EU's Fourth Railway Package aims to increase competition in the rail sector, for example by separating infrastructure from services, introducing an EU approval system for rolling stock and undertaking other necessary structural measures and technical reforms. The package is intended to create better links within the EU and with neighbouring countries. The changes also aim to play a part in enabling emissions targets to be achieved and in promoting greater use of rail transportation. According to the timetable, it must be possible by 2020 to apply for train paths and capacity for commercial services throughout the EU.

Deregulation is now being introduced in Norway, Denmark and Finland. In Norway, invitation to tender documentation for the first route was published in autumn 2017 and an award decision will be taken in 2018. In Denmark, invitation to tender documentation for the first procurement was published at vear-end 2017, with an award decision also to be taken in 2018. In Finland, preparations are in progress for the first planned procurement rounds.

Uncertainties

In January 2013, the Swedish Competition Authority lodged a claim that SJ be ordered to pay a procurement claim charge for losses resulting from the company's breach of the Procurement within the Water, Energy, Transport and Postal Services Sectors Act (LUF). SJ contested the claim. In its ruling in 2014, the Administrative Court in Stockholm rejected the Authority's claims, on the grounds that SJ's operations do not fall within the scope of LUF and procurement by SJ is thus not subject to the Act. The Swedish Competition Authority appealed the Court's decision through the Administrative Court of Appeal.

In 2015, the Administrative Court of Appeal ruled in SJ's favour. The Swedish Competition Authority requested leave to appeal the judgement through the Supreme Administrative Court of Sweden and leave was granted. In June 2017, the Supreme Administrative Court of Appeal decided to refer the request to the European Court of Justice (ECJ). A national

court can refer issues that concern interpretation of FU law to the ECJ for clarification. This was the first time a Swedish court availed itself of the facility.

If the Supreme Administrative Court of Appeal rules in favour of the Swedish Competition Authority, the consequence will be that SJ's business is of such a nature that in itself it is bound by the procurement rules of LUF and the underlying EU directives. If the business is conducted in a market directly exposed to competition with open access, it may, however, be exempt from the obligation to comply with the rules on procurement on application to the EU Commission. In the event that the Swedish Competition Authority is successful in the case, SJ will apply to the EU Commission for exemption on the basis that the Company conducts business in a fully deregulated and competitive market.

Anticipated future developments

Several procurement exercises are in progress in Sweden, Norway, Denmark and Finland. SJ is carefully evaluating these projects in terms of enabling the Company in the long term also to become a leading rail operator in Sweden's neighbouring Nordic markets.

Striving to increase rail travel is a key element of SJ's strategy to expand its business and generate strategic growth, in both independent commercial services and tendered services. The decisions on investing in SJ's rolling stock fleet taken in 2017 will enable SJ to establish a broader offering, while improving punctuality and increasing customer satisfaction. SJ is continuously evaluating methods for growing the business by analysing new and existing lines, both domestic and international.

Sustainability report: Responsible governance

SJ's sustainability report in accordance with the Swedish Annual Accounts Act is provided on pages 24-39.

SJ's mission is to offer the market's most customer-oriented and sustainable travel, both independently and in partnership with others. This means that SJ will be best when it comes to fulfilling customer needs - while ensuring that social, environmental and economic responsibility go hand in hand throughout the organisation. SJ's business model rests on two pillars: SJ operates commercial rail services independently under its own brand, together with rail services procured by regional and national public transport authorities under the SJ brand or that of the procuring authority. The production process for both pillars is fundamentally the same, which gives rise to competitive advantages and benefits of scale.

Sustainable enterprise is an integral part of SJ's business model. Starting from the Company's vision, mission, core values and balanced scorecard, the business is conducted in a socially, environmentally and financially sustainable way. SJ's balanced scorecard consists of six control areas that are measured and followed up regularly, every month, quarter and/or year. Similarly, the scorecard is used to identify and minimise risks in each control area - see pages 38-39.

SJ's management system is described on page 25.

Overall analysis of outcomes in 2017

Outcomes in 2017 improved in the majority of control areas. In control area Employee, the outcomes improved for absence due to illness and Leadership Index, both of which met the targets set, following several years of systematic action. The Performance Index also improved, but did not meet the target set. SJ's met its target for the new key metric of Diversity.

Punctuality is SJ's most important sustainability goal. In 2017, the target for punctuality in medium-distance services was met. The punctuality performance for local services improved, but the target was not met. In SJ's view, the industry target of 95 percent punctuality by 2020 is fully achievable for middle-distance and local services. While punctuality in SJ's long-distance services improved in 2017, achieving the industry targets will be a challenge. SJ is working intensively, with the industry and on its own account, to achieve these objectives.

The outcome for SJ Volunteer showed a substantial improvement but nevertheless fell short of the target set. Activities are under way to encourage more employees to engage in non-profit work during work hours.

Read more about the outcomes for all key metrics in 2017 on pages 25-37.

The global sustainability targets and SJ's role

The world's leaders have committed to achieve three objectives over the next 15 years. To abolish extreme poverty, reduce inequality and injustice worldwide, and to resolve the climate crisis. To this end, 17 global sustainability goals have been agreed. UNEP, the United Nations Environment Programme, has coordinating responsibility in assisting countries to integrate these goals into their national policies and budgets. Businesses are also expected to analyse the goals and identify how their organisation can help in achieving the goals.

To SJ, three of the goals assume greatest relevance over the next business planning period, 2018-2022, in that we have a contribution to make and can be part of the solution:

Goal 7: Affordable and clean energy for all

The global rate of improvement in energy efficiency is to double by 2030. SJ's role: Rail is the most energy-efficient mode of transport today, and will remain so in the future, irrespective of whether other, less ecofriendly modes of transport succeed in reducing their climate impact.

Target 10: Reduced inequalities

All people, irrespective of age, gender, functional variation, race, ethnicity, origin, religion or economic or other status, shall be included in social, economic and political life.

SJ's role: We will be an SJ for everyone - both for passengers and in our role as a major employer.



Target 11: Sustainable cities and communities

By no later than 2030, everyone shall have access to safe, affordable, accessible and sustainable transport systems. This will require improved traffic safety, above all via improved public transport. Particular regard should be paid to the needs of children, the elderly and people with functional variations. Positive economic, social and environmental links between urban, peri-urban and rural areas shall be promoted by strengthening national and regional development planning. SJ's role: SJ has a clear-cut role to play in society. SJ makes it possible for people to live in one place and work or study in another. We are also an obvious discussion and collaboration partner at national, regional and local levels in creating a sustainable transport system in the broadest sense.

SI's scorecard Out-Outcome Target come Target 2017 2017 2016 2018 Employee Absence due to illness, % 5.4 5.6 6.6 5.2 Leadership Index 75 73 68¹ 75 79 80 75¹ Performance Index 80 Diversity², % from non-Swedish background according 15 15 15 to Statistics, Sweden → Partnership & Resources Number of completed sustainability audits^{2,3} 7 10 5 Supplier and Partnership Index⁴ 7.5 Traffic Safety Index 96.5 96.4 96.3 96.4 A Brand Index (BI), SJ AB 52 60 52 60 O Environmental Index SLAB 78 75 76 78 **a** SJ Volunteer, no. of hours 2,000 1,030 1,750 424 O Customer Customer Satisfaction Index (CSI) SJ AB 72 71 70 75 0 Passenger Satisfaction Index⁵ (PSI), 94 92 94 93 SJ Götalandståg – commuter services Passenger Satisfaction Index⁵ (PSI), 94 92 94 94 SJ Götalandståg - regional services On Process Punctuality, long-distance services⁶ 82 89 81 91 (long-distance and overnight), 5 min., % Punctuality, medium-distance services⁶ 92 92 90 93 (regional services), 5 min., % Punctuality, local services⁶ 93 94 92 93 (commuter services), 3 min., % Frequency⁷, long-distance services⁶ 98 98 98 98 (long-distance and overnight), % Frequency⁷, medium-distance services⁶ 98 97 98 97 (regional services), % ß Frequency⁷, local services⁶ (commuter services), % 98 98 97 98 ß Finance Net debt/equity ratio⁸, multiple O -0.1 0.5-1.0 0.0 0.5-1.0 0 Return on operating capital9, % 16.4 7.0 20.0 7.0 Dividend, share of net profit for the period, % 30-50 0 5010 30-50 40

SJ's materiality analysis, relative to the scorecard



Relevance to SJ

G The scorecard currently does not include a key metric linked to customer privacy. SJ's work on customer privacy is described and reported on the basis of GRI Indicator G4-PR8 on page 34.

From vision to concrete action - SJ's management system



Sustainable business is a natural and integral part of SJ's business model. With SJ's vision, mission and core values as the starting point, the social, environmental and economic sustainability of SJ's operations is assured by surveying and monitoring the following control areas: Employee, Partnership & Resources, Society, Customer, Process and Finance. Each year, SJ applies the European measurement model, EFQM, to evaluate and develop SJ's management system. The model helps us to apply a structured and systematic approach to the measurement of SJ's position relative to our vision and targets set.

¹⁾ Figure refers only to SJ AB.

²⁾ New key metric from 2017.

³⁾ In-depth supplier audits from a sustainability perspective. Desktop review, extended desktop review, on-site audit or external inspection.

⁴⁾ New key metric from 2018.

⁵⁾ Own measurement method, not comparable with figure for SJ AB.

⁶⁾ New category from 2017. See definition on page

⁷⁾ Indicates the percentage of trains departing from their originating station and arriving at their terminating station according to the planned timetable applicable two days prior to the day of service.

⁸⁾ Goal to be achieved in the long term.

⁹⁾ Goal to be achieved as an average.

¹⁰⁾As per Board's proposal.

Responsible governance: Employee



SJ's employees are the key to success

Each day, tens of thousands of customers and passengers interact with SJ. If every encounter with SJ is to match all the different expectations, SJ needs committed employees to enjoy the right conditions for performing their duties and dealing with the situations that may arise in any particular contact. The SJ Group's Internal Code of Conduct provides guidance on how we, from the starting-point of SJ's core values, should act and interact with each other and our stakeholders. For example, the Code outlines how SI and our employees should act to uphold human rights, maintain good working conditions and care for the external environ-

The SJ Group's Internal Code of Conduct also incorporates all the policies and guidelines that set out how SJ employees should behave in and outside the organisation. The Code is based on internationally agreed rules, including above all the ten principles of the UN's Global Compact, and must be known, respected and applied equally for all employees, irrespective of type of employment. Every employee must know where to turn if victimised, with clearly-defined processes for investigation, rectification and support to the person affected.

The Code of Conduct stipulates zero tolerance of all forms of bribery and also incorporates the requirements of the Swedish Anti-corruption Institute's (IMM) Code on Gifts, Rewards and other Benefits (the "Code of Business Conduct"). Violations of the code can be reported to SJ's whistle-blower service. Read more on page 47.

Dialogue as a condition of development

For our employees to be able to meet the expectations of our customers and passengers, they must have the right skills and authorisations. If SJ is to develop, dialogue with and involvement of our employees are vital. Annually recurring elements of the employee dialogue include performance reviews and accompanied journeys in which employees receive coaching. The dialogues aim to set individual targets, which are clearly linked to SI's overarching goals, and establish a career-development plan for each employee.

SJ's employees

	2017	2016
Average number of full-time employees	3,680	4,192
Women, %	40	37
Men,%	60	63
Employees, 31 December	4,535	4,427
Women, %	42	42
Men,%	58	58
Managers ¹ , %		
Women	44	46
Men	56	54
Management Team, %		
Women	53	43
Men	47	57
Board of Directors ² , %		
Women	43	43
Men	57	57

1) In charge of subordinate personnel but not a member of a management team. 2) Members elected by the AGM.

In addition. cross-functional dialogues are organised four times a year, in which a cross-section of our employees and sections of Executive Management discuss relevant SI-related issues.

Key events in 2017 Absence due to illness

fell to 5.4% (6.6) All index outcomes in the employee survey improved

Employees also receive information at meetings, including workplace meetings, via the intranet, weekly newsletters and from their manager regarding current issues and our way forward, with the emphasis on rules and procedures as to how activities are to be conducted safely and in accordance with standardised routines.

SJ's annual employee survey examines the work situation and job satisfaction of employees, as well as the conditions for good performance and how leadership contributes. The results are followed up closely, at both general level and broken down per unit, and form the basis for the Performance Index and the Leadership Index. The results are discussed within the units with a view to initiating activities based on needs identified. The 2016 employee survey showed that bullying and harassment exists at SJ, as it does elsewhere in society. Against that background we took robust action in 2017 to create awareness and educate, both at the year's dialogue meetings, at workplace meetings and at other meetings.

The 2017 employee survey indicated a higher response rate and upward trends for both Performance Index, at 79 (75) and Leadership Index, at 75 (68). The target for the year was achieved for the Leadership Index, but not for the Performance Index. Sustained initiatives in leadership development, dialogue and involvement were factors in the improvement.

Leadership that inspires commitment

To meet customer wishes and demands for digital and other services and to address the growing competition, SJ needs to continue to evolve. The process of change is focused on cost efficiency and more customer-led solutions.

A precondition for SJ's ability to adapt is our managers' competence in change management, and their ability to create conditions conducive to commitment and positive performance. Management training, mentoring and coaching are the building blocks for SJ's leadership development platform, built on the foundations of greater involvement and dialogue with employees.

An SJ for everyone

SI's work in diversity is based on the seven aspects of anti-discrimination in Sweden's Discrimination Act. Our intent is to offer an inclusive workplace climate characterised by respect, security and accessibility. An "SJ for everyone" enriches and creates pride and commitment. For that reason, we want a culture in which everyone - employees, customers and passengers - feels welcome.

With greater diversity, we gain more perspectives and better understanding of the changing needs of our customers and passengers. This will boost SJ's competitiveness and create a shortcut to new business opportunities. Of SJ's employees in 2017, 15 percent had a foreign background, according to SCB's (Statistics Sweden) definition (any person born abroad or born in Sweden to two parents born abroad), indicating that SJ achieved its target for the year.



Why this key metric?

Prioritised activities in 2017

Target and outcome Planned activities in 2018

Absence due to illness

In any long-term sustainable business, employee health is a crucial factor. Employee health is an important indicator of both well-being among SJ's employees and the overall state of the company, as well as of the state of the work environment and the climate of cooperation. This measure is important from both the employee and the economic perspective.

- Continued investment made in processes for getting employees on sick leave back to work quickly. Early work-capacity assessments in association with the Company health service to identify employees with repeated absence due to illness and to ensure quick return to work for those on long-term absence due to illness.
- Processes improved and made more efficient via in-depth collaboration with the Company health service and the Social Insurance Office. The falling trend in long-term sick leave is positive, and the project focuses on preventive action.
- Training courses, seminars and workplace meetings, relating to bullying and harassment, completed.

Absence due to illness, %



An outcome lower than the target for the year indicates that the target was exceeded.

- Continued investment in processes for getting employees on sick leave back to work quickly and in early work-capacity assessments in association with the Company health service.
- Continued work with the Company health service and the Social Insurance Office focusing more closely on preventive measures such as health screening and actions in selected
- Give training to managers and safety representatives in dealing with victimisation
- Conduct targeted analysis with the Company health service for departments and groups within SJ to identify possible risks of future ill-health.

Leadership Index

Leadership is crucial to the attainment of our targets. Managers must ensure that all employee expertise is applied to best effect in developing SJ. This capacity is measured using the employee survey's Leadership Index.

- New basic training programme developed for managers within the framework of the leadership development platform
- Introduction of coaching groups for managers, led by external leadership coaches
- Broadly-based initiative to create proactive meetings through courses, seminars and coaching
- Leadership and management meetings held

Leadership Index



- Carry out basic training programme for new managers within the framework of the leadership development
- Continue to offer coaching groups for managers, led by external leadership coaches
- Continued initiative to create proactive meetings

Why this key metric?

Prioritised activities in 2017

Target and outcome

Planned activities in 2018

Performance Index

SI's ability to create conditions conducive to employee performance is crucial to the attainment of our targets. It also benefits health performance figures - employees who are able to do a good job feel healthier

- Ensured that all employees have performance contracts
- Initiated trial of rolling threemonth schedule for on-board personnel
- Four dialogue meetings held
- Workplace meetings developed with clearly-defined methodology and coaching for managers



- Continue trial of rolling three-month schedule for on-board personnel
- Conduct analysis of forms of employ-

Diversity

Diversity provides new experience and perspectives, which feed through into higher competitiveness. This key metric illustrates how well SI reflects the composition of society.

- Diversity targets established per division/staff unit
- Employees who interact with customers offered badges for their uniform to indicate the languages they speak
- Participated in internship programme for new arrivals via Swedish Migration Agency

of SJ's employees in 2017 came from a non-Swedish background

2013 2014 2015 2016 2017

Target 2017: 15%

• Participate in internship programme for new arrivals via Public Employment Service

For Sweden as a whole, the corresponding figure was 18.5 percent on 31 December 2017.

A secure and healthy workplace

A balance between work and leisure is the starting-point for SJ's preventive health programme. Health inspirers arrange talks on diet and health, as well as communal exercise activities. Ergonomics are also organised and our employees have access to wellness areas with relaxation rooms, as well as health and wellness allowances. All employees have access to the Personnel Support service, which offers free-of-charge specialist advice in both work-related and personal issues. Starting in 2018, employees' health attendance will be measured and reported internally as a key metric in the control area Employee.

Early identification of employees at risk of illness and an ability to quickly provide support and implement any measures needed are an important part of SJ health programme. Employees showing repeated short-term absence due to illness are carefully followed up in order, wherever possible, to prevent longer periods of absence due to illness. During the year, work on the preventive side was intensified. In the case of long-term sick leave, SJ takes a focused and long-term approach including rehabilitation plans, in close collaboration with the Company health service and the Social Insurance Office. The aim is to enable those concerned to return to work as quickly as possible.

SJ's systematic work on reducing absence due to illness has been successful. In 2017, absence due to illness in the Group amounted to 5.4 percent (6.6), indicating that SJ's target for the year was surpassed. Both short- and long-term absence due to illness fell, suggesting that the focus on rehabilitation and a fast return to work, along with work on prevention, is having the desired effect.

A safe and healthy work environment is a prerequisite for healthy employees. SJ's Work Environment Policy defines how SJ is to act.

In safety, our focus is on ensuring that our passengers employees on board trains, in depots and at travel centres, feel secure at work. Employees on trains receive personal safety and conflict management training and carry personal alarms. SJ has procedures for looking after employees who have been subjected to threats or violence, including a return-to-work plan.

In 2017, a mobile app was launched to simplify reporting of deviations in SJ's operations. Reports made via the app are translated into actions, in the part of operations affected, to improve safety and the work environment. During 2017, 539 (984) near-accidents and 339 (287) accidents were reported. Some changes to categories during the year blurred some definitions, and measures will be taken in 2018 both to improve clarity in definitions and to re-classify wrongly categorised incidents.

SJ as an attractive employer

SJ wants to be an attractive employer, associated with a clear sustainability profile, recognised effective leadership, strong commitment to health issues and good opportunities for development within the Group. Every year, comprehensive succession planning takes place, with possible successors being nominated and talents being identified within the Group.

Over the past five years, rail travel with SJ has risen by just over 10 percent, and the upward trend is expected to continue. This situation, combined with a change of generation among locomotive drivers and natural attrition among hourly-paid train hosts, has created a major need for new recruitment. We are working actively, for example via the boards for training coordinators for train driver programmes, to raise SJ's profile as a good employer.

SJ also operates a trainee programme for recent university graduates. We present at exhibitions and universities and offer internships, for example via the Tekniksprånget initiative. We are also involved in internship programmes that aim to offer recent arrivals their first contact with Swedish working life.

Responsible governance: Partnership & Resources

Together, we make the journey better

SJ collaborates with suppliers and partners in delivering, developing and improving the travel experience. The Swedish Transport Administration (STA) is SJ's foremost supplier and collaboration partner in delivering efficient rail services to passengers. STA is responsible for providing a reliable railway infrastructure, allocation of train paths (track time) and departure and arrival information in waiting rooms and on platforms. SJ's collaboration with STA includes strategic work on train scheduling and maintenance on the rail network, together with operational work on service conditions.

Other important suppliers to SJ are Linkon (which operates SJ's ticket ordering system) and Jernhusen and other property owners, which lease out depots and waiting rooms. Maintenance contractors ensure that trains are serviced and repaired as needed and in accordance with the rolling stock's maintenance schedule.

SJ focuses actively on developing collaboration between Swedish and European rail industry players. Through the industry initiative Together for Trains on Time (TTT), STA, SJ and other train operators, contractors and Swedish trade associations collaborate to improve the conditions determining punctuality. In 2016, a collaboration forum for the railway industry, Järnvägsbranschens Samverkansforum (JBS), was established with the aim of jointly driving improvements to increase the robustness, competitiveness and profitability of Swedish rail. Since 2017, SJ's CEO Christer Fritzson has chaired the Community of European Railway and Infrastructure Companies (CER), the most important organisation for collaboration among rail companies across Europe in influencing EU institutions.

Coordinated public transport travel

SJ also offers travel independently or in association with other players to enable passengers to get from door to door by public transport. SJ partners regional county transport corporations in offering Resplus journeys, in which modes of transport and/or operators are combined to provide passengers with a joined-up journey with an arrival-at-destination guarantee. As far as possible, SJ takes into consideration regional service departures when designing train timetables, to make public transport a more attractive option.

Responsible purchasing

In 2017. SJ procured goods and services to a value of around SEK 5 billion from around 2,500 suppliers. SJ's purchases

range all the way from on-board food and beverages, to uniforms, train maintenance, replacement services and new rolling stock.

The SJ Group's Supplier Code of Conduct is based on internation-

Key events in 2017 New procedure and new risk management tool produced for auditing suppliers from a sustainability perspective

ally accepted initiatives and standards, and describes the Group's fundamental policies in areas such as human rights, legal compliance and the environment. Our Code of Conduct will enable us to maintain an in-depth dialogue with our suppliers regarding these requirements, and in that way to mutually develop expertise in responsible purchasing and to extend our cooperation.

As of 2018, how suppliers and partners perceive SJ's capacity for collaboration will be measured and reported according to the key metric Supplier and Partnership Index within the control area of Partnership & Resources.

Auditing of suppliers via sustainability audits

In 2017, SJ developed a new procedure for auditing suppliers from a sustainability perspective. The procedure is to be used in the case of purchases exceeding SEK 0.5 million or involving geographic or industry-specific risks as per SJ's classification. For example, an all-new SJ-adapted risk management tool was produced. The tool shows more clearly than before which suppliers represent a potential risk of breaching hhe SJ Group's Supplier Code of Conduct. If any of our suppliers should fail to comply with the Code of Conduct, this could not only cause personal injury or damage to the environment, but also tarnish SJ's brand.

During 2017, seven sustainability audits of suppliers were carried out. Over the year, the focus was on developing the new procedure in a systematic way and as a result fewer audits than the target for the year were performed. Four of the year's audits included on-site auditing, either internal or by an external party. Other audits consisted of thorough examination of documents, together with dialogue and meetings with suppliers. None of the audits revealed any serious deviations from the SJ Group's Supplier Code of Conduct. The minor deviations identified and observations made are being remedied by the supplier and will be followed up by SJ.

Why this key metric?

Prioritised activities in 2017

Target and outcome

Planned activities in 2018

Number of sustainability audits (in-depth supplier audits from a sustainability perspective)

To ensure that our suppliers meet the requirements of The SJ Group's Supplier Code of Conduct

• New procedure for supplier auditing produced

 Approximately 30 employees trained in on-site supplier auditing

Sustainability audits during 2017

Target 2017: 10

• Focus sustainability audits on suppliers of rolling stock maintenance services and of materials for rolling stock

Responsible governance: Society



We bring people closer together, every day

SJ's most valuable contribution to a sustainable society is that more people are travelling by train. For Sweden to achieve its target of becoming one of the first fossil-free welfare states worldwide, the proportion of climate-smart transport for both people and goods needs to rise. In 2017, travel on SJ's independent commercial services was 3 percent higher than in the previous year, and we served 284 stations.

Society rightly has high expectations of SJ as the market-leading passenger train operator. Over the next few years, we will be investing about SEK 9 billion in new and upgraded rolling stock. Read more on page 37.

SJ's timetables widen people's choices by making it possible for them to live in one location and work or study in another. SJ collaborates with regional county transport corporations to enable passengers to travel all the way by public transport. Read more about Resplus travel on page 29. At society level, SJ's services contribute to growth by enabling companies to recruit skills from a wider catchment area.

SJ's operations also create many jobs outside the organisation itself, above all in rolling stock maintenance but also in catering, for example. Modernisation of our X 2000s is taking place at Tillberga, near Västerås, where around 100 jobs have been created. Another nearly 200 people are also engaged in Switzerland and Sweden in the modernisation programme.

Through ongoing dialogue with municipalities, regions and passengers, we adapt services and departures as far as possible in line with the needs expressed. During the year, an early departure from Alvesta was introduced to get passengers from Småland to Stockholm before 9.00 a.m. In the new December 2017 timetable the overnight departure from Malmö to Stockholm was put back following passenger requests and the journey time for Stockholm to Uppsala was shortened to half an hour on newly introduced through services.

Safety always first

A safe and punctual journey is SI's most important customer promise, and safety always has top priority. Although traffic safety is fundamental to all work at SJ, safety activities also encompass other areas, such as safety and security on board trains, data integrity and preparedness to manage difficult and unpredictable events. The EU's security directive and national-level regulations in SI's markets in Sweden,

Key events in 2017

- Travel on SJ's independent commercial services rose by 3 percent
- Launch of mobile app for deviation reporting
- Policy on tax adopted and implemented

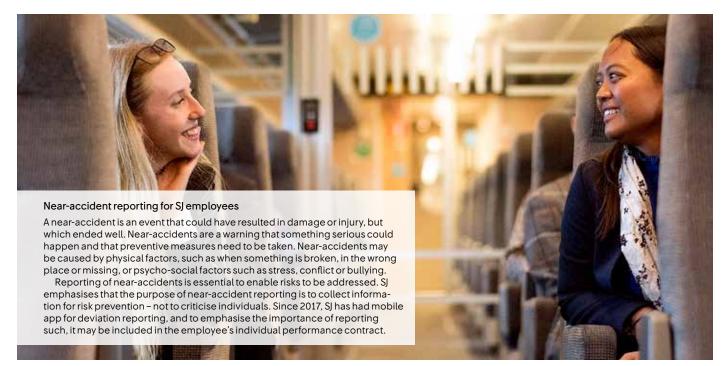
Denmark and Norway form the framework for the systematic security work that SJ conducts throughout the Group and in cooperation with external partners and government agencies.

In 2017, a mobile app was launched to enable reporting of deviations. This resulted in a substantial increase in the volume of deviations reported. The app led to an improvement in the reporting and documentation of minor accidents and collisions with animals. As a result, the volume of incidents included in SJ's Traffic Safety Index rose considerably, while the volume of service production also increased. The Traffic Safety Index result for 2017 was 96.5 (96.3). The target for the year was achieved, despite three serious level crossing accidents.

SJ's environmental work

The Environmental Index reflects how passengers view SJ as an environmentally-aware organisation. The Environmental Index outcome for 2017 was 78 (76), surpassing the target for the year. One likely factor in the improvement was a still-positive response from passengers to the bistro's food concept.

No other mode of transport produces as low emissions as rail on longer routes. The minimal carbon dioxide emissions from trains are partly due to the rail network being mostly electrified and all power that SJ purchases from STA is renewable (hydropower), and partly to the low air resistance of our trains and the fact that many passengers can travel at the same time. In addition, 50 percent of the electricity procured by SJ for train operations is certified under the Swedish Society for Nature Conservation's "Good Environmental Choice" label, under which strict environmental criteria apply to the generation of electricity, in addition to it being produced from renewable sources. This option, taken up by SJ, enables journeys on our trains also to meet the requirements for the



Why this key metric?

Prioritised activities in 2017

Target and outcome

Planned activities in 2018

Traffic Safety Index

A secure and safe train journey is at the heart of our offering and delivery to the customer. The Traffic Safety Index is a key metric that measures our success in achieving that aim.

- New apps launched for deviations and comfort shortcomings
- Equipment installed breathalysers - at all SJ AB's staging stations for breath tests to be taken when checking in to work

Traffic Safety Index



- Review of SJ's operating licences in Sweden, Norway and Denmark
- Continue work on safety culture and to improve reporting

Brand Index (BI)

SJ seeks to be perceived in line with the core values of Reliable, Simple, Caring and Joyful. A strong Brand Index outcome also indicates strong trust in SI as an organisation, which is vital in getting more people to want to travel with us and pay for the experience.

- Further work on developing the brand platform carried out
- Strengthened social media presence
- Increased communication regarding SJ's offering and other development initiatives



- Position SJ clearly in all channels on the basis of the new brand platform
- Conduct activities to improve perception of punctuality
- Improve service information and disruption management
- Improve management of complaints

Environmental Index

Many passengers and customers regard SJ's environmental work as an hygiene factor. The Environmental Index is an indicator of passengers' perception of our environmental work and serves as a benchmark in our continued efforts.

- Refrigerant leakage in SJ 3000s remedied, with consequent reduction in emissions of carbon dioxide equivalents.
- Proportion of biofuels in buses
- Energy survey performed, required every four years by law
- Proportion of organic and vegetarian products in the bistro increased

Environmental Index



- Develop new internal environmental training course
- Continue to increase the proportion of organic products in the bis-

SJ Volunteer

SJ Volunteer offers SJ employees the opportunity to engage in non-profit work during working hours (eight hours per employee per year) and in that way to serve the community.

- Information provided about SJ Volunteer at breakfast meetings, on the intranet, via workplace meetings and the social media
- More clearly described available volunteer assignments on
- Continued collaboration with organisations that need volunteerinput
- SJ Volunteer week held in Market and Sales

SJ Volunteer, no. of hours



- Continue with internal communication on SJ Volunteer
- Produce new inspirational videos on SJ volunteers
- Increase involvement of existing and new partner organisations in order to create more volunteer opportunities

Good Environmental Choice label. Choosing an SJ Good Environmental Choice journey is a simple way for our customers to reduce their environmental impact, whether the journey is for leisure, commuting or business purposes.

Leakage of climate-impacting refrigerants, which are used in air-conditioning and other systems on board trains, is one of the sources of emissions of carbon dioxide equivalents at SJ. In 2017, SJ AB's carbon dioxide emissions were 34 percent lower than in 2016, mainly thanks to extensive work on remedying leakage of refrigerants on SJ 3000 trains. Buses used for rail replacement services are powered by more than 50 percent biofuel, which is also helping to reduce carbon dioxide emissions.

Since June 2016, SJ has been operating the Västtågen Kinnekulle Line on behalf of Västtrafik. Most of the line is not electrified and is served by diesel trains. In 2017, diesel consumption per kilometre was 6 percent lower than in 2016. The reduction was in all probability due to the fact the SJ and Västtrafik had rolling stock modified, power sockets in the rail yards adapted and parked rolling stock heated by electricity rather than diesel.

We provide continuous training on eco-driving to our train drivers. Eco-driving means a gentler driving method and increased usage of electric brakes that simultaneously feeds energy back into the rail network's electrical system - electricity that can be used by another train on the same route. The reduced usage of mechanical brakes also lessens wear and tear on the rolling stock and creates a smoother journey with less sharp braking and acceleration.

SJ's bistro carriages have been Level 1 KRAV-certified since November 2015. We also focus day-to-day on reducing food waste, for example via regular temperature checks to avoid having to throw away good food unnecessarily.

