SJ in brief

- SJ is a customer-oriented, modern and profitable travel company that manages 55 percent of the total train traffic in Sweden.
- Each day, 100,000 people travel with SJ on 700 trains.
- SJ has about 5,400 employees.
- All travel by SJ trains in Sweden is marked with the ecolabel Good Environmental Choice. SJ purchases 100 percent renewable electricity from water and wind power for train operation in Sweden.

Financial results for 2010 showed a net turnover of SEK 8.6 billion. The equity/assets ratio amounted to 48 percent, thereby exceeding the owner requirement of 30 percent. Return on equity amounted to 6.7 percent.

SJ is expanding its own traffic both in Sweden and abroad. In 2010, traffic expanded to Copenhagen, with departures to Odense. In Sweden, we expanded traffic between Stockholm and Umeå and between Örnsköldsvik and Umeå.

Market shares of modes of transport 2010, trips 100–300 km

- Plane 1%
- Bus 5%
- Train 15%
- Car 79%

Source: Turistdatabanken

Market shares of modes of transport 2010, trips longer than 300 km

- Plane 19%
- Bus 3%
- Train 25%
- Car 53%

Source: Turistdatabanken

CO₂ emissions (carbon dioxide)

- Plane
- Bus
- Car
- Train

Return on equity, %

- Plane
- Bus
- Car
- Train

Customer Satisfaction Index

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**CO₂ emissions (carbon dioxide)**

<table>
<thead>
<tr>
<th>Mode</th>
<th>Emissions (kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plane</td>
<td>1 kg</td>
</tr>
<tr>
<td>Car</td>
<td>79 kg</td>
</tr>
<tr>
<td>Bus</td>
<td>5 kg</td>
</tr>
<tr>
<td>Train</td>
<td>15 kg</td>
</tr>
</tbody>
</table>

Source: Touristdataabse

**Market shares of modes of transport 2010, trips 100–300 km**

- Car: 79%
- Train: 15%
- Bus: 5%
- Plane: 1%

**Market shares of modes of transport 2010, trips longer than 300 km**

- Car: 53%
- Train: 25%
- Bus: 19%
- Plane: 5%

Source: Touristdataabse

**Return on equity, %**

- 2010: 6.7%

**Cash flow from operating activities**

- 2010: SEK 8.6 billion

**Customer Satisfaction Index**

- 2010: 76
### Significant events in 2010

- SJ customers were affected by delays during the extra winter months. This generated extra costs for SJ and involved passengers. SJ operated an additional 19 trains on its way to Sweden. The first stretch of the X 2000 fleet was delivered to SJ, which had been affected by the tick-borne encephalitis virus.
- On 12 September, a train accident occurred in Kimstad. SJ examined all (over 3,000) carriage wheels on locomotives and carriages. A utility vehicle collided with an X 2000 that was on its way from Stockholm to Malmö. 15 people were affected by delays during the second quarter. Net turnover MSEK 38 (390)
- SJ’s new fast trains are on their way to Sweden. The first stretch of the X 2000 fleet was delivered to SJ, which had been affected by the tick-borne encephalitis virus.
- Winter preparations following an 80-point programme were started. A utility vehicle collided with an X 2000 that was on its way from Stockholm to Malmö. 15 people were affected by delays during the second quarter. Net turnover MSEK 38 (390)
- Since its start in 2009, our streamlining programme has been examined by the Norwegian Accident Investigation Board, SJ examined all (over 3,000) carriage wheels on locomotives and carriages. A utility vehicle collided with an X 2000 that was on its way from Stockholm to Malmö. 15 people were affected by delays during the second quarter. Net turnover MSEK 38 (390)
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### Financials 2010

#### Key ratios, amounts in MSEK

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (%)</td>
<td>6.2</td>
<td>6.8</td>
<td>7.2</td>
<td>7.9</td>
<td>8.4</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>294</td>
<td>609</td>
<td>795</td>
<td>813</td>
<td>853</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>4.7</td>
<td>11.6</td>
<td>16.8</td>
<td>18.9</td>
<td>15.1</td>
</tr>
<tr>
<td>Balance sheet total MSEK</td>
<td>270</td>
<td>197</td>
<td>150</td>
<td>110</td>
<td>40</td>
</tr>
<tr>
<td>Number of employees</td>
<td>2,500</td>
<td>1,970</td>
<td>1,500</td>
<td>1,100</td>
<td>400</td>
</tr>
<tr>
<td>Key operational ratio</td>
<td>5.6</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
</tr>
</tbody>
</table>

#### Key operative ratios

- Net turnover MSEK 388 (390)
- Balance sheet total MSEK 14 (14)
- SJ Service Academy AB: SJs own training company and service activity. Services are primarily directed to SJ employees, but are now also available to external companies in a number of industries. The external aspect is growing more and more.
- The courses are customised and are largely based on hands-on exercises and training. The majority of the hands-on exercises are done in the SJ Service Academy’s new Training Center. The Training Center is set up like a theatre, where it is easy to adjust the environment to adapt it to the customer’s operations.
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#### Five-year summary

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Operating profit</th>
<th>Net profit</th>
<th>Return on equity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>54</td>
<td>5.0</td>
<td>48.4</td>
<td>40.4</td>
</tr>
<tr>
<td>2009</td>
<td>11.2</td>
<td>37.4</td>
<td>8.8</td>
<td>6.7</td>
</tr>
<tr>
<td>2008</td>
<td>11.2</td>
<td>37.4</td>
<td>8.8</td>
<td>6.7</td>
</tr>
<tr>
<td>2007</td>
<td>11.2</td>
<td>37.4</td>
<td>8.8</td>
<td>6.7</td>
</tr>
<tr>
<td>2006</td>
<td>54</td>
<td>5.0</td>
<td>48.4</td>
<td>40.4</td>
</tr>
</tbody>
</table>

#### Equity/assets ratio

<table>
<thead>
<tr>
<th>Equity/assets ratio (%)</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSEK 7,290 (7,495)</td>
<td>48.4</td>
<td>48.4</td>
<td>48.4</td>
<td>48.4</td>
<td>48.4</td>
</tr>
</tbody>
</table>
Significant events in 2010

- SJ customers were affected by delays during the extra winter months. This generated extra costs for SJ amounting to MSEK 362. The largest expenditures were from damaged trains and compensation to customers.
- Since its start in 2009, our streamlining programme has generated savings of MSEK 550. The target for 2011 is MSEK 650.
- Extra income due to the ash cloud and cancelled flights in April amounted to MSEK 66. By adding extra SJ employees, the results for the third quarter positively impacted results by about MSEK 66. The results for the third quarter were impacted by costs for measures implemented to raise delivery quality and improve customer service.
- Beams on the X 2000 fleet have been overheated, which has affected the supply. Speed was reduced, which affected punctuality.
- SJ and Deutsche Bahn Regio started Botniatåg, which operates the procured passenger rail service along the Östlinkbanan – Umeå.
- SJ opened a new unit in Karlstad. This was the result of SJ’s agreement with the local municipality.
- SJ’s new fast trains are on their way to Sweden. The largest expenditure was from SJ customers affected by delays during the extra winter months. SJ employees will be stationed here.
- A train accident occurred in Norwegian Skotterud on 1 October. No one was seriously injured, but about 30 passengers had minor injuries and many suffered from being shocked. Parallel to the investigation by the Norwegian Accident Investigation Board, SJ examined all (over 3,000) carriage wheels on locomotive-hauled trains.
- Financials 2010

Net turnover amounted to MSEK 8,627 (8,741). Income was negatively impacted by extreme weather conditions during the first and fourth quarter. This was compensated to some degree through the positive income generated through the expansion of Eyjafjallajökull at the start of the second quarter. The operating profit of the Group was MSEK 439 (640). The extreme winter conditions during the first and fourth quarter negatively impacted results by a total of MSEK 66. The actions undertaken in January and April produced no additional negative impact of MSEK 66. The results for the third quarter were impacted by costs for measures implemented to raise delivery quality and improve customer service.

SJ Event also produces its own trips, such as sports trains, concert trains and ski trains. Trips to Lidingöloppet and Vasaloppet are well-established trips that are conducted each year. The Åre Train is a popular way to get to the ski slopes. The 2010/2011 season marked the 188th consecutive year for the train.

Five-year summary

Key ratios, amounts in MSEK

Key financial ratios

Key ratios, amounts in MSEK

Operating assets (€)

Key ratios, amounts in MSEK

Key ratios, amounts in MSEK

Key ratios, amounts in MSEK

Key ratios, amounts in MSEK

Key ratios, amounts in MSEK

Investing activities

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Reports can be ordered from: SJ AB Kommunikation, SE-105 50 Stockholm, info@sj.se
All reports are available at www.sj.se If you have any questions, please contact the SJ Press Office at +46 (0)10-751 51 84.

The Annual Report was produced by SJ in association with Publicera Information AB.
Layout and illustration: Dan Larsson.
Thanks to all customers and employees who contributed to this Annual Report.
A year of challenges – and opportunities!

This year will go down in history with all of the cold and snowfall records set. With the tough conditions, SJ was unable to deliver to our customers the way we should. That is why we started our largest initiative ever – an 80-point programme to better enable us to take care of our passengers when situations are abnormal. We have not yet accomplished all of our goals, but improvements have produced and continue to produce results.

The extreme winter conditions in 2010 were a challenge. We simply did not live up to our customers’ expectations and many were affected by delayed or cancelled trains. For this reason, we put a lot of work into making improvements in a number of areas. The largest internal project during the year was our contingency plan, which will help us prevent and manage traffic disruptions more efficiently. Simply put, we worked with both hardware and software, with technology and vehicles and with work processes, service procedures and customer service – all to minimise errors and shortcomings on our part. Altogether, there is now an 80-point programme in place to elevate our performance capability during difficult traffic conditions. Our traffic management department has been reorganised and strengthened with about 40 individuals entrusted with the task of ensuring that travellers are taken care of as well as possible when traffic is disrupted. They are responsible for ordering rail replacement services, food and drink, for supporting colleagues onboard the trains and mitigating the effects of a disruption to the greatest extent possible. This year, in addition to the courses we hold each year, we focused in particular on training for frontline employees. About 2,700 individuals underwent training to be better prepared to take care of travellers during disruptions and about 300 underwent intense training at our training facility in Hagalund. Thanks to these efforts, traffic disruptions in December were handled in a more structured manner than at the beginning of the year. This is confirmed in the customer surveys conducted.
shows the importance of consideration and good customer relationships.

Infrastructure – a major challenge
The majority of the problems in train traffic can be linked to shortcomings in the infrastructure (i.e. tracks, switch points, power supply and signalling systems) that are outside of SJ’s sphere of responsibility. Finding a way to correct these problems is the greatest challenge facing the entire Swedish railway system. Trafikverket and politicians must find a way to work with this. Naturally, SJ will take responsibility for the areas in which we can influence and participate in a constructive manner to strengthen the railway as a brand. We consider it critical for customers to feel confidence in train traffic and associate it with safety and reliability, regardless of the season or the weather.

Continued expansion
Despite the harsh winter weather at both the beginning and the end of the year, SJ shows good profitability. However, the traffic disruptions caused by the snow and cold weather caused income to drop by about SEK 350 million. In the long term, we nonetheless expect continued positive development for train travel in general and for SJ in particular.

One of the most exciting initiatives of the year was our expansion in the Danish market, which made Copenhagen a new junction in SJ’s operations. In 2010, Copenhagen had 14 departures per day to Stockholm and Gothenburg. In addition, we now operate between Odense and Copenhagen, which links Odense to several destinations in Sweden. Another important step in this venture is our new travel shop at Copenhagen Central Station. The shop will serve as the hub for continued expansion in Denmark and further down into continental Europe. The long-term goal is to operate train traffic to major European cities, such as Brussels and Hamburg. This is an important ambition as it shows that we want something more – that we want to continually develop, grow and offer travellers several alternatives. For traffic procured by Norrtåg, we started a company – Botniatåg – together with German Deutsche Bahn. SAS is another important partner. We have developed combined services for train and air travel – a travel concept that will be further expanded in 2011.

