



**SJ ANNUAL REPORT & SUSTAINABILITY REPORT 2012**



# Contents

1	SJ in two minutes
2	2012 in brief
3	Significant events
4	Comments from the CEO
6	Comments from the Chairman
7	Business concept, Vision, Core values, Business model
8	Operations
10	Stakeholder dialogue
12	SJ and our customers
28	SJ and our employees
36	SJ in society
48	Financial statements
60	SJ AB – Board of Directors
62	SJ AB – Management
112	GRI Index

## Financial calendar

Interim Report, January–March: 26 April 2013  
Interim Report, April–June: 19 July 2013  
Interim Report July–September: 23 October 2013  
Year-end Report: 13 February 2014  
Annual report 2013: March 2014

## Reports

The Annual Report and Sustainability Report 2012, including the Corporate Governance Report and Interim Reports are available at [www.sj.se](http://www.sj.se).  
Contact: Ulrika Lindell, [ulrika.lindell@sj.se](mailto:ulrika.lindell@sj.se), +46-(0)10-751 50 84

The printed version of the annual report is available from:  
SJ AB Kommunikation, SE-105 50 Stockholm, Sweden;  
[info@sj.se](mailto:info@sj.se)

# SJ in two minutes

SJ's foremost contribution to sustainable development lies in getting as many people as possible to travel with us. The more traintravellers, the better the environment benefits – together we contribute to sustainable development.

## Vision

**To get everyone on board!**

## Business concept

**Efficient and eco-friendly travel**

## Core values

**Innovation  
Consideration  
Responsibility**

**SJ AB is a travel enterprise that is 100-percent owned by the Swedish State.**

**More than 4,000 employees play their part in offering Sweden's most sustainable form of travel.**

**Every day, SJ operates 800 departures and serves 160 stations between Narvik, Norway, and Copenhagen, Denmark.**

## Objective

**To be a modern, profitable, customer-led and sustainable travel enterprise.**

SJ will work to drive forward sustainability issues and get more people to choose the train as a means of transport. SJ will be the operator of choice, a modern and safe travel enterprise.

**91** ↑

percent punctuality for SJ Fast Trains

**90** ↑

percent punctuality for SJ Regional Trains

**8**  
SEK billion

SJ has a turnover of approximately SEK 8 billion.



**An SJ 2000 train between Stockholm and Gothenburg emits less carbon dioxide than a car driven 1 kilometre.**



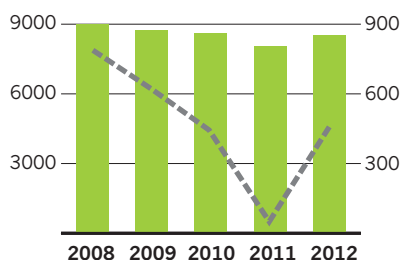
**Around 100,000 customers every day**



# 2012 in brief

2012 brought major changes. Work started early in the year on the reorganisation that was implemented during the year. We developed and simplified our processes to become more efficient and more robust. In November, Crister Fritzson took over as SJ's new CEO. A summary of the year's most significant events follows below.

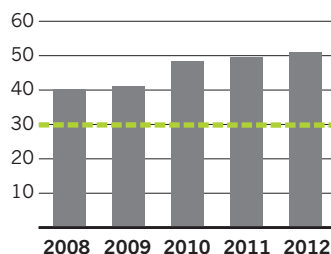
Net turnover and operating profit, SEK m



The Group reports a positive earnings trend in 2012.

■ Net turnover ■ Operating profit

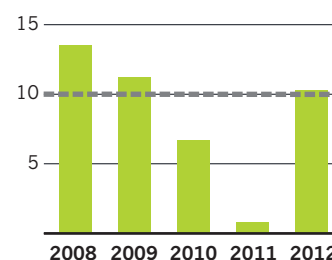
Equity/assets ratio, %



An equity/assets ratio of 51 percent surpasses the target of 30 percent.

■ Target 30

Return on equity, %



The 2012 outcome of 10.3 percent exceeds the owner's requirement.

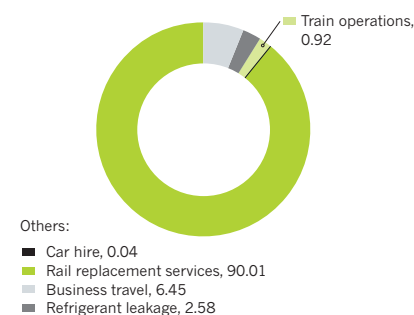
■ Target 10

KEY FIGURES, amounts in SEK million	2012	2011	2010	2009
Net turnover	8,504	8,038	8,627	8,741
Operating profit	467	60	439	629
Operating margin (%)	5.4	0.7	5.0	7.2
Profit for the year	471	36	294	460
Return on equity (%)	10.3	0.8	6.7	11.2
Equity/assets ratio (%)	51.1	49.6	48.4	41.0
Investments in tangible non-current assets and intangible fixed assets	1,116	869	858	595
Average number of employees	4,299	4,041	4,262	4,439

## Key operating ratios

Supply and load factor				
Passenger kilometres (millions)	6,415	6,431	6,774	7,038
Seat kilometres (millions)	10,968	11,017	12,534	12,915
Load factor (percent)	54	53	54	54
Number of journeys (millions)	28.9	31.1	37.8	36.3

Carbon dioxide emissions, %



To operate its trains, SJ purchases 100 percent renewable electricity from hydropower and wind power sources resulting in very low emissions of climate-impacting carbon dioxide. The lowest proportion of emissions is from actual train operations. The highest proportion stems from rail replacement services used during service disruptions. Higher punctuality is therefore closely linked to environmental work.



## Q1

**Launch of the SJ 3000.** SJ's new fast train, the SJ 3000, is brought into service between Stockholm and Sundsvall in February and is introduced on other routes during the year.

**New three-year agreement on train services for West Sweden.** On 1 May, SJ takes over management of regional and commuter train services in the Västra Götaland region.

**SJ cleaning back in-house.** In January, SJ brings train cleaning back in-house in the strategic Stockholm, Gothenburg and Malmö regions.

**Budget-price timetable.** SJ's new budget-price timetable compiles the cheapest tickets together in one. In the autumn, the timetable is extended to the 24 most popular routes.

**SJ terminates train services on the Gothenburg–Malmö route,** effective 10 April.

**Organisational changes.** Jan Forsberg resigns as SJ's CEO on 2 April. Jan Olson, SJ's Vice President Business Development, is appointed as acting CEO until a new CEO is recruited.

## Q2

**Change in Company's management.** Crister Fritzson is appointed new SJ's new President and CEO, taking up his appointment on 12 November. The Group's strategy, cost structure and organisation are reviewed.

**Debut for SJ Götalandståg AB.** Train services in West Sweden are operated by the new subsidiary, SJ Götalandståg AB, a joint venture involving Västtrafik, Hallandstrafiken AB and Jönköpings Länstrafik AB.

**SJ moves to new premises in 2013.** A decision is taken to relocate SJ headquarters to new premises in May 2013.

**SJ again engaged to operate Night Train services in Norrland.** The new agreement runs from June 2013 to December 2018. Norrland services are a key part of SJ's ambition to expand passenger services in Sweden. It also offers potential for a profitable service.

## Q3

**SJ's revenue boosted by settlement.** SJ AB has been in dispute with the supplier of SJ 3000 trains due to delivery delays. During the quarter, the parties arrive at a settlement regarding a delay penalty; as a result SJ AB's revenue increase by SEK 156 million.

**SJ trains increasingly punctual.** Punctuality of SJ's Long-Distance and Regional train services improved compared to the same quarter in 2011. Punctuality in the period is 91 percent (88) for Long-Distance and 91 percent (87) for Regional train services.

**The Ådalen Line is inaugurated on 14 September.** The Ådalen Line helps to enable fast, safe and eco-friendly passenger journeys. Starting on 9 December 2012, SJ now provides services on the Umeå–Sundsvall–Stockholm line, with three direct departures daily.

**The government will invest a further SEK 55 billion in the railways.** The government's budget and infrastructure bill proposes more resources for the railway system. In the 2014–2025 period, SEK 86 billion will be invested in operations and maintenance, a SEK 20 billion increase. SEK 35 billion is allocated for investments in the Eastern Line and new tracks between Gothenburg and Borås.

## Q4

**More budget-price tickets.** SJ changes its pricing strategy to offer a wider range of cheap tickets closer to departure.

**Training activities integrated.** As part of an intensified focus on core operations, sections of the training programme conducted by the SJ Service Academy AB subsidiary will be integrated in SJ AB.

**Expansion of commuter services.** Service integration and accessibility for passengers on the Stockholm–Uppsala route are improved from December by SJ offering, through its Stockholmståg KB subsidiary, the possibility of journeys all the way to Uppsala on the commuter service.

**SJ's service delivery is affected by track engineering works.** In November and December, Trafikverket carries out short-notice track engineering works at Töreboda on the western main line. The work leads to speed reductions and single-line operation.

**New loans of SEK 800 million.** SJ's lease loans of SEK 924 million regarding the SJ 2000 fleet fall due on 30 October 2012. At the same time, SJ raises new loans of SEK 800 million. The loans have maturities of eight and ten years, respectively, and will be amortised at approximately five percent annually. Nine SJ 3000 trains are placed as security for the loans.

Higher turnover, but also more passengers and better average punctuality. In 2012, SJ advanced its position in several areas.

# Focus remains on punctuality and quality

Despite progress in several areas, we are not meeting all customers' expectations in our services. As a result, we are now upping the pace in SJ's journey of change, in which punctuality and quality take centre stage. In 2012, SJ delivered a better financial performance than in the previous year. Profitability rose in both long-distance and regional services. Delays, linked to deliveries of our new fast trains, led to a fine of SEK 156 million. At the same time, figures for 2011 were adversely affected by a settlement of SEK 150 million with Tåg i Bergslagen AB. Our turnover rose, partly through more customer on existing lines and partly via the establishment of SJ Götalandståg, which has been operating regional and commuter services in West Sweden since May 2012. The higher turnover is also the result of greater attention paid to costs and to efficiency improvements. As part of an intensified focus on core operations, the activities of SJ Service Academy AB and SJ Event were terminated during the year. Resources and competences will mainly be deployed within train services, to strengthen SJ's offering and improve product quality.

## Customer-perceived quality at the core

Despite positive achievements, we are aware that SJ has not fully lived up to customers' expectations regarding our company and our product. Improving the basic quality and robustness of our train services is therefore our most important task. It is also the objective of SJ's current journey of change, the pace of which SJ now intends to step up. The most important issue is punctuality. We must achieve a level of quality that is acceptable to our customers and that enables them to feel that they are in control of their journey. As we continue with this process, we are increasing our focus on specific routes and departures, in order to remedy the faults and shortcomings that affect punctuality in every individual case. This applies both to long-distance and regional services. The punctuality recorded for long-distance services in 2012 was 91 percent, compared with 88 percent in 2011. In regional services, it was 90 percent in 2012 compared with 87 percent in 2011.

Since the beginning of January 2013, we have been reporting punctuality data on our website weekly, as part of our efforts to be more open and transparent. Accurate and clear information is critical to how customers experience quality. We have carried out major initiatives

here, and today an increasing amount of information is being provided through increasing numbers of channels.

Our current challenge is to quality assure the content to a higher degree. This also applies to the information distributed via partners. Another part of our focus on quality is what we call complete, clean trains. In 2012, SJ once again began handling train cleaning in-house. This has delivered tangible improvements – which are also appreciated by our customers – and is another example of how we are improving quality.

## Wide-ranging investment in regional services

In addition to gaining better control of punctuality in our regional services, SJ is carrying out a coordinated review to ensure that services are perceived as modern, accessible and reliable. Regional services are largely based on systems once developed for long-distance services. Today, SJ's regional services have to meet passengers' needs in fast-growing urban regions. To meet this demand, we are conducting in-depth dialogue with stakeholders in, for example, the Mälardalen region, and are reviewing business models, service, technical facilities and much more. Additionally, continuous investments will be made in the rolling stock fleet – especially in the Mälardalen region – to ensure the long-term quality and capacity of our regional services.