The Bistro's range includes more organic products than ever, as well as an expanded offering of vegetarian and vegan options. In 2017, SJ established a collaboration with Kalf & Hansen, whose organic fast food products based on seasonal ingredients are now available on our high-speed trains. The collaboration was recognised with an award in the "Brilliant Idea of the Year" category in the Fast Food Award competition in early 2018.

Our most important environmental work will always be to get as many people as possible to take the train rather than going by car or by air.

Perception of the SJ brand

The public's perception of SI and its brand affects whether passengers choose to travel by train and if so, whether their journey will be with SJ or another train operator. The SJ brand is therefore significant in terms of our ability to do business, both today and tomorrow.

SJ strives to live up to all customer promises and, if possible, to surpass them. When SJ does not live up to expectations, such as in the case of service disruptions, we want our customers and passengers to see that SJ is doing everything it can to manage, in the best interests of the customer, the situation that has arisen.

All communication, whether in the form of video, media article or during contact on board, will affect the public's overall impression of SJ. Our biggest challenge is to show those who do not use SJ how good we are: The public believes that half of all trains arrive on time, whereas overall punctuality (including all SJ middle- and long-distance trains) indicates that nine out of ten trains were on time in 2017.

The Brand Index (VMI) is an indicator of how the public perceives SJ as an organisation on the basis of the core values of

Reliable, Simple, Caring and Joyful. The overall outcome for 2017 was 52 (52) and so we did not achieve our target. There is a clear difference between those who travel with SJ and those who do not. Those who do not travel with SJ are considerably less positively disposed to the SJ brand. It is also evident that those who travel with SJ give us a higher rating while they are on board a train than when they are asked in a survey on a later occasion. This suggests that the views of our own users are coloured by the general, less positive image of SJ. Over the year, we saw positive effects from our new, brand-building and emotive communications, although the process of creating a more positive image of SJ will take time.

Partnerships for increased travel

SI partners with selected organisations, including Friends and My Big Day, to deepen and enhance contacts with customers and passengers. SJ is also in a position to support organisations that work for a good cause and that also seek to make life a little easier for everyone who travels on SJ trains daily. All partnerships are selected, assessed and evaluated on the basis of whether they strengthen the SJ brand, help to increase travel with SJ or create opportunities for SJ's employees to engage.

SJ Volunteer enables SJ Group employees to perform non-profit work during working hours. The aim is to support and develop community action primarily aimed at children and young persons, and to improve integration. The outcome for SJ Volunteer in 2017 was 1,030 hours (424), which despite being an improvement fell short of the target set.

Right tax in the right country at the right time

As a responsible player in the community, SJ does its utmost to pay the right tax in the right country at the right time, based on the operations conducted by the Group. In 2017, the Board of Directors adopted SJ's tax policy, establishing how the Company's tax affairs are to be managed. We apply a business approach to the tax cost to the companies in the SJ Group at all levels of our decisions, and regard tax as a cost incurred in the business. In cases where legislation and/or regulations are unclear, SJ will take a responsible, long-term and transparent approach with the aim of minimising the risk of error in the payment of tax. Read more about SJ and tax in Note 10.

Retained economic value, created and distributed

SEK million	2017	2016	2015
Netsales	7,780	9,336	9,052
Income from financial investments	17	14	2
Capital gains	1	1	-2
Economic value generated	7,798	9,350	9,052
Operating expenses	-3,964	-4,917	-4,828
Salaries and other remuneration to employees	-2,423	-2,834	-2,822
Dividend to shareholder	-260	-188	-1,930
Interest expenses	-20	-18	-25
Payments of income taxes and other charges	-152	-146	-19
Socialinvestments	1	2	1
Economic value distributed	-6,818	-8,101	-9,623
Total economic value	980	1,249	-571

Responsible governance: Customer



A sustainable journey with SJ

Every day, around 130,000 people travel with SJ on their way to work, to study, to visit family or for some leisure pursuit. Passengers choose SJ because we offer sustainable travel and good timetables, adapted to the number of potential passengers and the arrival and departure times of connections. This is a big responsibility and we do all we can to live up to our three customer promises: a safe journey, punctuality and a high level of service.

Adaptation of offering

The customer is the one who is paying for the journey, and is not always the same person as the passenger. SJ serves three categories of customer: private individuals, business customers and procuring authorities (regional and national government agencies). SJ's operations are governed by what customers and passengers use and demand. SJ applies for departures (train paths) when passengers wish to travel and, as far as possible, adapts and develops its offering to the requests of customers and passengers.

The Swedish Transport Administration (STA) establishes the train timetable for a year at a time on the basis of the applications submitted by the train companies. The train timetable also includes the scheduled maintenance works that STA is to carry out. Today, the demand to run trains exceeds the track capacity available. In addition, there is a considerable need for maintenance on the rail network. When train companies apply for the same train paths, that is, to run trains on the same track at the same time, STA firstly tries to adjust the timetable. Secondly, the rail companies have to try to reach agreement and in the final instance a decision is taken on the conflict, based on predetermined criteria.

Expectations for a punctual journey

What all passengers have in common is that they expect SJ to keep its promises and that they will arrive safely at the right destination at the right time. Consequently, activities to increase punctuality are the key to improving the Customer Satisfaction Index (CSI), which is measured on board SJ AB's trains, and the Passenger Satisfaction Index (PSI), which is measured by SJ Götalandståg. On the occasions that SJ does not meet the expectations of its passengers, such as when disruptions

occur, passengers must receive quick and relevant service information.

The CSI was measured at 94 (94) in both SJ Götaland's commuter and regional services, indicating that the targets for the year were surpassed.

Key events in 2017

- Pavment via Swish in SJ sales channels
- Improved functions for passengers before and during the journey in the SJ mobile app

Satisfaction rose for example on the issue of disruption information on board, above all on the commuter services.

CSI improved in the course of 2017 to 72 (70), the highest rating since surveys began, and the target for the year was surpassed. The positive trend of CSI was the result of a systematic approach focusing on the needs of passengers. The areas in which customers perceived the greatest improvements were SJ's digital channels, on board service, communication with customers, and that SJ on the whole is more customer-led.

SJ provides information about the service situation via our own channels, sj.se and the SJ mobile app, via our employees on board and via loudspeaker announcements on trains. STA is responsible for loudspeaker announcements and information screens at stations and on platforms. In the event of major disruptions, passengers are notified by SMS texts or messages via the SJ mobile app. Read more about SJ's work on punctuality, on pages 35-36.

With the benefit of comments from our customers, we are constantly making our information clearer, while new and better technology is improving quality. Working with STA, we are engaged in developing a model capable of bringing more credible forecasts to our passengers during disruptions. At the same time, we are reviewing how to make rebooking simpler for passengers in the case of delay. In early 2018, a facility to enable journeys to be rebooked was added to the SJ mobile app.

Good service before, during and after the journey

Our passengers should feel well looked-after before, during and after their journey. Our customer service keeps in contact with our customers and passengers via digital channels and via telephone. Rail travel should be available to all, and

Why this key metric?

Prioritised activities in 2017

Target and outcome

Planned activities in 2018

Customer Satisfaction Index (CSI)

The Customer Satisfaction Index (CSI) reflects the degree of satisfaction of customers regarding their relationship with SJ in the past 12 months. Using a key metric that reflects customers' overall satisfaction over a somewhat longer period is an important policy instrument for long-term profitability.

- "Whoever you are, wherever you want to go" launched to boost SJ's image
- Swish introduced for payment via SJ's sales channels
- sj.se and the SJ mobile app developed with the addition of new and improved functions
- Collaboration with Kalf & Hansen established to expand the offering of tasty, well-cooked and organic food on SJ's highspeed services
- English version of the SJ mobile app launched

Customer Satisfaction Index (CSI) SJ AB



- Focus on service communication to improve the customer experience, both when services are on schedule and during disruptions
- Begin modernisation of X 2000s in earnest, and place the first upgraded trains in service
- Place the first refurbished night-train carriages in service
- Focus on, for example, toilet cleaning, observance of the Quiet Carriage concept and interaction and ticket inspection on board, taking account of comments from passengers
- Simplify rebooking of journeys via sj.se and the SJ mobile app
- Improve functions for SJ business customers in SJ's digital channels



SJ's customer service can book a helper for anyone needing extra assistance with boarding or disembarking from a train. Before travelling, first class passengers and members of the SJ Prio scheme at top level (black) have access to our lounges in Stockholm, Gothenburg and Malmö.

The majority of SJ trains are modified for accessibility, including wheelchair lifts. Baby carriages that can be folded down may be taken on board trains. For passengers travelling with pets, a pet compartment is available, as well as the possibility of booking a separate sleeping car compartment on night-trains. Our train hosts will know the destinations for those who have pre-booked, including passengers with an international connection. As a result, our train hosts spend less time on ticket inspection and more on giving passengers a hand. All our high-speed trains, and certain InterCity and Regional services include a bistro that serves meals. Our high-speed trains, and more and more of our other trains, have WiFi. Towards year-end 2017, we started work on installing Wi-Fi on more than 200 locomotive-hauled passenger carriages.

At the end of the train journey, we have arrangements with partners to offer transport right to the door.

Development for and with passengers

The responses from our ongoing on board surveys are carefully analysed. We also use data gathered from our SJ Prio loyalty scheme to adapt and develop our customer offering. Every day, our train hosts and customer service personnel talk with thousands of customers, and we organise structured customer panels who are invited to take part in detailed discussion of important issues.

Customers want to book their journey any place any time. With that in view, we have increasingly digitised our sales channels and during 2017, 85 percent of SJ tickets were sold through digital channels (sj.se, the SJ mobile app and ticket machines). The remainder was mainly sold by travel agents, and only 3 percent through SJ's physical travel centres and by phone via SJ's customer service. SJ tickets can also be bought at Pressbyrån kiosks and 7-Eleven convenience stores.

During 2017, we made several day-to-day improvements to functions in the digital channels sj.se and the SJ mobile

app in response to customer needs. Over the year, the SJ mobile app was adapted to the international Web Content Accessibility Guidelines (WCAG), level AA, meaning that the app now meets strict requirements for accessibility. In addition, an English version of the app was launched in 2017.

SJ Prio for passengers

In 2017, a further 200,000 passengers chose to join SJ's loyalty programme, SJ Prio, which now has more than one million members. SJ Prio is intended partly to create long-term relationships with SJ's passengers, and partly to adapt product and service offerings based on in-depth insights into the priorities of active SJ users.

SJ Prio members earn points when travelling with SJ and when purchasing products and experiences from SJ's partners. These points can then be utilised for further SJ journeys or for travel-related experiences. Members can also donate their points to any of SJ's non-profit partners.

Good practice in handling personal data

Our customer privacy is important to us. When we collect personal data, we inform the person of the reason for doing so and ask permission where required. We collect the personal data that we need to be able to provide our services and to conduct and develop our business. We also collect personal data to improve the customer's experience and to develop our customer offering. The personal data collected is used only for the purposes for which they are collected and are treated with great respect. Data is deleted in accordance with legal requirements, or when the customer requests.

During the 2015-2017 period, no major complaints were received regarding customer privacy, and no loss of customer data occurred.

On 25 May 2018, the new General Data Protection Regulation (GDPR) will replace Sweden's Personal Data Act. SJ has long been making preparations for meeting the requirements of the new regulation.

Responsible governance: Process Oo



Punctual trains get more passengers

To get more people to choose rail travel, they must be able to rely on trains departing and arriving on time. Consequently, SJ's top-priority sustainability target is with other rail industry participants to jointly achieve 95 percent punctuality by 2020. The conditions for punctuality, and by the same token the challenges, vary according to line, route and time.

In the course of 2017, punctuality was improved on SJ's long-distance (long-distance and night) services to 82 percent (81), on medium-distance (regional) services to 92 percent (90) and on local (commuter) services to 93 percent (92). Medium-distance services therefore achieved our sub-targets for the year, and SJ judges that the 95 percent target is fully achievable in both middle-distance and local services by 2020. While punctuality in SJ's long-distance services improved in 2017, achieving 95 percent punctuality will be a challenge. SJ is working intensively, both with the industry and on its own account, to achieve the targets set.

Major in-house focus on punctuality

STA is responsible for maintaining punctuality data and for ensuring the all disruptions lasting three minutes or more are assigned a code indicating the cause. Of the disruptions affecting SJ services, we ourselves are responsible for around 10 percent. Causes of SJ-attributable disruptions include rolling stock failures or delayed departures of trains from stations. We are focusing in a structured way on minimising the disruptions within our control.

With ongoing maintenance works, Sweden's already heavily-burdened rail network lacks the capacity to enable delays to be made up, and alternative routes may be closed. As a result, even minor delays can have major impact. Also, service delays are to have lowest priority in STA's traffic management, meaning that the impact of a minor delay will become greater and greater. To enable trains to depart on time, SJ closes the doors 30 seconds before departure, and in 2017 a new function - "Where should I stand on the platform" - was added to the SJ mobile app. Passengers can

check on the app where their carriage will stop so they can be in the right place when the train halts. This reduces stress for the passenger and improves the conditions for a punctual departure from the station.

Key events in 2017 • Punctuality improved

on SJ's long-distance, middle-distance and and local services

Together we will achieve 95 percent punctuality

Because the rail network is a closed system with many dependencies, all players must be at the top of their game and work well together. To achieve the industry-wide target of 95 percent punctuality by 2020, the rail industry must cooperate even more efficiently. Every player must take responsibility for the totality, rather than simply optimising their own system.

Since 2013, the industry has been collaborating via the initiative Together for Trains on Time (TTT). SJ is convinced that cooperation is crucial to achieving better punctuality and is thus investing both personnel and financial resources in TTT.

When a disruption occurs, it is important as far as possible to attenuate the consequences. Passengers are entitled to quick and accurate service information. SJ's traffic management makes decisions about measures to alleviate disruptions based on information from on-board employees, experiences from previous events and relevant data from simulation and monitoring systems. To facilitate the management of service disruptions and service information, SJ is developing digital tools for employees and customers.

To us, punctuality is not just about the robustness of the system, but also about the customer's perception. To ensure that our passengers perceive their journey as reliable, we are focusing for example on optimising connections and improving service information during disruptions.

Local

services:

(92)

Local

Why this key metric?

Prioritised activities in 2017

Target and outcome

Planned activities in 2018

Punctuality

Punctuality is one of the issues that our customers and passengers value most highly. This means that punctuality is one of the most important factors in SI's ability to maintain and strengthen its market position.

- The recently-launched function "Where should I stand on the platform" on the SJ mobile app means less rushing and stress for passengers and better punctuality in departures.
- Discussions conducted with STA on action plan to minimise the consequences of disruptions

services:

Long-distance Medium-distance services: (90)

Target 2017: 89% Target 2017: 92% Target 2017: 94%

- Continue to focus on reducing the number of disruption hours caused by failures in SJ's rolling stock
- Develop cooperation within the scope of the industry-wide TTT programme

Regularity

The most important factor for our passengers is to be able to rely on our trains departing and arriving at the designated times. If a train service is cancelled, it is critical for our customers to be informed in good time, to allow them to reschedule their journey.

- Plans for reserves of both rolling stock and employees, and locations at which they need to be available, followed up and adjusted
- Procurement process for new high-speed trains initiated
- Systematic maintenance of service-halting faults performed

Long-distance Medium-disservices:

(98)

tance services: 1% (97)

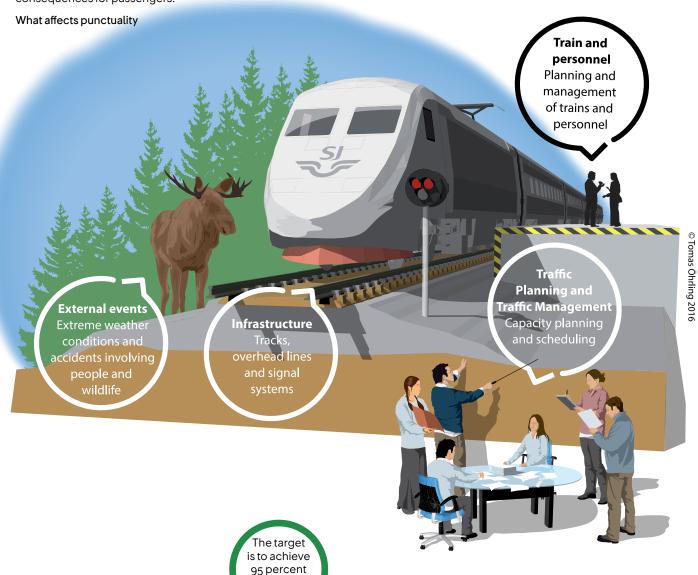
services: (97)

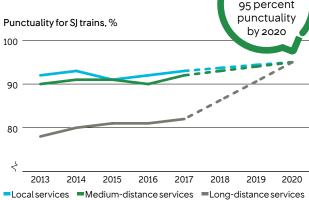
Target 2017: 98% Target 2017: 98% Target 2017: 98%

- Continue with systematic maintenance of service-halting faults
- Continue review of rolling stock, including modernisation of X 2000s

How we achieve punctuality

Punctuality is a complex jigs aw puzzle in which many players have pieces that have to fittogether right. SJ is working actively to lower its share of self-generated delays and is earmarking ever-more resources for industry collaborations, above all in Together for Trains on Time (TTT). When a disruption occurs, we work together to mitigate as far as possible the consequences for passengers.





A long- or medium-distance train is reckoned as being on time if it arrives within a five-minute margin of error of the scheduled time. For local trains, the margin of error is three minutes.

One of the conditions for establishing a more robust delivery from the rail system is to ensure that basic planning is closely aligned, for example, with the condition of the track and the capacity available. We worked on improving the planning frameworks for the train timetable and for personnel and rolling stock planning. SJ focuses closely on improving the condition of the rolling stock and reducing absence due to illness among our employees.

The proportion of disruption hours fell in 2017, very much due to the fact that in every specific incident, we work with the industry to minimise the spread of the disruption. SJ's own traffic management has developed digital aids to simplify and therefore speed up its processes. This is creating a culture in which the focus on punctuality is part of day-to-day work.

Responsible governance: Finance

Sustainable profitability creates scope for investment in the rail travel of the future

SJ operates its business on a commercial basis in a fully deregulated market, and does not receive any government subsidies or grants. This means that SJ has to be a long-term profitable and leading player in Sweden's rail market. Strong profitability is essential if we are to be able to live up to customer and passenger expectations via necessary investments in developing employees, digital solutions and our rolling stock fleet.

SJ's owner, the Swedish State, requires SJ to be governed in a socially, environmentally and financially sustainable way. Targets, financial and non-financial, must be met. SJ's Annual General Meeting has adopted three financial targets that will ensure an economically sustainable business. The non-financial targets are referred to the Board for approval and must ensure sustainable value creation.

In 2017, SJ's cost-efficiency programme was concluded with the result that the Company's cost base was lowered by around SEK 1 billion. The lower cost base is important in enabling SJ to maintain its competitiveness, and cost-efficiency is a work in constant progress.

Every quarter, the Board is informed of how we are managing our financial assets so as to achieve as good a return as possible within the framework of the financial policy in place. SJ also performs a quarterly market analysis as a basis for investment decisions.

Investing in the

investment was in 2012, when 20 SJ 3000 trains were delivered at a total value of just over SEK 2 billion. Over the next few years, we will start investing about SEK 9 billion in new and upgraded rolling stock. The programme encompasses around 30 new high-speed trains for long-distance services, refurbishment and upgrading of all our nighttrain carriages and the X 2000 modernisation programme already under way.

We also continuously make minor investments in our trains, including improvements in safety, performance and the customer experience.

SJ's train lines are each operated as a separate business, where the offering is adjusted as far as possible to match passengers' demands and expectations, and to achieve the profitability targets set. Long-term financial targets are based on SJ's strategy and intended to enable us to face increased competition for both commercial and tendered services.

travel of the future

SJ is exposed to long investment cycles in its rolling stock fleet. SJ's most recent major

Return on operating capital

Why this key metric?

Return on operating capital indicates the relationship between SJ's operating profit and the degree of capital efficiency in the business. Although working capital issues are an important aspect of SJ's financing, we also need to ensure that capital is not unnecessarily committed and that our resources are utilised to a high degree. A market-level profit is an essential condition in enabling the necessary investments to be implemented.

Target and outcome

Return on operating capital, %



The return on operating capital is to average overall no less than 7 percent.

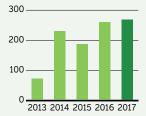
On 31 December 2017, the return on operating capital was 16.4 percent (20.0). The return continues to trend above target, primarily because of positive earnings and reduced operating capital due to a lower-than-planned rate of investment over the year.

- Key events in 2017 Dividend of SEK 260 million to SJ's owner, the Swedish State
 - Decision taken to invest in new high-speed trains, totalling SEK 5-6 billion, and upgrade of night trains, totalling SEK 150 million

Dividend

Target and outcome

The Board's proposed dividend in accordance with the appropriation of profits, SEK



In accordance with the owner's stated target, the regular dividend must in the long term average 30-50 percent of the net profit for the year. The Board of Directors proposes that the 2018 Annual General Meeting approve a dividend of SEK 269 million (260). The dividend corresponds to 50 percent (40) of net profit for the year for the SJ Group.



1) EGM resolution to distribute SEK 1,700 million.

Net debt/equity ratio

Why this key metric?

The net debt/equity ratio is vital to ensuring that SJ has an efficient capital structure and well-balanced risk over time. The aim is that the accounts should be in balance, whereby the financing costs of the business must be kept competitive and at the same time SJ must be able to implement the strategic decisions taken.

Target and outcome

Net debt/equity ratio, multiple



SJ has a target for net debt/equity ratio of 0.5-1.0 long term. The target was based on what the owner and the Board of Directors consider to be an efficient capital structure for SI over time.

On 31 December 2017, SJ held a net cash balance and the net debt/equity ratio was therefore -0.1 (0.0). The net cash balance was due the fact that several major investment projects initiated had not yet been completed and consequently allocated funds remained on the balance sheet. On that basis, SJ's capital structure is stronger than indicated by the owner's long-term target.

Risks and risk management

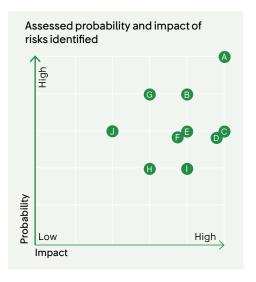
Identification and management of risks

Risk is inherent in all business activities, but may also mean that opportunities exist. Being well aware of the risks that SJ faces makes it possible to plan activities to minimise them, so that any negative impact can be limited and related opportunities can be leveraged effectively. SJ defines risk as an event that could affect SJ's ability to achieve its goals, as set out in strategic and business plans.

SJ applies a systematic focus to risk assessment at various levels and on various time horizons. Risks on the strategic level are identified and described in the form of scenarios and in conjunction with the strategic and business planning process, and are summarised in a strategic and business plan.

Work on Group-wide risks on the tactical level is conducted within an established process to identify operational, business and market risks, both financial and non-financial, based on SJ's scorecard. The process involves all divisions, subsidiaries and staff units, creating bottom-up support and greater awareness throughout the organisation, and enables risk to be identified more effectively. Every risk identified is assigned a clearly-designated owner within the organisation. Risk assessments for organisational changes may also be performed from specific perspectives, such as transport safety or work environment.

The risk reporting process requires Executive Management to monitor changes in risk assessments quarterly, to determine whether there is any need to take further action, or whether new risk areas should be assessed. Risks are prioritised on the basis of likelihood and impact, and are linked to activities designed to manage the risks. The risks are then



categorised on the basis of SJ's six scorecard areas. SJ's Risk Council and its Risk and Safety Forum are responsible for risk reporting to Executive Management, which in turn produces risk reports for the Board.

In 2017, work continued on structuring and systemising risk management. For example, a model to identify risks in individual sub-processes was developed and placed on stream. A selection of risks identified is presented in the summary of risks (right).

Roles in risk reporting

Is responsible

Board of Directors

Establishes roles and responsibilities via the Risk Policy.

Every four months, receives a summary of the most significant risks in the Group, and the status of activities related to these risks.

Executive Management

Establishes four-monthly risk reports to the Board.

Receives a regular summary of the most significant risks in the Group. and the status of activities related to these risks.

Ensures that adequate resources are in place to ensure compliance with the requirements of SJ's risk policy.

Risk and Safety Forum

Produces quarterly risk reports for Executive Management.

Is responsible for coordinating support for risk management within the organisation. Works preventatively and in a monitoring role.

Risk Council

The Risk Council, made up of representatives from all divisions, staff units and the subsidiary SJ Götalands--tåa, is charged with the following main functions:

- Manages and is responsible for risk reporting to the Risk and Safety Forum.
- Coordinates support for divisions, subsidiaries and staff units in the application of risk management methodology.
- Monitors the risk status in each division, subsidiary and staff unit, ensures that the risk analyses performed are adequate and are kept updated.

Reports

Divisions, staff units and subsidiaries

All employees are responsible for identifying and reporting risks.

Managers at all levels are responsible for identifying and reporting risks, and are also responsible for taking risk-management actions in their sphere of responsibility.

Selection of risks identified¹

Risk	Potential impact	Activities	Control area
Risk that SJ's long-distance services do not meet the industry-wide target of 95% punctuality by 2020 because the infrastructure cannot be improved at the rate necessary and because of excessively high capacity utilisation on certain route sections	Lower Customer Satis- faction Index rating, loss of market share to other modes of transport, lower income	Major collaboration with other industry players in initiative Together for Trains on Time (TTT) programme In-house focus on lowering the share of SJ-attributable disruption via measures such as improved departure process, digital work tools and remote diagnostics for rolling stock	Process
Risk that production – and therefore delivery to the customer – suffers during periods when major improve- ment maintenance works are in progress	Lower Customer Satis- faction Index rating, loss of market share to other modes of transport, lower income	Adjustments to timetable New timetables with alternative routes during disruptions New locations for depots Dialogue with STA	Process
Risk that the pace of deregulation of the railway markets in Europe will not be the same in all countries. Financially powerful international rail operators can act in the Swedish market while Swedish rail operators are unable to act on a full scale outside Sweden	Distortion of competition, lower income, loss of mar- ket share	Collaboration in the Community of European Railway and Infrastructure Companies, in which SJ's CEO Christer Fritzson serves as Chairman	Finance
Risk that Swedish Public Transport Act does not lead to decisions in line with the legislator's intentions, which could result in a worsening of conditions for public transport on a commercial basis	Poorer customer offering, worsening of economic conditions for services	Actively pushes the issue that the regulatory framework on competition and financing of public transport through taxation must be properly thought-through and clearly defined	Finance
Risk that large-scale IT disruptions at important partners affect SJ's ability to deliver	Poorer punctuality, lower Customer Satisfaction Index rating, lower Brand Index rating	Higher degree of Service Level Agreements (SLAs) with IT providers Follow-up of incidents in conjunction with IT providers	Partnership Resources
Risk that SJ will not be able to retain and recruit train drivers in a tight labour market	Lower quality, higher costs and service cancellations	Active work on the boards of training coordinators for train driver courses Trials of rolling three-month schedule for on-board personnel Analysis of forms of employment More effective trainings courses with simulators	Employee
Risk that maintenance service providers cannot retain or recruit skilled employees, leading to problems for SJ to procure the right quality of maintenance at the right price	Lower quality, including punctuality, service can- cellations, lower Customer Satisfaction Index rating	Expanded collaboration with maintenance service providers Ongoing investments in rolling stock fleet will reduce future maintenance needs	Partnership Resources
Risk that SJ employees will be in breach of the SJ Group's Internal Code of Conduct in contacts with suppliers	Lower quality, adverse impact on the SJ brand	Communication with employees on the SJ Group's Internal Code of Conduct	Employee
Risk that SJ employees involved in customer contacts face insecure work situation where threats and violence may occur	Feeling of insecurity and lesser well-being, absences due to illness, difficulty in retaining and recruiting employees	Training for all on-board employees in personal security and conflict management Personal alarm for all on-board employees	Employee
Risk that partners are in breach of the SJ Group's Supplier Code of Conduct	Adverse impact on the SJ brand	The SJ Group's Supplier Code of Conduct is a mandatory part of agreements with SJ Sustainability audits of suppliers	Partnership Resources
Risk that very high-speed tracks are not built or that they are built too slowly	Loss of market share to other modes of transport, lower income	Arguments for very high-speed tracks and SJ's ability to provide the service	Finance
Immediate environmental risks are regarded as immaterial in terms of S)'s current operations	-	-	Society

¹⁾Financial risks, that is, the ongoing management of financial liabilities on the Group's balance sheet, are excluded, since these are managed within the framework of the financial policy established by the Board Financial risks are reported to the Board on a quarterly basis
²⁾The risk has not been assessed in terms of probability and impact

Proposed appropriation of profit

Statement of the Board of Directors of SJ AB, pursuant to the Swedish Companies Act, Chapter 18, Section 4

With reference to the Board's dividend proposal, the Board of Directors of SJ AB, corp. reg. no. 556196-1599, hereby makes the following statement pursuant to Chapter 18, section 4 of the Swedish Companies Act. The proposed dividend is based on the 2017 annual accounts. The proposed appropriation of profit, income statement and balance sheet for the Parent Company, and the statements of income and other comprehensive income, and statement of financial position for the Group, will be presented to the Annual General Meeting for approval on 24 April 2018.

In its proposal for appropriation of profit, the Board recommends that at the 2018 AGM, the shareholder should resolve that in respect of the 2017 financial year SJ AB should pay a dividend of SEK 67.20 per share, representing a total dividend of SEK 268,800,000 million, corresponding to 50 percent of net profit for the year for the SJ Group. The Board also proposes that the shareholder at the AGM determine the payment date as 8 May 2018.

Unappropriated profit available for appropriation by the Annual General Meeting:

Retained earnings	SEK 3,030,484,314
Profit for the year	SEK 736,940,201

Total SEK 3.767.424.515

The Board of Directors proposes that the profit be appropriated as follows:

Dividend to shareholder (SEK 67.20 per share) SEK 268,800,000 To be carried forward: SEK 3,498,624,515

Total SEK 3.767.424.515

The owner's financial targets for SJ AB are a minimum return of 7 percent on operating capital on average, and a longterm net debt/equity ratio of o.5-1.o. In addition, long-term dividends should be within the range of 30-50 percent of profit for the year after tax. SJ AB achieved its return on operating capital target, but the net debt/equity ratio was lower than the defined target interval.

The SJ Group's position at the end of 2017 with respect to the above-mentioned key metrics is presented in the following table and after the proposed dividend, all else being equal.

Effect of proposed dividend on key metrics

	31/12/2017	31/12/2017 After ordinary dividend
Net debt/equity ratio, multiple	-0.10	-0.17
Net debt(+)/net cash (-), SEK m	-465	-734
Return on operating capital, %	16.4	16.4
Equity/assets ratio, %	55.5	54.0
Available unrestricted equity in SJ AB	3,767,424,515	3,498,624,515

The proposed dividend represents 6.0 percent of equity in the Parent Company, and 5.8 percent of equity in the Group. The proposed dividend has no effect on return on operating capital, but the net debt/equity ratio falls from -0.10 to -0.17.

The equity/assets ratio is considered satisfactory, given that the business remain profitable. Liquidity in the Parent Company and the Group is expected to remain strong. The proposed appropriation of profit to the shareholder will lower the Parent Company's equity/assets ratio from 55.5 percent to 54.0 percent after the proposed dividend.

Basis of the Board's decision

With reference to the above, the Board believes that the proposed appropriation of profit is justifiable in accordance with the requirements of the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2 and 3.

The nature and scope of the business do not involve any risks than are greater than those normally occurring in the industry.