We are already Sweden’s largest travel agency for domestic travel. The aim is to become a travel department store, where several services can be linked to the travel transaction, which is and will remain our core business. In 2010, we expanded our range of event tickets. With this, train travel can be combined with theatre, sports or concert events around the country. We have unique opportunities to offer these types of services. SJ has 32 travel shops in Sweden and 2,000 retailers. This makes it easy to take advantage of our range.

Challenging competition
On 1 October 2010, the passenger rail services market was deregulated in Sweden. It will take another two or three years before we see major, concrete effects from the changes. We are well prepared. Competition is good and really nothing new for us. We have spent many years not only competing for contracted traffic in the counties but also competing with car, bus and air travel. We also feel well prepared for train competition. Our advantage lies in being able to offer a large, comprehensive traffic system, prices governed by demand and an extensive sales and distribution system. In addition to this, SJ has a good financial position, which we use to purchase new and modern trains, educate and train our employees and develop our range and partnerships. Our new trains, which will be gradually put into traffic starting in autumn, are one example of important investments. The trains offer the highest level of comfort and also have so-called infotainment services onboard, which will further elevate the travel experience. When it comes to investments, we also have great expectations regarding a decision on new high-speed trains, which the SJ Board is now considering. This would enable SJ to replace part of the X 2000 fleet over time.

Great initiatives
SJ employees at the frontline (i.e. those working onboard the trains and in the shops as well as those working with vehicle maintenance and traffic planning) worked under extremely difficult conditions in 2010. Everyone made great efforts and many far exceeded expectations.

To our customers, I want to say that SJ aims to be Sweden’s best and most reliable train operator. This was extremely difficult in the winter months of 2010. I can nonetheless guarantee that we will do everything we can to make your train travel as safe and reliable as possible. I look forward to a 2011 that is rewarding for both of us and, as always, hope that SJ is your first choice when planning your next trip.

Jan Forsberg, CEO

Comments from the CEO
The tough 2010

Broad programme with 80 improvements

Trains should run like clockwork. Unfortunately, that was not the case this past year. Trains stood still, rail replacement services were inadequate, information was lacking and sometimes even incorrect. That is not good enough. That is why we are now doing everything we can to improve.

In 2010, we started our largest improvement programme ever. Many of the changes will not even stand out to you when you travel with us. In simple terms, the trains shall work and be on time. But, we would still like to tell you what we are doing.

Fewer vehicle malfunctions, faster traffic information, more satisfied customers. That is some of the content of the improvement programme we developed in 2010. We based the programme on an analysis of how well we handled the winter. The programme contains 80 improvement measures in six areas: Customer Service, Traffic Management & Customer Group, Traffic Information, Reductions, Vehicles and Travel Time Guarantee. The overall objective is an SJ that prevents traffic disruptions more effectively and is better equipped to service customers if disruptions nonetheless occur.

Fewer vehicle malfunctions
Our goal is to reduce delays stemming from vehicle malfunction by 75 percent. The trains have therefore been winterised to better handle snow and cold temperatures. We focused on preventive measures to reduce ice formation and expanded capacity for de-icing engines and carriages. We also worked to freeze-proof the toilets onboard. Wheel damage is another important area. During the year, capacity to handle such damage was expanded. At the same time, several wheel sets will be stocked as backups for faster replacement. Our X 2000 trains were also made better equipped to withstand impacts through redesign of the nose cones to handle accidents with wild animals.

Better customer service
Employees onboard the trains and in our travel shops are our frontline. We have therefore put a lot of energy into supporting them through measures such as training courses and expanded mandate so they can more easily make decisions and solve problems when traffic is disrupted. The theme of training courses was “Satisfied customer – My responsibility”. It emphasises the huge role that each employee plays and how important it is to have a professional approach when working with customers. 2,700 employees have undergone training in customer care.

The level of preparedness has been raised at our SJ Contact Centers. When traffic is disrupted, we can quickly add more staff to our telephone and web service. At large stations, we mobilise a number of traffic stewards on short notice. The stewards help the customers find their way and answer questions.

Supporting Customer Group
SJ’s traffic management department has been reorganised. A new Customer Group has been established. This group works with areas such as customer care when traffic is disrupted. The goal is to mitigate and reduce the effects of a disruption. The Customer Group shall ensure the flow of information, handle rail replacement services and access to food and drink onboard, participate in any evacuations and ensure onboard crew have the right conditions to do their work. Roles and areas of responsibility on board have also been clarified and employees have been given access to additional communication tools.

Right information
The right information at the right time, using the right channel and on the right occasion. This is the goal for traffic information. To ensure we achieve this, we have
a new agreement with Trafikverket, which plays a key role in this management. We are also improving work tools for onboard crew and additional mobile services are in development. Our SMS services have been expanded and will also be implemented in commuter services. Travellers will receive more uniform information that covers the entire trip, regardless of whether it is provided via Trafikverket’s or SJ’s channels. This makes information regarding disruptions faster and forecasts more accurate.

**More effective traffic management**

Traffic management has also undergone development. The department has been reorganised and staffing increased. We also put great focus on training and practice sessions. Distribution of roles and responsibilities was also made clearer. This has resulted in traffic management that performs analyses better, makes decisions faster and is easier for onboard crew to reach in emergency situations.

**Fewer trains – increased trafficability**

SJ can reduce the number of vehicles to ensure trafficability in special situations. This type of reduction is done, for example, in extreme weather conditions, due to government decisions and when the line is not navigable. This helps us act more quickly and contributes to improving quality and availability. The reduction plans can be put into action quickly. We do what it takes to keep our promises.

**Expanded guarantee**

Improvements in 2010 also include a more generous travel time guarantee. The guarantee means that travellers receive compensation when trains are delayed. Depending on the length of the delay and the type of compensation, travellers receive part of or all of the ticket price back. Each traveller can choose whether compensation shall be paid in the form of a voucher or cash.
The travel process

Many work to make your trip possible.

The travel process

**Information:**
Trafikverket is responsible for traffic information through loudspeaker announcements and signs at stations and platforms. Trafikverket’s traffic control centres around the country are the hub in the information flow for all train traffic. SJ is responsible for traffic information in its own channels, such as sj.se, mobil.sj.se, onboard the trains and via various notices. SMS to customers with information on the traffic situation and any changes are another aspect of SJ’s information work.

**Voucher:**
Vouchers can be purchased and booked in many different ways – sj.se, by mobile phone, in one of our 30 travel shops, via Customer Service, SJ ticket machines, via travel agencies and at Pressbyrån and 7-Eleven. Tradera auctions off SJ tickets for certain departures. The earlier the trip is booked, the cheaper it is. Tickets are at their lowest price 90 days before departure.

**Vehicles:**
All operators are responsible for their vehicles. SJ ensures that the trains are ready for departure and that employees are ready to set off. Each operator is also responsible for maintaining and overhauling its vehicle fleet.

**Onboard:**
SJ employees are responsible for service and information onboard our trains. About 700 employees onboard the trains have access to smartphones. This gives employees access to faster and more specific information and enables them to provide better service to the customers.

**Overhead contact lines:**
Trafikverket is responsible for overhead contact lines and electricity supply for the entire railway network.

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Trafikverket is responsible for traffic information through loudspeaker announcements and signs at stations and platforms. Trafikverket’s traffic control centres around the country are the hub in the information flow for all train traffic. SJ is responsible for traffic information in its own channels, such as sj.se, mobil.sj.se, onboard the trains and via various notices. SMS to customers with information on the traffic situation and any changes are another aspect of SJ’s information work.

**Voucher:**
Vouchers can be purchased and booked in many different ways – sj.se, by mobile phone, in one of our 30 travel shops, via Customer Service, SJ ticket machines, via travel agencies and at Pressbyrån and 7-Eleven. Tradera auctions off SJ tickets for certain departures. The earlier the trip is booked, the cheaper it is. Tickets are at their lowest price 90 days before departure.

**Vehicles:**
All operators are responsible for their vehicles. SJ ensures that the trains are ready for departure and that employees are ready to set off. Each operator is also responsible for maintaining and overhauling its vehicle fleet.

**Onboard:**
SJ employees are responsible for service and information onboard our trains. About 700 employees onboard the trains have access to smartphones. This gives employees access to faster and more specific information and enables them to provide better service to the customers.

**Overhead contact lines:**
Trafikverket is responsible for overhead contact lines and electricity supply for the entire railway network.
The travel process

your trip possible

Station:
Jernhusen owns and manages Sweden’s largest railways stations as well as offices, maintenance depots and goods terminals around the country. Jernhusen is also responsible for the station environment and the service offering found there.

Platforms:
Trafikverket is responsible for safety and navigability on the platform, such as providing for snow removal and cleaning.

Signalling systems:
Trafikverket is responsible for signalling systems at tracks and railway crossings.

Tracks and switch points:
Trafikverket is responsible for operation and maintenance as well as expansion and new construction along the entire railway network.
The railway – teamwork at an advanced level

Each day, about 25 train operators traffic the country’s railway and many other players perform maintenance, repairs and new construction. All of this happens 24 hours a day, 365 days a year.

Trafikverket is a central player with overall responsibility. The agency is responsible for operation and maintenance of the railway as well as for allocation of train positions and daily control of all train traffic. However, SJ always has outermost responsibility for its passengers – in all situations. The teamwork between SJ, Trafikverket and all other players is critical to ensuring that everything works.

During peak times, the infrastructure has almost reached its capacity limit. This is because the railway is a closed system – a critical difference compared to all other modes of transportation. The current railway network sets limitations on the ability of train traffic to expand in any major scope. Even though, the train is the most environmentally and climate smart travel alternative. There are also major expectations for public transportation to double and for more people to choose the train as their means of transportation.

The pressure is particularly high around major cities, where demand is greatest. The local and regional train traffic must harmonise with long-distance trains and freight traffic. The slightest delay causes problems for the entire trip for long-distance traffic. On-time trains are prioritised over other trains. Thus, high-speed trains can end up behind slower trains, resulting in further delays.

SJ’s train traffic in Sweden is a teamwork between primarily SJ, Trafikverket and Jernhusen, which is responsible for the train stations around the country. A train trip is dependent on these players working together. When things are disrupted, this teamwork is even more important to create the best possible conditions for providing travellers information and service. Examples of this are station buildings being opened up and well-functioning rail replacement services being quickly organised. Through railway initiatives, we can cope with congestion, reduce the load on the road network and achieve climate goals.

Conditions for railway traffic

Politicians and the government have the outermost responsibility for Swedish train traffic. The government is responsible for allocating funds and for investments in infrastructure. They also decide on future issues, such as construction of super high-speed lines.
Questions to the Minister

Travel has increased drastically, but expansion of the infrastructure has not been keeping up. Does travel growth have to slow down or is it possible to obtain more resources for the railway sector?

– We already have trouble meeting capacity needs on certain railway stretches. This could be because the power supply is not sufficient or that there are not enough tracks. Therein lies a risk. If interest in train transport continues to grow, we will end up in a situation where we cannot meet these needs. In the decision made for the upcoming twelve years, more money is being earmarked for infrastructure. At the same time, we must also be open to making adjustments in the short term to reduce vulnerability. It may be a matter of switching one investment object with another to increase capacity in the near future.

In concrete terms, is it possible to obtain more resources for infrastructure?

– We have now made decisions regarding certain resources. The next step is to increase capacity and ensure that this money is used properly. My goal is for us to get more benefit out of the money and do the right things. How this can be accomplished is something that Trafikverket is looking at right now in a survey of the operating and maintenance operations. What we already know is that more needs to be done than what has already been planned for the coming twelve years. Otherwise things will become more expensive for us over time. To me, resources can either be money or smarter work methods. I think a combination of these is needed to resolve the problems. It is not enough to provide resources if they are not used properly. It is more important to see the total picture, where all we do is with the aim of increasing capacity and making infrastructure more robust.

Were roads previously prioritised over the railway?