## Meeting expectations

Much of our work right now is focused on meeting our service delivery commitments to our customers. You could say that we are “mid-step” in these endeavours. In many cases, we're seeing an upward trend, for example, in terms of better punctuality and clearer service information. Nevertheless, a lot of work remains. Not least in terms of listening to our customers and being attentive and active in delivering measurable improvements that meet their expectations of SJ. Doing this will help us gain more positive customers, who are happy to travel with SJ, and notice and appreciate the high quality that are essential characteristics of our operations.



Christer Fritzon  
Chief Executive Officer, SJ



“Much of our work right now is focused on meeting our service delivery commitments to our customers.”



People, Planet and Profit are core concepts of both sustainable enterprise and SJ's long-term development. These concepts emphasise the importance of a broad perspective on profitability. To achieve this, there is one aspect of operations, above all, that SJ must deliver with greater certainty – punctuality in our train services.

## Punctuality – the crucial driving force

SJ manages its business in three ways, in which social, environmental and financial factors are closely integrated and must work together in order to make SJ successful in the long term. To succeed, there is one area that we must focus on right now: punctuality in our train services. The explanation is simple. If our trains are punctual, demand for our services will grow, enabling us to increase our profitability. If more travellers choose to travel by train, clearly the most eco-friendly option, this also reduces environmental impact. A financially strong and popular SJ is also viewed as an attractive employer and sought-after business partner.

### **Punctuality in focus**

The most basic demand from our customers is for punctuality, the ability to offer a safe and punctual journey between A and B. If we fail in punctuality, we cannot make up for it via an otherwise high level of service. In the eyes of the customer, we must satisfy the fundamental criterion first, which is why we must take an industrial approach to punctuality. By that, I mean we have to act professionally and consistently. It is equally important that SJ be associated with a service delivery and winning culture that are clear to our customers and that demonstrate that we have understood their priorities.

### **Sustainable all the way**

When it comes to sustainability, I would like to point out that this issue has been assigned greater weight in corporate governance, which emphasises the importance of our focus on sustainable enterprise. By establishing more solid support



at the board and management levels, we can ensure that this is managed in a way that fits together throughout our operations – from our visions, goals and strategies into the organisation and all our day-to-day processes. In our practical work on sustainability, we address six areas that concentrate on a series of parameters, such as the NRI (Passenger Satisfaction Index), punctuality and employee satisfaction. Through this holistic approach, we achieve a “triple bottom line”, our three areas of focus: People, Planet and Profit.

### **Increase trust**

Finally, I would like to raise the issue of long-term trust in SJ's services. After a few years of extreme winters and disruptions to train services, this trust has been severely tested. I am well aware of this and I take the issue extremely seriously. We have all the knowledge and experience required to deal with faults and shortcomings. Now, our task is to sharpen our focus on creating value for our customers. This insight makes me secure and certain in my belief that we are well on the way to becoming an SJ that is broadly liked and appreciated – by customers, employees and the business partners with whom we work every day in delivering the most eco-friendly mode of transport in the world.

Jan Sundling  
Chairman of SJ

# To get everyone on board

## **BUSINESS CONCEPT** – EFFICIENT AND ECO-FRIENDLY TRAVEL

SJ offers modern travel services that are practical and efficient for the customer and are competitive and climate-smart compared with 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 various forms of collaboration, where interesting partners – who broaden and supplement our own offering – play an increasingly important part. Efficiency also includes added environmental values, in which the sustainability of rail travel is helping to further boost SJ's competitiveness.

## **VISION** – TO GET EVERYONE ON BOARD

SJ's vision summarises the scope and quality we want to be associated with. It also signals consideration and the desire to look after our customers when they choose SJ for safe, reliable and comfortable travel. This can be for work or leisure and travel, and in some cases it can be part of a greater experience package. Irrespective of occasion or budget, we have a number of options that convince customers to take the train and to choose SJ in particular.

## **CORE VALUES** – INNOVATION, CONSIDERATION AND RESPONSIBILITY

SJ operates with the customer's best interests at heart. Consideration is one of our guiding principles, as is the ability to meet and ultimately try to exceed customer expectations. The goal is set and the driving forces behind achieving it are innovation, consideration and responsibility, which our employees show in their day-to-day work. SJ shall contribute constructively to solving problems and achieving improvements that benefit train passengers. This goal is also easiest to achieve by teaming responsibility with consideration and innovation.

## **BUSINESS MODEL**

The basis of SJ's operations is to offer journeys within a structure that incorporates different combination options, such as SJ Fast Train, InterCity and SJ Regional, at several hubs located around the country. SJ's customers must be able to switch from one sustainable travel option to another, conveniently, enabling them to live and work or study in different geographical locations.

# Responsible enterprise

An economically sustainable business is predicated on the acceptance of social and environmental responsibilities. Operating SJ's business responsibly leads to competitiveness, efficiency and profitability, and in turn also long-term sustainable value creation.

SJ aspires to be an enterprise that its customers like and that operates in such a way that more people choose the train as a means of transport. SJ should be customers' first choice of operator, a safe and modern travel enterprise. To achieve that aim, we will maintain consistently high quality in our service delivery – quite simply, we will keep our promises. We took several steps in that direction in 2012, and in 2013 our task is to make further progress towards our goal of being customers' first choice for inland journeys.

## SJ's work on sustainability

SJ subscribes to the Brundtland Commission's broad international definition of sustainable development: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." We manage our impact on the environment and develop our activities with regard to the environment and social issues in consultation with our most important stakeholders in order to create value. SJ's sustainability work is based on our business concept, vision and value base, which are to govern our day-to-day work on sustainability.

## A long-term project

SJ has long actively addressed environmental and sustainability issues. In 2006, SJ signed up to Sweden's Globalt Ansvar (Global Responsibility) initiative, and is thus required to comply with the UN's Global Compact and the OECD's Guidelines for Multinational Enterprises. These focus on engagement in and knowledge of human rights, working conditions, anti-corruption

and environmental conservation. We comply with Swedish legislation and rules and regulations governing State-owned enterprises. SJ has both ISO 9001 and ISO 14001 certification. In 2011, we also gained OHSAS 18001 certification, which confirms that we have clearly defined processes in place and are also continuously improving environmental issues.

## Sustainable governance

Few businesses have as high expectations of themselves as SJ – expectations that extend beyond the journey itself. External stakeholders and employees alike take it for granted that SJ should fulfil its social and environmental responsibilities. SJ's overarching objective for its work on sustainability is to create long-term value for its owners and other stakeholders. SJ's mandate includes a responsibility for generating a financial return. As of 2013, State-owned companies are also required to work towards sustainability targets in their operations. SJ's executive management votes annually on supplementary financial and non-financial targets that are subsequently presented to the SJ Board for approval.







Guidelines have been produced to ensure a fundamentally sustainable way of working; for example, SJ has policies on purchasing, equal opportunity, ethics and the environment.

Operating the business responsibly contributes to positive, more long-term development in society. Our work on sustainability requires us, to integrate financial profitability with social and environmental responsibilities in our day-to-day activities. SJ's biggest contribution to a more sus-

## GRI

As a framework for our sustainability reporting, SJ has applied the third generation of the Global Reporting Initiative (GRI) guidelines, G3 ([www.globalreporting.org](http://www.globalreporting.org)) since 2007. For 2012, SJ chose to apply level B+. SJ self-assesses compliance with GRI guidelines G3. Ernst & Young has reviewed SJ's Sustainability Report and confirmed the self-declaration.



EMPLOYEES		TARGET 2012	OUTCOME 2012
	Sick leave, monthly	4.0	3.9
	Employee Satisfaction Index, annual	61	64
	Leadership Index, annual	67	73
PROCESS & PRODUCT			
	Punctuality, fast trains, %	92	93
	Punctuality, regional trains, %	91	95
	Load factor, %	55	56
	Regularity, %	96	99.5
PARTNERSHIP & RESOURCES			
	Partnership Index	*	*
COMMUNITY			
	Brand Index	51	54
	Energy efficiency	–	*
	Safety	–	0
CUSTOMER			
	Market shares, > 300 km, %	14	26
	Passenger Satisfaction Index (NRI) <sup>1</sup>	67	73
	Loyalty Index	87	*
FINANCIAL			
	Rate of turnover, R12, %	2	4.2
	REA margin, R12, %	8.8	13
	Operating capital financing, SEK m.	680	*
	Return on equity, R12, %	10.3	8.5

A balanced scorecard was developed for the Group in 2012. For definitions, see page 118.

\* Objective being formulated.

<sup>1</sup> formerly NKI.

tainable society is to convince as many people as possible to choose train travel with SJ in preference to other modes of transport. Fulfilling our social responsibility, makes us an attractive employer, and an actor in society that can be relied on. SJ's financial responsibilities include making prudent, long-term sustainable investments for the future, which requires sound finances.

### More perspectives and clearly defined goals

In 2012, SJ further improved its activities by linking its social, environmental and financial perspectives to the Group's balanced scorecard. As a framework for organi-

sational development, we use the EFQM Excellence Model. The model is based on a number of criteria that are crucial to quality improvement efforts in the organisation: employees, process & product, partnership & resources, society, customer and finance. Strategic benchmarks are set for each perspective. Using the model, we can measure SJ's position, relative to its vision and goals set. In 2012, SJ's management group for sustainability issues conducted an extensive risk analysis for all important areas and in so doing identified that appropriate guidelines and objectives were to some extent lacking in partnership & resources. As a result, this area will be prioritised in 2013 to ensure quality.

# An open and constructive dialogue

All of Sweden is affected by SJ. As a state-owned enterprise, SJ is owned by the citizens of Sweden. We keep updated on requirements, expectations and observations by meeting, and maintaining open dialogue with, our stakeholders.

## Open dialogue

Our dialogue is derived from our own stakeholder model, in which stakeholders are selected on the basis of how much they are affected by, or affect, SJ – positively or negatively. Via the stakeholder dialogue, we gain knowledge from comments and learn of needs that influence how SJ conducts or should conduct and develop its business. The stakeholder dialogue is also a way of finding out what our stakeholders know about our offering, how to develop our products and how to become a better employer. Every aspect is crucial to SJ's success. Our core values – innovation, consideration, and responsibility – represent the foundation for what the Company's stakeholders should expect of SJ. In 2012, we introduced a Service Index to supplement our regular customer surveys and indicate which aspects of our service delivery our on-board personnel can affect directly. Our ambition for 2013 is that we will also be able to measure satisfaction among our strategic suppliers via a Partnership Index.

**CUSTOMERS/PASSENGERS**

SJ is a travel business, and relationships with our customers are important. We make it possible for our customers to live, work and study in different geographical locations.

**Channels of dialogue**

Communication via the sales organisation, Customer Service, train crew and social media.

**Tools for follow-up**

Passenger Satisfaction Index (NRI) survey carried out every month, Service Index.

**ASSOCIATIONS/ORGANISATIONS**

SJ works with associations and organisations with the aim of promoting the expansion of rail travel and the structure of future rail services.

**Channels of dialogue**

Cooperation projects, training and information exchange, for rural areas, commuters, people with disabilities etc.

**Tools for follow-up**

Passenger Satisfaction Index (NRI).

**TRAFIKVERKET**

SJ and Trafikverket work together to ensure that Sweden's railway structure is employed in the best way possible.

**Channels of dialogue**

Strategic, tactical and operational meetings. SJ maintains contact with Trafikverket at all levels, to advance our common interests and assure good service delivery.

**Tools for follow-up**

Punctuality statistics.

**REGIONAL PUBLIC  
TRANSPORT AUTHORITIES**

SJ operates services on behalf of regional public transport authorities (RKTm). Contract services are an important part of SJ's operations.

**Channels of dialogue**

Newsletter, personal contact and industry forum.

**Tools for follow-up**

Meetings and dialogue.

**MEDIA**

SJ is an open and transparent enterprise that operates proactively and wishes to take part in social debate. The media have an important part to play in disseminating news and information.

**Channels of dialogue**

Press releases, press conferences and social media.

**Tools for follow-up**

Media monitoring.

**LEGISLATORS**

Various decisions concerning the infrastructure, taxes and other charges SJ affect the competitiveness of the railways. SJ often serves in a consultative function when political issues are being prepared.

**Channels of dialogue**

Regular meetings with regional and local representatives and other decision-makers.

**Tools for follow-up**

Market analysis.

**OWNER**

Our owner, the Swedish State, defines the objectives of SJ's operations. The objective of value creation makes demands on long-termism, efficiency, profitability and potential for development via sustainable enterprise.

**Channels of dialogue**

Ongoing dialogue with the Ministry of Finance, AGM.