The Board's view of the financial position of the Company and the Group is such that the dividend is justifiable in relation to the demands that the nature, scope and risks of the business place on the size of the Company's and the Group's equity, and the Company's and the Group's consolidation requirements, liquidity and position in general.

The Board deems that the proposed dividend will not affect SJ AB's ability to meet its obligations in the short or long term, or to make any necessary investments.

Five-year summary

Group	2017	2016	2015	2014	2013
Statement of comprehensive income, summary, SEK m					
Operating income	7,806	9,372	9,070	9,208	9,160
- Net sales	7,780	9,336	9,052	9,065	9,023
Operating expenses	-7,178	-8,543	-8,464	-8,666	-8,732
Share of profit of associates	38	8	19	26	-130
Operating profit	666	837	625	568	298
Profit before tax	664	833	602	578	288
Income tax expense	-140	-183	-131	-118	-68
Profit for the year ¹	523	650	471	460	220
Earnings per share before and after dilution ¹ , SEK	131	162	118	115	55
Statement of financial position, summary, SEK m					
Non-current assets					
Property, plant and equipment	5,341	5,505	5,916	6,250	6,356
Intangible assets	254	286	278	236	308
Financial assets	60	34	123	596	567
Current assets					
Inventories	5	4	7	8	7
Current receivables	734	804	661	615	719
Short-term investments	1,614	1,479	718	760	1,203
Cash and cash equivalents	70	74	97	345	80
Assets classified as held for sale	-	78	65	60	72
Total assets	8,078	8,264	7,864	8,870	9,312
Equity ² , SEK m	4,615	4,337	3,876	5,335	4,961
Interest-bearing liabilities	1,060	1,402	1,478	1,124	1,911
Non-interest-bearing liabilities	1,527	1,693	1,740	1,655	1,813
Provisions	396	345	315	380	360
Deferred tax liabilities	480	487	455	377	267
Total equity and liabilities	8,078	8,264	7,864	8,870	9,312
Statement of cash flows, summary, SEK m					
· · · · · · · · · · · · · · · · · · ·	1 220	1 20 4	1,335	1 267	1.020
Cash flow from operating activities	1,238 -639	1,304 -1,062	-6	1,267 -143	1,039 -943
Cash flow from investing activities	-603	-264	-1,577	-860	-336
Cash flow form financing activities	-603	-204	-1,577 -248	265	-336
Cash flow for the year Investments	596	390	526	828	448
- affecting cash flow	596	390	526	828	448
	596	390	520	020	440
Margins ³ , %					
Operating margin	8.5	8.9	6.9	6.2	3.3
Profit margin	8.5	8.9	6.6	6.3	3.1
Financial targets, outcomes ³					
Return on operating capital, %	16.4	20.0	13.2	11.5	5.7
Net debt/equity ratio, multiple	-0.1	0.0	0.2	-0.1	0.0
The Board's proposed dividend as per appropriation of profit, SEK m	269	260	188	230	73
Dividends paid, SEK million	260	188	1,9304	73	157
Capital structure at year-end					
Return on equity ³ , %	11.7	16.3	9.7	9.1	5.1
Operating capital ³ , SEK m	4,073	4,181	4,721	4,953	5,225
Equity/assets ratio³, %	57.1	52.5	49.3	60.1	53.3
Reconciliation of interest-bearing net debt ³					
Interest-bearing liabilities, SEK m		1,402	1,478	1,125	1,911
	1,060	1,402	1, 11 0	1,120	
Interest-bearing provisions, SEK m	1,060 159	161	168	152	
Interest-bearing provisions, SEK m		161		152	144
-	159		168		144 1,839 216
Interest-bearing provisions, SEK m Interest-bearing assets, SEK m Interest-bearing net debt(+)/net cash (-), SEK m	159 1,684	161 1,553	168 895	152 1,672	144 1,839
Interest-bearing provisions, SEK m Interest-bearing assets, SEK m	159 1,684	161 1,553	168 895	152 1,672	144 1,839

¹⁾ Key metric defined in accordance with IFRS, see page 92.
²⁾ There are no non-controlling interests.
³⁾ SJ's alternative key metrics not defined in accordance with IFRS, see definitions on page 92.
⁴⁾ EGM resolution on 25 September 2015 to distribute SEK 1,700 million.

Corporate Governance Report 2017

SJ AB is 100-percent owned by the Swedish State and operates under the supervision of the Ministry of Enterprise and Innovation. The owner's overall objective for SJ is to create longterm sustainable value, which calls for long-term profitability, efficiency, capacity for development and social, environmental and financial accountability. SJ has no public-service role and its operations are conducted on purely commercial terms without any government subsidies or grants.

Principles of Corporate Governance

SJ is subject to both external and internal regulations.

Major external regulations:

- Legislation and international accounting regulations
- Swedish State's ownership policy and Guidelines for State-Owned Enterprises in 2017.
- Swedish Code of Corporate Governance (the Code)

Major internal regulations:

- SJ AB's Articles of Association
- The Board's Rules of Procedure, CEO instructions and instructions for corporate sustainability reporting, including financial reporting.
- Internal guidelines regarding the Group's operations and employees, including the SJ Group's Internal Code of Conduct, as well as policies on work environment, finance, information security, purchasing, IT, risk management, tax, traffic safety, communication, personal data and internal governance and control.
- SJ's scorecard, showing targets set and clearly defined follow-up procedures.

The Company's Articles of Association, previous corporate governance reports, material from SJ's most recent general meetings, and so forth, are available in Swedish on SJ's website, www.sj.se, under "Bolagsstyrning" ("Corporate Governance").

Application of the Code

SJ applies the Swedish Code of Corporate Governance (the Code). The deviations that occur in the Company arise mainly from the fact that SJ is wholly owned by the Swedish State. SJ deviated from the following Code provisions:

Rule 1.4

Publication of information on shareholders' right of initiative. The aim of this rule is to give shareholders ample time to prepare for the AGM, and to have agenda items listed in the notice of the AGM. In State-owned enterprises, this provision has no relevance.

The establishment of a nomination committee to prepare for election and remuneration of Board members and auditors. SJ's Board has set aside Rule 2 regarding a nomination committee in favour of the owner's nomination process, as detailed in the State's ownership policy.

Rule 4.4-4.5

Board member's independence in relation to the Company and Executive Management The aim of the rule is to protect minority owners. Because SJ is wholly owned by the Swedish State there is no such need.

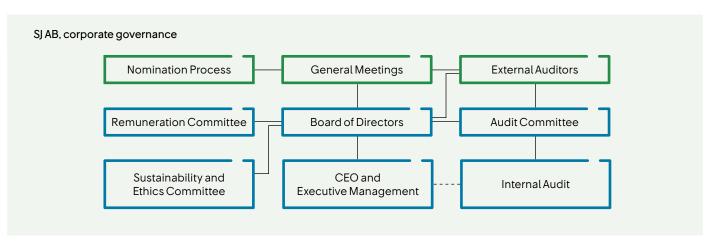
The Board shall assess its own work and that of the CEO on a yearly basis. In 2017, no such assessment was made as it was not considered necessary in view of the fact that in recent years the conclusion of these assessments has been highly satisfactory and no major areas for development have been identified.

Owner's governance

The owner exercises its rights as shareholder at the AGM and has adopted SJ's Articles of Association and financial targets. SJ's Articles of Association state that SJ shall operate passenger transport services. The owner's long-term financial targets for SJ are a minimum average return of 7 percent on operating capital and a long-term net debt/equity ratio of 0.5-1.0. Long-term dividends shall amount to 30-50 percent of profit for the year. In addition to following up the financial targets, the owner also monitors a number of long-term non-financial targets. In the course of 2017, the meetings held involving owner, SJ Board Chairman and CEO dealt with matters relating for example to operational issues during disruptions, SJ's organisation, succession planning and procurement of new rolling stock. In addition to these meetings, SJ maintains regular dialogue with its owner.

Long-term sustainability targets

The Swedish government requires all State-owned companies to define corporate sustainability objectives. These objectives are to be relevant to the business conducted. They must also be measurable and sufficiently ambitious. In 2016, SJ's Board adopted four long-term sustainability targets that apply as of 2017. Two of these, punctuality and SJ Volunteer, were inherited from the previous period. New



Board of Directors, Board functions and attendance during 2017

Name	Board function	Board meetings	Audit Committee	Remuneration Committee	Sustainability and Ethics Committee
Jan Sundling	Chairman of the Board and of the Remuneration Committee and the Sustainability and Ethics Committee	9/9		1/1	3/3
Siv Svensson	Board member, Chair of Audit Committee	9/9	8/8		
Ulrika Dellby	Board member	8/9			3/3
Mikael Staffas	Board member	8/9	8/8		
Kersti Strandqvist	Board member	9/9			3/3
Mikael Stöhr	Board member	8/9		1/1	
Michael Thorén ¹	Board member	5/9	5/8	0/1	
Per Hammarqvist	Employee representative	8/9			
Hans Pilgaard	Employee representative	7/9			
Stefan Zetterlund	Employee representative	8/9			

¹⁾ During Michael Thorén's absence, Pär Ekeroth was co-opted to participate in the work of the Board and the Audit and Remuneration Committees.

long-term sustainability targets pertain to absence due to illness, which was complemented by a metric for healthy attendance, and diversity.

General Meetings

The Annual General Meeting (AGM) is held in Stockholm. SJ publishes details of venue and time for its next AGM, as well as notice convening the meeting, minutes and other AGM-related material on sj.se.

2017 Annual General Meeting

The 2017 AGM for SJ AB was held on 25 April 2017. The meeting was open to the public and those in attendance had the opportunity to ask questions to management.

In accordance with the owner's proposal, the AGM resolved to re-elect Jan Sundling to serve as Chairman in the period until the next AGM. Ulrika Dellby, Mikael Staffas, Kersti Strandqvist, Mikael Stöhr, Siv Svensson and Michael Thorén were also re-elected as Board members. The AGM approved Board fees and separate fees for work within the committees established.

The AGM resolved to adopt the income statements and balance sheets for the Group and the Parent Company, and to approve the Board's proposed dividend of SEK 260 million. The dividend was paid on 9 May 2017. The AGM also discharged the Board and the CEO from liability.

2018 Annual General Meeting

The 2018 AGM for SJ AB will be held in Stockholm on 24 April 2018.

Board of Directors

The Board has overall responsibility for the management and administration of the company. Under the State's ownership policy, the Board is also responsible for ensuring that the Company is managed in an exemplary manner in compliance with applicable legislation, the Articles of Association and the owner's instructions. Moreover, the Board is required to ensure that SJ acts in an exemplary way in sustainable enterprise, in such areas as the environment, ethics, working conditions, human rights, equal opportunity and diversity.

Appointment of the Board

The nomination process for Board members at State-owned enterprises is overseen and coordinated by the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation. In accordance with the State's ownership policy, the Board shall have a high level of expertise that is well-suited to the Company's operations, circumstances and future challenges. Board members must be able to contribute via good

knowledge of day-to-day business activities, business development, industry knowledge, financial issues or other relevant areas. Under the ownership policy, which includes the diversity policy that SJ applies, the Board must be balanced in terms of areas of expertise, background, age and gender.

A working party at the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation analyses the qualification requirements on the basis of the composition of SJ's Board and the company's operations and circumstances. The nomination and appointment of new Board members is preceded by ongoing dialogue between Ministry and Chairman.

The Ministry's proposal for Board members is presented in the notice convening the AGM and on sj.se in ample time prior to the AGM. Board members are appointed by the AGM for one year at a time.

Composition of the Board

Under the Articles of Association, SJ's Board of Directors is to comprise no less than three and no more than eight members, without deputies. Since the 2017 AGM, SI's Board of Directors has consisted of seven elected members, none of whom are members of Executive Management. Of the Board members, three (43 percent) are women and four (57 percent) men.

In the view of the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation, SJ's Board as a whole has good knowledge of the Company's business activities, business development, the travel and logistics industry, financial issues, sustainable enterprise and corporate governance, corporate management and change management. Moreover, with regard to SJ's operations, stage of development and other conditions, the Board is considered to be appropriately composed in terms of being multi-faceted and broadly based as regards the expertise, experience and background of its members. The Board also meets the government's objective of an equal gender distribution in accordance with the State's ownership policy and Guidelines for State-owned enterprises.

The employee organisations have appointed three employee representatives, plus deputies, to the Board.

Board fees and fees for work on Board committees

Under the State's ownership policy, Board fees and other fees are for approval by the AGM and must be competitive, but not market-leading. Fees are not paid to Board members employed by the Swedish Government Offices, nor to any employee representative. The 2017 AGM resolved that SJ is to apply the Guidelines on conditions of employment for senior executives at State-owned enterprises, as proposed by the Board. These guidelines comply with the Swedish

government's "Riktlinjer för anställningsvillkor för ledande befattningshavare i företag med statligt ägande" (Guidelines on employment conditions for executives at Stateowned companies), dated 22 December 2016.

Remuneration approved for SJ's Board of Directors

SEK	2017	2016
Board Chairman	400,000	400,000
Board members	160,000	160,000
Chairman of the Audit Committee	55,000	55,000
Other members of the Audit Committee	43,000	43,000

Fees are not paid to any Board member employed by the Swedish Government Offices, nor to any employee representative.

For comprehensive information on policies and remuneration to Board members, see Note 5.

Work of the Board

The Board has adopted Rules of Procedure defining the division of responsibilities between Board, committees and the CEO. These Rules are agreed annually and, alongside mandatory provisions of the Swedish Companies Act, govern the Chairman's duties, information to the Board, the format of Board meetings and assessments of the work of the CEO and the Board. The Rules stipulate inter alia that the following agenda items shall be addressed each year:

- Adoption of budget and forecasts
- Presentation of external financial reports
- Adoption of strategic plan
- Risk management at SI
- Adoption of policies

The Board also decides on matters of principle or major financial significance. The Chairman oversees the work of the Board and is responsible for ensuring that other Board members receive adequate information.

The CEO and CFO participate in Board meetings. Other members of Executive Management participate as necessary. SJ's General Counsel serves as secretary to the Board.

Work of the Board in 2017

In 2017, nine Board meetings were held, one of which was by telephone. The Board carried out ongoing follow-ups in due order of financial and non-financial outcomes, including monthly presentations of strategic key metrics on SJ's scorecard. Based on that information, the Board was also able to continuously evaluate SJ's performance in terms of sustainable enterprise. In February 2017, the Board met the Company's auditors without any members of Executive Management being present, in accordance with the provisions of the Code. Other members of SJ's Executive Management also attended the Board meeting in June to discuss issues of strategic significance.

Work of the Board in committees

SJ's Board of Directors has established an Audit Committee, a Remuneration Committee and a Sustainability and Ethics Committee. The Board has also agreed rules of procedure for all committees. The committees prepare items for decision by the Board. For specific matters, the Board may delegate decision-making rights to the respective committee.

Audit Committee

The duties of the Audit Committee include:

- Meeting external auditors to keep updated on the planning, focus and scope of the audit
- Developing dialogue with SJ's auditors for greater clarity in observations regarding the Company's governance, accounting and control
- Preparing the work of the Board by quality assuring SJ's financial statements, so that the statements provide a true and fair view of SJ's financial and non-financial position, and by providing recommendations and proposals to ensure the reliability of reports
- Managing significant risk areas and changes in estimates and assessments, and ensuring that the risk assessments are reflected in the financial statements
- Participating in the procurement of auditors and preparing proposals for election of auditors

Work of the Board in 2017

February

- Review by external auditors of the 2016 financial statements
- Report on fourth quarter and full year 2016
- Appropriation of profit for financial year 2016
- ■Investments in new and upgraded rolling stock
- ■Extension of the agreement for night-train services to Upper Norrland
- Report and assessment of the Board and CEO

July

■ Report on second quarter

March

- ■The auditors met with the Board of Directors without the presence of Executive Man-
- ■Year-end, Annual and Sustainability Reports plus 2016 Auditors' Report
- ■Adoption of revised financial policy
- Review of Risk Report
- ■Offer for tendered services
- ■Internal Controls and Audit

April

- Report on first quarter
- Annual General Meeting
- Statutory Board meeting

June

- Status of investments in new and upgraded rolling stock
- ■Adoption of revised policies
- Offer for tendered services
- Review of Risk Report Adoption of strategic plan

September

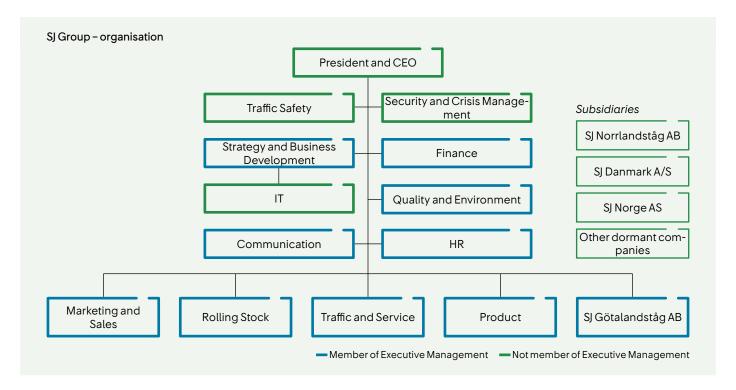
- ■Offer for tendered services
- ■SJ's Stockholm-Olso service, planned maintenance assigned
- Late delivery of train paths from Trafikverket
- Adoption of communication policy
- ■Very high-speed rail

October

- Report on third quarter
- Adoption of tax policy
- Adoption of 2018-2022 business plan
- Review of Risk Report

December

- Offer for tendered services
- SJ Digital and SJ Labs
- ■Budget 2018



- Ensuring that the reports and reported observations from SJ's external and internal auditors are actioned and communicated to the CEO
- Managing issues of internal control
- Keeping updated on the auditing of the annual accounts and the consolidated accounts, and on the conclusions from the Swedish Inspectorate of Auditors' quality control.

In 2017, Siv Svensson served as Chair of the Audit Committee. Mikael Staffas and Michael Thorén served as members of the committee. SJ's CFO serves in a reporting capacity to the Audit Committee. The Head of Internal Audit and SJ's auditors also participate in parts of the Committee's meetings. Eight minuted meetings were held during the year, one by telephone. SJ's auditors reported on significant accounting and auditing issues, as well as on items related to internal control and processes, during the year. The Committee's Chair continuously informed the Board about the work of the committee.

Remuneration Committee

The duties of the Remuneration Committee include:

- Ensuring implementation of, and compliance with, the AGM-adopted guidelines on terms of employment for senior executives
- Preparing the Board's proposals for policies on remuneration and other terms of employment for the CEO and other senior executives, for decision by the AGM
- Preparing the Board's proposals for updated guidelines, should the need arise. Preparing issues on an ongoing basis regarding remuneration and other terms of employment for the CEO for decision by the Board, and serving in a consultative function regarding the CEO's proposal on remuneration and other terms of employment for other senior executives.

In 2017, Jan Sundling served as Chairman of the Remuneration Committee. Michael Thorén and Mikael Stöhr served as members of the Committee. SJ's Chief Executive Officer serves in a reporting capacity to the Remuneration Committee. During the year, one minuted meeting was held and the Committee's Chairman submitted regular reports on the Committee's work to the Board.

Sustainability and Ethics Committee

The Sustainability and Ethics Committee's task is to monitor, prepare and take initiatives in overarching and strategic sustainability issues.

In 2017, Jan Sundling served as Chairman of the Sustainability and Ethics Committee. Kersti Strandqvist and Ulrika Dellby served as members of the Committee. SJ's Senior Vice President of Quality and Environment/Sustainability serves in a reporting capacity to the Committee and SJ's Chief Executive Officer takes part in its work. Three minuted meetings were held during the year. The Committee's Chair continuously informed the Board about the work of the committee.

Evaluation of the work of the Board and the CEO

The Chairman is responsible for ensuring that the work of the CEO and the Board is assessed via a systematic and structured process. In previous years, the assessment, on both a collective and individual basis, was conducted by an external party. The assessment is conducted in the form of questions to the Chairman. Board members and the CEOs in a web-based process. In 2016, the assessment also included interviews with Board members and the CEO.

The assessment is summarised, analysed and normally compared with the preceding year's results, with a special focus on areas agreed for development. The results of the assessment are reported to the Ministry of Enterprise and Innovation. A follow-up meeting is then held with the Chairman. The aim of the assessment is to continuously improve efficiency in the work of the Board and to provide a basis for the appointment of new members.

In 2017, no assessment was performed, as it was not considered necessary. Instead, the focus was on carrying out the activities agreed in the preceding year. The reason why a fresh assessment was not considered necessary in 2017 was that in recent years the conclusions from the assessments had been highly satisfactory and no major areas for development had emerged. A report on activities performed on the basis of the 2016 assessment was presented at a Board meeting held on 6 February 2018.

Auditors

SJ's owner is responsible for appointment of auditors, and the appointment is to be submitted to the AGM for approval. The practicalities of the procurement process are handled by the Board's Audit Committee and the overall process is monitored by an official of the Swedish Government Offices. Should re-appointment of auditors be considered, the performance of the auditors is always evaluated by SJ's owner. The notice convening the AGM includes a proposal for the appointment of auditors, and information about any conditions that may be relevant in assessing the experience and independence of the auditors proposed. The auditors proposed are required to attend the AGM.

Auditors in 2017

On completion of the procurement process, the AGM held on 25 April 2017 appointed accountancy firm Deloitte AB, represented by Authorised Public Accountant Hans Warén as Auditor-in-Charge, until the 2018 AGM. The auditors presented their audit of the financial statements for 2017 to the entire Board at a Board meeting held on 6 February 2018. During the 2017 financial year, the Audit Committee and auditors discussed the Company's financial statements, accounting, administration and risk management. In February, the auditors met the Board, without the presence of any members of Executive Management. The auditors also maintained regular contact and had meetings with the Board's Audit Committee. Every year, the auditors perform a review of internal controls regarding the IT environment and financial reporting.

Fees to auditors and the reimbursement of their expenses are paid on an open account basis and detailed in Note 7 to the Financial Statements.

Executive Management

SJ's Executive Management comprises the Company's CEO, and ten directors of SJ's divisions and staff units. The members of Executive Management are appointed by the CEO following consultation with the Board. The President of SJ Götalandståg, Lena Källström, joined SJ's Executive Management on 1 January 2017.

SI's CEO is responsible for SI's day-to-day management and, under the Swedish Companies Act and the Board of Directors' guidelines and instructions, is authorised to decide all issues concerning day-to-day management. The CEO oversees operations and makes decisions on behalf of SJ AB and the SJ Group in consultation with Executive Management, which meets on a regular basis. The duties of Executive Management include:

- Developing and executing SJ's strategic plan, in consultation with the Board
- Ensuring that SJ draws up and follows business plans, operational plans and budget via regular business reviews
- Overseeing and deciding on tactical operational activities within the framework of business plans adopted

All divisions, subsidiaries and staff units are headed by a senior vice president (SVP) together with a management team, who meet regularly. The SVPs are responsible for planning, managing, following up and improving the activities of each division, subsidiary or staff unit, so that:

- The division, subsidiary or staff unit fulfils its role and is operated in accordance with SJ's vision, mission and business plan
- Operations are conducted in accordance with applicable legislation and the instructions of government agencies, and otherwise adhere to SJ's governing documents
- Operational plans are established on the basis of the SJ Group's overarching business plan, with clearly defined activities for the division, subsidiary and staff unit, and the

operational plan is communicated internally, implemented and followed up.

Changes in the organisation

The SJ Group's structure changed as of 1 January 2017. Traffic Planning was transferred from the Planning Division to the Product Division. Traffic Management was moved from the Planning Division to the Traffic and Service Division. As a result of this reorganisation, the Planning Division was discontinued. Responsibility for night-train services was transferred from the SJ Norrlandståg subsidiary to the Product Division. From 1 January 2017, responsibility for the employees of SJ Norrlandståg was transferred to the Traffic and Service Division.

Guidelines for terms of employment for senior executives

Decisions on terms of employment for the Chief Executive Officer are prepared by the Remuneration Committee and submitted to the Board for decision. Decisions on terms of employment for other senior executives are made by the CEO after consultation in due order with the Remuneration Committee. SJ complies with the government's guidelines on terms of employment for senior executives in Stateowned companies, issued on 22 December 2016.

The total remuneration paid shall be reasonable and well-balanced. It shall be competitive, capped and appropriate. Remuneration shall not be market-leading relative to similar companies, but shall be characterised by moderation. "Appropriate" shall be understood to mean that the remuneration corresponds to the requirements set, in terms of qualifications and experience. Remuneration shall be competitive such that it makes SJ better able to recruit skilled employees with qualifications that fit with SJ's requirements for return on capital and professionalism.

Variable salary and variable salary components shall not be paid to the senior executives. Senior executives may be offered a company car and personal illness insurance. Furthermore, senior executives will be covered by benefits that originate in collective pay agreements or that are unilaterally decided by SJ and are also enjoyed by other employees.

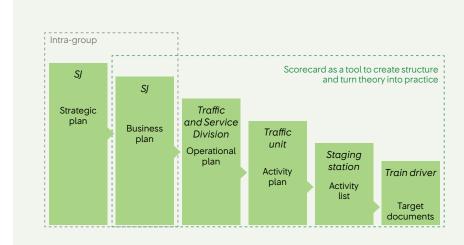
Pension benefits shall be of the defined-contribution type and the contribution shall not exceed 30% of the fixed salary, unless complying with an appropriate collective agreement pension plan. On that basis, where SJ agrees a defined-benefit pension plan, it shall be aligned with the appropriate collective agreement pension plan. Any increases in the collective agreement pension plan for salary components exceeding the income levels covered by the plan shall be of the defined-contribution type and borne during the employee's active period. No pension premiums relating to additional pension costs shall be paid by SJ after the employee has retired. The pensionable age shall not be less than 65 years.

On termination of employment by SJ, the notice period may not exceed six months and any severance compensation may not be paid for longer than the equivalent of twelve months. Severance compensation shall be paid monthly and shall comprise the fixed monthly salary alone, without allowances or benefits. Any other income from employment, paid assignments or business activity shall be deducted from the severance compensation. On termination of employment by the employee, severance compensation is not paid. Severance compensation shall be paid until no later than the agreed pensionable age, and never longer than to the age of 65 years.

Remuneration to senior executives is described in more detail in Note 5.

Sustainable management of operations

Sustainability is a natural and integral part of SJ's business model and management. The business is managed on the basis of a value-creating, holistic approach and is followed up day-to-day via a balanced scorecard with six control



Management in practice

The long-term performance indicators in SJ's business plan are translated into operational targets and activities for all parts of the organisation. These clarify for the individual employee how each can affect and contribute to the Company's overall targets.

This is one example from the Traffic and Service Division.

areas: Employee, Partnership & Resources, Society, Customer, Process and Finance. The scorecard is based on the expectations of SJ's stakeholders and SJ's own ambitions to manage operations from multiple perspectives: Social, environmental and financial.

Sustainable strategy, business and operational plans

SJ's strategic plan, which is subject to approval by the Board, sets out the long-term and overarching targets for the Group. Executive Management and Board together conduct an annual review of progress relative to SJ's strategic targets. In addition, strategies and strategic targets are also reviewed every three years. SJ's strategic plan is complemented by a five-year business plan under which strategic decisions are implemented.

The business plan is divided into SJ's six control areas, with their associated key metrics. A five-year plan for services and rolling stock is integrated into the business plan and describes how SJ aims to develop its offering on each rail line. The services and rolling stock plan forms the basis for evaluating ticket income and calculating the variable production expenses per year and per line.

Every year, each division, subsidiary and staff unit produces an operational plan, including budget, for the year ahead, through which business objectives are translated into concrete activities. Each control area has a number of key metrics with clear ownership within the SJ organisation.

Follow-up via key metrics

Each key metric has annually set targets and is followed up monthly, quarterly and annually. This makes the scorecard a valuable tool for continuous improvements in a number of business-critical areas. Continuous monitoring also allows for deviations to be detected at an early stage, so that appropriate actions can be taken quickly. Read more about targets and outcomes for the control areas on pages 25-37.

In 2015, SJ conducted a materiality analysis to identify and rank the areas that are of greatest importance in terms of SJ's long-term value creation. The outcome of the materiality analysis was discussed and verified in 2015 by a Board panel, customer panel, employee panel and supplier panel. The Board and customer panels particularly emphasised the importance of safety, punctuality and service information. The employee panel highlighted the importance of SJ's corporate social responsibility. In 2017, safety, punctuality and service information were the issues of prime importance.

Management system

SJ has an integrated and certified management system for quality management (ISO 9001) and environment (ISO 14001). The system is externally audited, and SJ also uses the EFQM (European Foundation of Quality Management) model to evaluate and monitor the system's efficiency. The model is a tool to measure SJ's position relative to its vision and adopted targets in a structured and systematic manner.

The SJ Group's Internal Code of Conduct

The SJ Group's Internal Code of Conduct provides guidance to employees in how they are expected to act and interact with each other, customers, passengers and other stakeholders, on the basis of SJ's core values: Reliable, Simple, Caring and Joyful. Our internal Code of Conduct applies to all SJ Group employees, including Board members and consultants. Read more on page 27. All SJ suppliers are required to comply with the SJ Group's Supplier Code of Conduct. Read more on page 29.

Whistle-blower function

Since 2014. SI has had in place a whistle-blower function for employees to report irregularities, including deviations from the internal Code of Conduct. The system guarantees the whistle-blower's anonymity, and reports are handled by a group consisting of the Heads of Legal Affairs, Security and Crisis Management, Internal Audit and Sustainability. In 2017, the Group dealt with four cases.

Decision-making forum and council

Executive Management decides which inter-divisional decision forums are to operate within the SJ Group. Executive Management also decides on each forum's objectives, standing agenda and participants. The CEO delegates his/ her decision-making mandate to each forum, which is authorised to take unanimous decisions within the framework of the current business plan and budget. If consensus cannot be reached within a forum, the matter is referred to Executive Management for decision.