– This does not apply in recent years since railways have been built like never before, such as the Haparanda Line, Ädalen Line, Citytunneln, Stockholm City Line and Bothnia Line. A general problem is that many road and railway projects are initiated in a region and are then divided into small snippets. We want to eliminate this by thinking in larger structures. For the railway, it is more interesting to know how stretches are planned through the entire country rather than through a specific region. Another challenge is to think in a manner that encompasses the traffic in general – that encompasses both road and railway traffic – so that transportation works completely and is optimal for the end customer. In summary, one can say that the road network maintains a higher quality than the railway network. That is why the railway is the major challenge for the future.

When will Sweden get high-speed trains?

– The question is how can we increase capacity so that traffic arrives as quickly as possible. Super high-speed trains can be one tool for achieving this. But, instead of focusing on whether there will be a yes or a no to super high-speed trains, we should instead focus on how to improve capacity. The government is working right now to draft a directive on this. The goal is to raise focus and look at the big picture in order to create greater capacity. For example, we want to look at existing main lines and the possibilities that exist there as well as consider investing in completely new super high-speed trains. To me, super high-speed trains are not a goal in and of themselves. It is important to ensure there is sufficient capacity and reliability in railway traffic.

What does SJ need to change and improve to handle the upcoming competition?

– I think it is a matter of further developing the total package to travellers, that is to say reliability, price, service and comfort. SJ has already improved in several areas, such as providing travellers information, which shows that SJ understands that their time is important. When I meet travellers, many are frustrated over not knowing what is happening. Many seem to accept the wait as long as they know what is happening so they can plan accordingly, perhaps choose to remain at work or make sure their children are looked after if the train is late.

What is the most important challenge for the railway as a brand – in the short term and long term?

– In the short term, it is on-time trains. In other words, trains should not only depart on time, but arrive on time as well! Reliability is a key issue since many rely on the train to make their day-to-day life work. We must therefore ensure there is sufficiently large and robust capacity in the railway network. A long-term challenge is the environment, where railways can contribute to solving some transportation problems of the future.
Customers and concept

The right train and offer to the right customer

By gaining deeper knowledge of our travellers, we can develop interesting offers, options and services adapted to different needs and expectations on the trip. Everyone must be able to easily choose service level and range.
Customers and concept

All aboard! – that is SJ’s vision. Our strategic foundation is that there must be a trip for every need and every wallet.

Clearer train concepts
In order to meet customer needs, we try to adapt our offering through clear concepts. Everyone must be able to easily choose service level and range. There must be one concept for prioritising a comfortable trip at a good price and another for those who want a high level of comfort, service and choices and to get to the destination fast.

SJ offers four different concepts to choose from: X 2000, SJ InterCity, SJ Regional and SJ Nattåg. These are linked to a specific vehicle type, but also cover what service and comfort level we offer and how long the trip takes. For example, X 2000 and InterCity generally travel longer distances and have fewer stops than regional trains.

Our different offerings are primarily indicated via SJ’s website, where we provide an overview of the differences in price, comfort and travel time. The ambition is to make the choices clearer so that everyone knows what to expect when the trip is booked.

Strong customer focus throughout SJ
In order to attract and retain our customers, all of SJ’s work has a strong focus on customer needs and expectations. Different customer groups have different needs that we strive to meet as well as possible.

Commuters
travel continually to and from work and often have an annual pass with SJ. Many live in the Mälardalen region. Commuters value punctuality, a good working environment and their own time on the train.

Business travellers
often travel in first class and value comfort and the option of working during the trip. A quick journey is important to these customers.

Weekday and weekend leisure travellers
currently travel most by regional trains and InterCity and often in second class. The purpose of their journey varies. For example, some weekend leisure travellers take the train to spend a weekend in a big city.

Dialogue with our travellers
Communication with our travellers is important and SJ continually conducts discussions, onboard surveys, questionnaires, interviews with focus groups and more to learn about needs and expectations. We conduct several large surveys on an annual basis, where we ask direct questions regarding how we are perceived and can improve. We also established a customer panel that gives us viewpoints and suggestions and to which we can quickly turn for feedback. We are very active in social media, which gives us new opportunities for dialogue. We also continually meet journalists, politicians and travellers to encounter and catch issues.

SJ’s four train concepts

• A trip with X 2000 has the highest level of comfort and service and the shortest travel time over long distances. In first class, there is a large range of options and services – everything from breakfast and lunch to personal service, Internet connection and electrical sockets.

• A trip with InterCity means a comfortable journey over long distances, with access to a bistro or kiosk and electrical sockets. In first class, there are also certain options and additional services. The trip takes a little longer and is lower in price than a trip on X 2000.

• Regional trains provide fast train travel, with many departures and stops in large regions. Even if a regional train can cover long distances, the primary need met by regional trains is for those requiring punctual and frequent travel, such as commuters.

• SJ Nattåg has the longest journeys and offer the option of sleeping during the trip and waking up refreshed upon arrival. The concept offers different levels of comfort for different travellers and budgets, such as non-sleeper carriages, couchette carriages, sleeper carriages and private compartments.
From assignment to responsibility

SJ – on task to face the competition

SJ strives to offer train travellers a reliable, punctual, pleasant and comfortable trip – both today and in the future. Running a profitable business is one prerequisite to being able to handle the competition from other train operators as well as other modes of transportation.
SJ operates train traffic for commercial reasons. We have done this since 2001, when government railways was divided into six different companies and SJ AB was established.

In order to offer our customers the products and service they want and to maintain our competitiveness over time; SJ must handle passenger rail services in a manner that generates profits. This gives us a financial position that permits investments and new initiatives.

**Competition in train traffic**

Today, there is competition throughout the train market. SJ has long had sole right to operate inter-regional railways traffic, such as X 2000 traffic Stockholm – Malmö and Stockholm – Gothenburg. With the deregulation of passenger rail services, this train traffic is opened up to other railway companies.

In addition to long-distance passenger rail services, we operate contract rail services on assignment of regional transport authorities. A regional transport authority is responsible for public transportation in a county, such as Västrafik in the Gothenburg region and Storstockholms Lokaltrafik, SL, in Stockholm.

The regional transport authorities procure local and regional traffic in full competition. If invited to tender for procurement, SJ makes a business assessment of the conditions. If profitability is not possible, SJ refrains from participation.

SJ primarily focuses on traffic in which there are good possibilities of affecting the business itself – train traffic where we offer the whole package. We want to utilise all of our resources, our broad range of sales channels, our own vehicles, our ability to offer differentiated service concepts to different travellers and our own service personnel. All of this must work together to enable SJ to meet customer needs and expectations in a manner that contributes to long-term good results.

**Night traffic and commuter trains**

The long-distance night traffic in Norrland was procured by the National Public Transport Agency, which later became part of Trafikverket. The role of the government agency is to procure traffic that would not exist on commercial terms. The most recent procurement occurred in 2007, when we were awarded the assignment for a period of five years. The assignment is carried out by SJ’s subsidiary Norrlandståg.

Another example of contract traffic is commuter traffic in Stockholm, which has been operated by our subsidiary Stockholmsståg since we took over traffic in 2006 after a procurement. Stockholmsståg has reduced the problems, including delays, of the previous operator. When Stockholmsståg took over, the customer satisfaction index was 27. The same measurement four years later gave a mark of 60. Thanks to the improvement in quality, Stockholmsståg’s agreement with SL has been extended to 2016.

**The modern SJ**

People are travelling more and more. A growing number are choosing to travel by train, partly because it is the environmentally-friendliest alternative.

A long time has passed since railways were operated by a major government agency. Similarly, a long time has passed since the government railways were responsible for the infrastructure. That task is now the responsibility of Trafikverket.

The government agency Swedish State Railways remains as manager of certain railway-related assets. Today, SJ AB is a modern, profitable train company that operates in a competitive market. The secret behind the company’s success is our broad traffic system in which we offer many possibilities and good service.

Competition is nothing new for SJ AB. We have always competed with different modes of transportation, such as cars, buses and planes.

SJ consistently strives to meet the competition from other train operators in interregional train traffic. We work efficiently, upgrade our trains, offer better service and comfort and – in autumn 2011 – will gradually put 20 new fast trains into service. A critical factor to our competitive power is having a commercially marketable business.
Vision, Business Concept, Core Values
A trip with SJ
– with thoughtfulness in focus
SJ’s vision captures the breadth and quality we want to be associated with. The vision also signals thoughtfulness and the desire to take care of our customers when they choose SJ for safe, reliable and comfortable travel. This can be for work or leisure and travel can sometimes be part of a greater experience package. Regardless of the occasion or wallet, we have a number of options that make customers want to take the train in general and choose SJ in particular.

**Business concept**

*Efficient and environmentally-friendly travel*

SJ offers modern travel that is practical and efficient for the customer as well as competitive and climate-smart in relation to other modes of transportation. We ensure efficiency through continual development of products and services as well as investments in new and improved trains. Development is also based on different forms of collaboration, where interesting partners – who broaden and supplement our own offering – play an increasingly important role. Efficiency also includes added environmental values, where the train – as a sustainable alternative – contributes to further strengthening SJ’s competitiveness.

**Core values**

*Innovation, Thoughtfulness and Responsibility*

The best interests of the customer is at the focus of SJ’s work. Thoughtfulness is a guiding factor for us as well as the ability to meet and ultimately try to exceed customer expectations. Achieving this might take more time, but the goal is set and the driving forces behind achieving it are innovation, thoughtfulness and responsibility, which our employees show in their day-to-day work. SJ shall contribute constructively to solving problems and achieving improvements that are beneficial to train travellers. This goal is also easiest to achieve when responsibility is united with thoughtfulness and innovation.
SJ has three main strategies to achieve set goals – Quality, Efficiency and Expansion. Quality is particularly significant since it is hard to be efficient and expand if quality is lacking. It is in the overlap between Quality, Efficiency and Expansion that results are achieved – both economically and in relation to our customers.

**Quality**
Quality is a matter of good service, which makes travel with SJ pleasant. Equally important is for customers to be able to rely on us and feel confidence in our operations, with punctual trains in good condition, distinct information and a professional and personal approach. One of the most important quality initiatives of the year was our improvement programme, which covers these and other areas.

**Efficiency**
If we want to live up to customer expectations, our work methods and processes must be efficient. This means that SJ resources are used optimally and that planning is improved.

This makes the work of our employees easier. SJ has implemented a Group-wide streamlining programme to reduce costs. Work with vehicles, staffing and service is being developed so that production resources are available when customer travel is at its peak during the traffic day. Another important aspect is work with lean production in workshops and depots – work that has greatly improved productivity in this aspect of operations.

**Expansion**
The goal is for more travellers to choose SJ, both in Sweden and abroad. Expansion means more than entering new markets. It is equally important to further improve our base quality. A high and uniform level of quality attracts more travellers in existing markets, which paves the way for increased expansion. Associated with this development are new types of partnerships, where we and our partners have developed different package solutions, such as travel, accommodations and experiences.
Punctuality is SJ’s most important customer promise. We strive to fulfil this promise in everything we do. In concrete terms, this means that we work systematically with the problems, malfunctions and shortcomings that could jeopardise punctuality and thereby our quality. Some of these causes can be remedied directly in our own operations. Others are linked to our suppliers’ and partners’ areas of responsibility. Either way, we do our utmost to contribute to positive solutions, which altogether improve the punctuality of train traffic.

About two-thirds of all train delays are due to circumstances outside of our control. This applies in particular to the railway network, which suffers from neglected maintenance, is underdimensioned and is in need of modernisation. This means that problems with e.g. switch points, signals or switching stations could jeopardise train punctuality. To achieve more in this area, SJ has extended its partnership with Trafikverket, which is responsible for the infrastructure. There are now regular debriefing meetings regarding disruptions, potential problems and preventive efforts, which should have a positive effect on punctuality.