**Tools for follow-up**

Interim reports, annual and sustainability reports, corporate governance report, presentations, other reports.

**EMPLOYEES**

Committed employees are vital to customer satisfaction and responsible service delivery. SJ offers a secure and stimulating workplace.

**Channels of dialogue**

Performance appraisals, workplace meetings, communication via a range of internal channels and dialogue with trade union organisations.

**Tools for follow-up**

Employee surveys (NMI), monitoring of leadership quality and sickness absence.

**PARTNERS/SUPPLIERS**

The quality of our services is dependent on processes employed by our partners. In turn SJ provides value in the form of jobs at our partners.

**Channels of dialogue**

Dialogues, tenders and negotiations, verification of services performed. We work on a daily basis in close cooperation with our suppliers in maintenance, servicing and cleaning to ensure that our trains are complete working order and clean.

**Tools for follow-up**

Delivery reviews.



# Environmentally aware customers

SJ provides simple, sustainable travel – for everyone.

SJ plays an important part in society by creating meetings and bringing people together. With an attractive range of services and flexible prices, and by offering passengers a productive time on board, SJ's aspiration is to become people's first choice for inland travel.

## The train – an environmentally aware option



# 7.5

million cups of Fairtrade-certified coffee were served in cups made from recycled materials.

## Sweden's greenest brand

SJ has many environmentally aware customers. In our customer surveys, more than 40 percent say that they travel with SJ for environmental reasons. Travelling with SJ helps to promote sustainable development in society.

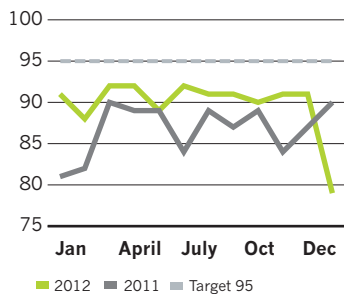
In January 2012, the public named SJ as Sweden's greenest brand in a survey carried out by branding agency Differ.

SJ trains – a climate-smart way to travel. All services by SJ trains in Sweden have borne the Bra Miljöval ecolabel since 1994. All SJ trains are powered by renewable energy.

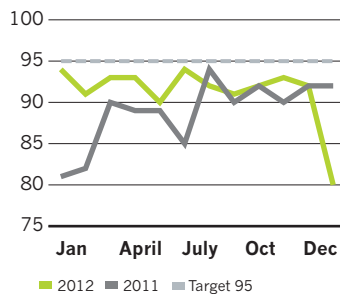
# #

A voice response system for disabilities has been introduced.

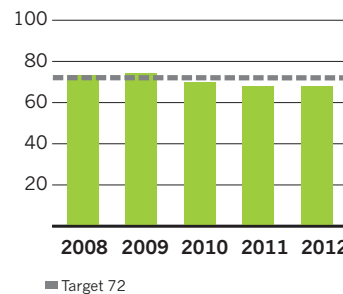
Punctuality, regional trains, %



Punctuality, fast trains, %



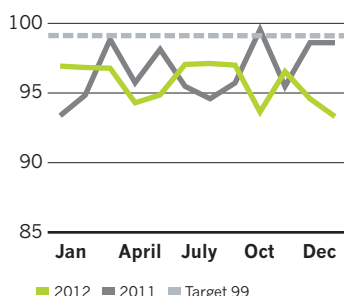
Passenger Satisfaction Index (NRI)



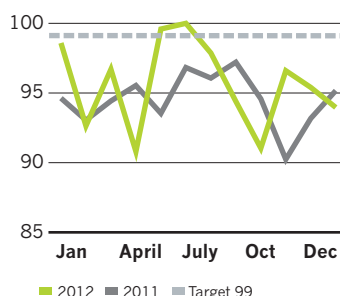
In 2012, SJ punctuality improved overall in both long-distance and regional services. However, we are far from content with our punctuality in peak-hour services.

The Passenger Satisfaction Index (NRI) for 2012 was 68, a rating that we do not regard as satisfactory.

Regularity, regional services, %



Regularity, long-distance services, %



SJ's regularity in 2012 was inconsistent. The outcome was by factors such as several unconnected vehicle faults in our rolling stock fleet. Our double-decker trains, which serve the Mälardalen region, were particularly prone to technical problems.

### One of our aims is to cut down the volume of perishable products thrown away.

To this end, we are improving the refrigerated display on board our SJ 2000 trains and our management procedures for recyclable and returnable packaging.

### Sorting bistro waste at source

In our on-board bistros, customers can use the pre-sorting facilities for waste. In 2012, we achieved our target of recycling 18 percent of waste.

**2,889,975**  
SMS texts were sent to SJ customers.

**70 percent**  
of our customers opt for e-tickets using our e-ticketing channels.

**327,000**  
customers read every issue of Kupé.

### Using SJ's environmental calculator ...

SJ customers can find out how different travel choices – car, bus, air and rail – affect the environment. Approximately 45,000 reports were sent to our corporate customers in 2012.

A close-up photograph of a curved, metallic band, possibly part of a machine or a large wheel. The band has a brushed metal finish and is secured by two hexagonal bolts. The background is dark and out of focus.

Punctuality, customer care and communication  
are our three most important areas.





Here at SJ, quality is about satisfying – and wherever possible exceeding – the demands and expectations of our customers. And that means operating a passenger train service that is safe, reliable and comfortable, and that delivers what we have promised to our customers.

## SJ's work on quality – based on clear objectives

SJ's overall aim is to secure our service delivery to customers. Our work on quality has three areas of focus: punctuality, customer care and communication. Efforts to improve the robustness and quality of these areas are our top priority vis-à-vis our customers and extend to every area of SJ's operations.

**Punctuality:** Punctuality is our most important quality area, and our leading promise to the customer. The more consistently we operate to clear objectives, the more satisfied our customers will be. SJ punctuality is showing a positive trend. Overall, the figures for every month bar one in 2012 were better than the previous year's, but to arrive at the consistent level of punctuality that we want to achieve, the key is to make extra effort in every part of the organisation.

**Customer care:** SJ means to improve the travel experience of passengers by providing an extra high level of customer care and service. Excellent customer care is therefore vital to our work on quality. The focus is on the value created on board, in our contact with customers. Competent, committed and efficient personnel create a pleasant customer experience and make a real difference to passengers. In a competitive market, this is one way to establish a distinctive profile.

**Communication:** The ambition of our communication activities is to get information across to as many people, and as promptly, as possible. One of the findings of our major on-board surveys is that our customers greatly appreciate quicker, more targeted information. We are working on more efficient use of SMS texting and mobile services to convey targeted information, and we maintain a social media presence to respond to questions and offer solutions to any problems.

### Our work on quality must be measurable

To support our work on quality, we use a quality management system that is integrated with our environmental and work environment management systems. SJ has an established quality policy defining applicable requirements. To us, the right quality is fundamentally based on four simple principles:

- taking responsibility for delivering the right quality at every stage
- using the best, known procedures every time
- identifying and responding to deviations
- developing and improving operations and employees on the basis of clearly defined targets.

SJ's passengers must be secure in the knowledge that they will arrive on schedule. Punctuality is our most important customer commitment and we focus intensely and systematically improving the areas affecting punctuality, and therefore the quality of our delivery.

## Punctuality is our most important priority

A high degree of both punctuality and reliability are factors in choosing a mode of transport. The ultimate aim of our wide-ranging activities to create a more robust service is to improve punctuality. Analysing all processes and work flows affecting punctuality makes it easier to define shortcomings and apply the right remedies. Working practices in all parts of the organisation, ranging from IT to service information and quicker repairs, must flow as smoothly and efficiently as possible and make it possible for trains to depart and arrive on time.

### Punctuality – our leading customer promise

Our target is for 95 percent of all trains to arrive on time. In 2012, en-route punctuality for long-distance services rose to 91 percent (88) while the figure for regional services was 90 percent (87), representing an improvement of 3 percentage points in each case. However, the results are calculated at an overall level and do not provide information on punctuality per day of service and section of route.

An analysis of our punctuality figures indicates that we are far from our targets on certain sections, for example during peak hours when tracks are being used intensively. Our hard work on improving robustness has borne fruit, but a great deal remains to be done before we can be satisfied. This work will continue in earnest during 2013.

A working group of managers with operational responsibility for areas affecting the process of punctuality has been addressing this issue since August 2011. The group also includes representatives of Trafikverket. The working group specifically analyses and remedies punctuality-related incidents.

SJ continuously reviews the preparations necessary for our trains to leave on time. For example, employees must be in place, trains must be available, cleaning must be completed and bistros must be ready for service. Other fac-

tors include passengers being able to board in time and trains getting their departure signal from Trafikverket. The routines used in service disruptions are also reviewed to ensure that they function smoothly and in a structured way to enable the best possible rail replacement services to be arranged.

### Clearer punctuality reporting

Customers must be able to see the punctuality record of their departure over time, so we have to be open and transparent. SJ reports monthly punctuality data on our long-distance and regional services, with reasons for delays and major events impacting on services. As of January 2013, SJ has reported weekly punctuality data for the sections carrying the highest passenger numbers, while regularity, the percentage of trains travelling their entire route, is reported via the monthly statistics.

### Some of the activities on punctuality implemented in 2012:

- More effective Traffic Management at SJ in order to reduce the consequences of faults.
- Increased time margins for trains at stations to prevent any delay leading to knock-on delays and to allow time for cleaning and preparing trains for their next departure.
- Development of practices in depots aimed at improving departure punctuality.
- Synchronisation of station clocks in consultation with Jernhusen and Trafikverket, as well as improvements in signage and announcements to passengers.
- Streamlining and productivity improvements to many processes that indirectly affect punctuality – for example, cleaning was brought back in-house to ensure that trains are ready for departure in time.
- In the event of service disruptions, stations are kept open longer and staff numbers can be increased without delay.

### PUNCTUALITY REPORTED IN ACCORDANCE WITH STANDARD INDUSTRY PRACTICE

We follow standard industry practice of train operators and Trafikverket in reporting our punctuality. This means that in the case of SJ's Fast Trains, punctuality is defined as the time stated for arrival + 15 minutes, while for Regional Trains it is the time stated for arrival + 5 minutes.

Regularity is defined as the percentage of trains that travel their entire planned route.

Customer-perceived punctuality is measured regularly as part of the Passenger Satisfaction Index, via our on-board surveys. In 2012, this was measured at 49 (53). This diverges sharply from actual punctuality, which was measured at 91 percent for long-distance and 90 percent for regional services.

## READY FOR DEPARTURE

Our trains have to leave the depot and arrive at the platform at the right time. Our employees must have checked in and be ready to start work.



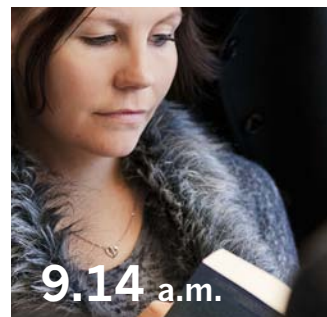
The work of a train driver starts well before departure. The timetable and drive order showing any deviations along the track, together with a rolling stock list showing the status of the vehicle, are produced.



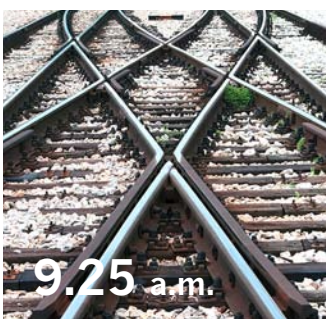
The first stop is just north of Stockholm Central. The food is loaded and the train crew board to prepare for the journey.

If a train arrives from a previous journey and has not passed through any of our depots, the train is cleaned. Around ten minutes before departure, the train is driven to Stockholm Central.

The driver receives the departure signal from Trafikverket. The tracks are busy and it is important to keep to the departure time.



The doors close 30 seconds before scheduled departure, in accordance with safety instructions and to ensure departure punctuality.



The train dispatcher checks that everything along the train is in order before the last door is closed. The train departs at exactly the right time.



The crew's work now begins – attending to passengers, inspecting tickets, serving pre-ordered meals and dealing with bistro customers.

Modern technical aids give the crew rapid updates on the status of the service and any necessary actions if an incident occurs.





**A NIGHT IN THE DEPOT**  
Trains have to undergo a complex chain of processes in order to be fully operational, clean and ready to leave the depot in time.