SJ currently has four forums alongside Executive Management: a strategy forum, market forum, production forum and risk and safety forum. Each decision-making forums has three principle tasks:

- To widen the scope of and expedite decision-making in the SJ Group
- To regularly coordinate, prioritise and decide on issues concerning more than two divisions
- To ensure the progress of work within the organisation and ensure a fast pace of implementation

Complementing the decision-making forums, Executive Management can take decisions on councils. The purpose

Board of Directors





















Jan Sundling

Chairman of the Board of SJ AB since 2011, Chairman of the Remuneration Committee and the Sustainability and Ethics Committee

Born: 1947

Education: B.Sc. in Nautical Science, Higher Business Administration programme Positions and Board assignments: Chairman of the Board of the Swedish Institute for Quality (SIQ). Board member of Corem Property Group AB and Aditro Logistics AB Previous positions and Board assignments: CEO of Green Cargo AB

Ulrika Dellby

Board member of SJ AB since 2014, member of the Sustainability and Ethics Committee Born: 1966

Education: M.Sc. in Economics

Positions and Board assignments: Board member of Lifco AB. Kavli Holding AS and Cybercom Holding AB; Chair of the Hello World! Non-Profit Association Partner in Fagerberg & Dellby Fond I AB

Previous positions and Board assignments: Vice Chairman of Fastighetsaktiebolaget Norrporten. Partner in The Boston Consultina Group

Mikael Staffas

Board member of SJ AB since 2013, member of the Audit Committee

Born: 1965

Education: M.Sc. in Engineering and MBA Positions and Board assignments: Director at Boliden Mines. Board member of the SveMin and Gruvornas Arbetsgivareförbund (GAF) mining industry organisations Previous positions and Board assignments: CFO of Boliden, CFO of Södra Skogsägarna, partner in McKinsey & Co

Kersti Strandqvist

Board member of SJ AB since 2016, member of the Sustainability and Ethics Committee

Education: M.Sc. in Engineering (licentiate degree), Master of Marketing HEC

Positions and Board assignments: Vice President Sustainability at Essity, member of Executive Management

Previous positions and Board assignments: Board member at TeliaSonera AB and Swedish Match AB. Head of SCA Business Area Feminine Care, Head of Business Area Baby Care, Vice President Sustainability at Svenska Cellulose AB

Mikael Stöhr

Board member of SJ AB since 2014, member of the Remuneration Committee

Education: Degrees in law and economics Positions and Board assignments: CEO and President of Coor Service Management AB Previous positions and Board assignments: President and CEO of Green Cargo AB, President and CEO of AxIndustries AB

Siv Svensson

Board member of SJ AB since 2012, Chair of the Audit Committee

Born: 1957

Education: Degree in International Economics

Positions and Board assignments: Board member of Swedbank, Karolinska University Hospital and Allba AB

Previous positions and Board assignments: CEO of Sefina Finance AB, Vice President and regional bank manager at Nordea

Michael Thorén

Board member of SJ AB since 2012, member of the Audit Committee and the Remuneration Committee

Born: 1969

Education: M.Sc. in Economics

Positions and Board assignments: Deputy Director at the Ministry of Enterprise and Innovation. Board member of Metria AB and Svevia AB

Previous positions and Board assignments: Analyst at ABN/Amro Bank, Project Manager at Retriva Kredit

Per Hammarqvist

Employee representative at SJ AB since 2011 Born: 1958

Positions and Board assignments: Traffic planner. Chairman of SACO branch at SJ and of TJ branch at SJ, member of SACO Union, Executive Committee of Transport & Railways

Hans Pilgaard

Employee representative at SJ AB since 2012 Born: 1963

Positions and Board assignments: Train driver. Chairman of ST Spårtrafik (Rail Transport) at SJ AB and member of the Departmental Board of ST Spårtrafik

Stefan Zetterlund

Employee representative at SJ AB since 2016 Born: 1963

Positions and Board assignments: Train conductor. Chairman and Head of Contracts for the Negotiation Council of Seko at SJ, Chairman of the Seko Branch at Hallsberg and Chairman of Seko Auditors' Union

Executive Management























Crister Fritzson

President/CEO since 2012 Born: 1961

Education: Degree in Marketing. Board assignments: Board member of Systembolaget AB, Net Insight AB, the Confederation of Swedish Enterprise, Almega Tjänsteförbunden and Svensk Turism AB. Chairman of CER, Community of European Railway and Infrastructure Companies, the Association of Swedish Train Operating Companies, Trafik i Mälardalen AB and Samtrafiken i Sverige AB

Previous positions: President and CEO of Teracom, CEO of Boxer

Peter Blomqvist

Senior Vice President Human Resources since 2009

Born: 1954

Education: B.Sc. in Sociology Board assignments: Board member of the Employers' Organisation for the Swedish Service Sector - Railbound Transport Board, Almega

Previous positions: HR Manager at Passenger Services Division and HR manager for the Sales business area at Statens Järnvägar

Claes Broström

Vice President Fleet Management since 2006 Born: 1954

Education: Mechanical Engineer and Market Economist

Previous positions: Senior Vice President SAS AB, Vice President Ericsson AB

Lena Herrmann

Senior Vice President Strategy and Business Development since 2015 Born: 1962 Education: M.Sc. in Engineering Board assignments: Board member of Eskilstuna Kuriren AB

Previous positions: CEO of Dagens Nyheter, Vice President of Bonnier Newspapers

Erica Kronhöffer

Senior Vice President Quality, Environment/Sustainability since 2013

Born: 1971

Education: Master of Laws

Board assignments: Board member of CSR

Sweden

Previous positions: Vice President Sustainability at PostNord AB, Director of Sustainable Affairs at Green Cargo AB

Lena Källström

President of SJ Götalandståg AB since 2012, member of Executive Management since 2017 Born: 1965

Education: M.Sc. in Economics Previous positions: Head of Regional Services at SJ AB, District Manager at Sodexo

Madeleine Raukas

Senior Vice President Traffic and Service since 2012, President of SJ Norrlandståg AB since 2017

Born: 1967

Education: B.A.

Board assignments: Board member of the Association of Swedish Train Operating Companies, Trafik i Mälardalen AB and Botniatåg AB Previous positions: Vice President and Acting CEO of SL, President of SAS Ground Services in Sweden

Thomas Silbersky

Senior Vice President Marketing and Sales since 2013

Born: 1965

Education: MBA

Previous positions: Commercial Director of Rynkeby Foods AB (Arla), General Manager of Tivall Scandinavia (Nestlé), Marketing Director at Carlsberg

Malou Sjörin

Senior Vice President Communication since 2016

Born: 1972

Education: M.Sc. in Economics Previous positions: Scandinavian Communication Director at Trygg-Hansa/Codan, Head of Information at Capgemini

Caroline Astrand

Senior Vice President Product since 2014 Born: 1970

Education: M.Sc. in Economics Board assignments: Board member of Trafik i Mälardalen AB and Botniatåg AB Chairman of the Board of Vänertåg AB Previous positions: Manager of Strategic Product and Service Development/Manager of the SJ Regional and SJ InterCity divisions at SJ AB, Principal of The Boston Consulting Group

Carina Wång

Senior Vice President and Chief Financial Officer 2013-October 2017

Born: 1966

Education: M.Sc. in Economics Previous positions: CFO of Micronic Mydata AB (now Mycronic AB), Vice President and Head of Business Controlling at Investor AB

Senior Vice President and Chief Financial Officer Carina Wång resigned from SJ's Executive Management on 1 October 2017. Her employment terminated on 31 March 2018. Ulf Bertilsson has been Acting Senior Vice President and Chief Financial Officer since 1 October 2017.

SJ Götalandståg's President, Lena Källström, joined SJ's Executive Management on 1 January 2017.

Thomas Silbersky, Senior Vice President of Marketing and Sales took up a new position as Senior Vice President and Director International Business on 15 February 2018. He retains his current role as Senior Vice President Marketing and Sales until further notice.

of a council is to ensure cross-functional treatment of current and/or prioritised issues in, for example, purchasing, IT, training or branding. A council has no additional mandates outside the regular mandates of its participants.

Board's statement on internal controls

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the Company's internal controls. SJ's external financial and non-financing reporting consists of interim reports, the year-end report and most of the annual and sustainability report. The work of the Audit Committee represents one element of control by the Board. In 2017, any observations made by external and/or internal auditors were presented at all Audit Committee meetings.

SJ works systematically on assessments of risk. Structured risk assessment makes it possible to identify material risks of significance in terms of internal controls applied to financial reporting. The Risk and Safety Forum is responsible for overseeing an established process to identify financial and non-financial risk areas with reference to the scorecard. The aim is, for every risk, to be able to take action to limit undesired effects or to maximise opportunities identified. The process of identifying risks involves all divisions, subsidiaries and staff units, enabling support to be embedded and awareness heightened throughout the organisation, and risk to be identified effectively. Every risk identified has a designated owner.

SJ's Executive Management is informed on a quarterly basis as to risk assessments performed, in order to determine whether there is a need for further action, or whether new risk areas are to be assessed. The Board is informed every four months about risks identified and measures implemented. Read more on page 38.

Internal audit

SJ has an internal audit function that reports directly to the Board's Audit Committee. Internal Audit performs independent and objective auditing assignments, which feed through into actions and improvement programmes. SJ's Internal Audit conducts an annual independent risk analysis that provides the basis for the function's annual audit plan, which is submitted to the Board for approval. In conjunction with planning for the annual audit, the external and internal audit functions discuss SJ's risk profile. In 2017, Internal Audit performed 17 audits in areas including management of vouchers, winter preparations at depots, removal of authorisations and scanning of supplier invoices.

Control environment

The framework for internal control consists of the control environment including organisation, decision-making processes, authorisations and responsibilities that are documented and communicated in governing documents, and the core values upon which the Board and Executive Management communicate and operate. Responsibilities and authorisations are defined in policies, manuals and procedures. Examples include:

- Written rules of procedure for the Board of Directors, Audit Committee, Remuneration Committee and Sustainability and Ethics Committees
- Board's instructions to the CEO
- Policies adopted
- Authorisation rules aimed at ensuring effective control of financial transactions to prevent intentional or unintentional errors

Control activities

SJ's control activities are designed for systematic management of significant risks related to financial and non-financial reporting, including key accounting issues identified during the risk assessment. The objective of the control activities is to prevent, or enable early detection of, errors in reporting, and thereby to minimise any adverse impact. The Finance staff unit is responsible for analysing the financial results and preparing the financial statements.

One control activity consists of the SJ Group's strategic business review meetings, which are organised by the Controller function. At these meetings, members of Executive Management and the presidents of train-operating subsidiaries report on their operations and planning to the CEO and CFO. Another control activity is the monthly follow up of the SJ Group's scorecard, which extends over both financial and non-financial areas.

Information and communication

Effective information and communication channels enable reporting and feedback from the organisation to the Board and Executive Management. The right people must have the information necessary for them to understand the implications of internal policies and guidelines, and the consequences of deviations. SJ focuses continuously on improving its internal communications and explaining the decision-making process clearly, to increase the reliability and effectiveness of the Company's financial and non-financial reporting. SJ's decision-making processes, authorisations and areas of responsibility are documented and available on the SJ intranet. Meetings that make dialogues possible between managers and employees are held regularly, with great emphasis being placed on regular workplace meetings, where SJ's overarching issues are naturally linked to the responsibilities of each individual employee. Four dialogue meetings, representing a forum for employees from all parts of SJ, were held during the year. In addition, an employee survey is conducted annually. Survey responses are followed up both by Executive Management and analysed within specific groups.

Monitoring

Monitoring is conducted on an ongoing basis to ensure that risks are taken into account. SJ has formalised processes aimed at ensuring that the Company is moving in the right direction in line with the targets and guidelines set by the Board and Executive Management. The Board determines the reporting requirements necessary to obtain appropriate information on the financial and non-financial results, on the Group's operational risks, and on how these risks and outcomes are affected by changes in external factors, such as competition and legislation. SJ's internal and external reporting includes the outcomes and analysis of financial and non-financial key metrics on the scorecard, and aims to provide regular reports on the Company's performance, including in relation to its corporate sustainability targets. Relevant and accurate monitoring and reporting of operations in relation to the business plan adopted, budget and forecast are provided monthly to Board, CEO and Executive Management.

Reporting complies with applicable laws and regulations, as well as the requirements of SJ's owner.

Compliance with internal policies, guidelines and manuals, as well as the appropriateness and functionality of established control activities, such as supplier assessments, is monitored continuously. Other examples include quarterly follow-up of the financial policy, the whistle-blowing system through which all employees can report irregularities, and continuous assessments of safety-related work.

Internal Audit follows the audit plan adopted by the Board and reports the findings of its audit to SJ's Audit Committee.

Income statement and statement of comprehensive income

SEK million	Note	2017	2016
Netsales	1	7,780	9,336
Other operating income	2	27	36
Total operating income		7,806	9,372
Personnel expenses	5	-2,423	-2,834
Depreciation/amortisation and impairment	4	-791	-792
Other expenses	6	-3,964	-4,917
Total expenses		-7,178	-8,543
Result from participations in associated companies	14	38	8
Operating profit		666	837
Interest income and similar items	9	17	14
Interest expense and similar items	9	-20	-18
Profit before tax		664	833
Income tax expense	10	-140	-183
Profit for the year		523	650
Attributable to:			
Parent Company shareholder ¹		523	650
Earnings per share (basic and diluted), SEK		131	162
Number of shares at year-end, thousands		4,000	4,000
Average number of shares during the year, thousands		4,000	4,000
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash-flow hedges	9	8	-3
Currency forwards	9	11	2
Income tax relating to items that may be reclassified to profit or loss	10	-4	0
Other comprehensive income for the year, net of tax	19	15	-1
Total comprehensive income for the year		538	649
Attributable to:			
Parent Company shareholder ¹		538	649

¹⁾ There are no non-controlling interests in the SJ Group.

Earninas per share

Earnings per share are calculated as the average number of shares in the Parent Company during the period, relative to consolidated profit after deduction of the owner's holdings of non-controlling

Comments on the Income statement and Statement of comprehensive income

The volume of travel (measured as passenger kilometres) via SJ's independent commercial services during the year was 3 percent higher than the preceding year.

The overall offering increased during the year, largely thanks to new agreements and supplementary agreements in tendered services. The yield (ticket price per passenger kilometre) was in line with that of the preceding year.

In all, SJ's net sales were SEK 1,556 million lower in 2017 than in 2016. Lower contract income and other income was due to the fact that SJ no longer has the contract for operating the commuter train service in Stockholm County, a contract that generated sales of SEK 1,900 million in 2016. Excluding the loss of Stockholm commuter service revenue, contract income from new contract and supplementary contract services increased.

Breakdown of income for SJ Group, 2017



Revenue from independent commercial services rose by SEK 188 million during the year, compared to 2016 as a result of increased passenger numbers.

Expenses

In all, SJ's expenses were SEK 1,365 million lower during the year than a year earlier. The lower level of expense was largely due to the fact SJ no longer has the contract for operating the commuter train service in Stockholm County.

Excluding this reduction in the cost base, the Group's expenses increased through new and supplementary contracts for tendered services. The increase in expenses affected Other expenses (primarily electricity, infrastructure, operating and maintenance expenses) and Personnel expenses.

Operating profit

As a result of positive growth in the volume of travel, full-year operating profit amounted to SEK 666 million (837). The lower profit than a

Net sales and operating profit, SEK million



year earlier was due to the fact that SJ no longer operates commuter services in Stockholm County. The Company's operating margin was 8.5 percent (8.9).

Consolidated profit and tax

Consolidated profit before tax amounted to SEK 664 million (833). Tax on profit for the year amounted to SEK -140 million (-183) and the effective tax rate was 21 percent (22). The difference between the actual tax rate of 22 percent and the effective tax rate is attributable to the result from associated companies. Net profit for the year was SEK 523 million (650).

Statement of changes in financial position

SEK million	Note	31/12/17	31/12/16
ASSETS			
Non-current assets			
Buildings	11	21	24
Rolling stock	11	4,218	4,669
Machinery and equipment	11	82	101
Construction in progress	11	1,020	710
Intangible assets	12	254	286
Financial assets	14	60	34
Total non-current assets		5,655	5,825
Current assets			
Inventories		5	4
Accounts receivable	15	230	339
Receivables from associates		-	3
Other receivables	16	365	294
Prepaid expenses and accrued income	17	139	168
Short-term investments	18	1,614	1,479
Cash and cash equivalents	18	70	74
Assets classified as held for sale	11	-	78
Total current assets		2,423	2,439
TOTAL ASSETS		8,078	8,264

SEK million	Note	31/12/17	31/12/16
EQUITY AND LIABILITIES			
Equity			
Share capital		400	400
Other contributed capital		2,819	2,819
Reserves		6	-9
Retained earnings		1,404	1,126
Total equity attributable to share- holder in Parent Company ¹		4,615	4,337
Total equity	19	4,615	4,337
Non-current liabilities			
Provisions	23	201	184
Interest-bearing liabilities	18, 24	962	1,059
Deferred tax liabilities	10	480	487
Current liabilities			
Provisions	23	195	161
Interest-bearing liabilities	24	98	343
Accounts payable		448	442
Accrued expenses and deferred income	25	842	938
Liabilities to associates		37	21
Tax liabilities		69	130
Other current liabilities		131	162
Total liabilities		3,464	3,927
TOTAL EQUITY AND LIABILITIES		8,078	8,264

¹⁾ There are no non-controlling interests in the SJ Group.

Comments on the Statement of financial position

Property, plant and equipment

On 31 December 2017, the Group's property, plant and equipment amounted to SEK 5,341 million (5,505), mainly consisting of rolling stock. SJ's train fleet comprises SJ 3000 trains, X 2000 trains, double-decker trains, locomotives and carriages. Investments for the year in property, plant and equipment totalled SEK 529 million (314).

SJ in engaged in comprehensive modernisation of its X 2000s by investing in new technology and an all-new interior. The investment in new X 2000s will amount to around SEK 3.5 billion in total and SJ plans to place the first train in service in 2018.

Intangible assets

The Group's intangible assets totalled SEK 254 million (286). The amount comprised capitalised development expenditure, above all consisting of development costs for business-related IT systems. The largest IT projects are a new maintenance system, a new timetable/planning system and development of a new product structure serving customers..

Investments in intangible assets for the year totalled SEK 67 million (76) and consisted of development projects for various IT systems.

Financial assets

Financial assets amounted to SEK 60 million (34) and consisted of investments in associates. The increase was attributable to earnings from SJ's associated companies.

Current assets

Short-term investments totalled SEK 1,614 million (1479). Placings in short-term investments increased by SEK 135 million during the year. In the third quarter, SJ finalised sale of the X31 train set, recognised under Assets classified as held for sale, as per earlier sales agreement. On 31 December, assets classified as held for sale amounted to SEK 0 million (78).

Equity

On 31 December 2017, the Group's equity was SEK 4,615 million (4,337). The increase takes into account comprehensive income for the period totalling SEK 538 million and a shareholder dividend of SEK 260 million.

Liabilities

Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to SEK 1,060 million (1,402), mainly comprising outstanding payment commitments for loans raised in 2012 to finance SJ 3000s, and loans raised in September 2015 to modernise X 2000s. The loans have a term to maturity of 5 to 8 years.

Of the interest-bearing liabilities, SEK 962 million (1,059) were non-current and SEK 98 million (343) current, that is, loans maturing within one year. As a result of strong earnings and cash flow in 2016, SJ was able in the first quarter of 2017 to make early repayment of an SEK 243 million loan as per agreement. The loan was reclassified to Current liabilities at year-end 2016. During 2017, SJ also amortised SEK 100 million of its non-current liabilities.

The average term to maturity for outstanding liabilities was 53 months (50). The average fixed-interest term was 9 months (10).

Statement of changes in equity¹

SEK million	Note 21	Share capital	Other contributed equity	Reserves, cash-flow hedges	Retained earnings	Total shareholder's equity ¹
1 Jan 2016		400	2,819	-8	666	3,876
Profit for the year					650	650
Other comprehensive income				-1	-1	-1
Total comprehensive income for the year				-1	649	649
Dividend to shareholder					-188	-188
31 Dec 2016		400	2,819	-9	1,126	4,337
Change during year						
Profit for the year					523	523
Other comprehensive income				15	15	15
Total comprehensive income for the year				15	538	538
Dividend to shareholder					-260	-260
31 Dec 2017		400	2,819	6	1,404	4,615

 $^{^{1)}}$ Total equity is attributable to the owner of the Parent Company. There are no non-controlling interests in the Group.

Comments on the Statement of changes in equity

On 31 December, the Group's equity was SEK 4,615 million (4,337). The increase takes into account net profit for the year totalling SEK 538 million and a shareholder dividend of SEK 260 million.

Retained earnings include net profit for the year and changes in unrealised cash-flow hedges net of tax of SEK -4 million (-1).

Financial targets

The owner's financial targets and directives for SJ's operating activities are based on return on operating capital, net debt/equity ratio and dividend. These measures are not defined in accordance with IFRS. For more information on SJ's alternative key performance indicators, see definition on page 92.

	2017	Target	2016
Return on operating capital, %	16.4	7	20.0
Net debt/equity ratio	-0.1	0.5-1.0	0.0
Dividend paid, SEK million	260	30-50%	188
The Board's proposed dividend in line with the appropriation of profits, SEK million	269	30-50%	260

SJ's financial targets are a minimum average return on operating capital of 7 percent. On 31 December 2017, return on operating capital was 16.4 percent (20.0). The return on operating capital continues to surpass the target, mainly via positive earnings and reduced operating capital due to a lower-than-planned rate of investment during the year.

SJ has a long-term financial target of a net debt/equity ratio of 0.5-1.0. On 31 December 2017, the Group's net debt/equity ratio was -0.1 (0.0). On that basis, SJ's capital structure is stronger than indicated by the owner's long-term target.

Reconciliation of net debt and net debt/equity ratio

SEK million	31/12/17	31/12/16
Financial liabilities (interest-bearing)	1,219	1,563
Financial assets (interest-bearing)	-1,684	-1,553
Net debt(+)/net cash(-)	-465	10
Total equity	4,615	4,337
Total equity Cash flow hedges and currency forwards	4,615 15	4,337 0
	,	*

Net debt is one of SJ's alternative key performance indicators and is defined as the net of interest-bearing provisions (provisions for accident annuities) and interest-bearing liabilities less interest-bearing assets (short-term investments and cash/cash equivalents).

In the long-term, dividend shall amount to 30-50 percent of the Group's profit for the year after tax.

The Board proposes that the AGM approve a dividend of SEK 269 million (260), corresponding to SEK 67.20 per share. The dividend represents 50 percent (40) of profit for 2017 after tax for the SJ Group.

Statement of cash flows

SEK million	Note 21	2017	2016
Operating activities			
Profit before tax		664	833
Adjustments for non-cash items			
- Depreciation and impairment	4	791	792
- Changes in provisions	23	51	30
- Capital gain/loss		1	2
- Result from interests in associated companies	14	-32	-8
Tax paid		-152	-146
Other changes		-6	5
Cash flow from operating activities before changes in working capital		1,316	1,507
Cash flow from changes in working capital		-78	-204
Cash flow from operating activities		1,238	1,304
Investing activities			
Acquisition of property, plant and equipment	11	-529	-314
Acquisition of intangible assets	12	-67	-76
Sale of property, plant and equipment	11	78	2
Dividends received from associates		7	17
Acquisition of short-term investments		-583	-798
Divestment of short-term investments		455	107
Cash flow from investing activities		-639	-1,062
Cash flow before financing activities		599	242
Financing activities			
Repayment of borrowings		-343	-76
Dividends paid to the owner of the Company	20	-260	-188
Cash flow from financing activities		-603	-264
Cash flow for the year		-4	-23
Cash and cash equivalents at start of year		74	97
Cash and cash equivalents at year-end	18	70	74

Comments on the Statement of cash flows

Cash flow from operating activities

Cash flow from operating activities was somewhat lower than a year earlier, at SEK 1,238 million (1,304).

Cash flow from operating activities before changes in working capital was SEK 1,316 million (1,507). The decrease was the result, above all, of lower earnings than a year earlier.

Cash flow from investing activities

Investments in property, plant and equipment for the year totalled SEK 529 million (314), including SEK 524 million (279) for rolling stock. Other investments in property, plant and equipment amounted to SEK 5 million (37).

Investments in intangible assets, totalling SEK 67 million (76), were expended on the development of various IT systems.

Acquisition of short-term investments during the period amounted to SEK 583 million (798). Sales of short-term investments totalled SEK 455 million (107). Cash flow from investing activities totalled SEK -639 million (-1,062).

Cash flow from financing activities

By resolution of the AGM, a shareholder dividend of SEK -260 million (-188) was paid on 9 May 2017. During the year, amortizations on existing loans totalled SEK -343 million (-76), comprising early repayment as per agreement of an SEK 243 million loan and amortisations of SEK 100 million as per plan. Cash flow from financing activities totalled SEK-603 million (-264). On 31 December 2017, cash and cash equivalents amounted to SEK 70 million (74). Cash flow for the year was SEK -4 million (-23).

Income statement and statement of comprehensive income

SEK million	Note	2017	2016
Net sales	1	6,969	6,145
Other operating income	2	27	55
Total operating income		6,996	6,199
Personnel expenses	5	-1,909	-1,717
Depreciation/amortisation and impairment	4	-790	-797
Other expenses	6	-3,739	-3,104
Total operating expenses		-6,439	-5,618
Operating profit		557	581
Result from participations in Group companies	8	301	127
Result from participations in associated companies	14	11	17
Financialincome	9	18	41
Interest expense and similar profit/loss items	9	-20	-18
Appropriations			
Group contributions paid		-2	-85
Profit before tax		866	664
Income tax expense	10	-129	-176
Profit for the year		737	487
Other comprehensive income		737	487
Items that may be reclassified to profit or loss			
Cash-flow hedges	9	8	-3
Currency forwards	9	11	2
Income tax relating to items that may be reclassified to profit or loss	10	-4	0
Other comprehensive income for the year, net of tax	19	15	-1
Total comprehensive income for the year		751	486

Comments on the Income statement

SJAB reported a 3 percent increase in total travel in independent commercial services (measured in passenger kilometres) compared with the preceding year. SJ AB's overall offering increased during the year, largely thanks to new agreements, for example, with Tåg i Bergslagen and expanded regional services in the Mälardalen region on behalf of Mälab. The yield (ticket price per passenger kilometre) was in line with

In all, SJ AB's income rose SEK 797 million.

Expenses

During the year, SJ AB signed new agreements and took over management of the night-train service from its subsidiary SJ Norrlandståg. This had the effect of increasing the cost base.

Personnel expenses were SEK 192 million higher than a year earlier. The increase was largely attributable to new agreements and the annual pay review.

Depreciation and impairment costs were in line with those of the preceding year. Other expenses rose SEK 635 million over the year through the impact of higher operating costs such as electricity and infrastructure charges. In all, SJ AB's expenses increased by SEK 821 million, compared with a year earlier.

Operating profit

Operating profit for the full year was SEK 557 million (581). The somewhat lower profit despite higher passenger numbers resulted from new agreements that had not yet shown any impact on earnings. The operating margin was 8.0 percent (9.4).

Profit and tax

SJ AB's profit before tax was SEK 866 million (664). Tax on profit for the year amounted to SEK -129 million (-176) and the effective tax rate was 15 percent (26). Profit for the year was SEK 737 million (487). The difference between the actual tax rate of 22 percent and the effective tax rate is attributable to the limited partnership's earnings being taxed but not recognised until the dividend date in the Parent Com-

Balance sheet

SEK million	Note	31/12/17	31/12/16
ASSETS			
Non-current assets			
Property, plant and equipment			
Buildings	11	21	24
Rolling stock	11	4,218	4,747
Machinery and equipment	11	80	99
Construction in progress	11	1,020	710
Total property, plant and equipment		5,339	5,581
Intangible assets			
Capitalised development expenditure	12	254	286
Trademark	12	0	0
Total intangible assets		254	286
Non-current financial assets			
Shares in subsidiaries	13	93	93
Participations in associated companies	14	13	13
Total non-current financial assets		106	106
Total non-current assets		5,699	5,974
Current assets			
Inventories		5	4
Accounts receivable	15	143	111
Receivables from Group companies		26	109
Receivables from associates		-	3
Other receivables	16	356	268
Prepaid expenses and accrued income	17	135	136
Total receivables		666	631
Short-term investments	18	1,614	1,479
Total short-term investments		1,614	1,479
Cash and cash equivalents	18	69	70
Total current assets		2,349	2,179
TOTAL ASSETS		8,048	8,153

SEK million	Note	31/12/17	31/12/16
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		400	400
Statutory reserve		200	200
Capitalised development reserve		113	68
Unrestricted equity			
Fair value reserve		5	-9
Retained earnings		3,025	2,845
Profit for the year		737	487
Total equity	19, 20	4,480	3,989
Liabilities			
Provisions			
Non-current provisions	23	201	184
Current provisions	23	194	160
Deferred tax liability	10	480	487
Total provisions		874	831
Non-current liabilities			
Interest-bearing liabilities	18, 24	962	1,059
Total non-current liabilities		962	1,059
Current liabilities			
Interest-bearing liabilities	24	98	343
Accounts payable		415	355
Liabilities to Group companies		264	581
Liabilities to associates		37	21
Other current liabilities		148	209
Accrued expenses			
and deferred income	25	769	765
Total current liabilities		1,732	2,275
TOTAL EQUITY AND LIABILITIES		8,048	8,153

Comments on the Balance sheet

Property, plant and equipment

On 31 December 2017, SJ AB's property, plant and equipment amounted to SEK 5,339 million (5,581) and mainly consisted of rolling stock. SJ's train fleet comprises SJ 3000 trains, X 2000 trains, double-decker trains, locomotives and carriages. Investments for the year in property, plant and equipment totalled SEK 528 million (311).

SJ is engaged in a comprehensive modernisation of its X 2000s by investing in new technology and an all-new interior. The investment in new X 2000s will amount to around SEK 3.5 billion in total and SJ plans to place the first train in service in 2018.

Intangible assets

SJ AB's intangible assets totalled SEK 254 million (286), comprising capitalised development expenditure relating primarily to development costs for business-related IT systems. The largest IT systems are a new maintenance system and timetable systems. Investments in intangible assets for the year totalled SEK 67 million (76) and consisted of development projects for various IT systems.

Financial assets

Financial assets amounted to SEK 106 million (106), consisting of participations in subsidiaries and associates.

Current assets

Short-term investments totalled SEK 1,614 million (1479). The year's investments in short-term investments amounted to SEK 583 million (798). Sales of short-term investments totalled SEK 455 million (107).

On 31 December 2017, SJ AB's equity amounted to SEK 4,480 million (3,989). The change of SEK 491 million took into account comprehensive income of SEK 751 million for the year and the SEK -260 million dividend payment in line with the 2016 appropriation of profits.

Interest-bearing liabilities

On 31 December 2017, SJ AB's interest-bearing liabilities amounted to SEK 1,060 million (1,402), mainly consisting of outstanding payment commitments for loans raised to finance SJ 3000s and loans raised to modernise X 2000s. The loans have a term to maturity of 5 to 8 years

Of the interest-bearing liabilities, SEK 962 million (1,059) were non-current and SEK 98 million (343) current. In February 2017, SJ repaid an SEK 243 loan as per agreement. The loan was reclassified to Current liabilities at year-end 2016. During 2017, SJ also amortised SEK 100 million of its non-current liabilities.

The average term to maturity for outstanding liabilities was 53 months (50). The average fixed-interest term was 9 months (10).

Statement of changes in equity

	Restricted equity		Unrestricte	d equity			
				Fair value reserve			
			Capitalised			Net profit	
	Share cap-	Statutory	development		Retained	for the	Total
SEK million	ital	reserve	reserve	Cash-flow hedges	earnings	year	equity
1 Jan 2016	400	200	-	-8	2,548	551	3,690
Profit for the year						487	487
Other comprehensive income				-1			-1
Total comprehensive income for the year				-1		487	486
Transfer to capitalised development reserve			68		-68		0
Appropriation of profits					551	-551	0
Dividend to shareholder					-188		-188
31 Dec 2016	400	200	68	-9	2,843	487	3,989
Change during year							
Profit for the year						737	737
Other comprehensive income				14			14
Total comprehensive income for the year				14		737	751
Transfer to capitalised development reserve			45		-45		0
Appropriation of profits					487	-487	0
Dividend to shareholder					-260		-260
31 Dec 2017	400	200	113	5	3,025	737	4,480

Comments on the Statement of changes in equity

On 31 December 2017, SJ AB's equity amounted to SEK 4,480 million (3,989). The change of SEK 491 million is explained by comprehensive income of SEK 751 million for the year and the SEK -260 million dividend payment in line with the 2016 appropriation of profits.

In addition to profit/loss for the year and retained earnings, unrestricted equity includes a change of 14 SEK million (-1) in unrealised cash flow hedges including deferred tax.

Effective January 2016, a change in the Swedish Annual Accounts Act is that in the event of capitalisation of own development expenditure made after 1 January 2016, an amount of equal size must be set aside in a capitalised development reserve under equity to limit the ability to pay dividend. Accordingly, SEK 45 million was placed in the capitalised development reserve for 2017.