Punctual arrivals
One-third of delays are due to circumstances we have control over. SJ works intensely to make improvements in these areas. Our goal is for 90 percent of all trains to arrive on time. To achieve this, SJ is focusing on three main areas:

- vehicle maintenance
- traffic disruption management
- departure punctuality

Our vehicle maintenance work means that service and repair of engines and carriages is reviewed, for example by making planning and maintenance procedures more efficient so that more trains are out in traffic.

We are improving internal procedures so that they work smoothly and structured and measures are performed in the best possible manner when traffic is disrupted.

Departure punctuality focuses on the improvements required to ensure that our trains depart on time, such as ensuring that the crew is in place, the trains are available, cleaning is finished, the bistro can open, travellers board on time and the train gets its departure signal from Trafikverket. It is a complex chain, where we evaluate flows and processes to find suitable measures and improvements. The goal is structured and more uniform procedures for all departures, which simplifies for our employees and improves punctuality.

We also measure punctuality on route, i.e. punctuality between different sections of a trip. Analysing this type of punctuality makes it easier to find local problems and shortcomings and apply the right measures at the right place and at the right time. This helps us in a clear manner to work towards our foremost customer promise – punctuality. Punctuality is the most important matter of quality for SJ customers and SJ itself.

What affects our punctuality?
The secret to customer satisfaction is service and good customer care before, during and after the trip. Added to this are punctuality and good comfort. When we break our customer promise, it is important that we compensate for this.

Customer surveys showed that many of our customers expected higher compensation than that launched in 2009. SJ has therefore improved the travel time guarantee and changed the compensation levels. There are now two ways to be compensated for a delay – cash or voucher. 85 percent of our customers choose the voucher.

<table>
<thead>
<tr>
<th>CASH COMPENSATION Day trains and Night trains</th>
<th>VOUCHER Day train</th>
<th>VOUCHER Night train</th>
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<tbody>
<tr>
<td>• With a 60-minute delay, the traveller gets 25 percent of the price of the trip back.</td>
<td>• With a 30-minute delay, the traveller gets half the price of the trip back.</td>
<td>• With a 60-minute delay, the traveller gets half the price of the trip back.</td>
</tr>
<tr>
<td>• With a 120-minute delay, the traveller gets half the price of the trip back.</td>
<td>• With a 60-minute delay, the traveller gets half the price of the trip back.</td>
<td>• With a 120-minute delay, the traveller gets the entire price of the trip back.</td>
</tr>
</tbody>
</table>

The compensation levels are slightly lower for night train traffic because the conditions for ensuring punctuality are weaker, with long stretches of single tracks.
Innovation, Thoughtfulness and Responsibility. Our customer care can be described in many different ways and be linked to a number of different initiatives. Common to them is that they shall contribute to a professional customer care that feels personal and meets the requirements and needs of our customers in the moment.

Customer care is a matter that affects all of our employees in contact with customers – onboard the trains, in shops and on the telephone. It is important that we live up to service and customer care expectations in different situations, both in everyday contexts and under special circumstances that place additional demands on us.

**Satisfied customer – My responsibility**

In order to create a unified view regarding customer care and service, SJ performs measures to improve the organisation, develop leadership, support employees and strengthen work with information and skills development. The common theme is “Satisfied customer – My responsibility”. This emphasis that all employees play a part in creating an SJ where customer care is paramount. Everyone takes responsibility for the customer.

For travellers, this means quick, reliable and distinct information, active problem solving and service that maintains a high and uniform level of quality. Each individual contribution is important. It is then that personal customer care becomes evident, with all that it entails – sensitivity, thoughtfulness and solutions that create enjoyment, settle issues and solve problems.

**Increased service onboard**

A new function called service leader has been introduced on X 2000. 200 employees have undergone training in this role. Their primary function is to secure and coordinate services onboard and take care of customers and the needs that may arise.

If necessary, we can also increase capacity by increasing the number of employees in service. These are special measures that we put into action during traffic disruptions, when there are many questions and customers have an increased need for support. At large stations, service on platforms and in waiting areas has been expanded – stewards mingle among the travellers and actively support, give advice, follow up and provide assistance. We also entered into an agreement to be able to quickly double the number of employees working in customer service.

Being proactive is an obvious ambition for us in our service and customer care work. Examples of this are telephone and SMS services, which are used to a greater and extent degree during traffic disruptions to prevent and reduce problems that arise. Customers shall be able to receive information in advance on changes regarding their trip, which saves time and facilitates their own planning.
Make travel simpler and smarter!

SJ Prio is our customer programme for simpler travel with more benefits. Interest has been great since the start in 2007, which is something we are proud of. Today, SJ Prio has about 700,000 members, an increase of about 200,000 in 2010 alone.

The basic idea behind SJ Prio is that its members get extra benefits and offers as well as customised communication. Via SJ Prio, we also have the opportunity to reach out to customers, ask questions, test ideas and introduce new features.

We maintain a constant dialogue with our travellers and continually conduct surveys about what travellers think about SJ’s delivery. The results serve as the basis for new developments and improvements. This contributes to the development of SJ’s operations and quality. We therefore consider SJ Prio part of our ongoing improvement efforts.

A number of benefits
The principle behind SJ Prio is simple – the more you travel, the more benefits you get. Members earn points on trips and purchases. These points can be used for new trips, food in the bistro, Internet onboard or for offers from SJ or our partners. Higher membership levels earn extra benefits, such as access to SJ’s lounges.

All SJ Prio members receive a newsletter and offers each month. The offers are adapted to different needs, such as travel patterns, age and area of residence – all to make SJ Prio as customised as possible. SJ Prio membership must be perceived as something that is interesting and provides added value.

New offers
SJ increases opportunities for members to use their points through new offers and partners. For example, we have new partnership agreements with several hotel chains, rental car companies and event producers.

One new partner for the year is the charity foundation Min Stora Dag, “My big day”. The foundation aims to grant the wishes of severely ill children, when days are long and treatments tough. SJ and Prio members donate points so that the children can travel free by train to the experiences arranged by the foundation.

SJ Prio has received several awards and is a customer loyalty programme that has received a lot of attention. With 700,000 members, we create conditions to further develop the programme and be able to offer even more.
Quality

Access
– secure and simple

SJ must always be accessible to the customer. It must be simple and secure to book a trip or purchase other services, regardless of when, where and how the trip is booked. There is a broad range of sales channels and several distribution methods. We do everything we can to simplify travel with us.

Customised sales
SJ works with different types of customers, who have different needs for service and sales services. Customising services to suit the different customer roles and behaviours is important to us. The business traveller or loyal commuter has totally different needs than a holiday traveller, weekend getaway traveller, student or retiree, who may only travel by train a few times a year.

Sales channels can be divided into two main categories: self-service and personal sales. Self-service is on the rise and is responsible for about 55 percent of our total sales. This category includes the Internet service sj.se, mobil.sj.se, the company portal and about 155 ticket machines around the country. The long-term goal is for self-service sales to increase even more. Personal sales are handled via SJ’s 32 travel shops, our Contact Center for telephone services and via external travel agencies, which are responsible for a large percentage of sales to corporate customers. We also have a partnership with 7-Eleven, Pressbyrån and ATG.

Easy to purchase tickets
Many different sales channels for SJ train tickets increases availability. Simplicity, availability and proximity are key words in our sales work. In 2010, we made the following improvements to our sales channels:

• Continued development of sj.se. This sales channel was made simpler, clearer and more informative for customers. More travel alternatives are shown and we simplified some of the purchasing steps.
• Bulk purchases of e.g. annual passes and monthly passes can now be done on sj.se.
• The so-called ten and fifty tickets, which are open for trips during a specific time period, are now electronic tickets.
• Mobil.sj.se was further expanded and adapted to more products.
• About 150 TIM machines were upgraded to improve service, particularly for commuters in Mälardalen.
Despite a tough year with major disruptions in traffic, we once again received a rating of “Good” in the customer satisfaction index. We have our onboard employees to thank for this. In our major onboard survey, we interview more than 1,600 customers each month regarding their trip with SJ. In 2010, we interviewed a total of 20,260 customers.

The questions we ask pertain to how the travellers perceive punctuality, comfort, information, service and customer care. The results are reported each year in the customer satisfaction index (CSI). The index for 2010 was 70, which is equivalent to a rating of “Good”. The areas in which we received the highest rating are customer care, comfort and information.

**Punctuality.** 85 percent of our trains are on time. However, customer satisfaction regarding punctuality dropped to 53 (60) for 2010. The decline is primarily due to the winter traffic disruptions and the speed reduction for the X 2000 fleet during the summer months.

**Good comfort.** After punctuality, comfort is the most important aspect for overall customer satisfaction. The index for the year was 72 (72), which is equivalent to a rating of “Good”. Customers perceived travel with SJ as pleasant and comfortable.

**Distinct information.** Customers are very satisfied with the information. An index of 76 is in line with recent years’ surveys and is equivalent to a rating of “Very good”. The information is perceived as distinct, welcoming, sufficient and containing what the customer needs for the trip. However, travellers were not as satisfied when disruptions occurred and distinct information on what has occurred and how connections were affected was desired.

**Good customer care.** How we treat our travellers is critical to customer satisfaction. In recent years, the rating has oscillated between “Good” and “Very good”. The index for 2010 was 73, which is equivalent to a rating of “Good”.

**Results of a tough year**
Confidence in SJ has dropped. This is something we take very seriously. We are dedicated to improving this. The decline is largely due to the ordeals of the winter. Customers were greatly affected by that lines were not navigable or cleared of snow, when there were major delays and when trains were cancelled. Punctuality was also poor in the summer months due to factors such as the reduced speed of the X 2000 fleet. Altogether, this negatively impacted the total CSI results.

Disruptions in 2010 made the work situation tougher than normal. This has placed great pressure on employees and their ability to take care of customers as well as possible, which the CSI shows they did well.

**Customer panel**
The customer panel supplements our monthly onboard surveys and is yet another opportunity to maintain a dialogue with the customers. This is particularly important when there are changes, product launches and evaluations. The surveys are performed about ten times a year. A couple of thousand travellers are asked specific questions on each occasion. Those polled have registered an interest in participating in the panel.

<table>
<thead>
<tr>
<th>Index levels</th>
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<tbody>
<tr>
<td>Method of measurement onboard, where 100 equals &quot;total satisfaction&quot;. The index levels are usually classified as follows:</td>
</tr>
<tr>
<td>0 – 50 = completely unacceptable</td>
</tr>
<tr>
<td>51 – 54 = very bad</td>
</tr>
<tr>
<td>55 – 60 = bad</td>
</tr>
<tr>
<td>61 – 69 = average</td>
</tr>
<tr>
<td>70 – 74 = good</td>
</tr>
<tr>
<td>75 – 79 = very good</td>
</tr>
<tr>
<td>80 – 100 = extraordinary</td>
</tr>
</tbody>
</table>
Quality

The new Customer Group – part of Traffic Management

We have committed to a total approach when it comes to customer service. To increase customer benefit and improve work with customer care and service, the newly established Customer Group communicates with customers and onboard crew.

Traffic management leads and controls traffic and ensures that trains reach their destination on time. A new unit, Customer Group, has been established. It consists of forty persons working, among other things, to mitigate and reduce the effects of various disruptions. The group is responsible for rail replacement services, refreshments, accommodations and information. Travellers can, for example, receive information on timetable changes via SMS. The customer group also provide support to colleagues onboard, to travel shops and to employees working on platforms.

More effective traffic management

Traffic management focuses on handling traffic measures and ensuring that traffic functions. The effect of the reinforcement is that during disrupted situations traffic management has the power and resources to analyse and plan in order to mitigate the consequences of the disruption.

Another result of the group’s work is faster and more efficient management of the traffic situation, for example when passengers must be evacuated from a train that has broken down. The goal of both SJ and Trafikverket is for all passengers to be evacuated to another mode of transportation within two hours if a train stops on the line and evacuation proves to be necessary.