Arrival at Hagalund, the biggest train depot in northern Europe. Local control takes charge of the train and drives it to the right location. Every day, around 100 trains pass through the depot for servicing and maintenance.



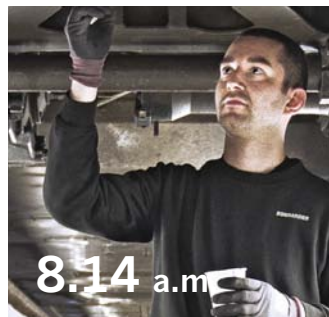
**6.38 a.m.**



**6.59 a.m.**

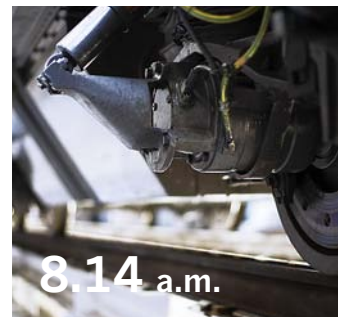
Overnight, the train has to be cleaned, changed, checked for safety and high-pressure water washed. In winter, it also has to be de-iced.

About every three days, trains have to go to the workshop for inspection and regular maintenance. This ensures safety, comfort and quality. Mechanical and electrical faults are remedied or prevented via maintenance.



**8.14 a.m.**

We inspect the wheels to determine whether any have to be reprofiled. Brakes are tested, comfort is verified and the monitoring system used during operation is checked to ensure it is working correctly.



**8.14 a.m.**



**8.14 a.m.**

Once the train has been cleared to leave the rail yard, the train departs from Hagalund for Stockholm Central – in time, in complete working order and clean.



**9.14 a.m.**

The train then leaves to carry passengers to their destinations.

Over the past few years, many changes have taken place in maintenance procedures. By introducing an industrial system of working, and reviewing and improving both simple and complex processes, productivity has increased.

Technical product management constantly strives to identify what can be changed and improved. Information is collected on faults and incidents that can affect rolling stock. The data is analysed and improvements are made by replacing components, carrying out various modifications at the depot and improving the quality of maintenance or processes.



Services that stand up more effectively to wind and weather, and planning to reduce the impact of incidents. SJ has worked hard to establish a more stable system able to withstand unforeseen events.

## Robust services

The focus of the service and rolling stock programme developed to ensure the quality of operations has focused on making services more robust. The perspective on how to achieve this has been widened. By engaging working groups with expertise from different parts of the organisation, SJ is conducting a wide-ranging review of all the processes that may bolster robustness.

### Simplified processes

The challenges lie in, improving quality and punctuality and reviewing how we use our resources. To this end, SJ will be developing its planning process, via shorter decision paths and replacements of and additions to existing IT systems.

### Long-term strategy and better planning

SJ is undertaking major initiatives and investments in the long-term sustainability of its trains. A major programme is in progress to create a system of sustainable maintenance and to continue the introduction of new working practices and “day-to-day control” to improve productivity at SJ. Another important initiative is to identify areas for improvement that can deliver results in the long term.

We have also focused strongly on improving the situation for customers in the winter months, even when conditions are difficult. A fixed winter programme has been established, together with plans for further service reductions in poor weather conditions. Other measures to help ensure robust rail services include 24-hour emergency call-outs and faster mobilisation, as well as increased traffic management staffing and better management of rail replacement services during service disruptions.

### Some of the activities implemented in 2012:

- Better planning of staffing.
- Better planning for rolling stock and expansion of service resources by bringing in more vehicles, especially during the winter half of the year.
- Earlier planning of services and rolling stock during track engineering works.
- Introduction of drivers with responsibility for track observation, who update Trafikverket on trafficability, the condition of the rails and weak areas trackside.
- Reduction in the number of rolling stock faults – improved technology in the rolling stock fleet and a programme of preventive maintenance to improve operational safety.
- Continued efforts to improve efficiency in maintenance and depot operations.
- Remote diagnostics and remote monitoring, making it possible to monitor every train during operation and to read all reports in real time, leading to better information on the train’s performance.
- In order to restore operations to normal following service disruptions and to be able to provide passengers with accurate service information quickly, SJ developed its collaboration with Trafikverket during the year.
- We also improved the quality of our ongoing dialogue with Trafikverket and other train operators, for example via weekly meetings including discussions of how best to deal with difficult service situations.

We also aim to make travelling with SJ comfortable and convenient. It's simply a matter of providing good service.

## Customer at the centre

In our work on service, the customer and the customer's needs take centre stage. To us, this means providing professional customer care that feels personal and meets the needs of our customers. To achieve this, our employees must be given clearly-defined mandates. All employees are allowed scope for taking responsibility and helping customers in the way that is most appropriate to the specific situation. The success of SJ's initiatives and its employees' endeavours in this area is shown not least by the results of our on-board surveys, which have rated us as "very good" for several years.

### **Convenient, comfortable travel**

Whatever the travel option chosen, SJ must offer punctuality and high-quality customer care. Passengers must also be able to use their time on board to re-charge their batteries, and to help them do so we must provide an extensive and attractive range of food and drink on our long-distance travel options. Over the year, we extended our bistro operation to include more routes, and began to offer hot meals to passengers on certain InterCity journeys. The bistro service also includes various light meals and beverages.

### **Customer service via multiple channels**

Every day, SJ's employees come into contact with around 100,000 passengers. Conversations, meetings and dialogues take place every day on board our trains, in our travel centres and in our Contact Centers. Today, more than 300 people work in SJ's three Contact Centers, providing support services. This is where, SJ employees deal every day with questions and observations from our customers on everything from the travel time guarantee, Internet support, service information and sales of inland and international journeys, besides attending to the concerns of SJ Prio members and business travellers.

### **SJ in the social media.**

To SJ, the social media are important channels for ensuring an open and honest dialogue with our customers and stakeholders. By being active in the social media, we aim

to be available to anyone using these channels, to reach out to different target groups and to respond to new needs and patterns of behaviour. This will enable us to strengthen trust in SJ and show that we are a modern and accessible organisation.

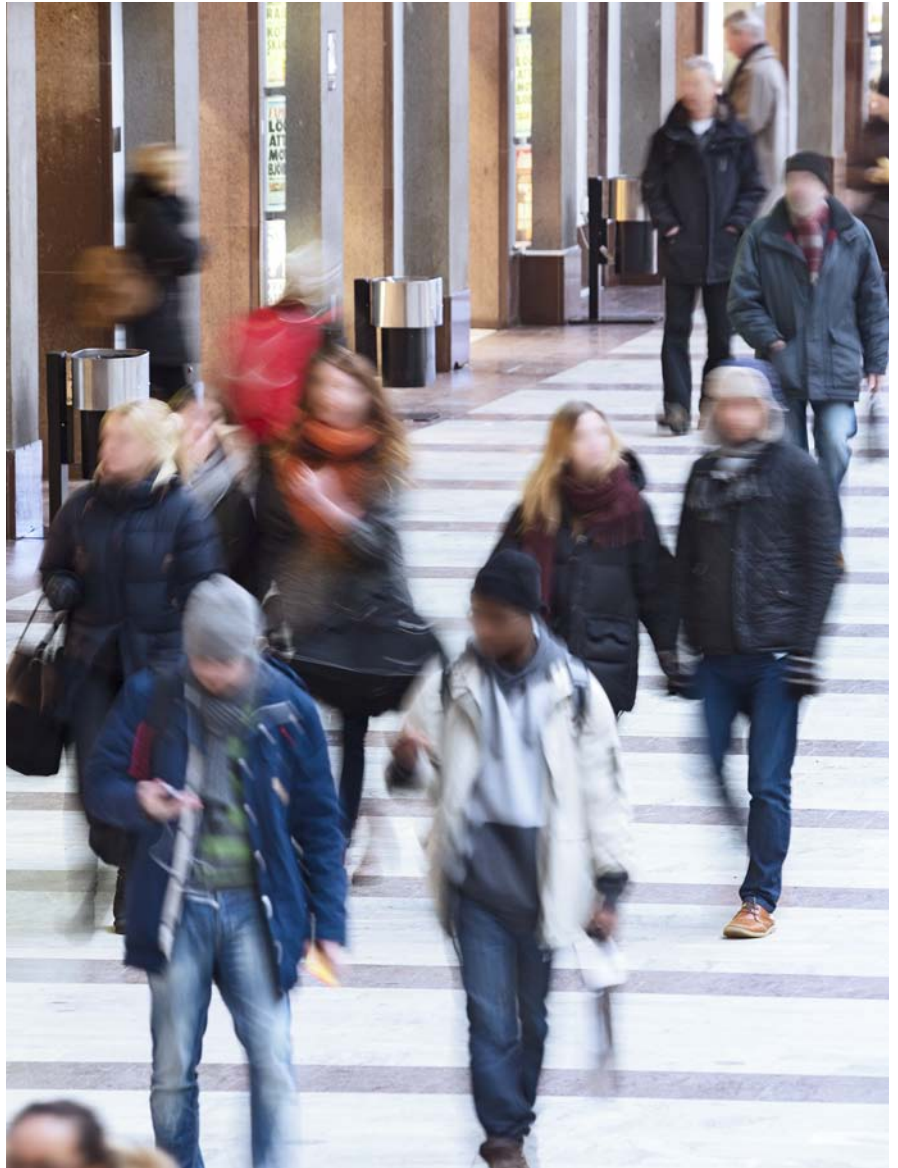
### **The aim of SJ's presence in social media is:**

- to create good relationships with our customers and with opinion-formers
- to be in contact with customers on their terms and to be available to answer their questions
- to be best at answering questions on train journeys
- to respond to criticism
- to market SJ's products and services
- to strengthen the SJ brand.

SJ has been active on Twitter and Facebook since 2010, and we are continuing to develop our customer dialogue and communication with our stakeholders. For example, we engage in crowdsourcing, as a way of supplementing traditional customer research. Here, passengers use a web-based service to contribute thoughts and ideas on a fictional customer situation. The idea is to examine passenger needs in depth and to include passengers in the development process. We are also continuing to develop the information published at sj.se. In 2013, we will be launching our new Nyhetsrum (Newsroom), a site compiling news and important information about SJ in one place.

### **Stakeholder dialogue**

In order to develop and win support for our sustainability programme, SJ conducts stakeholder dialogue on an ongoing basis, externally and in-house. For example, we participate in consultations and discussions with Trafikverket and other operators regarding current, industry-wide issues. We engage in dialogue with commuter organisations and organisations for people with disabilities about needs and areas for improvement, and we also maintain ongoing discussions with regional public transport authorities around the country. The purpose of such dialogue is to gather in-



formation about regional needs and to create, through co-operation, viable opportunities for mobility between and within the regions, for example via working, studying and living in different geographical locations.

#### **Customers set the grades**

How our customers perceive and value service, quality and product offering determines how SJ's operations will be developed. In light of this, we use our Passenger Satisfaction Index (NRI) to continuously monitor our passengers' travel experience and comfort, how our customers see us and what their expectations are.

Around 30,000 customers a year take part in an on-board survey that we conduct every month to measure how customers rate punctuality, comfort, information and service. The findings are then used to make our services and of-

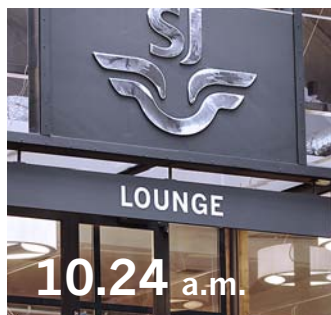
ferings attractive and relevant. The survey results also form the basis of a programme of improvements to increase the level of well-being and satisfaction among our passengers.

The overall NRI rating for 2012 was 68 (68). This equates to a "pass" grade, a level that we consider far from satisfactory. The target for NRI in 2012 was 72 overall. The grade that passengers awarded to SJ for service, comfort and communication is somewhat higher, at over 70. SJ customers in our Fast Train concept, generally express a higher level of satisfaction than our other customers. NRI ratings by regular customers, above all commuters in the Mälardalen region, are sharply lower. In this customer category, SJ continued to have problems during the year in the form of regularity and punctuality shortcomings during peak hours and a strained supply situation regarding double-decker trains.

WE'RE WITH YOU ALL THE WAY.  
Travel with SJ should be simple.  
We can guide you throughout  
your journey – from  
when you book your ticket until  
you turn off your bedside light  
in your hotel room.