Statement of cash flows

SEK million	Note	2017	2016
Operating activities			
Profit before tax		866	664
Adjustments for non-cash items			
- Depreciation and impairment	4	790	797
- Changes in provisions		52	44
- Capital gain/loss		1	2
Tax paid		-140	-139
Other changes		-8	10
Cash flow from operating activities before changes in working capital		1,703	1,378
Cash flow from changes in working capital		-315	-13
Cash flow from operating activities		1,247	1,364
Investing activities	11, 12		
Acquisition of property, plant and equipment		-528	-311
Sale of property, plant and equipment		78	2
Acquisition of intangible assets		-67	-76
Change in shares and participations		-	29
Acquisition of short-term investments		-583	-878
Divestment of short-term investments		455	107
Cash flow from investing activities		-646	-1,127
Cash flow before financing activities		602	238
Financing activities			
Repayment of borrowings		-343	-76
Dividends paid to the owners of the Company		-260	-188
Cash flow from financing activities		-603	-264
Cash flow for the year		-1	-27
Cash and cash equivalents at start of year		70	97
Cash and cash equivalents at year-end	18	69	70

Comments on the Statement of cash flows

Cash flow from operating activities

Cash flow from operating activities was lower than a year earlier, at SEK 1,247 million (1,364). The change in working capital was attributable primarily to current liabilities in the Group. Cash flow from operating activities before changes in working capital was SEK 1,703 $\,$ million (1,378). The increase was the result of higher earnings than a year earlier.

Cash flow from investing activities

 $Investments\ in\ intangible\ assets\ and\ property,\ plant\ and\ equipment$ amounted to SEK -595 million (-387), of which investments in rolling stock accounted for SEK -523 million (-277), primarily for upgrading and modernising X 2000s, along with investments in double-deckers and SJ 3000s. Other investments in property, plant and equipment amounted to SEK -5 million (-34).

Investments in intangible assets, totalling SEK -67 million (-76), were related to the development of various IT systems.

The change in terms of shares and participations pertained to participations in Group companies, mainly as a result of the liquidation of the subsidiary SJ Försäkring in 2016. The acquisition of shortterm investments during the year amounted to SEK -583 million (-878). Divestments of short-term investments totalled SEK 455 million (107). Cash flow from investing activities was SEK -646 million (-1,127).

Cash flow from financing activities

By resolution of the AGM, a shareholder dividend of SEK -260 million (-188) was paid on 9 May 2017. During the year, amortizations on existing loans totalled SEK -343 million (-76), comprising early repayment as per agreement of an SEK 243 million loan and amortisations of SEK 100 million as per plan. Cash flow from financing activities totalled SEK -603 million (-264). On 31 December 2017, cash and cash equivalents amounted to SEK 69 million (70). Cash flow for the year was SEK -1 million (-27).

Significant accounting policies

Accounting policies applied

The accounting policies applied in the preparation of the financial statements for the Group and Parent Company are described below and in the notes concerned.

Compliance with regulations and standards

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as endorsed by the European Union. The consolidated accounts have been prepared in accordance with Swedish law, by application of Recommendation RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's financial statements have been prepared in accordance with Swedish law and by application of the recommendations of the Swedish Financial Accounting Standards Council's RFR 2, Accounting for Legal Entities. This means that IFRS measurement and disclosure rules are applied, apart from those exemptions arising from legal provisions or the relationship between accounting and taxation. Deviations between the accounting policies applied by the Group and the Parent Company are described in the respective notes and sections below.

The presentation of the income statements and balance sheets differs for the Group and the Parent Company, including terminology, since the Group applies presentation and terminology according to IAS 1, whereas the Parent Company applies presentation and terminology according to RFR 2 with the corresponding references to the Swedish Annual Accounts Act.

Basis of recognition

Recognition is primarily based on historical cost, other than for certain financial instruments. The accounting policies have been applied consistently to all years shown, unless otherwise indicated. Amounts are stated in millions of Swedish kronor, SEK million. Rounding differences may occur.

New and amended standards and interpretations for 2017

New and amended standards and interpretations from the IASB and IFRIC had no material impact on the consolidated financial statements, other than with regard to increased disclosure requirements.

New and amended standards and interpretations effective on or after 1 January 2018

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and, Measurement, The standard contains new requirements for the classification and measurement of financial instruments, and for derecognition, impairment and general rules for hedge accounting. The standard entered into force on 1 January 2018. The main impact on the SJ Group's results, financial position and key performance indicators is a new model to measure asset impairment, which requires expected events to be taken into account, not only those that have occurred.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13. IFRS 15 establishes a model for revenue recognition for almost all revenue arising from contracts with customers, except for leases, financial instruments and insurance contracts. The core principle for revenue recognition under IFRS 15 is that revenue is recognised in a manner that reflects the transfer of the promised good or service to the customer in an amount to which the entity expects to be entitled in exchange for those good or service. Revenue is recognised when control over the goods or services passes to the customer. IFRS 15 is applicable to financial years beginning on 1 January 2018 or later, with early adoption permitted. The main impact on the SJ Group's results, financial position and key figures is a new method for calculating the value of SJ's Prio points. The impact from this is not mate-

IFRS 16 Leases will replace IAS 17 Leases. IFRS 16 introduces a right-of-use model, requiring lessees to recognise essentially all leases on the balance sheet. Classification into operating or financial leases is therefore not required. Exceptions are leases that are not material, or have a term of 12 months or less. Depreciation of the asset and interest expenses is recognised in the income statement. The standard sets out more extensive disclosure requirements than the current standard.

IFRS 16 is applicable to financial years commencing on or after 1 January 2019, with early adoption permitted. The standard has been endorsed by the EU. An assessment of the effects of applying IFRS 16 has been started and the standard is not expected to impact the financial position and key performance indicators of the SJ Group.

Other new and amended standards and interpretations are not expected to have any material impact on the consolidated financial statements upon initial application.

Accounting policies for the Group

The Group's operating segments comprise SJ AB, the train-operating subsidiary, SJ Götalandståg AB and other subsidiaries. In all essential respects, operations are conducted in Sweden. The SJ Group has no major external customers that contribute more than 10% of the Group's total sales. Because the Group consists of only two train-operating companies, detailed segment reporting is not presented due to competition reasons.

The consolidated financial statements comprise the Parent Company SI AB and all subsidiaries.

Subsidiaries

Subsidiaries are the companies for which SJ AB, directly or indirectly, has a controlling interest in the subsidiary. A controlling interest exists if SJ AB has influence over the subsidiary, is exposed to or has a right to variable returns from its involvement and is able to use its influence to affect these returns.

Associated companies

Associated companies are companies over which SJ AB has significant influence. If SI AB holds no less than 20 percent of the voting rights in the associated company, directly or indirectly, the owner is considered to have a significant influence, unless otherwise demon-

Critical judgements and estimates

During preparation of the accounts of the Group and the Parent Company, the Board and Executive Management make estimates and assumptions that affect the carrying amounts of assets, liabilities, income and expenses, as well as other disclosures. The actual outcome may differ from these estimates. Estimates and assumptions are based on historical experience and reasonable assumptions about future market trends, but also on prevailing circumstances, such as political decisions. In terms of SJ's financial position, estimates used in calculating the useful life of investments in rolling stock are especially important. In annual impairment tests, the entire SJ Group is treated as a cash-generating unit. In addition to estimates, assessments have also been made with regard to accounting matters of great importance to carrying amounts. The areas where SJ has made significant assessments and/or that are associated with uncertainty in estimates and assumptions, and that have impacted on SJ's results, are described below.

Useful lives are assessed according to plans over the estimated useful lives of the assets, which are tested continuously one month after the asset has been taken into service. Intangible assets are assessed as having an economic life of 3 years; however, this may be extended to better reflect the useful life of the asset. High-value components and additional investments have estimated useful lives based on the remaining economic life of the main unit. Rolling stock represents the major share of SJ's property, plant and equipment. It is divided into two main components - chassis and interiors. The useful lives of these components differ and are assessed entirely on the basis of the rolling stock plan for the estimated economic life of the assets.

Additional expenses

Expenditure related to measures likely to bring future economic benefits is capitalised if the acquisition cost can be measured reliably. Future economic benefits arise when an action leads to potentially higher revenue or other benefits for SJ than would otherwise be obtained had the measure not been implemented. According to SJ's assessment, additional expenditure is capitalised if incurred through:

- measures that substantially increase the asset's level of performance in relation to the level obtained when the asset was originally acquired, and
- overhauls, when consisting of major, regularly recurring technical and refurbishment maintenance work on the rolling stock.

Other maintenance expenditure is recognised as a cost in the income statement in the period in which it arises.

Statement of cash flows

The Statement of cash flows shows the Group's receipts and pay $ments\ during\ the\ period,\ classified\ according\ to\ operating,\ invest$ ing and financing activities. The Statement of cash flows thus indicates the Group's ability to generate cash. The Statement of cash flows is prepared using the indirect method, which means that earnings are adjusted for:

- changes in accounts receivable and accounts payable, as well as in other operating assets and liabilities, during the period
- non-cash items such as depreciation, provisions and deferred tax, and
- all other items, for which the cash-flow effect is attributable to investing or financing activities.

Changes in SJ's cash management are recognised under investing activities.

Year-end appropriations

SJ AB recognises Group contributions in accordance with the alternative rule, which means that all Group contributions, both paid and received, are recognised as appropriations.

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In the Notes, the following symbols (IS) and (BS) indicate the amounts that are presented in the Statement of income or Statement of changes in financial position.

Notes

1. Net sales

Accounting policies

Revenue recognition

Revenue is measured at fair value, that is, the value of sales, taking into account any discounts and taxes, and excluding VAT.

Income from independent commercial services, tendered services and bistro operations is recognised when the services are delivered. Sold, unused tickets are recognised as deferred income on the balance-sheet date.

Income from contracts where SJ AB provides commissioned services are recognised in the month that the services are provided according to the timetable.

Season ticket income is recognised on a straight-line basis in the period when the tickets are valid. Commission income, that is, the payment that SJ receives for sales of journeys on behalf of other operators, is recognised when the journey is sold.

	Group		Parent Com- pany	
SEK million	2017	2016	2017	2016
Traffic revenue	7,368	8,580	6,531	5,705
Bistro income	209	203	209	188
Commission payments	55	73	55	73
Other ¹	149	479	174	178
Total net sales IS	7,780	9,336	6,969	6,145

^{1) &}quot;Other" includes re-invoicing by subsidiaries in the SJ Group to regional public $transport\, authorities\, in\, line\, with\, agreements.$

In all, the Group's net sales were SEK 1,556 million lower in 2017 than in 2016. Lower traffic revenue and other income was largely due to the fact that SJ no longer has the contract of operating commuter train services in Stockholm County.

2. Other operating income

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Insurance compensation	21	35	21	51
Capital gains/losses on non-current assets	_	1	_	1
Other	6	0	6	3
Total other operating income (S)	27	36	27	55

Insurance compensation in 2017 consisted for the most part of a claim for fire on an X 2000 train in 2016. "Other" includes a VAT refund from the Swedish Tax Agency.

3. Related-party transactions

The Swedish State owns 100 percent of the shares in SJ AB. SJ offers products and services on commercial terms to the Swedish government, government agencies and State-owned companies in competition with other suppliers.

For services and products supplied within the Group, and between the Group and other related companies, commercial terms and market pricing is applied.

Other related companies are defined as associated companies, State-owned companies engaged in commercial activities and over which the state has a controlling interest, and government agencies. The three largest purchasers of products and services in 2017 were the Swedish Transport Administration (STA) with SEK 842 million (708), Jernhusen AB with SEK 220 million (203) and Linkon AB with SEK 177 million (182).

For information on the remuneration of senior executives and Board members, see Note 5, Personnel expenses.

4. Depreciation/amortisation and impairment

Accounting policies

Depreciation and amortisation

Depreciation and amortisation according to plan is based on original values and estimated useful lives. Assets are depreciated and amortised on a straight-line basis over their estimated useful lives, which are tested on an ongoing basis after the asset has been taken into service. The amortisation period for intangible assets is normally three years (software). Amortisation periods of five and seven years are also applied if such periods best reflect the useful life of the asset. High-value components and additional investments are depreciated on the basis of the remaining useful life of the main unit. Rolling stock repairs are expensed as incurred, while major, less frequently recurring repairs are classified as overhauls and depreciation is applied in line with a weighted depreciation period per type of rolling stock. Trains represent the major share of SJ's property, plant and equipment and are classified as two main components - chassis and interiors. The depreciation periods for these components differ.

The following depreciation periods are applied:

Capitalised development expenditure	3-7 years
Handheld computers	3 years
Rolling stock – chassis	20-25 years
Rolling stock - interiors	7-13 years
Machinery and equipment	5-10 years
Buildings - workshops	20 years
Building equipment	5-10 years
Leasehold improvements	according to length of lease

Impairments

On each balance-sheet date, tests are carried out to assess whether there is any indication of impairment loss on property, plant and equipment and intangible assets, that is, whether they have declined in value. If so, the recoverable amount of the asset or cash-generating unit is calculated as net realisable value or value in use, whichever is the highest. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit at the end of the period of use. If the recoverable amount is less than the carrying amount, the asset or cash-generating unit is impaired. The impairment loss is recognised in profit or loss. The impairment testing applied is based on the budget, business and strategic plan adopted by the Board and on the year-end accounts for the SJ Group as per 31 December 2017. The Company's free cash flows are estimated for each year in the future and discounted to present values by application of a market-level WACC. In addition to profitability and investment level during the period, the discount rate - WACC - applied and growth at a constant rate beyond the forecast period have a major effect on the valuation. A sensitivity analysis is performed for important assumptions and in addition impairment testing is performed for various alternative scenarios regarding the future activities of the SJ Group.

	Group		Parent pa	Com-
SEK million	2017	2016	2017	2016
Depreciation of property, plant and equipment	-692	-691	-691	-691
Amortisation of intangible assets	-99	-89	-99	-88
Impairments	-	-12	-	-18
Total IS	-791	-792	-790	-797

The investment in new X 2000s will extend the life of all of the train sets until 2035. This means a change in the economic life and therefore also a change in the depreciation rate from April 2015. SJ AB has extended the depreciation period for 80 percent of each chassis until 2035, while the depreciation period for the remaining 20 percent of the chassis is shortened to the end of 2017.

5. Personnel expenses

Accounting policies

Pensions

The ITP 2 Plan's defined-benefit retirement and family pension (or family pension) commitments on behalf of salaried employees in Sweden is secured through insurance with Alecta. According to a Statement by the Swedish Financial Reporting Board, UFR 10 "Classification of ITP Plans", this is a defined-benefit plan. However, Alecta is unable to make an exact allocation of assets and provisions to each $employer, hence \, the \, conditions \, for \, recognising \, ITP \, 2 \, insurance \, with \,$ Alecta as a defined-benefit plan are not fulfilled. As a result, SJ has been unable to obtain the information needed to recognise its proportionate share of the plan's obligations, assets under management and costs. This means that it has not been possible to recognise the plan as a defined-benefit plan and so it is recognised as a defined-contribution plan. The premiums for defined-benefit retirement and family pensions are individually calculated and determined by factors such as salary, previously earned pension and anticipated remaining period of service. The Group's estimated fees for the next reporting period for ITP 2 insurance with Alecta are SEK 62 million. The number of active members is 1,878 (1,892).

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's methods and assumptions, which are not consistent with IAS 19. The collective consolidation level is normally allowed to fluctuate within the range of 125-155 percent. If the level falls outside this range, measures must be taken to create the conditions enabling the consolidation level to be restored to within the normal range. In the event of low consolidation, one measure can be to raise the agreed price for contracting new, or extending existing, benefits. In the event of high consolidation, one measure can be to introduce premium reductions.

At the end of 2017, Alecta's provisional consolidation level was 154 $\,$ percent (148). In 2017, the Group's pension premiums (excluding special payroll tax) amounted to SEK 145 million (175), of which SEK 73 million (91) comprised defined-benefit premiums and SEK 72 million (84) defined-contribution premiums. The National Government Employee Pensions Board's plans (SPV), mainly in the form of the PA-91 and PA-03 plans, which are both defined-benefit and defined-contribution plans, are recognised as defined-contribution plans.

Personnel expenses

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Salaries and other remuneration				
Board of Directors	-1	-1	-1	-1
CEO and senior executives	-27	-30	-25	-25
Other employees	-1,675	-1,931	-1,287	-1,152
Total salaries and other remuneration:	-1,703	-1,963	-1,313	-1,178
Social security expenses	-669	-825	-550	-504
of which pension expenses, including special payroll tax for CEO and senior executives	-10	-11	-9	-9
of which pension expenses, including special payroll tax for other employees	-167	-205	-135	-129
Other personnel-related expenses	-51	-46	-46	-35
Total personnel expenses (IS)	-2,423	-2,834	-1,909	-1,717

Average number of employees

			Gro	oup	up Parent Co				ompany			
		2017			2016			2017			2016	
	Total	Men,%	Women, %	Total	Men,%	Women, %	Total	Men,%	Women, %	Total	Men,%	Women, %
Sweden	3,677	60	40	4,192	63	37	2,896	61	39	2,653	61	39
Total	3,680	60	40	4,192	63	37	2,896	61	39	2,653	61	39
Senior executives												
Board members	7	57	43	7	57	43	7	57	43	7	57	43
Others members of Executive Manage- ment, incl. CEO	12	42	58	14	50	50	12	42	58	11	45	55
Total	19	47	53	22	50	50	19	47	53	19	47	53

Remuneration to the Board of the Parent Company

	2017			2016			
		Committee			Committee		
SEK thousand	Board fee	fee	Total	Board fee	fee	Total	
Chairman Jan Sundling	400	_	400	400	-	400	
Board member Kersti Strandqvist ¹	160	-	160	111	-	111	
Board member Mikael Staffas	160	43	203	157	43	200	
Board member Gunilla Wikman ²	-	-	-	46	13	60	
Board member Siv Svensson	160	55	215	158	55	212	
Board member Michael Thorén ³	-	-	-	-	-	-	
Board member Mikael Stohr	160	-	160	157	-	157	
Board member Ulrika Dellby	160	-	160	158	-	158	
Employee representatives	-	-	-	-	-	-	
Total	1,200	98	1,298	1,187	111	1,298	

¹⁾ Member of SJ's Board from 21 April 2016.

 $^{^{\}rm 2)}Resigned$ from SJ's Board on 21 April 2016.

 $^{^{\}mbox{\tiny 3)}}\mbox{Fees}$ are not paid to members employed by the Swedish Government Offices.

Note 5 (cont.)

Remuneration, excluding social security contributions and payroll tax, to senior executives in the Group, 2017

							Notice from employer + no.	Severance pay and
		Basic			Pension		of months'	severance
SEK thousand		salary	Benefits	Total	expense	Total	severance pay	expense ¹
President/CEO, SJ AB	Crister Fritzson	5,101	40	5,140	1,500	6,640	6+18	
Senior Vice President Human Resources	Peter Blomqvist ²	1,801	70	1,870	853	2,723	6+18	
Senior Vice President Traffic & Service	Madeleine Raukas	2,735	67	2,802	528	3,330	6+12	
Senior Vice President Communication	Malou Sjörin	1,528	67	1,595	423	2,018	6+12	
Senior Vice President Marketing and Sales	Thomas Silbersky	2,691	56	2,747	806	3,553	6+12	
Senior Vice President Quality, Environment & Sustainability	Erica Kronhöffer	1,553	35	1,588	385	1,973	6+12	
Senior Vice President and Chief Financial Officer	Carina Wång³	1,508	-	1,508	350	1,858	6+12	3,038
Senior Vice President and Chief Financial Officer, acting	Ulf Bertilsson ⁴	374	_	374	97	471	6+0	
Senior Vice President Fleet Management	Claes Broström	2,496	64	2,560	916	3,477	6+12	
Senior Vice President Product Division	Caroline Åstrand	2,155	72	2,228	439	2,667	6+12	
Senior Vice President Strategy and Business Development, Acting Senior Vice President IT	Lena Herrmann	2,472	_	2,472	718	3,190	6+12	
President SJ Götalandståg	Lena Källström	1,676	49	1,725	593	2,318	6+12	
Total		26,090	519	26,609	7,608	34,217		3,038

¹⁾ Including social security contributions and pension.

Remuneration, excluding social security contributions and payroll tax, to senior executives in the Group, 2016

SEK thousand		Basic salary	Benefits	Total	Pension expense	Total	Notice from employer + no. of months' severance pay	Severance pay and severance expense ¹
President/CEO, SJ AB	Crister Fritzson	4,552	34	4,586	1,327	5,913	6+18	-
Senior Vice President Human Resources	Peter Blomqvist	1,662	70	1,732	773	2,505	6+18	-
Senior Vice President Traffic & Service	Madeleine Raukas	2,460	64	2,524	486	3,010	6+12	-
Senior Vice President Communication	Malou Sjörin²	1,424	57	1,481	405	1,885	6+12	-
Senior Vice President Marketing and Sales	Thomas Silbersky	2,595	42	2,637	781	3,418	6+12	-
Senior Vice President Quality, Environment & Sustainability	Erica Kronhöffer	1,527	29	1,556	369	1,925	6+12	-
Senior Vice President and Chief Financial Officer	Carina Wång	1,981	0	1,981	445	2,426	6+12	-
Senior Vice President Planning	Jens Wigen ³	2,173	49	2,221	770	2,991	6+12	3,410
Senior Vice President Fleet Management	Claes Broström	2,148	65	2,214	769	2,983	6+12	-
Senior Vice President Product Division	Caroline Åstrand	1,854	64	1,917	406	2,323	6+12	-
Senior Vice President Strategy and Business Development, Acting Senior Vice President IT	Lena Herrmann	2,183	7	2,190	611	2,802	6+12	-
President SJ Norrlandståg	Björn Nilsson⁴	1,678	5	1,682	576	2,259	6+12	-
President Stockholmståg	Kjell Färnström⁵	1,856	68	1,924	904	2,828	6+12	3,780
President SJ Götalandståg	Lena Källström	1,468	50	1,518	511	2,028	6+12	-
Total		29,562	603	30,164	9,131	39,295		7,190

¹⁾Including social security contributions and pension.

Remuneration to senior executives

Senior executives refers to the President and Chief Executive Officer, heads of operations in the company who are members of the Executive $Management, and \ Presidents \ of subsidiaries \ who \ report \ to \ the \ CEO.$

Guidelines and decision-making procedures

During the year, the Company observed the policies for remunera $tion\, and\, other\, terms\, of\, employment\, for\, senior\, executives\, adopted\, at$ the 2017 AGM. The policies are based on guidelines issued by the government concerning terms of employment for senior executives in State-owned companies. Decisions on the terms of employment for the Chief Executive Officer are prepared by the Remuneration Committee and subject to approval by the Board. Decisions as to terms and conditions of employment for other senior executives are subject to approval by the CEO, following a standard review with the Company's remuneration committee. The results of agreements reached are reported to the Board. Before any decision is taken with regard to individual remuneration, documentation in writing, showing the total cost to the Company, is produced as a basis for decision. The Board ensures that all remuneration complies with these guidelines by comparing remuneration for peers in other State-owned and comparable private companies in Sweden in terms of size, complexity and sales. The Board presents proposed policies for remuneration and other terms of employment for the CEO and other senior executives for approval by the AGM. The Remuneration Committee prepares inter alia the Board's proposed policies for salary and other remuneration. The members of the Remuneration Committee are Jan Sundling, Mikael Stohr and Michael Thorén.

²⁾ Has an agreed period of notice that deviates from government guidelines. The contract was signed prior to April 2009, when the current guidelines came into force.

³⁾Left SJ on 1 October. Basic salary, benefits and pensions are shown for the January-September period.

⁴⁾ Started as Acting Senior Vice President and Chief Financial Officer on 1 October. Basic salary, benefits and pensions are shown for the October-December period.

² Joined SJ on 25 January 2016. Basic salary, benefits and pension expense recognised from February.
³ Left his position as Senior Vice President Planning and Traffic Management on 31 December 2016.

⁴⁾ Left his position as President of SJ Norrlandståg and joined SJ AB on 31 December 2016.

Severance pay and termination costs recognised in accordance with relevant regulations with regard to discontinuation of the operations of Stockholmståg KB.

Financial statements

Note 5 (cont.)

Remuneration

Board of Directors

Under a resolution passed at SJ AB's 2017 Annual General Meeting, annual fees payable to Board members are SEK 400,000 to the Chairman, and SEK 160,000 to each of the other AGM-elected members. Moreover, annual fees payable to members of the Board's Audit Committee are SEK 55,000 to the Chairman, and SEK 43,000 to each of the other members. No fee is payable for other Board committee work. Fees are not paid to members employed by the Swedish Government Offices. No pension benefit commitments exist for external Board members. Under a resolution passed at the AGM on 25 April 2017, Board fees may be paid as salary, or under certain conditions, may be invoiced within the scope of business activity. Invoicing of Board or Committee fees must be cost-neutral to SJ.

Executive Management

The overall principle is that remuneration and other terms of employment for senior executives shall be market-level, but not market-leading, to ensure that SJ can attract and retain qualified senior executives. Remuneration to the CEO and other senior executives consists of basic salary, taxable benefits, medical insurance and pension. The basic salary is set individually, and shall be in line with salary levels in the market in which the relevant executive is employed. The CEO and senior executives are not entitled to any variable remuneration or payment in the form of financial instruments. Benefits, as shown in the table, consist primarily of company cars

Pensions

Pensions are paid to senior executives under the ITP plan.

Terminations and severance pay

In the event that the Company terminates the employment contract, the notice periods and severance pay amounts are as shown in the table on page 63. If the employee takes up new employment or receives income from other business activity, the termination salary and severance pay are to be reduced by an amount corresponding to the new income or other benefits received during the relevant period.

6. Other expenses

	Gro	oup	Parent Com- pany		
SEK million	2017	2016	2017	2016	
Maintenance and inspection of trains	-1,148	-1,440	-958	-769	
Electricity costs for train operations	-341	-448	-281	-255	
Infrastructure charges	-518	-594	-521	-422	
Other production-related expenses	-794	-1,139	-700	-539	
Indirect costs	-1,163	-1,296	-1,279	-1,120	
Total (IS)	-3,964	-4,917	-3,739	-3,104	

Indirect costs refer primarily to IT, premises and marketing expenses. In all, SJ's expenses were SEK 1,365 million lower during the year than in 2016. The lower level of expense was largely due to the fact SJ no longer has the contract for operating the commuter train service in Stockholm County. Excluding this reduction in the cost base, the Group's expenses increased through new and supplementary contracts for tendered services. The increase in expenses affected Other expenses (primarily electricity, infrastructure, operating and maintenance expenses) and Personnel expenses.

7. Auditors' fees

	Group			Com-
SEK million	2017	2016	2017	2016
Deloitte AB				
Statutory audit	-2	-2	-2	-2
Audit-related assurance services	0	0	0	0
Tax advice	0	-	0	-
Otherservices	0	0	0	0
Total	-2	-2	-2	-2

Statutory audit refers to the audit of the annual accounts and accounting records, and of the administration by the Board and the Chief Executive Officer. During an ongoing audit, it may emerge that a more in-depth review is required, with any associated costs being recognised in Audit-related assurance services. Other non-audit services refer for example to interpretation of IFRS and other accounting rules.

8. Result from participations in subsidiaries

	Parent C	ompany	
SEK million	2017	2016	
Impairment of participations in subsidiaries	-	-3	
Dividend	301	130	
Total (S	301	127	

Dividend of SEK 301 million (130) refers to a dividend from subsidiary Stockholmståg KB.

Impairment of participations in Group companies in 2016 related to participations in SJ Norrlandståg and SJ Invest. Impairment has been recognised at its carrying amount.

9. Interest income, interest expense and similar items

Interest income and similar items

	Group		Parent pa	
SEK million	2017	2016	2017	2016
Gain/loss on liquidation ¹	-	-3	-	24
Interest income, current receivables ²	17	17	18	17
Interest income from subsidiaries	_	-	_	0
Total (IS)	17	14	18	41

¹⁾The subsidiary, SJ Försäkring, was liquidated on 19 December 2016.

Interest expense and similar items

	Group		Parent pa	
SEK million	2017	2016	2017	2016
Interest expenses on loans	-7	-8	-7	-8
Interest-rate hedging instru- ments, net	-7	-8	-7	-8
Exchange rate differences	0	0	0	0
Other financial expenses ¹	-5	-2	-5	-2
Interest expenses to subsidiaries	-	-	0	0
Total IS	-20	-18	-20	-18

¹⁾ Annuities, fees to banks and other financial expenses

²⁾ Mainly income from bonds.

Note 9 (cont.)

Classification of net financial items

	Group, 2017						
SEK million	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	Profit/Loss Other compre- hensive income		
Financial assets measured at fair value in profit or loss							
Bonds	6		11	17			
Loans and accounts receivable							
Cash and cash equivalents	0						
Receivables	1			1			
Financial income (S)	7	-	11	17	-		
Derivatives identified as hedging instruments							
Derivative instruments ¹		-7		-7	14		
Financial liabilities measured at amortised cost				0			
Lease liabilities		-2		-2			
Other liabilities		-10		-10			
Financial expense (IS)	-	-20	-	-20	14		

 $^{^{1)}}$ Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 14 million before tax. SEK 7 million was transferred to net interest income from cash flow hedges.

Classification of net financial items

	Group, 2016					
SEK million	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	Profit/Loss Other compre- hensive income	
Financial assets measured at fair value in profit or loss						
Bonds	7		9	16		
Loans and accounts receivable						
Cash and cash equivalents	0					
Receivables	1		-3	-2		
Financial income (S)	8	-	6	14	0	
Derivatives identified as hedging instruments						
Derivative instruments ¹		-8		-8		
Financial liabilities measured at amortised cost						
Lease liabilities		-2		-2		
Other liabilities		-8		-8		
Financial expense (IS)	0	-18	-	-18	0	

 $^{^{1)}}$ Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 0 million before tax. SEK 8 million was transferred to net interest $income\,from\,cash\,flow\,hedges.$

Classification of net financial items

	Parent Company, 2017						
SEK million	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	Profit/Loss Other comprehensive income		
Financial assets measured at fair value in profit or loss							
Bonds	6		11	17			
Loans and accounts receivable							
Receivables	1			1			
Financial income (IS)	7	-	11	18	0		
Derivatives identified as hedging instruments							
Derivative instruments ¹		-7		-7	14		
Financial liabilities measured at amortised cost		0		0			
Lease liabilities		-2		-2			
Other liabilities		-10		-10			
Financial expense (IS)	-	-20	-	-20	14		

¹⁾ Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 14 million before tax. SEK 7 million was transferred to net inter $estincome\,from\,cash\,flow\,hedges.$

Classification of net financial items

	Parent Company, 2016						
SEK million	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	Profit/Loss Other comprehensive income		
Financial assets measured at fair value in profit or loss							
Bonds	7		9	16			
Loans and accounts receivable							
Receivables	1		24	25			
Financial income	8	-	33	41	0		
Derivatives identified as hedging instruments							
Derivative instruments ¹		-8		-8			
Financial liabilities measured at amortised cost							
Lease liabilities		-2		-2			
Other liabilities		-8		-8			
Financial expense (S)	-	-18	-	-18	0		

¹⁾ Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 0 million before tax. SEK 8 million was transferred to net interest $income\,from\,cash\,flow\,hedges.$

10 Tax

Accounting policies

Income taxes

Recognised tax expense comprises current and deferred tax. Current tax is based on profit for the year and is based on the effective rate on the balance-sheet date. Tax paid or received during the current year is classified as current tax and includes the adjustment of current tax attributable to prior periods. Taxes are recognised in profit or loss except when the underlying transaction is recognised in equity, in which case the tax is also recognised in equity. Deferred tax is recognised for differences between the carrying amount and tax base of assets and liabilities, known as temporary differences. Deferred tax is measured at the tax rates that have been enacted or substantively enacted by the balance-sheet date and that are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets arising from temporary differences and tax loss-carry forwards are recognised to the extent that it is probable that they will be utilised in the future. On each balance sheet date, the carrying amount of the deferred tax asset is reviewed and the receivable reduced to the extent that it is no longer probable that sufficient taxable profit will be available.