The effects of this reinforcement is better opportunity for follow-up and better procedures for planning both short-term and long-term decisions.
Train travel for **everyone** – regardless of need

Travel on an SJ train must be available to everyone. Naturally, this also applies to individuals with disabilities of various types.
We continually strive to make travel simpler and more convenient for customers with greater needs for accessibility. This is done in close collaboration with eight different disability organisations, representing individuals with disabilities that are a hindrance when they are travelling. It is our ambition to continually be better at meeting the needs of travellers with disabilities. Various training courses on customer care and crisis management now cover issues related to disabilities. Evacuations are simulated through role-play and there is always one participant with a disability or other special need.

The new trains are for everyone
When it comes to new or refurbished trains, SJ follows detailed EU regulations. In autumn 2011, 20 new trains will be gradually put into traffic. These trains will be fully adapted for everyone who can travel by their own means or are in a wheelchair within the standard dimensions for railway: 70 cm wide and 120 cm high.

Each train will have two wheelchair spaces. All important function buttons are within reach of wheelchair users. The traveller himself/herself can handle the wheelchair lift and there is a door-opening button to facilitate disembarking.

X 2000 has also received new wheelchair lifts that are significantly more reliable than the old ones. These have been in place since the start of 2011 and can handle wheelchairs within the stated standard dimensions.

Information
For individuals with impaired vision, we developed a marking programme for signs onboard trains. The programme is made up of tactile pictograms supplemented with Braille. These signs are mounted when new trains are put into traffic and older carriages are upgraded.

Better and more available information onboard is achieved through introduction of the Infotainment concept, which is a mix of information and entertainment. The concept will be introduced on the new high-speed trains.

More adapted spaces
To make it easier to find adapted spaces onboard, we will offer several seat types. There are currently wheelchair spaces, wheelchair spaces with seat (that the traveller can move to) and priority seats on a few trains. In the future, there will be:

- Priority seats on all SJ trains. These seats are located near exits and the toilet and are intended for individuals who have difficulty walking, difficulty seeing, have a guide dog or need to be near the toilet.
- Pet-free seats are for individuals who are allergic to animals with fur. These seats are located in carriages in which pets are never permitted. In rare cases, a guide dog or other assistance dog may have been in the carriage. In such cases, the dog was at the opposite end.
- Seats near wheelchair spaces, which makes it easier for accompanying assistants, family, colleagues or friends to travel together with a wheelchair user.

Starting January 2011, these special seating options can be booked on all trains for which booking is possible. The first travel date is 20 June 2011. All seats in SJ trains that are intended for individuals with greater needs for accessibility are sold last in the booking system. This ensures that they are kept available as long as possible for those who need them.

Assistance and training
SJ actively participates in Samtrafiken’s project to develop a better and more comprehensive assistance system. The goal is to create a service that is so good that all traffic operators want to join, including regional and express buses. This is a core condition for ensuring that the entire journey flows smoothly. At present, only SJ and five other players out of about 30 are partners.

We are continuing our rewarding partnership with Samtrafiken as regards to making trains, booking systems and information channels accessible.
Long-term profitability and competitiveness

Our investments contribute to SJ’s long-term profitability, competitiveness and ability to run financially-stable operations over time. In the past ten years, we invested a significant amount of money both in new trains and in ongoing technical and comfort upgrades.

Our investments must be based on long-term thinking since the trains will be operating for several decades. X 2000 was put into operation about twenty years ago and will (after modernisations and technical upgrades) remain in traffic for some time to come. The same must also apply to the new super high-speed trains slated as the next major investment in SJ’s train fleet. The trains must be capable of operating services up to 2040. When it comes to new train procurement, the trains must be flexible and capable of being adapted to future requirements and changes. It must be possible to modernise the vehicle fleet of the future through technical upgrades. It must also be possible to implement changes based on how traveller needs change over time. When competition in the train market increases, it will be particularly vital for us to make the right investment decisions as these could have a major impact on both profitability and market position.

The fast trains
Our 20 new fast trains will be gradually put into operation in late 2011. They are a new and exciting train concept that offers the same level and comfort as X 2000. The trains are modern, quality trains designed for long-distance traffic. A new feature on the trains is that they will have Infotainment onboard – a combination of information and entertainment that together creates an attractive trip with time onboard put to good use.

Improved InterCity trains
The InterCity trains are undergoing an upgrade programme, the first step of which involves new interior and additional electrical sockets. There shall also always be some type of refreshment service onboard. This better adapts the trains for long trips. The second part of the renovation project has started. During 2012, all InterCity carriages will have a new, fresh bistro, new family carriage with tables and seats for four, a play area for our youngest travellers, better luggage and pram options, wheelchair lifts and wheelchair spaces.

The key words when developing the new high-speed trains were convenience and comfort. The trains are operationally reliable with motors under each carriage. Environmental thinking characterised choice of material when it comes to both carriages and interiors. New onboard services are being introduced, such as the Infotainment concept.
A high level of safety and comfort

Traffic safety is at the heart of all work with technical maintenance. Reliable and operable trains create confidence when you travel. Maintenance also includes comfort and enjoyment onboard so that our trains feel modern and are associated with a comfortable journey.

Technical maintenance requires rational planning, where repairs and maintenance are planned so that each vehicle is in traffic to the greatest extent possible. All vehicle types follow a specific maintenance programme throughout their service life. This includes technical upgrades, modernisations and traditional maintenance work. The upgrades are part of SJ’s development as we continually offer new or improved products and concepts. In addition, modernisations and technical upgrades are an important part of SJ’s environmental thinking as it saves resources.

More maintenance for the money

The level of technical maintenance meets the stringent quality requirements we set for train traffic – requirements that regard both safety and comfort. In recent years, streamlining work in our maintenance operations has picked up speed. The aim is to improve both productivity and quality. In concrete terms, this means that we get more maintenance for the money invested each year. In this development work, the goals are also to:

• Reduce the number of outstanding malfunctions by two-thirds.
• Reduce the number of traffic-ffecting malfunctions by half.
• Increase access to vehicles at peak times, i.e. morning and evening when people want to travel the most.

The changes mean that we put more energy into preventive maintenance instead of repair work. We implemented a smarter work method with great potential. The right maintenance at the right time saves time and money compared to waiting until a malfunction occurs. Experience shows that a 25-percent increase in preventive maintenance can reduce the need for corrective repairs by half. Prevention and doing things right from the start also reduces the risk of quality flaws that come to light later and then could impact our travellers.

Lean production – a smarter approach

| Work with lean production entails the introduction of new work methods, processes and procedures in maintenance operations. The philosophy behind lean production comes from industry. The key words are teamwork, clear control and visualisation of goals and the results achieved. This approach is being developed in close collaboration with our partners in e.g. technical maintenance and cleaning services. | Lean production means that production flows are reworked, workshops and facilities are adapted to new conditions, employee skills are developed and planning and collaboration is improved. The effect of this approach is clear and has contributed to a 40-percent increase in productivity at the maintenance depot in Hagalund. At the same time, cost per produced hour has dropped. In the end, it means more maintenance for every “penny” invested by SJ. |
In focus 2010

During the year, SJ’s costs for technical maintenance and upgrades amounted to about SEK 1.3 billion. One of the most important projects of the year is the ongoing upgrade of X 2000, which will extend its service life by 15 years. The upgrade includes transmission, drive and brake systems, bogies and wheels. There is also an upgrade project to overhaul and modernise 160 passenger carriages for increased enjoyment and comfort at a total cost of about SEK 450 million. Another large project is the upgrade of workshops and depots. This includes premises, machines and other technical equipment.

This upgrade is closely linked to the continued development of lean production. The project increases the tempo in the joint work with our largest maintenance supplier to improve processes and structure flows in maintenance operations. We also made a number of improvements during the year to reduce the risk of traffic disruptions:

- Increased capacity as regards to axle and brake guards so that defective trains are remedied and returned to service faster.
- Developed solutions and implementation plans to reinforce the nose sections of X 2000 and double deckers to better withstand accidents with wild animals.
- Better winterising of door and toilet systems.
- Greater requirements for increased capacity and staffing for faster flow-through in depots and workshops.
- Preventive de-icing via glycol spraying and rebuilding of de-icing facilities, which were given access to hot air technology.
- Enhanced preparedness and capacity for quicker replacement of defective wheels and wheel bearings.
Increased deregulation in train traffic

The train markets in Europe are undergoing gradual deregulation. The background is a joint EU directive, where the goal is to increase competition by broadening the offering and quantity in train traffic in Europe.
In Sweden, commercial train traffic was deregulated in stages up until 1 October 2010. This means that new operators can apply for a permit to operate passenger services. The trains to be used for traffic must be adapted to the national technical standard as regards to factors such as platform height and electrical system.

No general increase in the range of train traffic is expected. The reason is that new operators must apply to Trafikverket for a so-called train position, which in simple terms means that the operator has the right to operate services for a specific departure or stretch. Access to train positions is limited, particularly on the lines that are of most commercial interest. Trafikverket allocates train positions with the purpose of achieving the greatest benefit to society. Train positions are allocated for periods of twelve months.

**Additional players**

It is thought that deregulation will increase competition in train traffic, particularly on individual lines or for attractive departures. This means there will be additional players in train traffic and that pressure to reduce prices will increase. Operators will also be able to compete more with the service offered onboard, which opens up for a larger array of products and services.

**New assignments**

Traffic that is procured is mainly regional traffic. That market has already been subject to competition for a long time. In general, there are about ten assignments or traffic areas, which are procured on a running basis by the region in question. One example of this type of assignment is Botniatåg, where SJ and German train operator Deutsche Bahn have been operating passenger rail services on the new Bothnia Line between Örnsköldsvik and Umeå since summer 2010.

SJ chose to expand selectively within the procured traffic. We focus more on commercial traffic, where we are responsible for the business risk. Commercial traffic creates clearer opportunities for growth and is therefore most interesting.
Expansion in Sweden and Denmark

Today, SJ is a financially strong company. We want to maintain this strength as we go forward into the future. In order to make major investments and at the same time be profitable and financially stable, we focus on continued expansion.

This expansion enables us to strengthen our market position in Sweden and create profitable growth in new geographic markets. This is done through partnership – both through further development of existing partnerships and through new partners.

SJ developed its operations during the year, with new ventures in Sweden and Denmark at the core. The international growth means, for example, departures to Copenhagen and Odense. Stockholm has six departures each day with X 2000 and Gothenburg has about the same number of departures with X 2000 and InterCity trains. Traffic development thus far has been positive and is in line with our expectations. At the same time, Copenhagen has become a junction in the Danish market. SJ now also traffics the stretch Copenhagen – Odense – a stretch that is commercially interesting and has a large number of travellers. The expanded enterprise in Denmark means that we now offer direct traffic between a number of Swedish cities and Odense, which is the third-largest city in Denmark. Having a hub in Copenhagen is important, particularly due to its proximity to Kastrup and the possibility of offering travellers the ability to take the train to the plane. We also opened a travel shop at Copenhagen Central Station. Copenhagen is becoming a new hub, both for traffic and the international expansion further into Europe.

Partnership increases growth

Late summer 2010 saw the inauguration of the first stage of the Bothnia Line. SJ and the German train operator Deutsche Bahn have together established the company Botniatåg, which operates the regional, procured passenger rail services on the stretch Örnsköldsvik – Umeå. When the last stage of the Bothnia Line – the Ådalen Line – is put into operation at the end of 2011, traffic will be expanded to the stretch Sundsvall – Umeå. Botniatåg creates new opportunities for growth for SJ and the number of travellers, made up primarily of commuters, has developed positively.

This type of strategic partnership also paves the way for new, joint projects with opportunities for growth in train markets in and outside of Sweden.

Other news is that we expanded passenger rail services between Stockholm and Umeå. This line was previously trafficked by night trains, but from 2010 we also offer daytime departures to Umeå. Over time, we aim to expand passenger rail services between Stockholm and Oslo. There are plans to expand fast train traffic starting from 2012.

Further development into Europe is of growing interest to us. In particular, the applies to commercial traffic on foreign main lines, where the potential for growth is deemed the greatest.