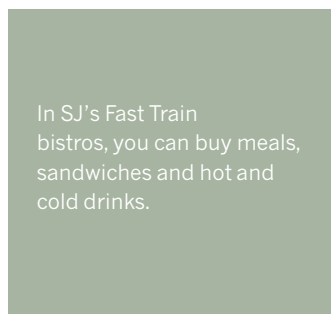
SJ tickets can be bought via a number of channels: travel agencies, sj.se, mobil.sj.se, SJ travel centres and by phone. E-tickets are sent by e-mail and printed by the customer. Mobile tickets are sent in the form of SMS texts.



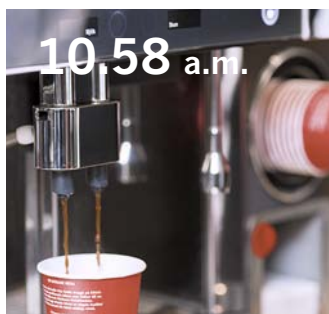
The major stations have special lounges where 1st class passengers and SJ Prio members can work, relax and have something to eat and drink.



Starting your journey with us couldn't be simpler: no check-in, just show your ticket en route.



In SJ's Fast Train bistro, you can buy meals, sandwiches and hot and cold drinks.



If you book wireless Internet, you can work, play, watch a film or surf the web on board. Travelling time is quality time.



## Communication with dimensions

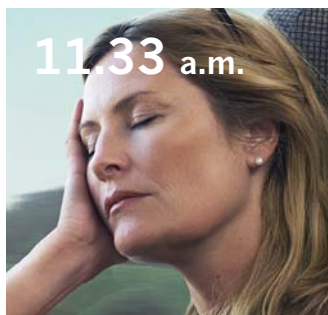
Faster, clearer information and greater availability will enable us to raise the quality of our communication with customers.

### Information and communication

SJ strives to be a modern, open organisation that is at the forefront in information and communication. Accurate and clear information via highly developed tools and other channels is an important part of our service delivery.

In addition to providing our customers with the information needed for the travel process, SJ as an organisation must keep updated on areas affecting the business, be open about what is happening at SJ and be accessible to various target groups. This means giving the right information about any incident or process and answering important questions





A taxi or hire car can be pre-booked to await the passenger on arrival. Hotel reservations can also be made when buying a train ticket, since SJ works with hotels in Sweden, Denmark and Norway.



SJ also sells tickets for attractions/events around the country, such as Abba The Museum, the Eurovision Song Contest, sporting events etc.



Then, on the return journey, you can have a tasty breakfast served to you at your seat.



promptly, either via one of our customer services or by posting on Facebook.

During the year, SJ focused strongly on further improving and developing channels for service information. To boost the quality and availability of this information, SJ, Trafikverket and industry representatives work together to find solutions and common areas of endeavour. Smartphones carried by all members of the train crew and in-house apps enable employees to receive regular updates on, the service situation and connections, for example.

#### Advance journey information

We are also trying to use the phones and SMS texting more and more to contact passengers during traffic disruptions, in order to prevent and defuse problems that may arise. If customers can receive advance information about changes that affect their journey, they can alter their plans and thus save time. In 2012, we communicated messages to customers individually via texts, for example, about changes in services.

Two million text messages were sent out in 2011 and about 2.9 million in 2012. To be able to reach our customers even more effectively, we also transferred our Twitter service to SJ's Customer Service, ensuring higher staffing levels for longer during the day. Since the start of 2013, our Customer Service has also had a Facebook page. Using SJ's "My Journey" app, passengers can find service information on various routes themselves. The app was launched in autumn 2011. By the end of 2012, the app was receiving around 100,000 unique visitors per month.

#### Extended trackside coverage

Having Internet and mobile coverage available on board trains is one of the most important issues for both passengers and employees. In a joint venture with SJ, Telia is installing 4G networks along the busiest train routes in Sweden. The network is being extended in stages, with completion due in December 2013. At the same time, SJ is upgrading on-board equipment with new receivers that amplify telecom signals.

# A travel option for every passenger

SJ offers alternatives to suit a variety of customer needs. Some customers travel short distances frequently, others longer ones once or twice a year. Depending on distance and journey purpose, SJ offers five different concepts: Fast, InterCity, Regional, Night and Charter.



## SJ Fast Train

SJ Fast Train offers around 100 departures every weekday. This represents 30,000 fast train departures and approximately 9 million passenger journeys per year.

Travel on fast train services has risen sharply. Between 2005 and 2010, the increase was approximately 50 percent. When the SJ 2000 was launched around 20 years ago, the concept focused clearly on business passengers and their needs. The services are now run 24 hours a day, seven days a week. As a result, leisure passengers are increasingly travelling on fast train services, and today represent the biggest customer category.

# 55%

– SJ's market share in Sweden.

### **Charged up and connected**

Every seat has a 220 volt power socket next to it for charging a mobile phone or laptop computer. An on-board wireless network with Internet access is available for those wishing to work, play computer games, watch a film or listen to music. All SJ Fast Trains also have a quiet section where passengers can work or rest undisturbed.

### **Food and drink**

All Fast Trains include a bistro where you can buy food and drinks. When buying a 2nd Class ticket, customers can order breakfast or a hot meal at the same time.

### 1st Class

All SJ Fast Trains include a 1st Class carriage. 1st Class features a higher level of comfort and a ready supply of coffee, fruit and daily newspapers. On departures before 9.00 a.m., you will be served breakfast at your seat. If you travel later in the day, other options available include a three-course meal.

### Information and entertainment

The ombord.sj.se information system on our SJ 3000 trains is available via on-board screens or your own laptop. The system provides information about the journey and the entertainment and offers available on board.

### SJ 3000

SJ's 20 new SJ 3000 fast trains entered service on the Stockholm–Sundsvall route in February 2012. With the introduction of the SJ 3000s, SJ has expanded its fast train capacity by 30 percent. During the year, the new trains were deployed on the routes between Stockholm and Jönköping, Uddevalla, Östersund, Falun/Borlänge and Umeå. The service launch was a success, and SJ passengers gave high ratings for the train in SJ's passenger satisfaction surveys.

The SJ 3000 is fast, comfortable, modern and specially designed for travelling the long distance routes with several stops. The seats are comfortable with plenty of legroom and each is equipped with its own reading lamp and power socket.

### SJ 2000

The SJ 2000 serves on our busiest routes between major locations. With a high level of comfort and few stops, SJ 2000s carry passengers quickly to destinations in central locations around Sweden. Each seat is fitted with a cup holder, jacket/coat hook and power socket. The seats are reclinable, with good neck support. SJ 2000s are equipped with on-board receivers for mobile phone signals to provide more complete coverage.



## SJ Intercity

An InterCity trip means a comfortable journey over long distances, with access to a bistro or kiosk, and a power socket by your seat. The trip takes a little longer and costs less than the SJ Fast Train service. In 1st Class, certain other options and additional services are available, including breakfast; in addition, since the beginning of January 2013, hot meals have also been available for pre-order on selected routes.

### Refurbishment of passenger carriages

Work on refurbishing 161 passenger carriages for Regional and InterCity services is now complete; the last carriage became ready for service in July 2012. The fleet now has a more uniform look and has acquired 1,460 additional seats. Externally, the carriages are finished in black. On the inside, they have a bright new colour scheme, with new lighting and new or refurbished seats. The carriages have also been equipped with external door locking, meaning that the doors cannot be opened from the outside once they have been centrally locked. The doors themselves have not been replaced, but have been fitted with a number of extra components and the door-operating computer system has been reprogrammed. A less extensive refurbishment of a further 56 carriages is in progress and is expected to be complete in early 2014.



# SJ Regional

Every day, around 50,000 people travel on 300 SJ Regional departures. In the Stockholm/Mälardalen region alone, approximately 15 million journeys are made on SJ Regional services annually. Around half are between home and the workplace. SJ works with regional public transport authorities and commuter organisations to create good conditions for commuting to and from work. Through its TiM (Trafik i Mälardalen) regional ticketing collaboration, SJ Regional offers combined tickets and monthly season tickets for regional train journeys and local services.

## Fast journeys to many locations

Regional services aim to offer customers value-for-money, pleasant journeys on short and medium distance routes. Regional services offer fast journey times, with many departures and stops in urban regions. Although a regional train can cover long distances, the primary need met by Regional services is for those requiring punctual and frequent travel, such as commuters. In addition, Regional services are often used to connect with services on the main routes.

Alongside the major programme to refurbish of passenger carriages for the Regional and InterCity services, work has started on refurbishing the double-deckers used in SJ's Regional services.

# 15 million

In Stockholm/Mälardalen, approximately 15 million journeys are made on SJ Regional services every year.



Every day, around 50,000 people travel on 300 SJ Regional departures. Around half are between home and the workplace.







A charter train is decorated on behalf of a client.

## SJ Night Train

SJ Night Train has the longest journeys, with the option for the customer to sleep during the trip and wake up refreshed on 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. SJ can also offer private sleeper compartments including beds ready made up and a private shower and toilet.

The first SJ Night Train service on the Ådalen Line was run in July 2012. The Ådalen and Bothnia Lines together make up a 320 kilometre system that is designed to enable fast passenger services and heavy goods trains to be operated along the Norrland coast. For the first time, passenger train services now operate along the entire length of the Norrland coast, up to Umeå.

The new line offers a tangible improvement to passengers, in the form of considerably shorter journey times. At the same time, it creates new possibilities for travelling by train to and from Sundsvall and Härnösand, which were not previously served by night trains.

## SJ Charter

SJ Charter operates journeys to destinations of the customers' choice with separate timetables and the possibility of adding journey-specific stops along the way. Customers are offered a choice of activities during the journey, and SJ Charter can also coordinate transfers and events. Three different offers are available:

**Charter service** – the customer charts a train, arranges a separate timetable, journey-specific halts and determines the on-board concept.

**Customer-organised service** – the customer operates the train independently and/or in partnership with the promoter of a sports event or concert, for example.

**Exhibition service** – instead of hiring a stand at a traditional-style trade fair, a stand can be set up in special exhibition carriages. In all, SJ Charter can offer exhibition space totalling 400 square metres. The exhibition train is always located centrally and the exhibition travels to the customers, making it an attractive product.

### SJ Prio

SJ Prio is SJ's customer loyalty programme. It is designed to make travelling simpler, more comfortable and more convenient for everyone who travels by train regularly. SJ Prio members gain points on all journeys and all purchases made on board. Members enjoy benefits from SJ's partners; including discounts on overnight hotel accommodation and special Prio offers. SJ Prio has been operating for five years and today has 900,000 members.

### SJ Biz

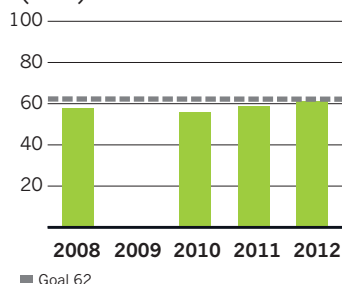
Our SJ Biz programme offers services for simpler, more efficient business travel. The programme incorporates statistics on and coordinated follow-up of the company's business travel, including the number of journeys, most commonly-used routes and volume of emissions saved by travelling with SJ. Business customers also enjoy lower hotel accommodation prices, a range of payment options and customised Internet and telephone reservation.

# SJ's employees

SJ's service delivery largely depends on our employees' competence, culture and desire to provide a good service and offer the optimal travel experience to our customers, so our employees are our most important ambassadors.

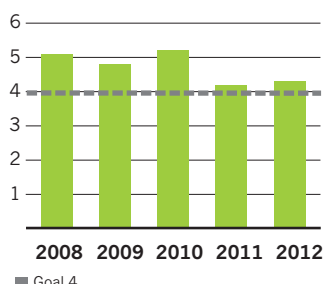
We invest extensively in making SJ an attractive workplace that challenges, invigorates and stimulates our leadership and employees throughout the organisation. We are actively striving to be a modern company with clearly defined values. Our aim is to offer stimulating work tasks, effective skills development, highly-developed healthcare and much more.

Employee Satisfaction Index (NMI)



Our Employee Satisfaction Index (NMI) rose to 61 despite the fact that a reorganisation took place during the year. Before 2011, the survey was only conducted every other year.

Sickness absence, %



In late 2012, sickness absence in the Group rose slightly.