	Gro	up	Parent pa	
SEK million	2017	2016	2017	2016
Deferred tax income/expense	11	-37	11	-37
Current tax	-151	-146	-140	-139
Tax recognised	-140 -183		-129	-176

In addition to tax recognised in net profit for the year, the following tax is recognised in other comprehensive income:

	Group		Parent pa	
SEK million	2017	2016	2017	2016
Deferred tax on available-for- sale financial assets	-	0	-	0
Deferred tax on currency forwards	-2	-1	-2	-1
Deferred tax on cash-flow hedges	-2	1	-2	1
Total	-4	0	-4	0

Deferred tax assets

	Group/Parent Company							
	Endowment insurance		Other		Total			
SEK million	2017	2016	2017	2016	2017	2016		
Opening balance, 1 January	8	7	3	6	11	14		
Recognised in other comprehensive income	0	-	-3	0	-3	0		
Recognised in net profit for the year	1	0	10	-3	11	-3		
Closing balance, 31 December	9	8	10	3	19	11		

Deferred tax liabilities

		Group							
	Depreci residua	ation on al value¹			Ot	her	Total		
SEK million	2017	2016	2017	2016	2017	2016	2017	2016	
Opening balance, 1 January	-492	-461	-4	-2	-3	-6	-498	-468	
Change attributable to previous years	-2	-	0	-	2	-	0	-	
Recognised in other comprehensive income	0	-	0	-	-1	-	-1	-	
Change attributable to liquidation of SJ Försäkring	-	-	-	-	-	5	-	5	
Recognised in profit for the year	1	-31	0	-2	-2	-2	-1	-35	
Closing balance, 31 December	-493	-492	-3	-4	-3	-3	-499	-498	
Recognised deferred tax asset/ liability, net (BS)							-480	-487	

		Parent Company								
	Depreci residua			ehold ements	Oti	her	Total			
SEK million	2017	2016	2017	2016	2017	2016	2017	2016		
Opening balance, 1 January	-492	-461	-4	-2	-2	0	-497	-463		
Change attributable to previous years	-2	-		-	2	-	-	_		
Recognised in other comprehensive income	-	-	-	-	-1	-	-1	-		
Recognised in profit for the year	1	-31	0	-2	-2	-2	-1	-35		
Closing balance, 31 December	-493	-492	-3	-4	-3	-2	-499	-497		
Recognised deferred tax asset/ liability, net (BS)							-480	-487		

 $^{^{1)}} Depreciation \, on \, residual \, value \, depreciation \, for \, fiscal \, depreciation \, of \, tangible \, assets.$

$Reconciliation \, of \, recognised \, tax \, and \, the \, effective \, tax \, rate \, is \, explained \, as \, follows:$

	Group					
	2017		2016			
	Income taxes, SEK million	Tax rate, %	Income taxes, SEK million	Tax rate, %		
Tax according to applicable Swedish tax rate	-146	-22	-183	-22		
Non-deductible expenses	-1	0	-1	0		
Tax effect arising from tax returns for previous years	-2	0	-	-		
Result from shares and participations	8	1	1	0		
Impairment and reversal of impairment of participations	0	0	-	-		
Recognised tax affecting profit for the year (IS)	-140	-21	-183	-22		

	2017	,	2016	5			
	Income taxes, SEK million	Tax rate, %	Income taxes, SEK million	Tax rate, %			
Tax according to applicable Swedish tax rate	-191	-22	-146	-22			
Dividend from limited partnerships	66	8	29	4			
Non-deductible expenses	-1	0	-1	0			
Tax attributable to profit/loss in limited partnerships	-4	0	-67	-10			
Effect of change in tax returns for previous years	-2	0	-	-			
Result from shares and participations	1	0	5	1			
Impairment and reversal of impairment of participations	1	0	-1	0			
Other differences	-	-	4	1			
Tax expense recognised in income statement (IS)	-129	-15	-129 -15 -176				

11. Property, plant and equipment

Accounting policies

Property, plant and equipment

Recognised at cost less accumulated depreciation and any accumulated impairment losses. The amount is reassessed annually.

Rolling stock, machinery and equipment

Cost consists of the purchase price plus any expenses directly attributable to the asset in order to bring it to a location such that it can be used in accordance with the purpose of the purchase. These expenses relate above all to project planning and interest payments during the construction period. Additional expenses are recognised as an asset only when it is probable that the future economic benefits will flow to SJ and that the cost of the asset can be measured reliably. All other forms of repair and maintenance are recognised as costs in income statement in the period in which they incurred.

Construction in progress

Non-current assets that are delivered but not yet in use are recognised as construction in progress. For example, rolling stock that is not yet in service due to pending inspection, testing or modification is recognised as construction in progress.

Intangible assets

Under the main rule, intangible assets are recognised in the balance sheet when:

- the asset is identifiable,
- the Group has control over the asset,
- the Group can ensure that the asset's future economic benefit will flow to the Group,
- the Group can measure the cost in a reliable way.

			Group, 20)17	
SEK million	Leased buildings	Rollingstock	Machinery and equipment	Construction in progress	Total property, plant and equipment
Accumulated cost, 1 January	59	13,931	244	710	14,944
Investments	-	77	4	447	528
Sales/disposals	-	-32	-5	-	-37
Reclassifications	-	133	4	-137	0
Accumulated cost, 31 December	59	14,109	247	1,020	15,435
Accumulated depreciation, 1 January	-35	-7,597	-142	0	-7,774
Deprecation for the year	-3	-661	-28	-	-692
Sales/disposals	-	32	5	-	37
Accumulated depreciation, 31 December	-38	-8,226	-165	0	-8,429
Accumulated impairment, 1 January	-	-1665	0	-	-1665
Accumulated impairment, 31 December	-	-1,665	0	-	-1,665
Carrying amount, 31 December (BS)	21	4,218	82	1,020	5,341

Investments in the year related mainly to the upgrade and modernisation of all of SJ's X 2000s. The total investment in both comfort and technology is estimated at SEK 3.5 billion, of which the technical upgrade is calculated at around SEK 1.4 billion. The upgrade is expected to continue until 2020 and the train sets will be deployed upon completion.

The Group and Parent Company have future investment commitments of SEK 2,102 million (1,143) for upgrading all of SJ's X 2000s.

Construction in progress related to property, plant and equipment not yet placed in service, consisting of investments primarily for upgrading all of SJ's X 2000s, and a number of major rolling stock overhauls. During the year, two model X31 trains were sold.

				Group, 2	016		
SEK million	Leased build- ings	Own rolling stock	Leased rolling stock	Total rolling stock	Machinery and equipment	Construc- tion in progress	Total prop- erty, plant and equipment
Accumulated cost, 1 January	59	13,716	2	13,718	176	718	14,671
Investments	-	62	-	62	33	221	316
Sales/disposals	-	-21	-	-21	0		-21
Reclassifications	-	174	-2	172	35	-229	-22
Accumulated cost, 31 December	59	13,931	0	13,931	244	710	14,944
Accumulated depreciation, 1 January	-32	-6,947	-1	-6,948	-116	0	-7,096
Deprecation for the year	-3	-667	-	-667	-21	-	-691
Sales/disposals	-	18	-	18	-	-	18
Reclassifications	-	-1	1	0	-5	-	-5
Accumulated depreciation, 31 December	-35	-7,597	0	-7,597	-142	0	-7,774
Accumulated impairment, 1 January	-	-1,653	0	-1,653	-6	-	-1,659
Reclassifications	-	-	-	0	6	-	6
Impairment losses for the year	-	-12	-	-12	-	-	-12
Accumulated impairment, 31 December	-	-1,665	0	-1665	0	-	-1,665
Carrying amount, 31 December (BS)	24	4,669	0	4,669	101	710	5,505

Note 11 (cont.)

			Parent Company	, 2017	
SEK million	Leased buildings	Rolling stock	Machinery and equipment	Construction in progress	Total property, plant and equipment
Accumulated cost, 1 January	59	14,014	235	710	15,018
Investments	-	77	4	447	528
Sales/disposals	-	-116	-	-	-116
Reclassifications	-	133	4	-137	0
Accumulated cost, 31 December	59	14,108	243	1,020	15,430
Accumulated depreciation, 1 January	-35	-7,596	-135	-	-7,766
Deprecation for the year	-3	-661	-27	-	-691
Sales/disposals	-	32	-	-	32
Reclassifications	-	-	-	-	0
Accumulated depreciation, 31 December	-38	-8,225	-162	-	-8,425
Accumulated impairment, 1 January	-	-1,671	-	-	-1,671
Reclassifications	-	6	-	-	6
Accumulated impairment, 31 December	-	-1,665	-	-	-1,665
Carrying amount, 31 December BS	21	4,218	80	1,020	5,339

	Parent Company, 2016						
SEK million	Leased build- ings	Own rolling stock	Leased rolling stock	Total roll- ing stock	Machinery and equip- ment	Construc- tion in progress	Total prop- erty, plant and equipment
Accumulated cost, 1 January	59	13,802	2	13,804	169	718	14,750
Investments	-	82	-	82	31	221	334
Sales/disposals	-	-44	-	-44	-	-	-44
Reclassifications	-	174	-2	172	35	-229	-22
Accumulated cost, 31 December	59	14,014	0	14,014	235	710	15,018
Accumulated depreciation, 1 January	-32	-6,968	-1	-6,969	-115	0	-7,116
Deprecation for the year	-3	-667	-	-667	-21	-	-691
Sales/disposals	-	40	-	40	-	-	40
Reclassifications	-	-1	1	0	1	-	1
Accumulated depreciation, 31 December	-35	-7,596	0	-7,596	-135	0	-7,766
Accumulated impairment, 1 January	-	-1,653	0	-1,653	-	-	-1,653
Reclassifications	-	-	-	0	-	-	0
Impairment losses for the year	-	-18	-	-18	-	-	-18
Accumulated impairment, 31 December	-	-1,671	0	-1,671	-	-	-1,671
Carrying amount, 31 December (BS)	24	4,747	0	4,747	99	710	5,581

12. Intangible assets

Accounting policies

 $Capitalised\, development\, expenditure$ Recognised at cost less accumulated depreciation and any accumulated impairment losses. Identifiable expenditures for development that are attributable to specific projects are capitalised to the extent

they are expected to provide future economic benefits, provided that $\label{eq:conomic_provided}$ the Group has control over the asset. Development expenditure for systems are recognised as construction in progress under intangible assets, until the date the systems are placed in service by the Group.

	Group						
	2017 Capitalised develop-			2016 Capitalised develop-			
SEK million	Trademark	ment expenditure	Total	Trademark	ment expenditure	Total	
Accumulated cost, 1 January	240	940	1,180	240	843	1,083	
Investments	-	67	67	-	76	76	
Reclassifications			0	-	21	21	
Sale/disposal	-	-17	-17	-	-	-	
Accumulated cost, 31 December	240	990	1,230	240	940	1,180	
Accumulated depreciation, 1 January	-240	-654	-894	-240	-565	-805	
Deprecation for the year	-	-99	-99	-	-89	-89	
Sale/disposal	-	17	17	-	-	-	
Accumulated depreciation, 31 December	-240	-736	-976	-240	-654	-894	
Carrying amount, 31 December BS	0	254	254	0	286	286	

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Note 12 (cont.)

	Parent Company					
SEK million	2017 Capitalised development Trademark expenditure Total			2016 Capitalised development Trademark expenditure Total		
Accumulated cost, 1 January	240	923	1,163	240	826	1,066
Investments	-	67	67	-	76	76
Sales/disposals			0	-	-	-
Accumulated cost, 31 December	240	990	1,230	240	923	1,163
Accumulated depreciation, 1 January	-240	-637	-877	-240	-549	-789
Deprecation for the year		-99	-99	-	-88	-88
Accumulated depreciation, 31 December	-240	-736	-976	-240	-637	-877
Carrying amount, 31 December BS	0	254	254	0	286	286

SJ's intangible assets are classified into trademark and capitalised development expenditure. The trademark arose when SJ took over passenger services from Statens Järnvägar (the Swedish State Railways) at conversion to limited liability company status in 2001. The amortisation period was 10 years, and thus the item was fully amortised as of 31 December 2017. Capitalised development expenditure refers primarily to development expenses for business-related IT systems.

13. Shares in subsidiaries

Accounting policies

The acquisition method

The consolidated financial statements are prepared using the acquisition method. In this method, the assets, liabilities and contingent liabilities of subsidiaries acquired are recognised at fair value based on an acquisition analysis drawn up. If the cost is higher than the fair value of the Group's share of identifiable net assets acquired, it is recognised as goodwill. If the cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised $directly in the \,consolidated \,income \,statement. \,Transaction \,costs$ are expensed immediately.

Recognition of participations in subsidiaries SJ AB recognises participations in subsidiaries at cost. Dividends received are recognised in profit or loss. Values are tested at least once a year for impairment.

Shares in subsidiaries

	Parent Company			
SEK million	2017	2016		
Carrying amount, 1 January	93	123		
Acquisitions and capital contributions	_	3		
Liquidation	-	-30		
Impairment	-	-3		
Carrying amount, 31 December (BS)	93	93		

Specification of Parent Company holdings of shares and participations in subsidiaries, with carrying amounts at year-end

Company	Corp. Reg. No.	Reg. office	No. of participations	Stakehold- ing,%	Carrying amount, 31 Dec 2017, SEK million	Carrying amount, 31 Dec 2016, SEK million
SJ Event AB	556577-3008	Stockholm	1,000	100	0	0
SJ Invest AB	556022-1755	Stockholm	700,000	100	85	85
SJ Götalandståg AB	556083-2098	Stockholm	5,000	100	1	1
SJ Adventure AB	556064-8692	Stockholm	5,000	100	1	1
Entertrainment AB	556034-4235	Malmö	1,605	100	0	0
SJ Norrlandståg AB	556196-5418	Stockholm	1,000	100	0	0
SJ Service Academy AB	556596-9630	Stockholm	1,000	100	0	0
Stockholmståg KB ¹	969704-4239	Stockholm	1,000	100	0	0
FlyRail AB	556773-5252	Stockholm	100,000	100	0	0
SJ Danmark A/S	33 372 477	Copenhagen	500	100	3	3
SJ Norge AS	917 587 728	Oslo	1,030,000	100	3	3
Total BS					93	93

¹⁾ SJ is a full partner and SJ Invest a general partner in Stockholmståg. Participations are divided in the Group between SJ AB (68 percent) and SJ Invest (32 percent).

The equity share corresponds to the share of voting rights.

14. Shares in associates

Accounting policies

Recognition of participations in subsidiaries and associated companies

SJ AB recognises participations in subsidiaries at cost. Dividends received are recognised in profit or loss. Amounts are tested at least $once\,a\,year\,for\,impairment.$

Associated companies are consolidated using the equity method, whereby participations in associated companies are recognised at cost on the acquisition date and subsequently adjusted according to SJ AB's share of the change in net assets. SJ AB's profit includes the $owner \, company \mbox{'s share of the associated company's profits.}$

Share of profit of associates

	Group		Par Com	
SEK million	2017	2016	2017	2016
Share in earnings from associated companies for the year	32	8	0	-
Dividend	-	-	11	17
Dissolved reserve or revearsal of reserve for future losses in associates	6	-	-	-
Total IS	38	8	11	17

The equity share is equal to the share of voting rights. The share of earnings from associated companies for the year relates for the most part to Botniatåg AB and Linkon AB.

		oup	Parent Company	
SEK million	2017	2016	2017	2016
Cost, 1 January	35	35	22	22
Accumulated cost, 31 December	35	35	22	22
Accumulated share of earnings, 1 January	7	16	-	-
Dividend	-7	-17	-	-
Share of earnings in associated companies for the year	32	8	-	-
Accumulated share in earnings, 31 December	33	7	0	0
Accumulated impairment, 1 January	-8	-8	-8	-8
Accumulated impairment, 31 December	-8	-8	-8	-8
Carrying amount, 31 December ®S	60	34	13	13

Specification of Group and Parent Company holdings of shares in associated companies and carrying amount

				Gro	oup	Parent Company		
	Corp. Reg. No.	Reg. office	No. of shares	Share of equity, %	31/12/17	31/12/16	31/12/17	31/12/16
Sveriges Kommunikationer AB	556005-5955	Stockholm	1,400	50	2	2	1	1
Kust till Kust AB	556481-7822	Karlskrona	60	25	0	0	0	0
Trafik i Mälardalen AB	556083-1959	Stockholm	400	50	1	1	0	0
Botniatåg AB	556801-1828	Stockholm	40,000	40	20	0	0	0
Vänertåg AB	556848-9016	Stockholm	250	50	0	0	0	0
Linkon AB	556577-2984	Stockholm	125,250	25	37	30	13	13
Total participations in associated co	mpanies BS				60	34	13	13

Specification of associated companies' assets, liabilities, income and earnings

SEK million	Corp. Reg. No.	Reg. office	Assets	201 Liabili- ties	.7 Income	Earn- ings	Assets	201 Liabili- ties	l6 Income	Earn- ings
Sveriges Kommunikationer AB	556005-5955	Stockholm	5	2	0	0	8	3	6	1
Kust till Kust AB	556481-7822	Karlskrona	0	0	0	0	0	0	0	0
Trafik i Mälardalen AB	556083-1959	Stockholm	3	1	5	0	3	1	3	1
Botniatåg AB	556801-1828	Stockholm	79	10	118	51	104	73	143	15
Vänertåg AB	556848-9016	Stockholm	0	0	0	0	0	0	-	-
Linkon AB	556577-2984	Stockholm	282	186	222	36	205	226	234	21
Total, associated companies			369	199	345	87	320	303	386	38

15. Accounts receivable

To reduce the risk of bad debt losses, the credit reports necessary are obtained from external sources, in line with SJ's credit policy. In 2017, loan losses in the SJ Group amounted to SEK -1 million (-3).

Accounts receivable, incl. breakdown per age

	Gro	oup	Parent C	ompany
SEK million	31/12/17	31/12/16	31/12/17	31/12/16
<30 days	212	327	124	100
30-60 days	3	2	3	2
60-90 days	1	1	1	1
>90 days	17	2	16	1
Settlement accounts	-3	7	-2	7
Total BS	230	339	143	111
Of which, bad debts				
Bad debts, 1 January	12	7	12	7
Provision for				
anticipated losses	2	8	2	8
Confirmed losses	-1	-3	-1	-3
Bad debts, 31 December	13	12	13	12

16. Other receivables

	Gro	oup	Parent Company		
SEK million	31/12/17	31/12/16	31/12/17	31/12/16	
VAT and tax assets	97	79	97	60	
Claim, insurance compensation	44	31	44	31	
Tax account	205	180	204	175	
Other receivables	18	4	12	2	
Total BS	365	294	356	268	

The higher balance in the tax account arose through a supplementary tax payment made by SJ AB to the Swedish Tax Agency.

17. Prepaid expenses and accrued income

	Gro	oup	Parent C	ompany
SEK million	31/12/17	31/12/16	31/12/17	31/12/16
Prepaid rolling stock costs	29	26	29	26
Prepaid leasing costs	47	42	46	41
Licences and other IT costs	27	28	27	28
Other prepaid expenses	20	25	17	21
Accrued interest income	2	1	2	1
Other accrued income	14	46	14	19
Total BS	139	168	135	136

Other prepaid expenses refer for the most part to restructuring.

18. Financial instruments and financial risk management

Accounting policies

Recognition and measurement

A financial instrument is any type of contract that gives rise to a financial asset, a financial liability or an equity instrument in another company. On initial recognition, financial instruments are measured at fair value including directly attributable transaction expenses, except for financial assets measured at fair value in profit or loss. Depending on the class of instrument, subsequent valuations are measured at fair value or amortised cost using the effective interest method for the relevant class of instrument. The value change may be recognised in other comprehensive income or in profit or loss.

There are three levels of valuation. Level 1 is used when there is an active market in the financial instruments. In such cases, the fair value corresponds to the prices quoted in active markets for identical assets or liabilities. If there is no active market according to Level 1, input data other than quoted prices as in Level 1 are used. These input data represent Level 2 and are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Fair value can then be measured by comparison with similar instruments, or by observing the interest rate projection or yield curve for the relevant issuer. In the absence of Level 2 prices, measurement of the asset or liability is not based on observable market data. In such cases, fair value is measured at Level 3

Financial assets recognised at amortised cost

Recognition at amortised cost for accounts receivable and other receivables requires the financial instrument to be measured at cost less impairment arising from financial assets that cannot be recovered.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or financial liability, and to allocate the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash flows associated with the financial instrument through to maturity.

Derecognition from the balance sheet

A financial asset is wholly or partly derecognised from the balance sheet when the contractual rights to the cash flows from the asset cease, or when the Group transfers such contractual rights to receive the cash flows. This may also take place when Group retains the rights, but is obliged to pay the cash flows to one or more recipients. A financial liability is partially or fully derecognised from the balance sheet when the contractual obligation is discharged, cancelled or expired.

Classification

The Group classifies financial assets in three categories:

- financial assets measured at fair value in profit or loss
- held-to-maturity investments, and
- available-for-sale financial assets

The Group classifies financial liabilities as:

• financial liabilities measured at amortised cost

The instruments are classified according to the purpose for which they were acquired. This note describes all of SJ's financial instruments according to their classification category, valuation principle

Financial assets measured at fair value in profit or loss

The proportion of the Group's derivative instruments that are not identified as hedges is recognised at fair value in profit or loss. Holdings of non-current securities, shares, participations and bonds are included in this category, based on fair value. Settlement date accounting is applied to this class of assets, except for derivatives recognised on their transaction date, and any the change in value that is recognised in profit or loss.

Held-to-maturity investments

and valuation method (Level).

Includes non-derivative financial assets with fixed payments and fixed maturity for which the Company has the intention and ability to hold to maturity. Settlement-date accounting is used for this category of financial assets, which are measured at amortised cost using the effective interest method

Note 18 (cont.)

Non-derivative financial assets

Refers to non-derivative financial assets that are not quoted on a market, with fixed payments, including accounts receivable, loans receivable, other receivables and cash and cash equivalents. These are included in current assets, except for items with maturities greater than 12 months after the balance-sheet date. Transaction-day accounting is applied to financial assets in this category. The assets are measured at amortised cost. Any change in value is recognised in profit or loss.

Available-for-sale financial assets

Assets that are not derivatives or that not classified as loans receivable and accounts receivable, investments held to maturity or financial assets measured at fair value in profit or loss. Settlement-date accounting is applied to available-for-sale financial assets. Changes in value are recognised in other comprehensive income.

Financial liabilities measured at amortised cost

This category includes loans and accounts payable. Liabilities in this category are measured at amortised cost using the effective interest method. Transaction-date accounting is applied to accounts payable.

Cash flow hedging

SJ uses hedging instruments to secure future cash flows, such as investments made in foreign currencies. These are recognised in the balance sheet at fair value. According to the rules for cash flow hedging, any change in value of a currency forward contract is recognised in other comprehensive income and accumulated in the hedging reserve in equity. When the hedged amount falls due for payment, the value of the hedging reserve is transferred to the asset through other comprehensive income. To hedge the floating interest-rate risk, SJ uses interest-rate derivatives, which are measured at fair value, and any change in value is also recognised directly in other comprehensive income in the hedging reserve. If the hedging relationship is terminated on early redemption of the underlying debt, the accumulated change in value in other comprehensive income is transferred to profit or loss. If hedging is terminated for any other reason, such as a decision to change duration in the debt portfolio, the surplus or deficit is recognised as accrued in profit or loss up to the date when the interest-rate derivative would have matured. The portion of gain or loss on a hedging instrument that is considered an effective cash flow hedge is initially recognised in other comprehensive income, while the ineffective portion of the gain or loss is recognised in profit or loss.

Loan losses

On the balance-sheet date, the Group tests whether there is any objective evidence indicating impairment of a financial asset or group of financial assets. The impairment of financial assets recognised at amortised cost is calculated as the difference between the asset's carrying amount, and the present value of estimated expected cash flows. The impairment loss is recognised in profit or loss.

Assets and liabilities in foreign currency

Transactions in foreign currency are measured at the rate of exchange on the transaction date. On the balance-sheet date, assets and liabilities in foreign currency are revalued at the closing day rate. Exchangerate differences in financial assets and liabilities are recognised as financial income or expenses in the period in which they arise. Other exchange-rate differences are recognised in operating profit in the period in which they arise.

Financial assets

Securities, shares and participations held as non-current assets Securities held as non-current assets are measured at fair value. Changes in value are recognised in profit or loss. SJ's holdings consist mainly of shares in unlisted companies, over which the Group does not have significant influence.

Non-current receivables

Non-current receivables are recognised at amortised cost on the balance-sheet date.

Management of financial risks

SJ's operations give rise to a substantial financing requirement that $entails financial risk. \,SJ \,also \,conducts \,financial \,operations \,on \,a\,major$ scale, in the form of payment transactions, cash receipts, credits, investments and currency transactions. To minimise financial risks, the Board has adopted a financial policy that provides directives for day-to-day financial management. The financial policy lays down limits regarding,

for example, loan maturity, interest-rate maturity and permitted currency exposure, as well as investment guidelines with rating requirements and thresholds. The purpose of the financial policy is to determine:

- the goals for financial operations in the SJ Group,
- frameworks for how financial management is to be organised,
- identified financial risks and appropriate mandates for such risks, and
- frameworks for reporting and following up financial operations.

Market risk

Refers to a company's exposure to changes in the financial markets. SJ's operations are capital-intensive and some of the Company's property, plant and equipment are debt-financed through bank loans. The following risks are ranked on the basis of SJ's assessment of which risk is most significant to SJ.

Other price risks

The risk that the fair value of a financial instrument is affected by factors other than currency and interest-rate fluctuations.

SJ is exposed to other price risks in the valuation of its bond portfolio, in the form of changes in the issuer's credit risk premium or general changes in the market's credit spreads. SJ only holds bonds with a high rating, meaning a lower credit risk premium and lower fluctuations in absolute value.

On 31 December 2017, the market value of SJ's bonds with a maturity exceeding 1 year amounted to SEK 1,575 million (1,450).

Credit and counterparty risk

The risk that the counterparty to a transaction is unable to fulfil its obligations, as a result of which SJ incurs a loss. SJ is primarily exposed to this risk when liquidity is invested in financial assets, but also in financial derivatives, in guarantees and in the granting of commercial loans. SJ's financial policy prescribes how liquid funds may be invested. Counterparties to short-term investments are required to have a credit rating of K-1 or higher. No rating is required for central government, municipalities, county councils or State-owned companies.

Long-term investments, with maturities of up to 5 years, are permitted in banks with a rating of no less than A. In order to limit concentration risk, limits apply to amounts per counterparty.

On the balance-sheet date, 31 December 2017, total counterparty exposure in investments amounted to SEK 1.614 million (1.479), Of the total counterparty exposure, financial assets measured at fair value totalled SEK 1,614 million (1,479).

All of SJ's balances can be measured on the basis of prices in active markets and are therefore included in either hierarchy level 1 or hierarchy level 2.

Financing and liquidity risk

The risk represented by loan rescheduling, fulfilment of payment obligations, limited funding opportunities or a substantial change in the price situation. SJ's financing sources primarily consist of cash flow from operating activities, and borrowing.

Interest-bearing borrowing consists of long-term covered bank loans with Nordea Finans and Nordiska Investeringsbanken at floating interest rates. SJ also has a lease with Jernhusen AB on a maintenance workshop which, in view of the long fixed-interest period, is recognised as a finance lease with a fixed rate of interest. Financing and liquidity risks are managed within the framework of the financial policy.

To ensure that liquidity is available to the Group when needed, the financial policy prescribes that SJ must always be able to assure a liquidity reserve of at least SEK 500 million. It must be possible to draw on this reserve within three business days. The reserve includes cash, market-listed financial investments that can be converted within three business days, and unused confirmed credit lines. On the balance-sheet date, funds available for operations within three days totalled SEK 1,635 million (1,553). These funds can be converted to cash funds in the case of planned and unplanned needs. In addition, unutilised credit facilities amounted to SEK 100 million (100) on the balance-sheet date.

SJ limits financing risk by controlling the terms of its loans to achieve a suitable maturity structure over time.

Interest-rate risk

The Group's financing costs and return on cash and cash equivalents is affected by changes in the general level of interest rates. SJ's borrowings consist of bank loans with floating interest rates. However, the Company's financial policy stipulates that the average fixed-interest term in its loan portfolio should be kept within the range of 1-3

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Note 18 (cont.)

Interest-rate swaps are used to manage interest-rate exposure and achieve the desired fixed-interest term, which changes the floating rate to a fixed rate for parts of the loan portfolio. On the balance-sheet date, the average fixed-interest term for the Group's interest-bearing borrowings was 0.7 years (0.8).

The value of the interest-rate swaps held by SJ to extend the average $fixed-interest\,term\,is\,instantly\,affected\,when\,market\,rates\,change.\,On$ the balance-sheet date, the market value of SJ's outstanding interest-rate derivatives was SEK-8 million (-15).

Currency risk

SJ's currency exposure consists mainly of transaction exposure, that is, payments in foreign currency in connection with investments, and purchase or sale of goods and/or services. SJ's transaction exposure in its operating activities is limited.

According to SJ's financial policy, the Group's maximum net exposure in foreign currencies for purposes other than hedging must not exceed the equivalent of SEK 100 million. Major investments are continuously hedged through the foreign exchange market.

The value of SJ's currency forwards changes constantly, as exchange rates rise and fall. When foreign currency transactions are entered into, their purpose is to secure payment flows.

Since cash flow hedging is used and hedge accounting is appropriate, changes in value are recognised in other comprehensive income

On the balance-sheet date, SJ had outstanding currency derivatives regarding major investments with a nominal value of SEK 103 million (96). The fair value of these positions was SEK 0 million (0).

Analysis of maturities of financial liabilities outstanding

	Gro	up/Pare	nt Company			
	31/12/2 Interest and repay-	17 Cash	31/12/3 Interest and repay-	l6 Cash		
SEK million	ments	flow	ments	flow		
Financial liabilities measured at amortised cost						
Within 1 year	108	108	357	357		
1-2 years	110	110	110	110		
2-3 years	110	110	110	110		
3-4 years	110	110	109	109		
4-5 years	361	361	110	110		
5 years or more	336	336	697	697		
Total	1,135	1,135	1,493	1,493		
Less current portion	-108	-108	-357	-357		
Total, non-current portion	1,027	1,027	1,136	1,136		

Financial liabilities consist of bank loans and workshop rental, which are treated as lease liabilities.

On 28 February 2017, SJ exercised its contractual option to make voluntary repayment of a SEK 243 million loan.

Financial derivative instruments

	Group/Parent Company					
SEK million	31/12/17 Nominal Fair value value		31/12 Nominal value	2/16 Fair value		
Interest-rate swaps	300	-8	400	-15		
Currency forward contracts, positive	103	0	96	0		
Total	403	-8	496	-15		

At the end of 2017, the total market value of derivatives held for hedging purposes, including financial hedging, was SEK-8 million (-15). Of these, the market value of derivatives that qualified for hedge accounting was negative, SEK-8 million (-15).