New concepts and partnerships

Expansion in the Swedish market focuses not only on new traffic, but also on new trains and more attractive concepts. Our new trains, which will be gradually put into service starting from autumn 2011, are part of this growth. They shall primarily traffic Western Sweden, Värmland, Dalarna and the Bothnia Line. The new fast trains will free up capacity as they are intended as a supplement to X 2000 on several lines. In total, the new trains will increase capacity by about 5,000 passenger seats.
Expansion
SJ – Sweden’s largest one-stop travel shop

A significant part of SJ’s expansion is within existing markets. We are expanding our range with events, hotels, trips farther out into Europe and much more. SJ aims to deliver inspiring and trouble-free travel to the customer.

SJ

is focusing on event trips. We want to encourage travellers to choose SJ and we want to generate a desire to travel.

Extensive range

The range has been expanded as our customers’ interests have grown and our offering is perceived as attractive. During the year, SJ sold packages for 110 events. We have agreements with the seven largest hotel chains in Sweden, which enables us to offer discount prices. Event trips often run to major cities, but SJ is also focusing on an expanded geographic spread, with destinations such as Åre and Astrid Lindgren’s World.

During the year, we also developed opportunities to book different attractions at destinations.

SJ outside of Sweden

Travel with SJ should be simple. By partnering with the largest foreign train players, it is possible to book the entire trip – to or from continental Europe – via SJ. Net-based retailers also sell tickets to persons living outside of Europe. In addition, there are agreements with the largest foreign travel organisers, which use SJ for charter groups and the like.

There is also a special event range for Denmark. The initiative creates opportunities for travel to Denmark from Sweden as well as from Sweden to Denmark.

Corporate customers

SJ has a large number of corporate customers. We developed special packages with service for both small and mid-size companies – all with different needs for customised solutions for travel services and packages.

In the corporate market, the number of group trips is also growing. SJ arranges conference trains and charter trains, both on its own initiative and together with travel agencies or conference organisers.

FlyRail is a joint offering of SJ and SAS where travellers can book trips and combine plane and train travel. FlyRail was launched on the Internet in mid-2010. It offers extraordinary service. A concrete example of this is the “Get you there” guarantee that SJ and SAS offers within Europe. This means that travellers always get to their destination, even if the plane or train is delayed. If a connection is missed, the company responsible for the delay handles rebooking.

Other important partnerships include agreements with the major retiree and student organisations and with Svenska Riksidrottsförbundet.
Employees who are content and developing their skills

At SJ, we want our employees to be content and develop their skills. We also want to attract new, talented individuals who think our company is exciting and envision a future with us. We actively strive to be a modern company with healthy values that offers stimulating work tasks, customised skills development, well-developed medical care and much, much more.

A strong and positive corporate culture is founded on values that are in line with the times. That is something SJ has. Issues such as equal opportunity and equal treatment are a matter of course to us, which means that all employees are treated with respect and are offered development opportunities. We feel that diversity and equal opportunity make us a better and – in the long run – more profitable company. Healthy values make us an attractive employer, both for those already working for us and for those considering applying for a job at SJ.
Employees

Our equal opportunity is not only formulated in policies and guidelines. It is also directly visible in our organisation. We work actively with these issues. Of all of our employees, 60 percent are men and 40 percent are women. This distribution permeates the entire company, including at the executive management level.

Kompassen shows the way
Skills development ensures that we have the right expertise at the right place and that employees feel that they have room for development within the company. We have a number of statutory training courses involving safety onboard and around our trains. To this, we add a number of other training and courses. The goal is to meet the individual’s needs and be as precise as possible in the development paths offered.

Since 2010, we have a new tool to facilitate skills development work. It is an IT support tool called Kompassen that is now part of our intranet. Via Kompassen, each employee can easily keep track of his/her skills development. It is an organisational tool for the individual, but it also provides a better overview in contacts between managers and employees. Individual skills profiles can be set up via Kompassen and then be matched to needs – both at the individual’s workplace and within SJ at large.

Since Kompassen is so comprehensive, it is also an aid in our manager supply and long-term succession planning. We are also holding more and more interactive, computer-based training courses. This allows employees to complete their course on their own when it suits them. It is a smart and flexible supplement to traditional courses, easy to follow up and easy to update the content in.

Living dialogue
The intranet is the hub of the internal communication. It contains policies, support and guidelines to help steer managers and employees in specific issues – practical guides, quite simply. Internal blogs and chats are now also featured on the SJ intranet. This improves openness, encourages more to give their opinion and generates a broader dialogue. Discussions and questions can be quickly spread throughout the organisation. This became particularly important during the winter, when the effects of traffic disruptions increased the need for teamwork throughout SJ.

During the year, the Employee Panel was launched. This panel is made up of 1,000 employees who answer questions and can submit suggestions and ideas for improvements. This gives SJ the opportunity to catch important signals in the organisation. The employee panel answers questions about once a month.

Salary and performance reviews are another form of dialogue. We regard these meetings, where employees and managers discuss and evaluate goals and performance, as highly important.

Healthier employees
We have extensive initiatives in both preventive healthcare and support and rehabilitation of individuals on sick leave. Development is pointing in the right direction as sickness absence at SJ has seen a positive trend and has dropped in recent years. An important reason is the programmes for reduced sickness leave that have been running for the past four years. During the disruptions of winter 2010, many employees faced great challenges and sickness absence increased to 5.2 percent (4.6). If we overlook the winter challenges, the positive trend continues. Although more work remains to achieve the long-term sickness absence target of 4.5 percent, our initiatives are producing clear effects. New this year is that a nurse is brought into the picture at the time that sickness is reported in order to support and facilitate return to work. We now also have a special rehabilitation coordinator to support our managers so that rehabilitation of their employees goes as smoothly as possible.

Health is a management responsibility
Work with health and preventive healthcare is run with expressed management responsibility. We have local health inspirers who drive forward health promotion and adapt the offering to the location. Certain areas conducted special initiatives, such as healthy leadership and seminars for managers. The next step will be to review the possibilities of introducing a health balance sheet as a tool to enable more precise follow-up of the effects of health-promotion work in SJ.
Skills development of employees strengthens SJ

SJ shall be known for attractive offers and good service. Training and skills development serve to strengthen both employees and SJ as a whole.

SJ’s major focus on education and training is an important part of our ambition to live up to customer expectations. Each year, a large number of employees undergo different types of training. This makes SJ better equipped and helps our employees develop and feel comfortable in their daily roles.

If we want to have satisfied customers, we must always act professionally and confident, inspire confidence and act with the customer’s best interest in focus – both in everyday situations and when traffic problems arise. Training employees is therefore one of SJ’s most critical investments – all to maintain a high level of traffic safety and a high level of service. Many of the courses focus on service, customer care and personal contacts within all aspects of operations. Other courses focus on leadership, sales, professionalism, statutory training and human safety. Altogether, there are about a hundred different courses. During the year, our employees completed about 12,000 training days.
Employees

Emergency preparedness exercises
We strengthened our forces with courses where our different occupational categories gather to perform exercises that must be as realistic as possible. These courses were conducted at the SJ Service Academy, our quickly-growing subsidiary. During the year, a special training centre was created at SJ Service Academy, where complex scenarios with many different players and problems can be acted out, handled and then evaluated by course participants.

The exercises give employees broader experience in how to act in difficult and stressful situations. SJ conducted ten such training sessions. Frontline managers also conduct case training sessions, where they are trained to support their employees so they can do an even better job of taking care of travellers. In addition to these new courses, we have recurring courses in service and customer care.

Customer care at the core
The largest training initiative in 2010 dealt with customer care. Needs in this area have increased in recent years. Our employees must have the ability to make independent and quick decisions to care for the customer in the best possible manner when problems arise. That is why education and informational material on the theme “Satisfied customer – My responsibility” was developed to clarify responsibility for personal customer care. Several thousand employees participated in the year’s extensive service training. The course was hands-on in nature with the aim of strengthening employees in their customer contacts. If disruptions arise, employees have a clear mandate and responsibility to resolve customer problems and ensure that the customer gets what he/she needs, such as help with taxi, bus or hotel booking. Emergency preparedness training and other initiatives to strengthen employees in their customer contacts are part of the 80-point improvement programme developed by SJ management after the troublesome events of the winter.

The obvious starting point of the courses is the desires and expectations of our customers. For this reason, the services provided by the SJ Service Academy are considered part of our quality, safety and service work. Education and training help in the development of both individuals and work procedures in a manner that makes SJ a more competitive, profitable and professional company.
Sustainability that makes a difference

Trains are the most eco-friendly mode of transportation. This gives SJ a large competitive advantage compared to plane and car travel. Trains are extremely energy-efficient and we purchase only renewable electricity to our trains, which reduce the environmental impact to a low level. SJ’s environmental profile has made a distinct impact on the market.

From an environmental perspective, trains are superior to competing modes of transportation, such as car and plane. Our customers can reduce their environmental impact from travel by travelling with us. In order to run long-term, sustainable operations and create the greatest possible value for society, we must continually strive to strengthen our competitiveness. We do this by offering efficient, customer-oriented and eco-friendly travel that meets the expectations of our stakeholders.

**Stakeholders govern sustainability work**
SJ defines stakeholders as individuals, groups and organisations that SJ depends on for its operations and that SJ affects through its operations – today and in the future. Dialogues and questionnaires provide us with valuable information about how we can improve our operations. SJ’s targets are at the foundation of our work. Meeting our own expectations as well as those of our stakeholders requires investments and activities. We communicate our accomplishments and the added value they create for our stakeholders.

**The SJ brand**
Ongoing stakeholder dialogues enable us to determine how well SJ’s operations live up the the expectations of various groups. Stakeholder dialogues enable us to identify the sustainability issues of the highest priority. The dialogues are a tool in our strategic sustainability work.

At the start of the year, we learn the results of the AnseendeBarometern, where the strongest brands in Sweden are judged by the public. The AnseendeBarometern serves as the basis for other information gathering regarding our brand and then affects the formulation of our communication strategies.

SJ is a very well-known brand and our operations are of great interest to the public and the media. In our meetings with the media, SJ shall be transparent and maintain a direct and clear dialogue.

SJ has a special customer panel made up of a large number of customers who participate on a volunteer basis. The customer panel supplements our extensive CSI surveys and is an important source of knowledge and inspiration for our improvement work.

2010 was SJ’s most active year of dialogues with stakeholders to date. During the year, we initiated an employee panel, made up of about one-third of our employees. The aim was to have a forum to quickly ask questions, obtain feedback on changes and foster enthusiasm and involvement among the employees. We also have many internal chats and blogs, where employees have the opportunity to discuss issues.

We are also active in social media, such as Twitter and Facebook.

**Train travel is on the rise**
Train travel has increased by 65 percent since 1990 as the result of investments in new lines, new trains and lower prices. A record was set in 2009, with 11.1 billion passenger kilometres. There was then a two-percent drop in 2010, primarily due to the problems in the winter. The railway’s market share has increased for both long-distance and short-distance travel.

**Capacity in the Swedish railway network**
The Swedish railway network is heavily laden. This extends beyond peak times in the big city regions and even affects several other stretches on the major lines. The mixture of long-distance trains, regional trains and freight trains reduces capacity and increases sensitivity to disruptions. In practice, this
The sustainable means that it is very difficult to obtain new train positions for fast trains and at the same time maintain a high degree of punctuality. SJ attempts to the greatest extent possible to operate more and faster trains by supplementing with direct trains between the major cities during peak times. If this is not possible, we can run longer trains by coupling several train sets together or adding extra carriages. This makes it possible for SJ to increase capacity somewhat in upcoming years.

When combined with neglected maintenance of the infrastructure, sensitivity to disruptions further increases. This has been apparent the past winters, as neither the capacity nor the quality of the railway network has been sufficient at the same time as preparedness was low. The only measure that is then possible is to cancel trains to create greater margins.

**Enviromental advantages of train travel**

There are many reasons why train travel is good from an environmental standpoint. Many people travel together on the train. Despite their huge weight, trains take relatively little energy to move. Modern trains have energy-efficient engines and are streamlined to reduce air resistance. Several of our trains are also equipped with regenerative electric brakes, which recover the energy for later use. Because SJ only purchases electricity from renewable energy sources, carbon dioxide emissions from electric operation are as low as possible.