## Förmånståget (the Employee benefits service)

is a web-based service that compiles information on all general employee benefits available to SJ personnel, as well as information on insurance, pensions, parental leave and the SJ fitness allowance. As a way of lessening our environmental impact, payslips are now also available in electronic form.



## Employees play their part

SJ's sustainability work should be a common thread running through the organisation and the business. In addition to the work in any of the projects designed to attain environmental objectives, SJ's day-to-day work is characterised by a clear environmental awareness. For example, employees are encouraged to conserve energy by switching off computers and turning off lights when they leave the workplace. The sorting of waste at the workplace is standard procedure, and environmental training and tips on good environmental practice on the SJ intranet are other ways in which employees play their part. SJ also stimulates dialogue by encouraging employees to tell those around them about the environmental benefits of going by train and to submit suggestions as to how SJ can further improve its environmental performance.

## GENDER ANALYSIS

### MEN

#### BOARD OF DIRECTORS OCH MANAGEMENT

53%

### WOMEN

47%

#### SUPERVISORS

52%

48%

#### TOTAL

60%

40%

Average hours  
of training:

38

5,000

copies of SJ Nytt, our personnel  
newsletter, every month.

In 2012, a decision  
was taken to increase  
SJ's fitness allowance.

One in three SJ  
employees has made  
use of the fitness  
allowance.

Quality of service starts from within – employee satisfaction means customer satisfaction. As a result, SJ must offer an attractive workplace, based on a healthy work environment and shared responsibilities.

## SJ employees make the journey a pleasant one

Our employee survey is an important indicator of how our employees feel about their working conditions, working together, development opportunities and corporate culture.

This year's survey produced a result of 61 on the NMI (Employee Satisfaction Index), an increase from the 59 of last year. According to reference statistics from the research company, an index figure of over 60 is good, while a figure of less than 40 indicates that much needs to be changed and put right. An overall index for the Swedish labour market shows an average of 55–57.

### Employee index form the basis of improvements

The trend of how employees perceive their working conditions and their work situation is positive. No single area shows any marked change; most units report a slight upward trend.

The areas for development in 2012 were again improvement of cooperation between the divisions and units, responsiveness in receiving, and feedback on, suggestions for improvements by members from personnel, and the work/leisure balance. The findings from the employee survey are used as a framework for a programme of improvement and development that is carried out every year.

### Employee panel to develop dialogue

Maintaining a dialogue with our employees is important. SJ has a special Employee Panel which serves as a channel for continually posing relevant questions to a large group of employees about SJ's operations. The Employee Panel is a quick and direct channel for dialogue and participation by employees. The SJ intranet also features a comment function, allowing employees to comment on the content of the intranet articles and obtain responses to questions and observations directly from the person who is responsible for the information.

### Diversity and equal opportunities

To SJ, diversity means that all employees shall have the same opportunities, irrespective of gender, sexual orien-



tation, disability, ethnicity, age, religion and cultural background. We regard the differences and ethnic diversity of our employees as an asset that should be used to the full.

The fundamental principle of SJ's equal opportunity policy is that "SJ accepts and treats every employee as the individual that he or she is". The policy also states that men and women shall have the same rights and opportunities in terms of work, employment conditions and options for development. Furthermore, the policy describes how equal opportunity issues are to be addressed, and a separate policy on ethnic diversity. SJ has guidelines stating how the organisation is to combat and prevent discrimination, harassment and other demeaning treatment. SJ has documented procedures to deal with any cases of discrimination, harassment, bullying or victimisation. All cases reported to HR are dealt with on the basis of the circumstances in the particular situation, and resolved accordingly. At SJ AB, two cases of discrimination took place in 2012 (compared to one case in 2011). One dispute centres on age discrimina-





tion during the recruitment of customer attendants and has been reported by SEKO (the Union of Service and Communication Employees). Negotiations in the dispute have been taking place at local and central level. The period of statutory limitation for referral to the Swedish Labour Court has not expired. The second dispute also involves age discrimination and concerns the recruitment of train drivers. One person is involved. Local negotiations took place in January 2013, but an appeal was lodged at central level.

#### **Occupational health and safety**

Healthy employees are a sign of a healthy working environment, which not only means quality of life for the individual but also higher productivity for the organisation. SJ has worked on occupational health and safety initiatives in a structured way for several years. As a result, sickness absence has fallen and the focus has centred on reducing the risk of ill-health and occupational injuries. Although we have come a long way in reducing sickness absence, con-



tinued actions will be necessary to further reduce the figure.

In 2011, SJ's executive management approved a Group-wide policy on occupational health and safety, which governs SJ's work on improvements. SJ's work on the health side concentrates on health promotion, prevention and rehabilitation. This means that occupational health involves all employees, irrespective of whether they are healthy and in work, in the occupational health risk zone or in need of rehabilitation. Activities over several years aimed at reducing sickness absence have borne fruit. Sickness absence in 2012 was 4.3 percent. During the first three quarters, sickness absence fell according to plan, but a slight increase occurred in the fourth. Over the year, SJ continued to work actively on reducing sickness absence. SJ works closely with the Company's healthcare service and now permanently uses the illness/health notification service within the organisation. The service offers all employees healthcare advice in connection with illness/health notification. It provides SJ with a simple, time-efficient process for managers in the organisation and useful facilities for follow-up at central level.

#### **More health-promotion activities**

At year-end 2012, 38 health inspirers were active in the Group. The role of a health inspirer is to inspire and inform people about health, fitness and well-being in the workplace. They are to create conditions for long-term sustainable development of health-promotion activities at SJ. In consultation with local managers, our health inspirers carry out activities aimed at promoting health and well-being at SJ's workplaces.

SJ's health programme encompasses several health-promotion activities, ranging from a diet and exercise service to sponsorship of employees' participation in popular runs such as the Bellmansstafetten relay and Blodomloppet (blood donor promotion) races.

## Training at SJ

Being able to develop is important to our employees and our service delivery. SJ's training programme is based on needs and changes in the nature of the work.

SJ provides specific competence development programmes and open courses for all employees in areas such as leadership, occupational health and safety, communication, project management and traffic safety.

### Crew training

Crew training represents an important part of SJ's investment in training. Every year, all crew members participate in a number of theory and practice courses in service, traffic safety and rolling stock technology. Topics in the courses may include customer psychology, sales and aspects of technology, depending on the course concept. SJ has a pool of 28 instructors, who account for 80 per cent of crew training at SJ. One key aspect of the courses is that they must be as practically based as possible to provide an understanding of roles and to enable participants to build up their experience. This means that training is often conducted in a realistic environment or on board trains in local training centres. Instructors also follow up safety courses after completion and serve as support to employees on site at staging stations around the country.

### Flexible courses

It is important for the employees most affected by a major change to have the opportunity to train in situations and procedures that new conditions will create. To meet that need, special courses are organised to address major changes. In the courses, employees also have the occasion to discuss the background to the decisions taken or obtain answers to questions that may arise.

### Kompassen

Kompassen is SJ's system for competence management. The system stores details of the competence development activities in which employees have participated and programmes that are planned for the future. All employees have access to their own competence summary, a list of all training courses they have completed and passed. Certificates for each course can be printed out via Kompassen.







## Safety

We work on minimising the risk of accidents and preventing disputes between passengers. A focus on safety that leads to a safer workplace for all.

SJ runs its work on safety via continuous, active dialogue designed to prevent accidents and near-accidents. The issue of safety is a constant part of day-to-day work, during journeys, before departure and trackside. The aim of our work on safety is to prevent incidents that may cause injury to people or damage to vehicles, the infrastructure and the environment. The vehicles we use in our operations are serviced according to exacting safety criteria. All SJ employees feel responsibility for the safety of our passengers and colleagues. This is supported by an active programme to improve our safety know-how. However, a risk of threat and violence will always exist in the type of open environment in which many of SJ's employees work.

An alarm app on mobile phones carried by train crews and security personnel at particular events is an example of the measures taken by SJ to increase security. In addition, a system is in place to prioritise calls to traffic management to ensure that the highest-priority calls are taken first.

### **Safety training** – extended customer psychology

All train crew personnel have undergone training in extended customer psychology in recent years. These courses include training in better management of stressful situations

and what practical self-protection measures can be taken if an incident occurs.

The immediate superiors of frontline staff have been trained to coach SJ employees as needed and a new employee care routine in traffic management has been introduced. The number of reported incidents rose between 2011 and 2012, mainly via an active, coordinated initiative for reporting all incidents. As part of developing and improving our incident-reporting function, all incidents are followed up and a closer focus is placed on employee care. The response from employees has been very positive and employee security has improved. As a result, sickness absence has fallen and the employee satisfaction index has risen. In regional services, the index rose from 43 in 2010 to 76 in 2012.

### **Driver card**

A new law on authorisation for train drivers came into force last year. As far as SJ is concerned, this means that all train drivers must be in possession of a licence and accompanying certificate. SJ is also required to keep a register of its drivers' competences. Licences, issued by the Swedish Transport Agency, confirm that the driver satisfies certain minimum requirements in terms of medical and psychological suitability, training and general professional qualifications.

### **SJ EQUIPPING TRAINS WITH DEFIBRILLATORS**

A decision has been taken to equip all SJ trains with defibrillators. In emergencies, the presence of a defibrillator may be the difference between life and death for someone suffering a cardiac arrest, and defibrillators will become an increasingly accepted part of public environments, just like fire extinguishers and other emergency equipment.

At SJ, the first step was to equip SJ 2000s with defibrillators in late 2012, after which other trains will be equipped. The exact plan for introduction has not yet been established.

Before the equipment is installed on trains, all crew will receive special training in how to use a defibrillator.



The rail industry is attractive to work in and SJ is a major player. In a ranking by Universum Talent Networks, SJ was placed in the top 100 attractive employers in 2012.

## Why I chose SJ



Dan Olofsson has experience from many different roles in his 15 years at SJ. His first job was as a shunter in the marshalling yard at Hallsberg for a while after upper secondary school, and part-time during his years studying at Luleå University of Technology.

While working for an M.Sc. in Engineering – specialising in Traffic Planning – Dan carried out his degree project at SJ. His chosen topic was the Bothnia Line. Following graduation, he was offered a job with the Company.

After a year or two, he was recruited as Head of Long-Distance Traffic at Trafikkontoret (the Traffic Administration Office). Since then he has held several management roles at SJ, currently serving as Traffic Manager with HR responsibility for all SJ drivers.

“When all’s said and done, what I learned most from was my experience as a train shunter. It was there that I acquired my understanding of the production system and the core business, and learned the language – how to talk about trains.”

Dan’s many roles at SJ were partly made possible through his own in-

terest and partly because changes made at the Company opened up opportunities. He has also been eager to learn about new areas and not stagnate in one role.

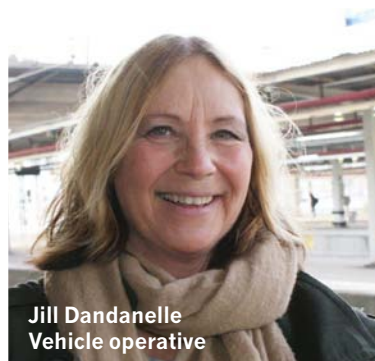
“It has been natural for me to seek out new challenges at SJ. In some roles, I have worked intensively with a small group of specialists, so it can be useful to follow that with a role involving more HR responsibility in which other approaches and qualities are valued in the leadership.”

When asked how to go about making a career at SJ, Dan replies that it is important to be committed to what you’re doing and to show interest.

“The most important things are curiosity and interest in the business. Next, the key is to listen; there’s a lot of knowledge in the Company. I think that SJ is good at bringing in people who are skilled at what they do. There are sound paths to follow.”

In addition, Dan says it is vital to to enjoy your work, and that enjoyment is what drives him.

“I get a kick out of working, and I believe in what I’m doing.”



Jill Dandanelle has been working as a vehicle operative for seven years. She

joined SJ after seeing a newspaper advertisement for situations vacant at SJ’s Hagalund depot. A friend who knew about the job encouraged her to apply, despite her lack of appropriate experience.

“I had always wanted to be a car mechanic and in some way it seemed natural that I would be offered this job. And that’s the way it turned out - after a certain amount of persistence, and despite the fact I was about to turn 50.”

After three months’ paid training, she became a qualified vehicle operative. Since then, Jill has undergone week-long advanced courses to learn more about each vehicle.