Maturity structure of derivatives

		Group/Pare	nt Company	
SEK million	31/12/17 Inter- est-rate swaps	31/12/16 Inter- est-rate swaps	31/12/17 Currency forward contracts	31/12/16 Currency forward contracts
Within 1 year	100	100	103	96
1-2 years	100	100	-	-
2-3 years	-	100	-	-
3-4 years	-	-	-	-
4-5 years	100	-	-	-
5 years or more	-	100	-	-
Total	300	400	103	96

Sensitivity analysis

SJ's borrowings consist mainly of bank loans at floating interest rates based on three- or six-month STIBOR.

Interest-rate swaps are used to manage interest-rate exposure and achieve the desired fixed-interest term, which changes the floating rate to a fixed rate. SJ's interest-bearing borrowings amounted to SEK 1,058 million (1,404). Because three interest-rate swaps with a total nominal value of SEK 300 million (400) have been entered into, SJ's variable liability is SEK 758 million (1,004). Accordingly, SJ's direct transaction exposure at an increase of 1 percent in interest rates would amount to around SEK-8 million annually. SJ's interest rate swaps of SEK 300 million have an average term to maturity of 2.5 years, which at a +1 percent shift in the yield curve would result in an increase of around SEK 7 million in value. As hedge accounting is applied, any changes in value are recognised in other comprehensive income.

Of SJ's available liquidity of SEK 1,684 million, SEK 1,125 million has been invested with maturities of less than one year, or in FRN bonds. These investments cover SJ's direct transaction exposure arising from the debt portfolio. A +1 percent shift in the interest-rate curve would have a positive earnings impact of SEK 5 million for SJ annually.

Sensitivity analysis

SEK million	Vol- ume	Change in value	Impact on income over a year
Change in interest rates, +1%			
Interest-bearing borrowings	1,058		-11
Interest-rate hedging instru- ments	300	11	3
Transaction exposure in debt portfolio	758		-8
Short-term investments and FRN bonds	1,125		11
Total transaction exposure	-367		4
Fixed-rate bond portfolio		-8	

In the longer term, a 1 percent change in market interest rates would result in an annual exposure of SEK 5 million (0). This calculation is based on net cash of SEK 465 million on 31 December 2017.

On the balance-sheet date, SJ had funds of SEK 4 million (5) in foreign currencies for purposes other than hedging, resulting in an impact of SEK 0 million on earnings, given a 10 percent change in the value of SEK against other currencies.

Note 18 (cont.)

Classification of financial instruments

					Gro	oup		
				31/12/1	7	31/12/16		
				Carrying	Fair	Carrying	Fair	
SEK million	Category	Valuation	Note	amount	value	amount	value	
Current assets								
Accounts receivable and other receivables	Loans and accounts receivable	Amortised cost	15, 16	595	595	633	633	
Short-term investments								
	Financial assets measured at fair value in							
Bonds	profit or loss	Fair value		1,614	1,614	1,479	1,479	
Total current assets				2,209	2,209	2,112	2,112	
Cash and cash equivalents								
	Loans and	Amortised						
Cash and cash equivalents	accounts receivable	cost		70	70	74	74	
Total cash and cash equivalents				70	70	74	74	
Derivatives								
	Derivatives identi- fied as hedging instru-							
Interest rate swaps	ments	Fair value		-8	-8	-16	-16	
Total derivatives				-8	-8	-16	-16	
Financial liabilities								
5	Measured at amor-							
Bank loans	tised cost	Amortised cost	24	1,040	1,040	1,379	1,379	
Accounts payable and other liabilities	Measured at amor- tised cost	Amortised cost		579	579	604	604	
Total financial liabilities				1,619	1,619	1,983	1,983	

					ompany		
0514			.	31/12/17 Carrying Fair		31/12/1 Carrying	Fair
SEK million	Category	Valuation	Note	amount	value	amount	value
Current assets							
Accounts receivable and other receivables	Loans and accounts receivable	Amortised cost	15, 16	500	500	467	467
Short-term investments							
5	Financial assets measured at fair value in				1 51 4	4.470	4 470
Bonds	profit or loss	Fair value		1,614	1,614	1,479	1,479
Total current assets				2,114	2,114	1,946	1,946
Cash and cash equivalents							
Cook and cook a suit relant.	Loans and accounts receivable	Amortised		70	70	70	70
Cash and cash equivalents Total cash and cash equivalents		cost		70	70	70 70	70
·				70	70	70	70
Derivatives							
Interest rate swaps	Derivatives identi- fied as hedging instru- ments	Fair value		-8	-8	-16	-16
	Available-for-sale						
Currency forwards	financial hedges	Fair value				0	0
Total derivatives				-8	-8	-16	-16
Financial liabilities							
	Financial liabilities measured at amor-						
Bank loans	tised cost	Amortised cost	24	1,040	1,040	1,379	1,379
Accounts payable and other liabilities	Financial liabilities measured at amor-	Amandiaadaast		525	525	475	475
Total financial liabilities	tised cost	Amortised cost		525 1,565	525 1.565	475 1.855	475 1.855
TOTAL IIII ATICIAL LIADILILIES				1,505	1,505	1,055	1,033

Financial statements

Note 18 (cont.)

Hierarchy Level 2 for financial instruments measured at fair value.

	Gro	oup	Parent Company			
SEK million	31/12/17	31/12/16	31/12/17	31/12/16		
Hierarchy 2	1,606	1,463	1,606	1,463		
Total financial instru- ments measured at fair value	1,606	1,463	1,606	1,463		

Level 2 - Financial instruments whose fair value is determined using valuation techniques based on observable data for the asset or liability other than quoted prices included within Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). In SJ's case, these relate to quotations in information systems or valuation data from banks, which are in their turn based on information systems.

Current assets

Trade receivables are carried at the amounts in which they are expected to be received. The total amount has been adjusted for anticipated credit losses in the loan portfolio.

Short-term investments included in the category of current assets are investments with a term to maturity of more than three months. Bonds are held for the purpose of enhancing the return from SJ's financial assets. The bond portfolio is categorised as available for sale and is continuously measured at fair value in profit or loss.

Short-term investments

The Group's short-term investments comprise financial instruments with a maturity of 91 days to one year, together with longer-term bond assets that are available for sale.

The Parent Company's short-term investments have a maturity of up to 90 days from the date of acquisition.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash and bank balances, together with short-term, high-liquidity investments such as commercial paper with a maximum maturity of 90 days from the date of acquisition that are readily convertible to a known amount of cash and subject only to an insignificant risk of changes in value.

The Parent Company's cash and cash equivalents comprise cash on hand and demand deposits at banks and similar institutions.

Commercial paper is classified as cash and cash equivalents if its maturity is less than three months.

Derivatives

Derivatives comprise derivatives outstanding at the balance-sheet date, which were valued at SEK -16 million (-13). No set-off amount existed on the closing date.

Financial liabilities

Financial liabilities measured at amortised cost include bank loans, accounts payable and other liabilities.

SJ's credit terms for bank loans are assumed according to an approximate estimate to be in line with the market, and since the liabilities carry variable STIBOR-based interest rates, the size of the liabilities according to SJ's overall assessment is considered to be an accurate estimate of their fair value.

Accounts payable and other liabilities are recognised in the amounts expected to be settled.

Interest-rate fixing and borrowings

On 31 December 2017, the average interest rate for total outstanding long-term, interest-bearing liabilities was 0.5 percent (0.6) excluding, and 1.0 percent (1.0) including, fixed-income derivatives.

In addition, SJ has an unutilised credit facility of SEK 100 million (100) with Handelsbanken AB (last year the facility was with Nordea

On the balance-sheet date, the Group's total loan commitments granted had an average maturity of 4.2 years (5.3).

19. Equity

Reserves

For certain derivatives, interest-rate swaps and currency forwards, hedge accounting is applied, which means that any change in value and the result of any rollover is taken to equity in the balance sheet via other comprehensive income. At the balance-sheet date, derivatives totalled SEK 6 million (-8).

Cash-flow hedging and available-for-sale financial assets Any change in the value of derivatives, that is, gains and losses attributable to non-settled cash flow hedges, is recognised against reserves within equity in order later to be taken to the income statement as a hedged transaction.

Deferred tax on cash-flow hedges

Deferred tax is recognised in other comprehensive income.

Specification of reserves, other comprehensive income

	Group Cash-flow hedges			
SEK million	2017	2016		
Opening balance, 1 January	-8	-8		
Change in value of rollover	11	2		
Change in value of cash-flow hedges	0	-10		
To the income statement	8	8		
Tax effect	-4	0		
Closing balance, 31 December	6	-8		

Retained earnings, including profit for the year

Consist of profit for the year, undistributed earnings from associated companies and the portion of untaxed reserves that represents equity.

Parent Company

Following an amendment to the Swedish Annual Accounts Act, in the event of capitalisation of own development expenditure made after 1 January 2016, an amount of equal size must be set aside in a capitalised development reserve under equity to limit the ability to pay dividend. Accordingly, SEK 45 million (68) was transfered to the capitalised development reserve for 2017.

Share capital

According to the Articles of Association for SJ AB, the share capital is to amount to no less than SEK 400 million (400) and no more than SEK 1,600 million (1,600). All shares are fully paid. No shares are held by the Company itself or its subsidiaries. SJ AB has no Class A shares, Class B shares or preference shares. The number of shares is 4,000,000 and the quotient value is SEK 100 per share.

Restricted and unrestricted reserves

Equity is divided into restricted equity and unrestricted equity.

The distributable amount is subject to both amount limitation and the prudence concept. The amount limitation means that no dividends may be paid unless there is full coverage for the restricted equity immediately after the distribution. According to the prudence concept dividends may only be paid when justified with regard to the risks posed by the nature and extent of the operations in terms of the equity of the Parent Company and Group.

Restricted equity comprises share capital of SEK 400 million (400), a statutory reserve of SEK 200 million (200) and a capitalised development reserve of SEK 113 million (68).

Specification of reserves, other comprehensive income

' '					
	Parent C	ompany			
	Cash-flow hedges				
SEK million	2017	2016			
Opening balance, 1 January	-8	-8			
Change in value of rollover	11	2			
Change in value of cash-flow hedges	0	-10			
To the income statement	15	8			
Tax effect	-4	0			
Closing balance, 31 December	6	-8			

20. Appropriation of profits

The proposed dividend is based on the annual accounts for 2017. The proposed appropriation of profits, income statement and balance sheet for the Parent Company, together with the statements of income and other comprehensive income and the statement of financial position for the Group, will be presented to the Annual General Meeting for approval on 24 April 2018.

SJ AB will pay a dividend of SEK 67.20 per share for the 2017 financial year. The Board of Directors proposes a total dividend of SEK 269 million, corresponding to approximately 50 percent of the SJ Group's profit for the year. The Board also proposes that the shareholder at the AGM determine the payment date as 8 May 2018.

Unappropriated profit available for appropriation by the Annual General Meeting:

Retained earnings	SEK 3,030,484,314
Profit for the year	SEK 736,940,201
Total	SEK 3,767,424,515

The Board of Directors proposes that the profit be appropriated as follows:

Total	SEK 3.767.424.515
To be carried forward:	SEK 3,498,624,515
Dividend to shareholder (SEK 67.20 per share)	SEK 268,800,000

21. Cash flow

Group/Parent Company C		Cash flows	Non-cash	nitems	
SEK million	Opening bal- ance, 1 January 2017	Amortisation	Reclassification	Change in fair value	Closing balance, 31 December 2017
Long-term loans	1,039		-95		944
Short-term loans	343	-343	98		98
Lease liabilities	20		-3		17
Assets as collateral for long-term loans	1,655			-353	1,302
Total liabilities, financing activities	3,057	343	0	-353	2,361

Group/Parent Company C		Cash flows	Non-casl	nitems	
SEK million	Opening bal- ance, 1 January 2016	Amortisation	Reclassification ¹	Change in fair value	Closing balance, 31 December 2016
Long-term loans	1,345	-63	-243		1,039
Short-term loans	111	-10	243		343
Lease liabilities	22	-3			20
Assets as collateral for long-term loans	1,772			-117	1,655
Total liabilities, financing activities	3,250	-76	0	-117	3,057

 $^{^{1)}}$ Reclassifications at the end of 2016 between short- and long-term loans after decision to make early repayment in 2017 as per agreement.

22. Leasing

Accounting policies

A lease is an agreement whereby the lessor conveys to the lessee, in return for payments, the right to use an asset for an agreed period of time. Lease fees are classified under either finance leases or operating leases. In a finance lease, the economic risks and benefits associated with ownership of an object are essentially transferred to the lessee. Any lease not classified as a finance lease is classified as an operating lease. In an operating lease, lease fees are expensed on a straight-line basis over the lease term.

Finance leases

Significant assets acquired under finance leases are recognised in the consolidated financial statements, and in the financial statements of the Parent Company, as non-current assets from the date when the lease is entered into and the equipment is delivered. At the start of the lease term, the leased asset and leased liability are measured at either the leasing object's fair value or the present value of the minimum lease fees, whichever is the lower. These amounts are payable to the lessor during the lease term, plus any amounts guaranteed by the lessee or by a related company.

The lease term is the period for which SJ AB has agreed to lease the asset. Under finance leases, assets are depreciated over their estimated useful life. The future commitment to the lessor is recognised as a liability in the balance sheet. Lease fees are divided between financial expenses and debt amortisations.

Present value of future minimum lease fees	Gro	oup	Parent Company			
SEK million	31/12/17	31/12/16	31/12/17	31/12/16		
Future minimum lease fees	25	29	25	29		
Interest	-4	-5	-4	-5		
Present value of future minimum lease fees	21	24	21	24		

Financial statements

Note 22 (cont.)

Maturity structure of leases

	Group/Parent Company									
	31/12	2/17	31/12/16							
SEK million	Future minimum lease fees	Present value of future minimum lease fees	Future minimum lease fees	Present value of future minimum lease fees						
Within 1 year	4	4	4	4						
Total current lease liabilities	4	4	4	4						
Within more than 1 year, but less than 5 years	15	12	16	13						
More than 5 years	6	4	10	7						
Total non-current lease liabilities	21	17	25	20						
Total lease liabilities	25	21	29	24						

Minimum lease fees include interest, contractual amortisation and the residual value of existing lease liabilities.

SJ has a lease that matures on 31 December 2024 and is classified as a finance lease. The lease pertains to a workshop for the maintenance of double-decker trains and an amount of SEK 3 million (3) is recognised as annual amortisation of the lease liability for this workshop.

Operating leases

	Group						Parent Company					
SEK million	Rolling stock	31/12/17 Prem- ises	Total	Rolling stock	31/12/16 Prem- ises	Total	Rolling stock	31/12/17 Prem- ises	Total	Rolling stock	31/12/16 Prem- ises	Total
Nominal value of future payment commitments												
Within 1 year	99	230	329	115	214	329	99	184	283	115	170	285
1-2 years	99	213	312	114	196	310	99	168	267	114	154	268
2-3 years	99	190	289	-	191	191	99	145	244	-	149	149
3-4 years	-	174	174	-	169	169	-	130	130	-	128	128
4-5 years	-	172	172	-	159	159	-	127	127	-	118	118
5 years or more	-	266	266	-	375	375	-	39	39	-	129	129
Total	296	1,245	1,541	229	1,304	1,533	296	793	1,089	229	848	1,077

The Group's operating leases relate for the most part to rolling stock and premises. The contract period varies between 0 and 5 years. The leases are contracted at standard market terms and conditions. In 2017, rent paid by the Parent Company amounted to SEK 266 million (200) and by the Group SEK 822 million (818).

23. Provisions

Accounting policies

Provisions are liabilities that are uncertain in terms of amounts or on which date they will be settled. A provision is recognised in the consolidated balance sheet when, as a result of a past event, the Group has a legal or informal obligation that is likely to require an outflow of resources that can be estimated reliably. Significant provisions are discounted to present value when the effect of the calculation is material. Dissolution of the present value calculation is recognised as a financial expense. Provisions are reviewed at each balance-sheet date and reversed if no longer present.

Annuities

Accident annuities consist of indemnities for third-party injuries arising from an accident. Just over 50 people who sustained injuries arising from SJ's railway operations are receiving such indemnities. Annuities are mostly life-long, but reduce when the beneficiary reaches the age of 65. Annuities are adjusted annually using an index linked to changes in the price base amount. Each year, Finansinspektionen (the Swedish Financial Supervisory Authority) determines the percentage by which accident annuities are to be adjusted. The provision is also revalued on the basis of assumptions regarding life expectancy, the discount rate and the index by which the index-linked annuities are uprated. In conjunction with this process, all assumptions used are subjected to review.

Revenue, SJ Prio points

Revenue arising from SJ's customer loyalty programme SJ Prio is recognised in accordance with IFRIC 15 from 2017.

Note 23 (cont.)

	Group											
	A	141	D t		Olas		Loya	•	041		т.	1
	Annu	ities	Restruc	cturing	Clai	ıms	progra	mme	Oth	ner	Tot	tat
SEK million	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Provisions, 1 January	161	168	4	1	41	36	119	106	20	5	345	316
Provisions	2	-	22	4	17	36	110	108	90	42	242	190
Estimated interest	1	1	-	-	-	-	-	-	-	-	1	1
Dissolution/revaluation	1	-2	-	-1	-3	-19	-32	-25	-	-	-34	-46
Utilised	-7	-7	-14	-	-15	-12	-74	-70	-48	-27	-158	-116
Provisions, 31 December	159	161	13	4	39	41	123	119	62	20	396	345
Distribution in balance sheet, 31 December												
Non-current provisions (BS)	152	154	2	1	9	13	17	16	21	0	201	184
Current provisions (BS)	7	7	11	3	30	28	106	103	41	20	195	161
Total	159	161	13	4	39	41	123	119	62	20	396	345

	Parent Company											
		Loyalty										
	Annu	ities	Restruc	cturing	Clai	ims	progra	ımme	Oth	ner	Tot	:al
SEK million	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Provisions, 1 January	161	168	4	1	40	20	119	106	20	5	344	300
Provisions	2	-	22	4	17	35	110	108	90	42	242	189
Estimated interest	1	1	-	-	-	-	-	-	-	-	1	1
Dissolution/revaluation	1	-2	-	-1	-3	-3	-32	-25	-	-	-34	-30
Utilised	-7	-7	-14	-	-15	-12	-74	-70	-48	-27	-158	-116
Provisions, 31 December	159	161	13	4	39	40	123	119	61	20	395	344
Distribution in balance sheet, 31 December												
Non-current provisions BS	152	154	2	1	9	13	17	16	21	0	201	184
Current provisions (BS)	7	7	11	3	30	27	106	103	40	20	194	160
Total	159	161	13	4	39	40	123	119	61	20	395	344

Claims

Provisions for claims consist of the provision for injuries sustained on SJ's rolling stock and policyholder's excess in insurance claims.

Loyalty programme

SJ Prio, launched in 2007, is SJ's loyalty programme for passengers. Today, SJ Prio currently has more than 1.2 million members, including 200,000 who joined in 2017. SJ's valuation of Prio points is based on their value to customers. To SJ, this means that the value of a journey paid with points is based on its value to the member, in other words, the average price for such a journey. A reduction is then applied to the value. The reduction is based on that the availability

of goods and services purchasable with points is limited, the validity of the points is limited and the availability of journeys that can be booked with points is restricted. The initial sale is divided into constituents using the component method, whereby a portion of the income is reserved as a payment obligation for the future bonus commitment. The provision for the loyalty programme falls due within two years.

Other

Other provisions for 2017 mainly consist of provisions for anticipated $\label{eq:consist} \begin{tabular}{ll} \end{tabular}$ losses during the contract period in tendered services, delay compensation and provisions for maintenance of rolling stock.

24. Interest-bearing liabilities

Accounting policies

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets, and that require a substantial period of time until completion, are included in the cost of the asset. Costs associated with the raising of new loans are allocated over the term of the loan using the effective interest method. Otherwise, borrowing costs are expensed.

Maturity structure, capital repayments

	Group		Parent Company	
SEK million	31/12/17	31/12/16	31/12/17	31/12/16
Within 1 year	98	343	98	343
Current interest- bearing liabilities BS	98	343	98	343
More than 1 year < 5 years	642	391	642	391
More than 5 years	320	668	320	668
Total non-current interest-bearing liabilities (BS)	962	1,059	962	1,059

SJ's borrowings consist of bank loans with rolling stock pledged as collateral. The agreements are not subject to financial credit terms.

In view of a strong cash flow in 2016, on 28 February 2017 SJ exercised its contractual option for voluntary repayment of a SEK 243 million loan. The SEK 243 million loan was reclassified to Current liabilities at year-end 2016. As a result of the repayment, three SJ 3000 trains that had been pledged as collateral were released to SJ. SJ still has 17 SJ 3000 train sets pledged as collateral for the loans.

The loans have an average term to maturity of 5 to 8 years.

25 Accrued expenses and deferred income

	Gro	oup	Parent Company		
SEK million	31/12/17	31/12/16	31/12/17	31/12/16	
Personnel-related expenses	217	245	185	184	
Electricity and infra- structure charges	100	131	87	96	
Rolling stock related expenses	137	145	118	119	
Licences and other IT expenses	32	26	32	26	
Other accrued expenses	82	98	73	47	
Prepaid annual season and other tickets	250	261	250	261	
Other deferred income	24	32	24	32	
Total BS	842	938	769	765	

26. Pledged assets

	Group		Parent Company	
SEK million	31/12/17	31/12/16	31/12/17	31/12/16
Collateral for raised loans	1,302	1,655	1,302	1,655
Total	1,302	1,655	1,302	1,655

On 28 February 2017, SJ repaid, with its own funds, a loan of app. SEK 243 million from Nordea Finans. As a result, three SJ 3000 trains that had been pledged as collateral were released to SJ. SJ still has 17 SJ 3000 train sets pledged as collateral for two loans from the Nordic Investment Bank. On 31 December, the carrying amount for all 17 train sets (20) was SEK 1,302 million (1,655).

27. Contingent liabilities

Accounting policies

Contingent liabilities are existing obligations attributable to past events that have not been recognised as a liability or provision. The reason is that it is unlikely that an outflow of resources will be required to settle the liability or that the amount of the liability cannot be determined with sufficient reliability.

	Group		Parent C	ompany
SEK million	31/12/17	31/12/16	31/12/17	31/12/16
Guarantee commitments as general partner	-	-	2	150
Capital adequacy guarantee, Group companies	_	-	102	50
Guarantees	330	330	330	330
Other	2	5	2	5
Total	332	335	437	535

Within the Group, guarantees consist primarily of guarantees provided in accordance with contracts for tendered services. The guarantees totalled SEK 330 million (330), of which the contracts operated by SJ Götalandståg on behalf of Västtrafik accounted for SEK 300 million (300).

SJ AB has issued a capital adequacy guarantee in favour of all subsidiaries valid until 31 December 2018.

SJ AB has received invoices from Jernhusen AB regarding capital costs compensation payments from AB Storstockholms Lokaltrafik. In 2012, an agreement was reached between SJ AB and Jernhusen AB regarding the cessation of invoicing, and the crediting of invoices issued for the period beginning on 1 January 2011. Further to the agreement, an engagement was signed to the effect that if Jernhusen AB were in the event of any future legal test found to be entitled to capital compensation, any right to penalty interest accruing to Jernhusen AB under the Swedish Interest Act shall be calculated as if invoicing had taken place on a current account basis as of 1 Janu-

During the year, SJ undertook to invest up to SEK 70 million in a property fund. The investment concerns management of funds intended to cover future payments of annuities.

28. Events after the balance-sheet date

No major events took place after the balance sheet date.

Declaration

The undersigned declare that the consolidated accounts and annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and in accordance with generally accepted accounting practice, and give a true and fair view of the financial position and

performance of the Group and the Company, and that the Directors' Report provides a true and fair view of the Group's and Company's operations, financial position and performance and describes the material risks and uncertainties faced by the companies in the Group.

Stockholm, 19 March 2018 Signatures on Swedish original.

Jan Sundling Chairman of the Board

Ulrika Dellby Director

Mikael Staffas Director

Siv Svensson Director

Michael Thorén Director

Mikael Stöhr Director

Kersti Strandqvist Director

Hans Pilgaard Employee representative

Per Hammarqvist Employee representative

Stefan Zetterlund **Employee representative**

Crister Fritzson Chief Executive Officer

Our Auditors' Report was submitted on 20 March 2018.

Deloitte AB

Hans Warén Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of SJ AB corporate identity number 556196-1599

This is the translation of the auditor's report in Swedish.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of SJ AB for the financial year 2017-01-01 - 2017-12-31. The annual accounts and consolidated accounts of the company are included on pages 23-80 except for the corporate governance report on pages 42-50 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and the statement of changes in financial position for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on

Revenue from independent commercial services SJ reports traffic revenue amounting to MSEK 7.368 for 2017, of which the vast majority is attributable to independent commercial services. Revenue from independent commercial services is recognized when the services are delivered. Revenue from independent commercial services is assessed to be a key audit matter due to the vast transaction volume, which implies that completeness and cut off are critical for a significant misstatement not to occur in the financial reporting. A complete and effective transfer between the booking system and accounting system is of particular importance.

For further information, refer to comments on the Income statement and Statement of comprehensive Income on page 51 Note 1 on Net sales. Our audit included the following procedures but were not limited to these.

- review of revenue process and testing of identified key controls
- review of accrual of revenue from own rail services
- review of completeness by testing the transfer between critical IT systems for revenue recognition with the involvement of IT auditors

- review of General IT Controls in ticket booking system and accounting system supported by IT auditors
- review of the application of appropriate accounting principles and whether required disclosures is presented.

Accounting for rolling stock

SJ reports as of 31 December 2017 rolling stock and construction in progress of a total of MSEK 5.238. Rolling stock is recorded at cost less accumulated depreciation and any accumulated impairments. The value is reassessed annually. Rolling stock is deemed to be a key audit matter because inaccurate assessments and assumptions in the following three areas may significantly impact the Group's performance and financial position:

- impairment test and related assessments and assumptions such as estimated future cash flows, discount rate and growth
- assessment of the useful life of investments
- classification of maintenance costs as capitalized or expensed For further information, please refer to Note 11, Property, plant and

Our audit included, but was not limited to, the following procedures:

- review of the process for recognition of non-current assets and assessment of the reasonableness of the assumptions made in the above-mentioned areas and in the model for impairment test of
- review of integrity and arithmetical accuracy in the impairment testing model for rolling stock with the support of our valuation
- review of the company's assessment of the useful life for a sample of rolling stock items
- review of application of fit-for-purpose accounting principles and whether the required disclosures are provided.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-22. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report".

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of SJ AB for the financial year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/ documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 42-50 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability

The Board of Directors is responsible for the statutory sustainability report on pages 24-39, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm, 20 March 2018 Deloitte AB Signature on Swedish original.

Hans Warén Authorised Public Accountant

Reporting principles - sustainability

The Sustainability Report for the SJ Group has been prepared in accordance with SJ's principles for sustainability reporting. The principles are based on the Global Reporting Initiative's (GRI) "G4 Sustainability Reporting Guidelines". Important elements of the UN Global Compact and OECD Guidelines for Multinational Enterprises have also been taken into account.

SJ's reporting principles are based on the ten reporting principles of the GRI G4 Guidelines. The principles are divided into two categories: four principles for determining content, and six principles related to quality.

Content:	Quality:
Materiality	• Balance
• Stakeholder inclusiveness	 Comparability
 Sustainability context 	• Accuracy
• Completeness	• Timeliness
	• Clarity
	• Reliability

Content

The content of SJ's sustainability work and this report are based on the results of the materiality analysis and related stakeholder dialogues. SJ has a diverse group of stakeholders, each of which have a different focus. To customers and passengers, punctuality and the travel experience are important, for example, while to SJ's owner, overall corporate sustainability is a prime aim.

Materiality

Our materiality analysis serves as a framework for identifying and prioritising the areas that reflect SJ's major impact on sustainability. The analysis also helps to identify the areas that may materially affect stakeholders' judgements and decisions. Read more on pages 20-21.

Stakeholder inclusiveness

In its sustainability report, SJ is required to state who the Company's stakeholders are and how SJ has lived up to their expectations and

SJ has a diverse group of stakeholders. Maintaining strong relationships and dialogue with all stakeholders plays an important role in the Company's development and helps us to identify prioritised sustainability issues. To meet the need of stakeholders for information and to assess what they consider important, SJ strives to maintain an open and constructive dialogue. This also means that the content of the Sustainability Report is relevant to stakeholders. How SJ operates in relation to its surroundings and its stakeholders should be based on sound business ethics, as well as consideration and respect for the individual and the environment. SJ's core values - Reliable, Simple, Caring and Joyful - form the basis for what the Company's stakeholders can expect of the Company.

Sustainability context

The purpose of SJ's sustainability report is to describe how these sustainability factors are tied into the Company's long-term strategies, risks and opportunities. Information about SJ's performance is to be reported in a broader sustainability context. SJ is also required to demonstrate a good understanding of sustainable development and to present factual information and objective measurements of the Company's development.

Completeness

The Sustainability Report should provide stakeholders with a comprehensive view of the organisation's impact on various sustainability aspects. Completeness indicates that the report covers all material units and aspects in accordance with the GRI framework. As a result, the operations of SJ AB, SJ Götalandståg AB and SJ Norrlandståg AB are included, as appropriate. The operations of SJ's wholly owned subsidiary Stockholmståg KB are included up to 11 December 2016, when the agreement to operate commuter services in Stockholm County expired.

Quality

Good quality and transparent sustainability reporting enables SJ's stakeholders to make accurate judgements regarding SJ's opera-

Balance

Balance is achieved when reporting reflects both positive and negative aspects of the operations. Highlighting negative issues creates greater credibility and brings areas with improvement potential to the fore, making more effective work on sustainability possible. Ultimately, this means that the interests of SJ's stakeholders are served. SJ is also required to make a clear distinction between what are facts and what are SI's interpretations. The emphasis in the report must be focused on aspects that SJ judges to be most material.

Comparability

SJ must present information in a way that enables stakeholders to analyse changes over time and compare them to those of other organisations. SJ must maintain consistency in methods used for calculating and compiling data and in reporting of methods and assumptions used to prepare information in the sustainability report. Significant changes between reporting periods in terms of boundaries, scope, reporting period and other significant information should be easy for SJ's stakeholders to identify and understand. By applying the generally accepted GRI G4 Guidelines, SJ enables comparability with other companies.

Accuracy

SJ's ambition is to ensure that the information in the Sustainability Report is accurate and sufficiently detailed to enable stakeholders to assess the Company's performance.

Timeliness

Timeliness means that SJ must maintain regular and up-to-date reporting. Sustainability information, including the GRI Index showing where information will be found, is disclosed annually in conjunction with publication of SJ's Annual Report. Information in the Sustainability Report and on the website includes clear references to the period concerned, when the information was last updated and when it will be updated again.

Clarity

SJ's ambition is that the information in the Sustainability Report should be easy to understand, accessible and usable by SJ's stakeholders. To achieve this, SJ uses tables and charts to clarify and illustrate the information reported.

Reliability

Anyone who reads SJ's Sustainability Report should be able to trust the information presented. SJ has procedures for gathering, documenting, analysing and explaining the content and processes used in the preparation of the report. SJ's ambition is that the content is reliable and that the report meets all the control requirements. SJ does not present information that cannot be substantiated via reliable documentation. As an assurance of reliability, the Sustainability Report is reviewed by an external auditor.

Auditor's Combined Assurance Report on SJ's **Sustainability Report**

This is the translation of the auditor's report in Swedish.

To SJ AB

Introduction

We have been engaged by the Board of Directors of SJ AB to undertake an assurance engagement of SJ AB's Sustainability Report for the year 2016. The Company has defined the scope of the Sustainability Report on the contents page in the SJ AB's Annual and Sustainability Report 2017.