Even when the environmental impact from the infrastructure is factored in, trains are still the best mode of transportation from an environmental standpoint. This is indicated on an Environmental Product Declaration for the Bothnia Line.

**Ecologically certified travel**

When the customer climbs onboard an SJ train, he or she is met by the falcon – the symbol for the Swedish Society for Nature Conservation’s Good Environmental Choice ecolabel. This serves as proof that a trip with us meets the Swedish Society for Nature Conservation’s requirements for renewable energy and low emissions of carbon dioxide, nitrogen oxides, hydrocarbons and particles.

Onboard, our environmental work can be seen, for example, in the bistro, where we serve cold dishes in containers made from renewable corn starch, the coffee is brewed from KRAV and Fairtrade labelled beans and the customer can sort and recycle his or her waste.

We also set environmental requirements for our suppliers, such as those who perform cleaning and maintenance of our trains and we safeguard the environment when trains have reached the end of their service life through sorting and recycling.

We continually strive to reduce our environmental impact in many other areas.

**One-third choose the train for environmental reasons**

Our latest customer survey onboard (Customer Satisfaction Index) shows that fewer indicate the environmental aspect as the primary reason for choosing train travel. The highest figure – 51 percent – was
reached in 2008. This year, the figure dropped to 36 percent. Still, this means that about one-third of our customers indicate that the primary reason they chose train travel is because it is good for the environment. This indicates that the environmental aspect continues to be of great significance when choosing mode of transportation.

New Customer Group provides support
This year, we introduced a number of initiatives to support our employees during traffic disruptions.

For example, traffic management has a whole new unit – Customer Group – that provides the onboard crew necessary support during traffic disruptions to make it easier to care for the customers. Better conditions for helping the customer (for example, having access to the right information at the right time) also factor into how employees perceive their work situation when it comes to enjoyment, commitment and perceived stress.

Training and preparedness for situations with traffic disruptions are also an important component. Several training sessions were held during the year. Examples of these include preparedness training and customer care during traffic disruptions. This year, these were held in a new facility and in a new environment that simulates reality onboard a train. This makes training more realistic and effective.

Expected results for employee satisfaction index
SJ AB conducts employee satisfaction surveys to learn how employees feel about their work situation. The overall results of the employee satisfaction index (ESI) increased markedly between 2006 and 2008, rising from 49 to 58 in the index. This year’s survey shows a slight drop to 56. According to reference statistics, an index over 60 is good and an index under 40 indicates that there is a lot that needs to be changed and improved. A comprehensive ESI for the Swedish labour market shows an average of 55-57.

The results for our employees this year are not surprising considering that the survey was conducted right after the winter problems.

Some categories, such as clarity in responsibilities and powers, remain at the same level as before. The same applies to the collective leader index (63). Areas for development are teamwork between staffs and divisions, follow-up of targets, confidence in company management and ability to put improvement ideas into action.

Employee panel for improved dialogue
During the year, SJ AB worked hard to improve the dialogue within the organisation. A special employee panel was started. This made it possible to continually ask relevant questions to a large group of employees about SJ’s operations. The employee panel is a quick and easy channel for dialogue and thereby supplements the employee satisfaction survey. Participation is voluntary and completely anonymous.

Parts of the panel (consisting of about 1,000 employees) are changed about every four months so that all employees are given the chance to participate over time.

Internal blogs
In order to facilitate and develop a more down-to-earth dialogue on the intranet, a number of internal blogs have been started. An advantage of blogs is that the reader can make comments and ask questions right within the blog. At present, there are nine active blogs. The most popular ones are written by managers within the divisions. Chats have also been used on several occasions, including in the spring, when the majority of the SJ AB management participated to discuss the winter’s traffic disruptions and various measures. Chats are an appreciated method of communication that we continue to use and develop.

Extensive surveying onboard
In order for SJ to develop and improve operations, it is important that we listen to our customers. Each year, we conduct extensive onboard surveying throughout the year to measure factors such as the CSI. During the year, 20,260 passengers were asked for their opinions and comments on comfort, information, punctuality and customer care. They also provide an overall opinion about travelling with SJ.

This year, the trend of rising CSI figures was broken. The survey shows a total decline from 74 in the index for 2009 to 70 for 2010. 70 corresponds to a rating of “Good”.

Our vision is “All aboard!”. This vision is our strive to – particularly from an environmental perspective – benefit society in general as this means a shift of traffic from modes of transportation with a greater environmental impact to the more eco-friendly train travel.

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1) Each item is separate. CSI is also separate.
Elisabet Salander Björklund

Ulf Adelsohn
Year of birth 1941. Consultant. Chairman of the Board of SJ AB since 2002. Board chairman of Realm (Xanté+Sherry Heering), SEB/Trygghetfonden assembly, Nordic Airport Properties (LFV+ General Electric), Humle Kapitalförvaltning, Svenska Vårdfastigheter AB. Other directorships: Stiftelsen Acta Oto-Laryngologica, Aktiv Arbetsmedicin (Falk), EPC Euro Parking Collection, Trainsticket AB.

Eivor Andersson
Year of birth 1961. CEO Coop Marknad AB. Board member of SJ AB since 2005. Board member of Coop Butiker and Stormarknader AB.

Lars-Olof Gustavsson

Ingela Tuvegran
Year of birth 1951. Director of Development, Region Västra Götaland. Board member of SJ AB since 2003. Board chairman of the University of Skövde. Deputy board member of UMC (Uppsala Monitoring Center). Board member in the stakeholder association board of the Swedish Institute for Quality (SiQ).

Björn Mikkelsen

Caroline Sundewall

Thomas Winäs
Year of birth 1952. Train driver. Board member of SJ AB since 2003. Chairman of ST-spårråttakfik SJ AB. Member of the department board of ST-spårråttakfik.

Nils-Gunnar Nyholm
Year of birth 1944. Controller. Board member of SJ AB since 2001. Employee representative of SACO/TJ, Chairman of the TJ association at SJ AB and Board member of the National Executive Committee of TJ.

Erik Johannesson
Executive management

Jan Olson
Year of birth 1950.
Director of Business Development.
Master of Business Administration.
Year of hire 2003.
Board chairman of Merresor i Sverige AB.
Board member in Stockholmsståg KB, SJ Event AB, SJ Service Academy AB, SJ Norrlandståg AB.

Peter Blomqvist
Year of birth 1954.
Director of Human Resources.
Degree in social work.
Year of hire 1982.
Board member of Försäkringskassan.

Jan Forsberg
Year of birth 1951.
CEO.
Master of Engineering KTH.
Year of hire 2002.
Board member in Samtrafiken i Sverige AB, Apoteket Omstrukturering AB and Almega.
Board member in Stockholmsståg KB, SJ Event AB, SJ Service Academy AB and SJ Norrlandståg AB.

Elisabeth Lindgren
Year of birth 1963.
Director of Communications.
Bachelor of Arts in Marketing.
MBA Stockholm School of Economics.
Year of hire 2007.
Board member of Magelungen AB.

Håkan Ahl
Year of birth 1955.
Director of Traffic and Service.
MBA University of Leicester.
Year of hire 2007.

Brita Dalunde
Year of birth 1958.
Chief Financial Officer.
Master of Business Administration.
Year of hire 2009.
Board member of Boule Diagnostics AB, Linkon AB, Board chairman of SJ Försäkring AB and SJ Invest AB.

Lars Svensson
Year of birth 1948.
Director of Traffic Safety.
Master of Engineering KTH.
Year of hire 1999.

Claes Broström
Year of birth 1954.
Director of Vehicles.
Mechanical engineer/ Degree in marketing.
Year of hire 2006.
Board chairman in Linkon AB.

Nina Homewall
Year of birth 1956.
Director of Sales.
Degree in marketing.
Year of hire 2005.
Board member of SJ Event AB, SJ Service Academy AB, SJ Norrlandståg AB, KF Fastigheter, SCCF (Sveriges Callcenter Förening).
Comments from the Chairman

Ready for the next step

In all modes of transportation, needs are increasing to such a degree that infrastructure just cannot keep up. This is especially clear when it comes to railways. We could have a better-functioning railway – but it comes with a price tag. To be able to develop train traffic, we need more investment in both infrastructure and trains.

What worked best in 2010 and what needed improvement?

– It was a great thing that more people gained better insight into the conditions facing the railway and that there are many players responsible for train traffic – not just SJ. This is confirmed in the surveys conducted. When 7 out of 10 blame the problems over the winter on infrastructure shortcomings, it sends a clear signal to all of us. We worked diligently with the aspect for which we at SJ are responsible and I am satisfied with the results of these efforts so far.

– According to the General Director of Trafikverket, there are about 40 operators active in both passenger and freight traffic and they all had difficulty making their deliveries and living up to customer promises at the start of 2010. Despite all of the problems, we at SJ were much better equipped and in much better condition to handle the winter (which came record-early in autumn) than we were last spring. Don’t forget that we had a total of five really tough months with historically harsh winter weather!

– An area in need of improvement was infrastructure. But, it was no surprise that the problems got so severe considering the weather. For travellers standing on the platform in the cold, it is hard to understand and even harder to accept that the train is late or doesn’t come at all. “Why doesn’t Sweden have a railway that can handle all types of winter conditions, like in Switzerland?” is an understandable question in the moment. The answer is that we could also have that, but there’s a price tag attached. The Swiss pay four times more in maintenance and reinvestments per kilometre than we do!

Travel has increased by 50 percent over 10 years and almost 70 percent over 20 years. How do you explain the increase?

– It is really good news and this is because the train is an efficient mode of travel at its core and, despite its age, is becoming more modern with each passing year! At the same time, transportation needs in all transportation types are growing to such a degree that neither road nor railway investments can keep up.

– The fact that the major increase in travel occurred in the past eight years can be linked to that SJ underwent a comprehensive change. We are now a modern and financially well-run company, in all aspects of commercial operations. In several areas, we
Comments from the Chairman

are ahead of our time. For example, a modified price model in which price is governed by demand was a major change – more and more people are now travelling at all times of day and night. We fill the trains by providing a trip that suits every wallet.

– For a number of decades, ticket prices in Sweden increased faster than inflation and the general price increase rate. At the same time, SJ’s economy got worse and worse. SJ has been showing a profit since 2004. At the same time, we are able to invest in new trains and maintain the old ones. Train prices have dropped by five to seven percent units in about as many years. We have 10 million more trips per year now and yet have lower prices, on average. SJ is a better company – maybe even the best in Europe – based on these aspects. But, it hasn’t been so easy to spread this information!

– Railways could contribute even more to society, but there are two challenges. The first and greatest is lack of capacity. In simple terms, there aren’t enough tracks and those that are in place are not taken care of well enough. The shortcomings are due to decades of neglect. Years of looking the other way have caused us to have (in terms of money) the worst maintenance out of all comparable countries in Europe.

– The other challenge deals with lack of trains. SJ invested more than SEK five billion in new trains in the 2000s and we plan for more. To be able to develop train traffic, we need more investment in both infrastructure and trains.

What is your view of deregulation?

– Deregulation has been good in some respects. SJ has gotten better in areas where we previously couldn’t handle the competition. At the same time, deregulation has created a number of problems and it’s no secret that I am a critic. But, now the decision has been made and the challenge lies ahead of us. We still have shortcomings we must remedy, but it is with great satisfaction that I, as chairman, can say that we have employees who are fantastic with our customers – often in positions where they go totally unnoticed. From an international perspective, SJ is a company in an extremely good state.

What single issue is most important for SJ in 2011?

– Taking care of our travellers. Then, it is extremely important that we do a good job of putting our 20 new fast trains into service. But, it doesn’t stop there. The next issue is whether new high-speed trains will replace the X 2000 fleet, which is now starting to get old. I want SJ to purchase another 20 modern trains that can traffic both the tracks we have today and future high-speed lines. It is my sincere hope that we – like almost all other countries in Europe – decide to invest in the next generation of railway tracks.