The job of a vehicle operative is to ensure that trains have been serviced and prepared, and comprise the right number of carriages for their next journey. Duties include shunting, marshalling, clearing and decoupling of trains while in the depot. It’s physical work and you’re on the move most of the working day.

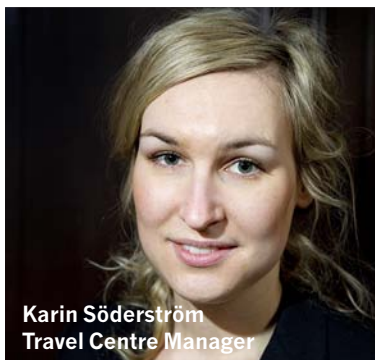
“I’ve developed a great deal over these years, physically and mentally. The qualities that make me suitable for this work are that I am stubborn, strong and good at thinking on several levels.”

Jill has a creative streak – she makes ceramics and designs in her spare time – so shift work also suits her.

“It’s important to have balance in your life. SJ has made a major investment in us here. Personal trainers came, carried out health checks and advised us on exercise and health. They really put in an effort. In large businesses, you’re often not noticed but at SJ they try to engage in dialogue with all employees.”

To Jill, the best thing about her work is that it is flexible and you can be outdoors a lot. Solidarity with her colleagues is also important.

"I'm happy here, there's a high ceiling and you can be yourself. And if I find that it's getting too tough, there are many other roles and jobs in the Company."



In spring 2008, Karin Söderström was living in Spain. Then a friend told her that SJ was looking for travel sales personnel for SJ's travel centre in Stockholm. After a couple of interviews, Karin was offered the job and travelled to Stockholm. When she was later about to start studying for a degree in social work in Malmö, she contacted the Malmö travel centre, and was offered a position. For four years, Karin combined her studies with working as a travel sales person. When the job of travel centre manager became vacant during her last year of study, Karin saw it as a fun challenge and a good opportunity.

"It was nice to get a job straight after graduating, and a challenge to start out as travel centre manager," says Karin. The job is not a typical

one for a social worker, but I've benefited greatly from my education. First and foremost, it's about people - our customers and our employees. I also specialised in organisational development, which we do a lot of work on. In addition, I studied HR, organisational change management and leadership, and that was a big asset to me in my work."

Karin works in travel sales at least one day a week to keep up-to-date on SJ's products and to maintain insight into the working situation of travel sales personnel.

"I must have an understanding of their work and their work situation. That makes it easier to set the right expectations.

"We sell travel products and many other offerings, such as hotel accommodation and taxi journeys. We are also expected to know everything about SJ's operations. It's important to keep up with every area, not only current options but also alternative connections, and the traffic situation on the track."

If asked to describe the three most important aspects of her role as manager Karin would say, they are to see every employee as an individual, identify their strengths and find ways of motivating them; to set goals, shared and individual; and to be a good ambassador for SJ.

"To us, it's also important to stick together, pep each other up and support each other, and to feel that we're part of a team. It should be fun to go to work!"

## SITUATIONS VACANT:



### TRAIN HOSTS AND TRAVEL SALES PERSONNEL

SJ has a constant need to recruit train hosts and travel sales personnel, but especially ahead of the summer season.



### TRAIN DRIVERS

SJ has a continuous need to recruit fully-trained train drivers at various locations. Over the next few years, many SJ drivers will retire and at the same time new trains will enter service.



### VEHICLE OPERATIVES

SJ has a continuous need to recruit vehicle operatives to work on shunting, preparing trains, external washing, safety inspection, brake testing, clearing and technical maintenance.

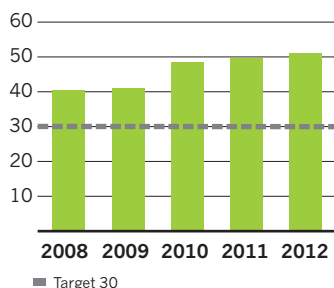
# SJ in society

SJ is an important part of the transport infrastructure that is vital for society to function. In a sustainable way, we make it easier for people to live and work in different places. We are a major employer and an important customer to many of our suppliers.



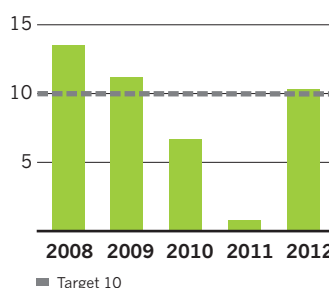
Reliability of services rose by 38 percent.

Equity/assets ratio, %



On 31 December 2012, the Group's equity/assets ratio was 51.1 percent (49.6).

Return on equity, %



The improvement is largely attributable to the fact that the arbitration award, SEK -150 million, regarding the dispute with Tåg i Bergslagen AB is no longer included, and the receipt of a financial penalty of SEK 156 million from Bombardier Transportation in 2012. The outcome was also affected by cost improvements achieved by the Group.

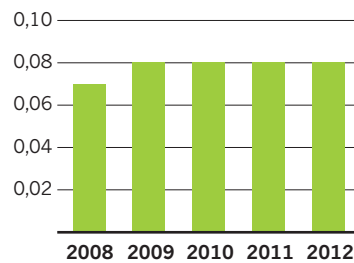
**In March 2012, SJ was named as the most sustainable transport enterprise in Sweden.**

The title was awarded to SJ by Sustainable Brands. In January 2012, SJ was also named, by the public, as Sweden's greenest brand in a survey carried out by the branding agency Differ.



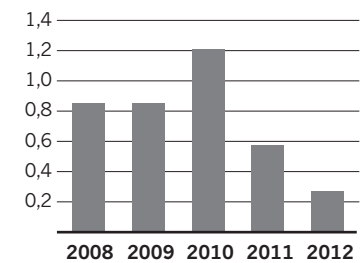
**SJ climate-offsets its own carbon dioxide emissions from business travel, refrigerant leakage and train operations in Sweden, Norway and Denmark. The funds are paid to the “Climate Friendly” organisation and, more specifically, go to the protection of 25,000 hectares of rain forest in Borneo, Malaysia.**

Energy efficiency, kWh/pkm



At year-end 2012, a total of 14 SJ 3000 trains had entered service. This is expected to impact on our energy efficiency in 2013.

Carbon dioxide emissions, CO<sub>2</sub>/pkm

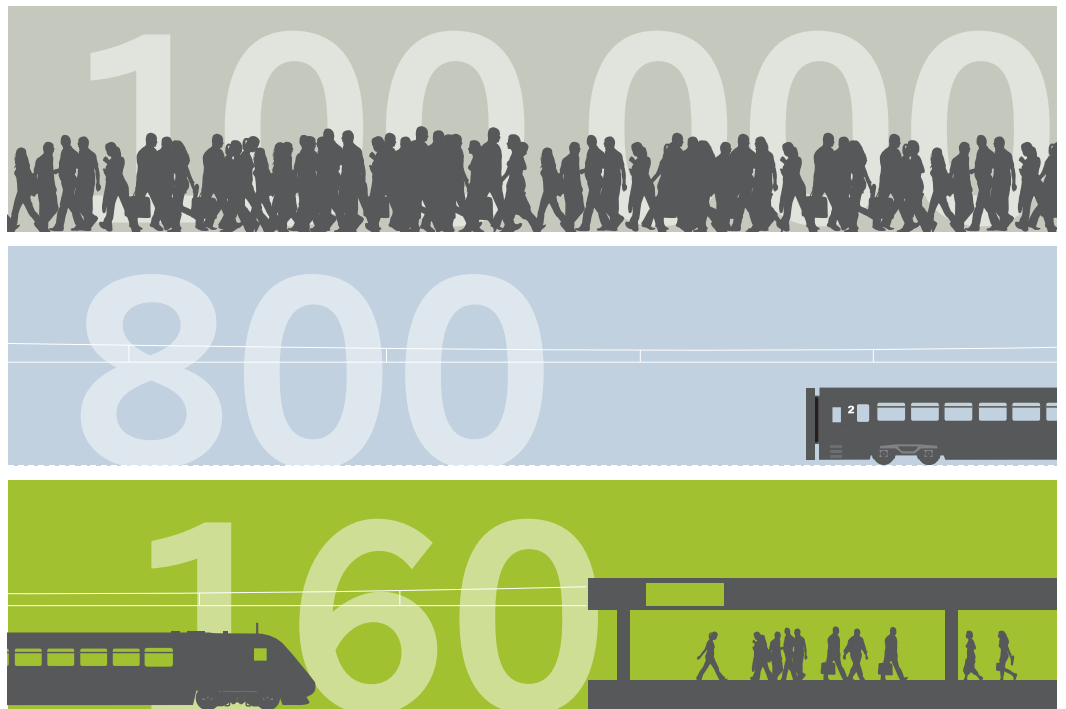


As a result of a considerably lower level of rail replacement services in 2012 and discontinuation of services in Germany, the Group's carbon dioxide emissions fell in 2012.



**SJ complies with the ISO 14001 Environmental Management System.**

**SJ's modern trains consume just half the energy as older vehicles, despite higher speeds.**



Everyday, around 100,000 people travel with SJ on 800 departures to 160 stations.

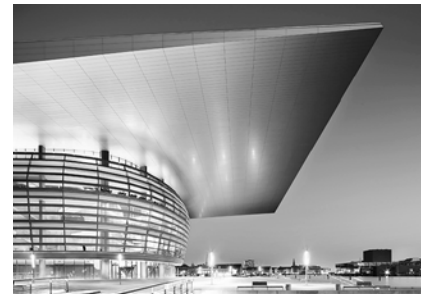
# From Narvik to Copenhagen – we are present in 2,931 locations



By linking cities and regions along the railway network, SJ enables people to commute to work and travel for other purposes, in an eco-friendly and sustainable way. And by persuading as many people as possible to travel with SJ, we maximise value to our customers, our owner and society at large.







The railway system is one of Sweden's "engines", and SJ fulfils a vital function. By making it possible for passengers to live and work or study in different locations, and to travel for work reasons in a simple and sustainable way, we create mobility within and between regions. Localities served by train are better placed for businesses and residents, and a well-developed rail service is a positive driving force. SJ works constantly on aligning its service provision with demand, and we thereby play our part in developing society and creating value for our owner and other stakeholders.

Travelling by train is a sustainable option and part of SJ's task is to promote the use of public transport. Rail travel has doubled since 1990, and as rail travel increases we reduce environmentally hazardous emissions. By convincing as many people as possible to travel with SJ, we maximise value to our customers, our owner and society at large.

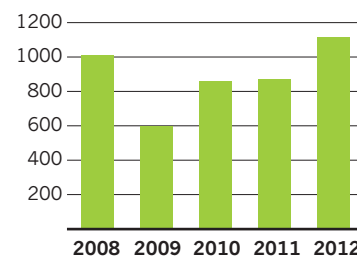
We contribute towards benefit to society in several ways. SJ is itself a major employer, creating many jobs around the country both in our own organisation and via our partners. By offering a sustainable travel option, SJ employs around 4,300 people.



# Objective – to create value

Strong finances are decisive in enabling SJ to invest in existing and new trains and meet growing competition.

Investments, SEK m.



SJ's owner, the Swedish State, defines the objectives of SJ's operations and is represented on the Board. The objective of value creation makes demands in terms of long-termism, efficiency, profitability, potential for development and environmental and social responsibility.

## Profitability

Strong finances are decisive in enabling SJ to meet growing competition and maintain its position in the future.

Many are affected by SJ's operations. SJ's owner – the Swedish State – defines overall objectives for SJ's operations and is represented on SJ's Board. SJ is responsible for generating a financial return, and SJ's executive management annually decides on supplementary financial and non-financial targets that are later ratified by the Board.

## Profitability and long-termism

To be able to guarantee satisfactory service delivery benefit society, SJ must be profitable. We must be able to invest in both existing and new trains, and we must be competitively attractive if we are to retain our existing, and acquire new, customers. This means that long-term profitability is central both to our owner's demands and SJ's business plan.

SJ conducts major initiatives and investments in the long-term sustainability of our trains, and so our rolling stock fleet is in service for a long time. Carefully considered, long-term rolling-stock planning ensures that every "krona" invested is used sustainably.

## Efficiency

We have completed a major programme to improve our efficiency in every area, including operating our trains in a more efficient manner. This means, for example, keeping vehicles more frequently in service, or ready for service when needed. The aim is to have many trains in service during peak hours and for maintenance and servicing to be carried out in off-peak hours. We are also planning crew management more efficiently.