Responsibilities of the Board of Directors and Group Management for the Sustainability Report

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on the contents page in the SJ AB's Annual and Sustainability Report 2017, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the procedures we have performed.

We conducted our engagement in accordance with with ISAE 3000 Assurance Engagements Other than Audits or Reviews of His $torical\,Financial\,Information.\,The\,engagement\,includes\,a\,limited$ $assurance\,engagement\,on\,the\,complete\,Sustainability\,Report$ and an audit of the information that is specified below. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a sample basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. Hence, the conclusion based on our limited assurance procedures does not comprise the same level of assurance as the conclusion of our reasonable assurance procedures. Since this engagement is combined, our conclusions regarding reasonable assurance and limited assurance are presented separately below.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SJ AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our audit has comprised the sustainability related information presented in SJ AB's Annual and Sustainability Report, section "Responsible Management" on the pages 24-37.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above.

We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

In our opinion the information in the Sustainability Report which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 20 March 2018

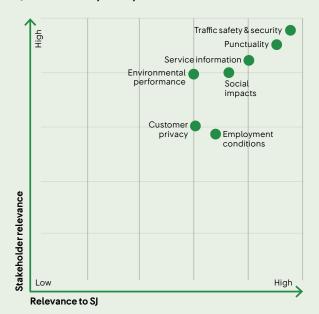
Deloitte AB Signatures on Swedish original.

Hans Warén Authorized Public Accountant

Andreas Drugge **Expert Member of FAR**

GRI Index

SJ's materiality analysis



Materiality analysis

In 2015, we conducted a materiality analysis to identify and rank the areas that are of greatest materiality in terms of SJ's long-term value creation. The outcome of the materiality analysis was discussed and verified in 2015 by a Board panel, customer panel, employee panel and supplier panel. The Board and customer panels particularly emphasised the importance of safety, punctuality and service information. The employee panel highlighted the importance of SJ's corporate social responsibility.

Verification of the 2017 materiality analysis

SJ conducts a highly active and wide-ranging dialogue with key stakeholders, which provides us with good insight into the issues that are important to those who are affected by SJ's operations. Since 2015, safety, punctuality and service information have remained the issues of prime importance both to SJ and our stakeholders.

Since 2016, purchasing and suppliers have not been a material aspect in SJ's GRI reporting, following in-depth monitoring of compliance with the SJ Group's Supplier Code of Conduct and sustainability audits thereafter. As a result, we are assured that we have a relatively good understanding of which suppliers are to be engaged and the potential risk that they represent.

The seven aspects that are regarded as material are shown in the diagram, left, and are matched with indicators in our GRI Index,

General standard disclosures

Disclosure	Description	Report/comment	Page reference
	Strategy and analysis		
G4-1	Statement from the most senior decision-maker of the organisation		4-5
	Organisational profile		
G4-3	Name of organisation		Cover
G4-4	Primary brands, products and services		16-17
G4-5	Location of organisation's headquarters		23
G4-6	Countries where the organisation has significant operations		23
G4-7	Nature of ownership and legal form		23, 42
G4-8	Markets served		23
G4-9	Size of the organisation		3
G4-10	Number of employees by employment, gender and region	SJ does not report per region, since no such categorisation exists within the Group.	89
G4-11	Percentage of employees covered by collective bargaining agreements	All employees of the SJ Group are covered by collective bargaining agreements.	
G4-12	Description of the organisation's supply chain		89
G4-13	Significant changes regarding the organisation's structure, size, ownership	On 11 December 2016, the wholly owned subsidiary Stockholmståg discontinued the operation of commuter services in Stockholm County, when the agreement expired. As a result, the majority of employees at Stockholmståg were transferred to the new operator. The number of employees in the SJ Group was therefore reduced by around 800.	
G4-14	Application of the precautionary approach or principle	The precautionary principle is described in the Swedish Environmental Code, and SJ complies with the provisions of this legislation in, for example, selecting materials for new trains and selecting chemical products in its maintenance workshops.	
G4-15	External principles and initiatives that the organisation supports		10, 18, 24, 26, 29, 35, 42
G4-16	Memberships of organisations		89

Disclosure	Description	Report/comment	Page referen
	Identified material aspects and bounda	ries	
G4-17	Group companies included in the reporting		74
G4-18	Process for defining the report content		92
G4-19	Material aspects identified		86-88
G4-20	The aspect boundary for each material aspect within the organisation	Unless otherwise indicated, all material aspects concern the SJ Group, that is, SJ AB and its subsidiaries SJ Norrlandståg and SJ Götalandståg. The outcomes for 2015 and 2016 include the subsidiary Stockholmståg, whose activities terminated on 11 December 2016.	
G4-21	The aspect boundary for each material aspect outside the organisation	With the exception of G4-EN18, which also applies to tendered replacement services for SJ AB, the aspects selected are not significant outside the organisation.	
G4-22	Restatements of information provided in previous reports.	No	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	LA6 details outcomes for 2016 excluding Stockholmståg, with the exception of absence due to illness, which applies to the SJ Group.	
	Stakeholder engagement		
G4-24	Stakeholder groups with whom the organisation is engaged		20-21
G4-25	Basis for identification and selection of stakeholders		20-21
G4-26	Approach to stakeholder engagement		20-21
G4-27	Key topics raised through stakeholder engage- ment		20-21
	Report profile		
G4-28	Reporting period	The reporting period is 1 January - 31 December 2017. In certain cases, reporting may be affected by incidents occurring during the reporting period being reported after publication of this report.	
G4-29	Date of publication of the most recent report	The sustainability report for the 2016 financial year was published on 22 March 2017.	
G4-30	Reporting cycle	The annual and sustainability report is updated annually.	
G4-31	Contact point	The contact person for questions regarding the report or its contents is Ann-Marie Boberg, Stab Ekonomi (Finance Staff Unit), telephone number (+46)-10-751 50 34.	
G4-32	Report in accordance with GRI Guidelines and the GRI Index		Inside cover
G4-33	Policy and current practice with regard to external assurance		Inside cover
	Governance		
G4-34	Governance structure of the organisation		42-50
	Ethics and integrity		
	Luncs and integrity		

Specific standard disclosures

Traffic safety and security		
Material aspect: Traffic safety and security (SJ aspe	ect)	
DMA		30, 46-47
Traffic Safety Index (SJ indicator)	Stockholmståg is not included in the Traffic Safety Index for 2015 and 2016 as it had its own safety cer- tificate.	25, 30-31
Material aspect: Occupational health and safety		
DMA		46-47, 89
	Material aspect: Traffic safety and security (SJ aspection) DMA Traffic Safety Index (SJ indicator) Material aspect: Occupational health and safety	Traffic Safety Index (SJ indicator) Stockholmståg is not included in the Traffic Safety Index for 2015 and 2016 as it had its own safety certificate. Material aspect: Occupational health and safety

Disclosure	Description	Report/comment	Page reference
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	SJ does not report per region, since no such categorisation exists within the Group.	89
	Punctuality		
	Material aspect: Punctuality (SJ aspect)		
	DMA		35, 46-47
SJ2	Punctuality outcome (SJ indicator)	The definition was amended in early 2017 to refer to long distance, middle distance and local services. Historical outcomes are restated to fit this definition.	25, 35-36
	Service information		
	Material aspect: Service information (SJ aspect)		
	DMA		14, 33, 46-47
SJ3	Information during major disruption	As a result of a new measurement method introduced in 2017, the outcome for the year is not comparable with those of previous years.	90
	Socialimpacts		
	Material aspect: Economic performance		
	DMA		46-47, 50
G4-EC1	Direct economic value, generated and distributed		32
	Material aspect: Indirect economic impacts		-
	DMA		46-47, 90
G4-EC8	Significant indirect economic impacts, including the extent of impact		1, 9, 11-12, 16-17, 29-30, 32-33, 37
	Environmental performance		
	Material aspect: Energy		
	DMA		46-47, 96
G4-EN3	Energy consumption within the organization		90
	Material aspect: Emissions		
	DMA		46-47, 90
G4-EN18	Greenhouse gas emissions		90
	Employment conditions		
	Material aspect: Employment		
	DMA		26, 28, 46-47,
			91
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	SJ does not report per region, since no such categorisation exists within the Group.	91
	Material aspect: Diversity and equal opportunity		
	DMA		26, 46-47
G4-LA12	Composition of governance bodies and break- down of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	In accordance with Swedish legislation, SJ only reports breakdown by gender and age.	91
	Material aspect: Non-discrimination		
	DMA		26, 46-47
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination occurred in the SJ Group in the 2015-2017 period.	
	Customer privacy		
	Material aspect: Customer privacy		
	DMA		34, 46-47, 91
G4-PR8	Total number of substantiated complaints regard- ing breaches of customer privacy and losses of customer data		34

G4-10 Number of employees by employment contract, gender and region

	2017		2016		2015	
Total	Women	Men	Women	Men	Women	Men
Permanent employees	1,521	2,118	1,532	2,121	1,777	2,747
Temporary employees	48	49	41	42	36	46
Hourly- paid employees	318	481	292	399	290	420
Total	1,887	2,648	1,865	2,562	2,103	3,213

The figures above, taken from the companies' payroll systems, refer to physical persons on 31 December. SJ Group employees consist solely of salaried employees, all of whom are covered by collective bargaining agreements. An insubstantial portion of the Group's work is performed by contracted personnel or consultants. The Company does not employ seasonal workers (although it does engage holiday replacement personnel).

On 11 December 2016, the wholly owned subsidiary Stockholmståg stopped operating commuter services in Stockholm County, when the relevant agreement expired. As a result, the majority of employees at Stockholmståg were transferred to the new operator.

G4-12 Description of the organisation's supply chain

Our starting-point is that SJ focuses on its core expertise, passenger services by rail, but we also procure goods and services to a value of around SEK 5 billion from around 2,500 suppliers annually. SJ has a responsibility for ensuring that the Group's purchasing is conducted in as sustainable a way as possible.

SJ's purchasing falls into the categories of day-to-day purchases and investments. Day-to-day purchases relate, above all, to train maintenance, on-board catering, hotel accommodation for on-board personnel, replacement buses, marketing, IT services, rolling stock care (cleaning, terminal services etc.), leasing of premises and consultancy and other services. SJ's part-owned subsidiary Linkon handles booking and distribution of tickets. HCL is responsible for operating and developing SJ's IT systems.

G4-16 Memberships of organisations

Industry association ALMEGA Spårtrafik, www.almega.se Tågoperatörerna (Association of Swedish Train Operating

CSR Sweden, www.csrsweden.se

Companies), www.tagoperatorerna.se

Fossilfritt Sverige (the Fossil Free Sweden initiative), www. regeringen.se/regeringens-politik/fossilfritt-sverige International Union of Railways (UIC), www.uic.org

KRAV, www.krav.se

Naturskyddsföreningen (the Swedish Society for Nature Conservation), www.naturskyddsforeningen.se,

SJ has been offering Good Environmental Choice-labelled journeys since 1994.

Nätverket för Transporter och Miljön (NTM) (Network for Transport and Environment),

www.transportmeasures.org/sv/

Nätverket för Hållbart Näringsliv (NMC) (the Swedish Association for Sustainable Business), www.nmc.a.se

Nätverket för hållbart företagande, för statligt ägda bolag (Network for Sustainable Enterprise at State-Owned Com-

Svensk Kollektivtrafik (SLTF) (the Swedish Public Transport Association), www.sltf.se, associated member

TransportForsK AB (TFK), www.tfk.se

DMA: Occupational health and safety

Occupational injuries and near-accidents are those that occurred during the year indicated (that is, not necessarily reported in the year when they occurred). The incidents are reported via the tools used by the companies and gender is not specified. In consultation with safety representatives, the managers in the organisation endeavour to increase the reporting of near-accidents in order to identify areas for improvement. Contract personnel are engaged to a very minor extent. Such personnel include customer hosts during service disruptions. No near-accidents or injuries were reported for contract personnel during 2015-2017.

In the SJ Group, a systematic focus is applied to the work environment within the scope of the Swedish Work Environment Act, in association with the safety organisation, safety representatives and safety committees.

With regard to absence due to illness, the Group's companies target efforts on preventing illness via fitness activities, responding quickly to signals of ill-health and offering an effective rehabilitation process in partnership with the company health service.

G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender

	2017	2016 ¹	2015
Number of reported accidents (excl. illness, travel accidents)	339 ²	287	276
Reported accidents per total number of hours worked, %	0.0062	0.005	0.004
Number of near-accidents reported	539 ²	984	1,3073
Reported near-accidents per total number of hours worked, %	0.0092	0.018	0.0173
Number of fatal accidents	0	0	0
Number of days of absence due to illness	31,913	32,837	60,143
Reported cases of occupational illness	_ 2	20	65
Absence due to illness, SJ Group, %	5.4	6.6	6.5

¹⁾ Outcome for 2016 excludes Stockholmståg, with the exception of absence due to illness (%), which refers to the SJ Group.

The 2017 launch of a mobile app for reporting of deviations resulted in an increase in the volume of incidents reported. Changes in some categories led to lack of clarity and errors in reporting of deviations. In particular, reported cases of occupational illness were affected, with the number rising very sharply compared with 2016. A review highlighted that the actual number of cases of occupational illness in 2017 was in line with the outcome for 2016. For that reason, SJ decided not to report an outcome for 2017. Measures will be taken in 2018 both to improve clarity in definitions and to rectify wrongly categorised incidents.

²⁾ The outcome was affected by lack of clarity in definitions, see below.

³⁾ Includes traffic safety incidents in reporting by Stockholmståg.

SJ₃ Information during major disruption

The on-board survey conducted every quarter includes questions on how passengers feel about the information provided during major disruptions. The outcome is presented in the form of an index for SJ AB's long-distance services (SJ High-Speed and SJ InterCity) and regional services.

The measurement method was improved in 2017 and so the outcome for the year is not comparable with that of the previous year. One way of improving the result for regional services would be to obtain more details from users of the services, in order to be able to contact them by SMS text or the SJ app during disruptions.

Index	2017	2016	2015
Information during major disruption (+21 min.), SJ AB long-distance services	69 ¹	73	73
Information during major disruption (+6 min.), SJ AB regional services	68¹	59	57

¹⁾ The measurement method was amended in the second guarter of 2017. The outcome for 2017 is based on responses received in April-December and is not comparable with previous years

DMA: Significant indirect economic impacts, including the extent of impacts

In this report and on the SJ website (www.sj.se), several examples are presented showing how SJ's operations contribute to regional enlargement and make it possible for many people to work in one place and live in another. Every day, SI operates 1,200 departures from 284 stations. A description of the trend of passenger use in Sweden will be found on page 16.

SJ's flexible pricing model ensures that tickets are available at a favourable price, especially for passengers who are able to make their booking in good time or can be flexible with travelling times. A review of SJ's business appears on pages 16-17. SJ regularly monitors the trend of passenger use per line to match supply with demand. Information on punctuality per line is updated weekly at www.sj.se.

With around 4,500 employees, SJ is a major employer. SJ's operations also create many jobs outside the organisation itself, above all in depot activities, but also in catering, for example. Modernisation of our X 2000s is taking place at Tillberga, near Västerås, where around 100 jobs have been created. Another nearly 200 people are also engaged in Switzerland and Sweden in the modernisation programme.

SJ is a relatively large buyer of services and goods, of which the absolute majority of the approximately 2,500 suppliers operate in Sweden.

DMA: Energy

SJ consumes considerable volumes of electricity, mainly to drive trains, but also in marshalling of parked trains. The use of electricity is significant in terms of consumption of resources, but not with regard to carbon dioxide emissions. An in-house expert monitors electricity consumption every month.

With a view to reducing electricity consumption, SJ has for several years maintained a focus on eco-driving, among other initiatives. Energy consumption by trains is also determined by factors such as weather, number of halts and speed, and so the effect of energy efficiency measures has a long-term impact on overall consumption but cannot be interpreted in detail from one year to the next.

SJ falls within the scope of the Swedish Act (2014:266) on Energy Surveys of Large Companies, and reported to the Swedish Energy Agency in the first quarter of 2017.

G4-EN3 Energy consumption within the organization

SI purchases 100 percent renewable electricity from hydropower sources to operate its trains in Sweden, Norway and Denmark. The Swedish Transport Administration (STA) supplies electricity to power trains in Sweden. SJ journeys are Good Environmental Choice-labelled, indicating that 50 percent are powered by Good Environmental Choice electricity. This is assured via separate ordering with STA.

Since 19 June 2016, SJ Götalandståg has been operating the Kinnekulle Line on behalf of Västtrafik. The route is serviced by locomotive trains powered by diesel, as most of the line is not electrified. 27 percent of the diesel used is biofuel. In 2017, diesel consumption per kilometre was 6 percent lower than in 2016. The reduction was in all probability due to the fact the SJ and Västtrafik had rolling stock modified, power sockets in the rail yards adapted so that parked rolling stock is now heated by electricity rather than diesel.

SJ does not buy heating, refrigeration or steam.

Energy consumption, train operations

GWh	2017	2016	2015
Electricity consumption			
SJ AB and SJ Norrlandståg	562 ¹	517	510
SJ Götalandståg	91	81	102
Stockholmståg	-	1822	211
Total electricity consumption	653	780	823
Diesel consumption			
SJ Götalandståg, diesel MK1 (not renewable)	8.1	5.13	-
SJ Götalandståg, biofuel (renewable)	2.9	0.83	-
Total diesel consumption	11.0	5.9	-

¹⁾ Effective 1 January 2017, services formerly operated by SJ Norrlandståg are now operated by SJ AB.

DMA: Emissions

The low emissions of greenhouse gases from electric train services is an important competitive advantage over other modes of transport.

SJ monitors its emissions of carbon dioxide and carbon dioxide equivalents to enable it to work both preventively and remedially, for example through the use of refrigerants. Greenhouse gas emissions are followed up annually. SJ does not climate-compensate for climate-impacting emissions.

SJ is not affected by any GHG-based (Greenhouse Gas Protocol) legislation.

G4-EN18 Greenhouse gas emissions

SJ's calculations include greenhouse gas emissions from train operations, rail replacement services and refrigerant leakage (Scope 1, Scope 2 and Scope 3).

Emissions from rail replacement services were further reduced in 2017 by the increased use of biofuels. Emissions of refrigerants were lower as a result of remediation of design errors in SJ 3000 rolling stock (X55).

Grams of carbon dioxide equivalents/			
passenger kilometres	2017	2016	2015
SJ AB and SJ Norrlandståg	0.171	0.26	0.23

 $^{^{1)}}$ Effective 1 January 2017, services formerly operated by SJ Norrlandståg are now operated by SI AB.

²⁾ Services were discontinued on 10 December 2016.

³⁾ Services started on 19 June 2016.

DMA: Employment conditions

The SJ Group's Supplier Code of Conduct is based on internationally accepted initiatives and standards, and describes the Group's fundamental policies in areas such as human rights, legal compliance and the environment. For example, the Code requires all SJ suppliers to allow their employees the freedom to exercise their legal right to organise and negotiate collectively without hindrance.

Contract personnel are engaged to a very minor extent in the SJ Group. Such personnel include customer hosts during service disruptions. When contracting personnel or engaging consultants, the process is open and carried out in consultation with the employee organisations, in accordance with Swedish legislation (MBL, the Co-determination in the Workplace Act).

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

	2017	,	2016	5	2015			
	Women	Men	Women	Men	Women	Men		
Number of new								
recruits	135	213	106	200	53	92		
<30 years	66	69	45	59	30	35		
30-50 years	52	104	50	112	18	47		
>50 years	17	40	11	29	5	10		
Number of employees leaving	152	210	199	198	74	115		
<30 years	47	26	28	24	34	24		
30-50 years	68	65	79	77	24	45		
>50 years	37	119	92	97	16	46		

	2017		2016	5	2015			
%	Women Men		Women	Men	Women Me			
Percent- age of new recruits	3.0	4.7	2.4	4.5	1.0	1.8		
<30 years	1.5	1.5	1.0	1.3	0.6	0.7		
30-50 years	1.1	2.3	1.1	2.5	0.3	0.9		
>50 years	0.4	0.9	0.2	0.7	0.1	0.2		
Percent- age of employees leaving	3.4	4.6	4.5	4.5	1.4	2.2		
<30 years	1.0	0.6	0.6	0.5	0.6	0.5		
30-50 years	1.5	1.4	1.8	1.7	0.5	0.9		
>50 years	8.0	2.6	2.1	2.2	0.3	0.9		

Employee transfers at commencement or termination of contracts for tendered services are excluded.

G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity

Breakdown of employees according to employee categories relevant to SJ on 31 December.

	2017						2016						2015					
	Wo	omen		N	/len		Women			Men			Women			Men		
%	<30 3	0-50	>50	<30 3	0-50	>50	<30 30-50 >50		>50	<30 30-50 >50		<30 30-50		>50	<30 30-50		>50	
Individual-based pay	5	24	13	5	28	26	5	25	12	5	28	26	5	26	11	4	27	27
Position-based pay	11	19	11	11	24	24	12	20	11	10	23	25	10	18	11	9	25	27
- Train driver	2	10	3	9	38	39	2	10	2	8	36	42	3	9	3	8	35	42
- Train host	15	27	18	9	13	18	15	28	17	8	13	19	12	28	16	7	17	20
Managers ¹	3	28	14	1	29	26	1	29	16	1	26	27	4	25	13	1	22	35
Management team at companies	_	21	32	-	11	37	-	23	20	-	7	50	3	31	9	-	6	51
Board of Directors ²	-	14	29	-	29	29	-	14	29	-	29	29	-	14	29	-	29	29

¹⁾ In charge of subordinate personnel but is not a member of a management team.

On 11 December 2016, the wholly owned subsidiary Stockholmståg stopped operating commuter services in Stockholm County, when the relevant agreement expired. As a result, the majority of employees at Stockholmståg were transferred to the new operator.

DMA: Customer privacy

Through SJ's loyalty programme, SJ Prio, the Company has good knowledge of the booking and travel habits of its passengers. This in-depth insight into what customers prioritise is used in adapting SJ's service offering. Sweden's Personal Data Act (PUL) lays down the criteria for handling of customer data, and the customer's privacy is always treated as an important element of projects using data from SJ Prio.

On 25 May 2018, the new General Data Protection Regulation (GDPR) will replace Sweden's Personal Data Act. SJ has long been making preparations for meeting the requirements of the new regulation.

SJ has established a risk and safety forum with particular responsibility for safety risks in operations, including risks relating to information security. The forum regularly produces information security reports and preventive action is taken on the basis of those reports. SI maintains a constant focus on systematic work on risk management and safety.

²⁾ Board members elected by the AGM.

Definitions and glossary

Definitions of SJ's alternative key financial metrics

SJ presents various alternative key financial metrics that are not defined in IFRS in accordance with guidelines issued by ESMA. Alternative key financial metrics are presented for financial performance and financial position. SJ believes that these metrics provide valuable supplementary information to the owner, Board of Directors and Executive Management to aid evaluation of results and performance. As not all companies calculate financial metrics in the same way, these metrics are not always comparable with metrics used by other companies. SJ's financial metrics should therefore not be considered as a substitute for the metrics defined by IFRS. Key metrics defined in accordance with IFRS: profit/loss for the period and earnings per share.

Alternative key financial metrics

Cash and cash equivalents

Cash and cash equivalents are the sum of cash and cash balances plus interest-bearing investments with a maturity of not more than 90 days on the date of acquisition.

Equity/assets ratio

Equity in relation to total assets.

Return on equity

Profit/loss for the period as a percentage of average equity for a rolling 12-month period.

Return on operating capital

Operating profit/loss as a percentage of average operating capital for a rolling 12-month period.

Net debt/equity ratio

Interest-bearing provisions and interest-bearing liabilities net, less interest-bearing assets (net debt/net cash) in relation to equity.

Net debt/net cash

Interest-bearing provisions (provisions for accident annuities) and interest-bearing liabilities net, less interest-bearing assets (short-term investments and cash/cash equivalents).

Operating capital

Average equity and net debt.

Operating income

The difference between operating income and operating expenses.

Operating margin

Operating profit/loss as a percentage of net income.

Profit margin

Profit/loss after financial items as a percentage of operating income.

Traffic revenue

Income from independent commercial services and tendered services.

Yield

Traffic revenue from independent commercial services (SJ tickets), including booking fees and less delay compensation, divided by the total number of passenger kilometres.

Definitions of key nonfinancial metrics

Absence due to illness

Key metric indicating the number of employees on sick leave divided by the number of full-time equivalents. Employees receiving sickness benefits until further notice are not included in the statistics for absence due to illness.

Average number of employees

The number of full-time equivalent employees as an average of the annual hours worked.

Brand Index (BI)

Key metric indicating how SJ is perceived by the public based on SJ's core values - Reliable, Simple, Caring and Joyful.

Customer/Passenger Satisfaction Index

Key metric indicating customer/passenger satisfaction with SJ, based the customer's overall travel experience with SJ over the past 12 months. Both SL and Västtrafik conduct monthly on-board surveys to measure passenger satisfaction levels for journeys with Stockholmståg and SJ Götalandståg. SJ Götalandståg's index measures satisfaction based on the most recent journey.

Employees

See full-time equivalents (FTEs).

Environmental Index

Key metric indicating how customers rate SJ's level of environmental awareness. This is measured via regular on-board surveys.

Full-time equivalents

The number of employees, measured by contracted hours and full-time positions. The figure does not include employees on unpaid leave of absence. Full-time equivalent employees is a measure of time over the "contractual" period.

Someone who is employed full-time is a full-time equivalent. Someone who is employed on an 80 percent basis is a 0.8 fulltime equivalent. The time worked by hourly-paid employees is recalculated to be able to state it on the full-time equivalent basis.

Greenhouse gas emissions

Train operations, electric (Sweden, Norway, Denmark): Electricity consumption in the respective country (kWh) x hydropower emissions, EPD 2015 Vattenfall (0.047 g $CO_2e/$ kWh, including losses). Replacement services: Kilometres driven (measured) x CO2e factor (estimated). Data for the number of kilometres driven is obtained from replacement services providers. For buses, the estimated consumption of diesel was 2.5 litres per 10 km and the share of biofuel (renewable) was 67%. Source for CO₂e/litre of fuel: Swedish Energy Agency. For taxis, the proportion of eco-friendly cars was estimated 65% and emissions were estimated at an average of 100 grams CO₂e/km. Refrigerants: Measured leakage kg of refrigerants xGWP per type of refrigerant. GWP = Global Warming Potential. The GWP figures have been updated in accordance with EU Directive 517/2014. Measured leakage data are $obtained \, from \, SJ's \, maintenance \, providers.$

Leadership Index

Key metric indicating how SJ's employees rate their manager in terms of helping to create the conditions for performance. This is measured via the annual employee survey.

Number of journeys

Number of part-journeys sold per line.

Number of journeys/passengers per year

Total number of journeys sold per year.

Number of passengers

Total number of journeys sold per line.

Passenger distance

Measured in passenger kilometres.

Passenger kilometres

Number of passengers x number of kilometres travelled. This comprises all SJ tickets, including annual and monthly season tickets.

Performance Index

Key metric illustrating the conditions for SJ employees in their day-to-day working situation for performing their tasks. This is measured via the annual employee survey.

Punctuality

Key metric indicating the percentage of trains arriving at stations according to the current timetable. As of 2013, the industry standard for punctuality is defined as on time + 5 minutes for long distance and medium distance services, and on time + 3 minutes for local trains.

Regularity

Key metric indicating the percentage of trains departing from their originating station and arriving at their terminating station according to the planned timetable two days prior to the day of service.

Seat kilometres

Seat kilometres offered for sale, meaning the number of available seats multiplied by the length of the trip.

Service Index

Key metric monitored internally and indicating the passenger's perception of SJ's service, information, accessibility and on-board customer interaction.

SJ Volunteer

Sustainability target that offers employees the chance to engage in voluntary work during working hours.

Supplier and partnership assessments

Sustainability targets aimed at ensuring that the high and medium-risk suppliers identified for the SJ Group comply with the requirements in SJ Group's Supplier Code of Conduct.

Sustainability audits

In-depth supplier audits from a sustainability perspective.

Traffic Safety Index

Key metric defined as an evaluation of all traffic safety-related accidents in relation to the production volume.

Glossary

Accessibility

How well the environment in, and immediately nearby, SJ's trains has been adapted for people with disabilities.

Biofuel

Liquid fuel produced from renewable sources.

CO₂e

Carbon dioxide equivalents.

Combined mobility

Arrangement whereby different modes of transport are combined for passengers to travel from one location to another.

Delay compensation

SJ's undertaking to compensate passengers for delays. For current information and conditions, visit www.sj.se.

DMA

Disclosure on Management Approach.

EFQM (European Foundation for Quality Management)

A quality assurance model for business development that SJ uses to measure its progress in relation to its vision and adopted targets.

Global Compact

The UN's principles in the areas of human rights, labour standards, the environment and anti-corruption. The principles are based on the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption.

Global Reporting Initiative (GRI)

The GRI is an independent international organisation that issues guidelines on sustainability reporting (www.globalreporting.org).

Good Environmental Choice

All journeys by SJ AB carry the Good Environmental Choice (Bra Miljöval) label, issued by the Swedish Society for Nature Conservation. A Good Environmental Choice iourney has low climate impact, is energy-efficient and generates low emissions. One of the requirements is that 50% of electricity purchased must be Good Environmental Choice-labelled.

Independent commercial services

Services that SJ operates on a commercial basis, or tendered services that are wholly or partially financed by ticket sales. Commercial services include operation of the X 2000 service between Stockholm and Gothenburg. Tendered services include night-train services to and from Upper Norrland.

ISO 9001

An international standard for quality management systems.

ISO 14001

An international standard for environmental management systems.

Local services

Passenger trains serving to transport passengers locally - advertised normally as commuter or airport services.

Long-distance services

Passenger trains serving to transport passengers inter-regionally - advertised normally as long-distance (InterCity), nighttrain or high-speed services.

Manager

A person with subordinates but not in a management team.

Medium-distance services:

Passenger trains serving to transport passengers regionally - advertised normally as regional services.

Non-Swedish background

Any person who was either born abroad or born in Sweden of two parents born abroad, according to the definition from SCB (Statistics Sweden).

On-board survey

Regular customer surveys conducted on board trains.

Passenger Transport Executives (PTEs)

Responsible for the local and regional scheduled passenger services in a county.

Refrigerants

Refrigerants are used in air-conditioning installations and refrigerators on board trains. The refrigerants used today are powerful greenhouse gases and contribute to climate change if leaked.

Replacement services (bus and taxi)

Buses and taxis are used as replacement services during planned track maintenance and unplanned disruptions to rail services. Replacement services are ordered by Traffic Control.

Senior executives

Members of Executive Management and the presidents of subsidiaries who report to the CEO.

Short-term investments

In the Parent Company balance sheet, short-term investments are investments with a term to maturity of less than 1 year.

In the Group, the term to maturity ranges from 3 months to 1 year. Long-term bonds held for sale are also included in short-term investments, irrespective of their maturity.

Staging station

Physical premises adjacent to a train station, where train hosts and train drivers are based.

Train kilometres

The total distance of the routes travelled by all trains.

Train paths

Time window/channel in which the train operator would like to run services on a route during a specific period and with a specific departure and arrival time.

Train timetable

Timetable for all trains during one year. The Swedish Transport Administration (STA) is responsible for the production of a train timetable each year.

Tendered services

The services operated on behalf of regional and national public transport authorities.

Production: SJ in partnership with Intellecta Corporate AB

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