Ulf Adelsohn
Chairman of the Board
Directors’ report in brief

Our operations and customers
SJ AB operates passenger rail services. Customers are categorised as private, business and commuter travellers. Train traffic is primarily run within the parent company, SJ, and the subsidiaries Stockholmståg and Norrlandståg. Other subsidiaries and associated companies run operations closely tied to SJ’s core business.

Market development
The year was characterised by quick recovery of the economic situation, with increasing export and a slowly improving labour market. The positive effects were not as great for SJ. Income was negatively impacted by extreme winter conditions during the first and fourth quarter, but also positively affected by the volcanic eruption in Iceland during the second quarter. If we disregard these effects, the underlying income development is in line with the preceding year, which matches our experience that when the state of the market changes, it takes about a year until the rail industry is affected accordingly. The Swedish Travel and Tourism Database indicates stable market shares in the domestic travel market. Business travel by train has had a difficult recovery after the recession, despite increasing activity in the economy. Commuter travel has been reduced marginally. Leisure travel, which dominates in terms of volume, compensated for a large percentage of the reduction in other travel. Unlike domestic air travel, travel by train has a high percentage of leisure travellers. In times of recession, this has been an advantage and is one of the reasons behind SJ’s relatively stable development in recent years.

Earnings and financial position
Parent company
The parent company, SJ AB, with its board seat in Stockholm, accounts for 78.9 percent of the Group’s income. The parent company’s share of the Group’s earnings is 91.8 percent. Traffic income is the dominant income source.

Operating income
Operating income amounted to MSEK 8,717 (8,790), which is 1 percent lower than last year. Income was negatively impacted by extreme winter conditions during the first and fourth quarter. This was compensated to some degree through the positive income generated through the eruption of Eyjafjallajökull at the start of the second quarter.

Operating profit and operating margin
Operating profit amounted to MSEK 439 (629), which is 30 percent lower than the preceding year. The operating margin was 5.0 percent (7.2) primarily due to the reduced margins of the parent company SJ AB. The tough winter conditions during the first and fourth quarter led to problems such as damaged, cancelled and delayed trains. This negatively impacted earnings by a total of MSEK 362, both in the form of lower income and higher costs such as travel time guarantee, rail replacement services and vehicle damage. Since its start in 2009, SJ’s streamlining programme has generated savings of MSEK 500, of which MSEK 145 affected the earnings of 2010 compared to the preceding year.

Profit before tax
The Group’s profit before tax amounted to MSEK 406 (622). The reduction is primarily due to the winter disruptions during the first and fourth quarter. Net financial items amounted to MSEK -33 (-7).

Profit for the year
Profit for the year amounted to MSEK 294 (460).

Cash flow
Cash flow amounted to MSEK -438 (1), which is MSEK 439 lower than the preceding year. This is primarily due to a leasing payoff, repayment of a loan taken out in 2009, a reweighting from company certificates with a term exceeding 90 days to company bonds, which at the time were classified as liquid assets, and lower earnings.

Investments
Investments for the year amounted to MSEK 858 (595), of which MSEK 749 (477) was for vehicles and MSEK 60 (103) was for investments in intangible assets. Added to this are other investments amounting to MSEK 49 (15). Almost half of the vehicle investments consist of a partial payment for the new fast trains. Otherwise, major investments continued in upgrading passenger carriages from the 1980s and various measures in the X 2000 fleet, particularly replacement of trailing wheel pairs.
Financial targets
SJ aims to be a modern travel company operating on a sustainable and commercial basis. The owner’s financial targets are an equity/assets ratio of at least 30 percent and a return on equity amounting to at least 10 percent after tax over one business cycle. SJ’s regular dividend shall amount to one-third of the profit for the year, provided that the equity/assets ratio target is achieved after dividend. The intention of the dividend policy is to guarantee the owner a direct return on investment through sustainable, reasonable dividends, taking into account the company’s future capital requirements and financial position. The dividend policy has been approved by the Annual General Meeting.

Significant risks and uncertainties
SJ’s operations are exposed to a variety of risks, defined as a potential event that could impact the ability of the operation to achieve its targets. The new risk management process implemented in 2009 has been improved and applies to the entire Group. All aspects of the organisation are represented in this process, which roots it firmly and increases awareness. Risk management aims to limit undesired effects that could affect the company’s financial position, earnings or market position. With good risk management, SJ strives for activities carried out or planned by the company to be thoroughly considered in order to manage the risks generated through operations and for the company to be well-equipped and prepared to handle potential events. Primary responsibility for SJ’s risk management is with executive management, although much of the work is performed locally in the organisation. The Finance department coordinates the risk process and reports to executive management, the audit committee and the board.

Traffic safety
SJ’s general traffic safety objective is for train travel to be safe and secure. No passenger or SJ employee should be at risk of death or serious injury from SJ’s operations. In general, traffic safety operations focus on maintaining licensing and safety certificates and managing safety-related issues. Safety work for the year focused on the responsibility of all players as regards stop signals, travel accidents and shortcomings in handling. One tragic accident occurred in Kimstad, where a traveller died when a tractor loader collided with an X2000 train.

SJ’s sustainability work
Sustainability has always been a priority for SJ, which has a long history of working actively in this field. SJ believes a proactive approach to sustainability will help to fulfil our vision of “All aboard!” and contributes to a greener and more sustainable society. As the framework of sustainability reporting, we apply the third generation of Global Reporting Initiative (GRI) guidelines G3 (www.globalreporting.org). These guidelines are generally accepted by major companies and application of G3 improves comparability with other companies. For 2010, SJ chose to apply level B+. SJ conducts self-evaluation of how well we follow GRI guidelines G3. Ernst & Young has reviewed SJ’s Sustainability Report and confirmed the self-declaration of level B+ compliance.

Employees
The SJ Group has an average of 4,262 (4,439) employees, of whom 49 percent (40) are women and 61 percent (60) are men. SJ decided to focus on commercial traffic instead of procured traffic in Western Sweden and Östergötland. Thus, no tenders were submitted in the procurement of regional traffic for Väst or for Östgötapendeln. At the end of the year, about 300 employees switched to the new operators in procured traffic Västrafik and Östgötatrafiken. In 2010, the SJ Board of Directors consisted of four women and three men as well as three employee representatives – all men. Executive management consists of three women and six men. A long-term, targeted initiative is also under way to encourage more women to become train drivers.

In 2010, we continued our offensive to reduce sickness absence, particularly short-term sickness absence. SJ’s long-term goal is 4.5 percent. Sickness absence in 2010 was 5.2 (4.6) percent. This is still a good level for the industry and reflects the vast work put forth in recent years. Short-term sickness absence (1-14 days) increased, while long-term sickness absence continued to decline. Employee turnover for the Group was 5 percent (9).
Governance in brief

SJ AB shall draft a governance report following new regulations in the Annual Accounts Act (ÅRL 6:6-9), which must be applied for the first time for governance reports for 2010. The provisions of the Annual Accounts Act have replaced in part equivalent codes in the Swedish Code for Corporate Governance.

Responsibility for governance at SJ

In order to satisfy the needs of stakeholders and maintain a good reputation, SJ must have effective corporate governance. SJ therefore places great importance in having a clear distribution of responsibility within the organisation and continually refines structures for decision making and decision processes.

Corporate governance at SJ is carried out in compliance with the Swedish Companies Act (ABL), the Swedish Code for Corporate Governance (Code) and the ownership policy of the Swedish state. Other relevant regulations and recommendations also affect SJ’s management and control, as do internal documents, such as the articles of association, the Board’s rules of procedures and instructions for the CEO.

For further information on corporate governance, refer to SJ’s website – www.sj.se – About SJ.

Function of the Annual General Meeting

The Annual General Meeting elects the SJ Board of Directors based on suggestions from the owner, adopts the income statement and balance sheet and appoint auditors. At the Annual General Meeting, the Board presents proposals for principles regarding compensation and other employment terms for executive management as well as the annual report for approval.

Board structure

To the extent it is appointed by the Annual General Meeting, the Board shall consist of no less than three and no more than eight members without deputies. The Annual General Meeting shall appoint a Chairman of the Board.

The Board then has overall responsibility for company administration and management. When performing its tasks, the Board acts as a collegiate body with independent responsibility for the company’s administration, organisation and financial position.

The Board must have a high level of expertise that is well-suited to the company’s business, situation and future challenges. In order to be eligible for a board seat, a high level of general competency is required in day-to-day business operations, business development, the specific sector in question, financial matters or other relevant areas. Integrity and an ability to act in the company’s best interests are also required.

Board activities

Board activities follow an annual agenda, with set topics and items to be dealt with. These include approval of the annual accounts, interim financial statements and the company budget. The Board addresses issues of key importance or of a financial nature. It also takes responsibility for overall company strategy, spanning organisational structure and changes as well as major investments. Board activities are prescribed by the procedural rules set by the Board, which include instructions on allocation of work and financial reporting, and by the Swedish Companies Act and the Code.

Control activities

Control activities are organised to manage significant risks relating to financial reporting and important accounting issues that are identified during the risk assessment process. The objective is to prevent or enable early detection of errors in financial reporting, thereby minimising any adverse impact. The Finance department is responsible for analysis of the financial outcome and for preparing financial reports.
**Significant events in 2010**

- SJ's new fast trains are on their way to Sweden. The first trains are being tested in Västerås and will gradually put into traffic starting in 2011.
- A train accident occurred in Norwegian Skotterud on 1 October. No one was seriously injured, but about 30 passengers had minor injuries and many suffered from severe shock. Parallel to the investigation by the Norwegian Accident Investigation Board, SJ examined all (over 3,000) carriage wheels on locomotive-hauled trains.
- Beams on the X 2000 fleet have been overhauled, which has affected the speed. Speed was reduced, which affected punctuality.
- SJ and Deutsche Bahn Regio started Botniatåg, which operates the provincial passenger rail service along the Örnsköldsvik–Umeå.
- SJ opened a new unit in Karlstad. This was the result of a 5-year project for the railway system in the online region and a hub for traffic to Norway, for example. 40 new SJ employees will be stationed here.
- SJ’s new fast trains are on their way to Sweden. The first trains are being tested in Västerås and will gradually put into traffic starting in 2011.

**Financials 2010**

Net turnover amounted to MSEK 8,627 (8,741).
Income was negatively impacted by extreme weather conditions during the first and fourth quarter. This was compensated to some degree through the positive income generated through the expropriation of Eufyljakskulla at the start of the second quarter.

**Profit for the year**

- Revenue MSEK 8,627
- Operating margin 439
- Profit for the year 294
- Equity/assets ratio 48.4%

**Key ratios, amounts in MSEK**

- Key financial ratios
  - 2010
  - 2009
  - 2008
  - 2007
  - 2006
  - 2005
  - 2004
  - 2003
  - 2002
  - 2001

- Operating profit
  - 2010
  - 2009
  - 2008
  - 2007
  - 2006
  - 2005
  - 2004
  - 2003
  - 2002

- Operating margin (%) 439

- Equity/assets ratio % 48.4%

**five-year summary**

- Net turnover MSEK 8,627 (8,741)
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**five-year summary**

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SJ in brief

- SJ is a customer-oriented, modern and profitable travel company that manages 55 percent of the total train traffic in Sweden.
- Each day, 100,000 people travel with SJ on 700 trains.
- SJ has about 5,400 employees.
- All travel by SJ trains in Sweden is marked with the ecolabel Good Environmental Choice. SJ purchases 100 percent renewable electricity from water and wind power for train operation in Sweden.

Financial results for 2010 showed a net turnover of SEK 8.6 billion. The equity/assets ratio amounted to 48 percent, thereby exceeding the owner requirements of 30 percent. Return on equity amounted to 6.7 percent.

SJ is expanding its own traffic both in Sweden and abroad. In 2010, traffic expanded to Copenhagen, with departures to Odense. In Sweden, we expanded traffic between Stockholm and Umeå and between Örnsköldsvik and Umeå.

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SJ in brief