## Potential for development

We aspire to be a modern and attractive travel provider. By operating profitably, we can modernise our rolling stock fleet, be at the forefront in practices and processes for delivering service and information, and invest in training our employees. This will create the conditions for achieving our goals.

## Sustainability

External stakeholders and employees alike take it for granted that SJ should fulfil its social and environmental responsibilities. SJ has produced guidelines on areas that are particularly important in ensuring a fundamentally sustainable way of working; for example, it has developed policies on purchasing, equal opportunities, ethics and the environment.

# Strategies and processes

Factors with a major impact on our ability to deliver a high-quality service, and successes with in 2012.

SJ has three main strategies with which 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. The area in which Quality, Efficiency and Expansion overlap is where results are achieved – both economically and in relation to our customers.

**Quality** is based on maintaining reliable and stable procedures, in which our resources are optimally employed and service delivery to customers is always characterised by high precision.

Our work on **efficiency** is based on criteria such as load factor, productivity and profitability, which ensures that profitability targets are achieved and future investment plans can be implemented.

**Our expansion** will take place primarily within the framework of our existing service offering, in our own organisation or working with selected partners. Through this expansion, SJ's business volumes will increase while we are developing new services and products.

## Fleet

During 2012, we worked on ensuring the reliability of the train fleet by:

- Investing and updating the fleet with a focus on improving comfort and technical reliability.
- Placing an emphasis on preventive maintenance to increase operational reliability.
- Continuing efforts to improve efficiency in maintenance and depot operations.
- Using remote diagnostics and remote monitoring, making it possible for technicians to observe every train during operation and to read all reports in real time, providing better quality information on the train's performance.
- Making major initiatives and investments in the long-term sustainability of SJ trains. A major programme is in progress to set up a system of sustainable maintenance and also to continue the introduction of new working practices and "day-to-day control" to improve productivity at SJ.
- Taking another important initiative is to identify areas for improvement that can deliver results in the long term.
- Preventing of wheel damage.

As part of a project being conducted by Trafikverket in partnership with Luleå University of Technology, Trafikverket is installing electrical ID plates on around 100 vehicles on the Norrland service. Currently, an alarm is triggered if the track force exceeds a certain level. The driver then has to dismount from the train and check for any wheel damage. The new technology automatically sends SJ information on the damage and identifies the axle concerned. In addition, it continuously records data from the wheels, enabling SJ to plan maintenance at an earlier stage and to prevent service-disrupting faults.

## Reorganisation

In order to raise efficiency, SJ carried out a reorganisation in 2012 aimed at honing competitiveness via shorter decision paths, simpler processes and clearer mandates and roles.

## Cleaning taken in-house

To achieve the right quality, which includes operating complete and properly clean trains, SJ took a decision to improve train cleaning. As a result, in January 2012, SJ brought train cleaning back in-house in the strategic regions of Stockholm, Gothenburg and Malmö. The focus is not just on cleaning but also comfort. Another objective is to reduce procurement of other services. As a result, the duties of customer attendants now include front of train washing, minor repairs and replenishment of drinking water. Via the key ratios for cleaning, we monitor customer ratings for our service delivery and discerned a positive trend over the year. The verdict rating for Fast Train services is extremely good, whereas we are rated as borderline average/good for InterCity and Regional.

## Eco-driving

SJ is continuing to develop our eco-driving programme to reduce emissions and improve comfort for passengers. Eco-driving is a technique by which drivers choose optimal speed and braking to reduce energy consumption, emissions and brake wear, and to increase comfort and punctuality. Fully applied, the technique offers potential savings around SEK 40 million. The benefit is measured by monitoring electricity consumption and reduced brake wear. In autumn 2012, all SJs drivers underwent i Eco-driving training.



2012 saw the debut of the SJ 3000, Sweden's most modern train. These new fast trains will expand SJ's rolling stock fleet by 20 new trains and 5,000 more seats.

In May 2008, SJ signed a contract to buy 20 new trains at a cost of SEK 2 billion. The trains have taken three years to build, develop and test drive. They were declared ready for service in spring 2012 having been test driven 25,000 kilometres.

#### 5,000 new seats

In all, the new fast trains will add 5,000 seats to the SJ fleet. The SJ 3000 is fast, comfortable, modern and specially designed for medium-long distance routes with several stops. It will serve on medium-distance routes such as between Stockholm and Östersund, Sundsvall, Gävle, Falun, Karlstad,

Umeå and Uddevalla. SJ ordered a total of 20 new fast train sets, each accommodating 245 passengers. Stockholm–Norrbotten is the third-largest travel market in Sweden, and when the SJ 3000 was placed in service on the Stockholm–Umeå section it marked the beginning of SJ Fast Train services to Norrbotten. Expansion of long called-for rail links in the region, also simplifies connections with Sundsvall and the Mälardalen region.

#### Environment

The SJ 3000 is one of the most eco-friendly trains in the world. It has gained ISO 14025 accreditation and certification. The materials used in the train were developed in line with the latest environmental requirements and can be 98 percent recycled. The train is based on a fundamentally





#### TRAIN FACTS:

Length: 107 m. Width: 3.45 m.

Top speed: 245 km/h

Seats: 245, including 61 in 1st Class and 181 in 2nd Class, plus two wheelchairs spaces.

Toilets: Seven, including one for users with disabilities and one personnel toilet. One toilet per carriage has a baby-changing table.

The new trains are equipped with the new computerised European Rail Traffic Management System (ERTMS). This will enable the trains to serve on the two newly built Ådalen and Bothnia Lines.

**The SJ 3000 was given the “High Design Quality” prize at the international Red Dot Design Awards.**

energy-lean design, with low air resistance to minimise energy consumption. The train returns more than 12 percent of the energy it uses to the national grid. It is also equipped with electricity meters so that the driver can continuously monitor energy consumption during the journey. Each carriage has a recycling centre where passengers themselves help by sorting waste. Power consumption on-board is also reduced through the use of LED lighting. When the train is parked, heating and ventilation are automatically set to parking mode, in which all unnecessary electrical systems are switched off and the internal temperature is lowered.

#### More spacious and more luggage storage capacity

The SJ 3000 is more spacious, with an internal dimension of 3.45 metres across, compared to the 3.08 metres in the

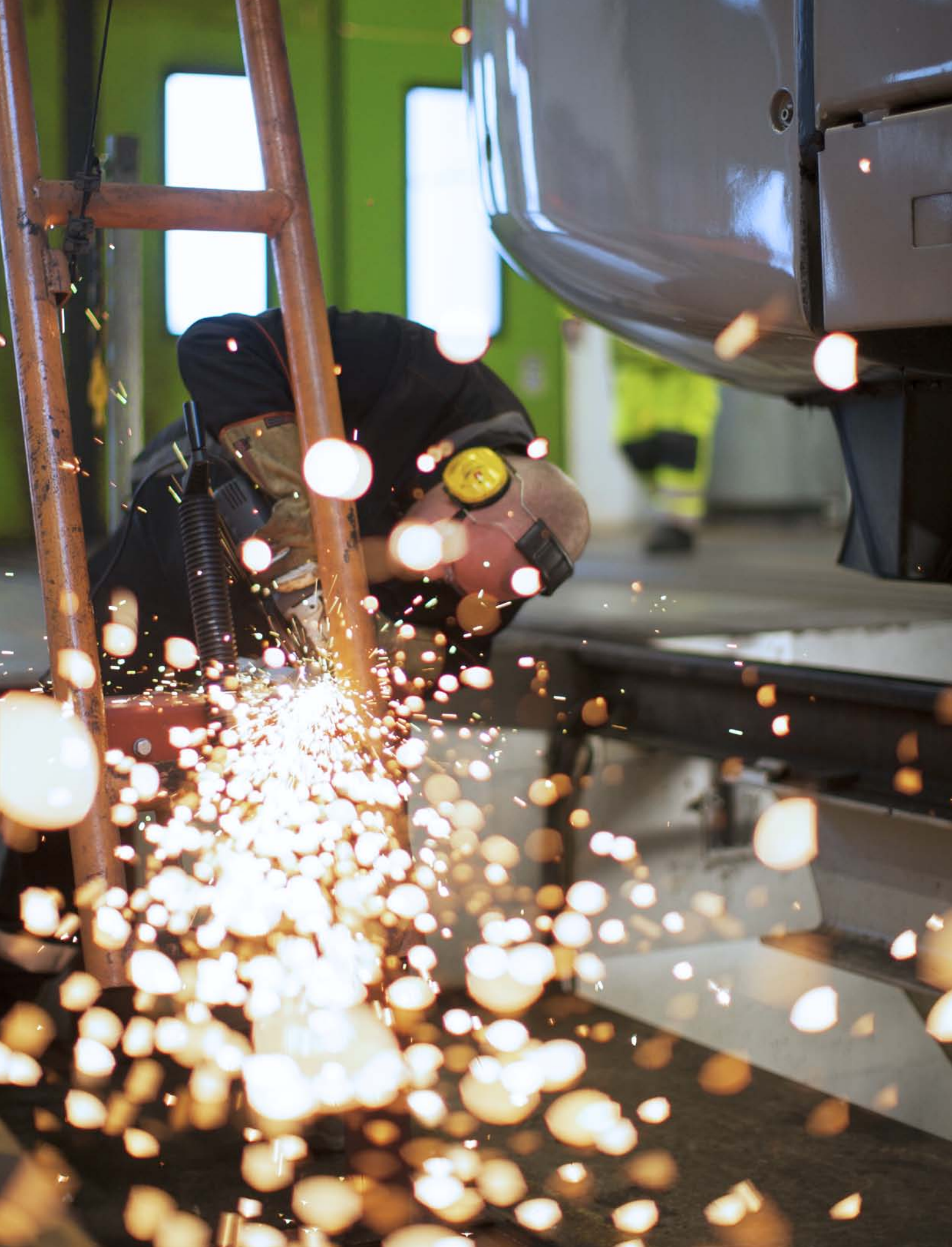
SJ 2000. The train has extra luggage storage capacity and new seats with ample leg room. Every seat is equipped with a power socket. The vestibules are larger and the saloons are bright and finished in SJ’s livery colours, grey and silver. Low-energy LED lighting provides gentler yet better light. All trains include a modern bistro, along with self-service coffee and tea facilities in 1st Class. A quiet section is provided in both 1st and 2nd Class carriages. The vestibules incorporate a mobile phone corner. SJ 3000s do not use a tilting system so there is no risk of travel sickness among sensitive passengers. The slightly lower speed around bends is offset by faster acceleration.

#### On-board information and entertainment

SJ 3000s are equipped with the new “SJ On-board” information concept – a mix of information and entertainment. The system is distributed via digital screens in the vestibules or via a Web portal accessed from passengers’ own laptops. In the vestibules, the screens display detailed information on arrival and connection times. For example, the time until arrival or next change is counted down and in the case of connection journeys the system also shows the platform number for the connecting train. Via their own laptop, passengers can access not only better service information, but also stream films from an up-to-date range of around 300 films, or listen to a choice of radio stations.

#### Adapted for passengers with disabilities

SJ 3000s are adapted for passengers with disabilities. With a wheelchair lift operated at ground level, passengers can simply press a button to use the lift and board the train in their wheelchairs without assistance. The vestibules in the new trains are considerably more spacious than in other SJ trains. The gangways are wider, two wheelchair spaces are provided and the toilets are also more spacious. Ceiling-mounted spotlights create better lighting, and Braille and hearing aid loop systems are provided to assist passengers with disabilities.





Every year, SJ purchases goods and services costing billions of Swedish kronor. SJ works with a number of stakeholders in the form of suppliers and partners whose operations affect our service delivery to a major extent.

## Our service delivery is dependent on partnerships operating smoothly

### **Rolling stock and maintenance**

SJ works with a number of suppliers who deliver our vehicles, with related maintenance services. Our partnerships in this area are characterised by relationships and projects stretching back a number of years. State-owned Jernhuset provides our production premises, our depots. Ongoing maintenance on all SJ rolling stock is performed by Euro-Maint, Bombardier, Alstom and Motala verkstad. ISS and Sodexo provide depot services, including high-pressure water jetting, vehicle washing and cleaning.

### **Sales systems**

Our sales channels, including sj.se and our mobil.sj.se app, play an important part in the business, so it is vital that these systems are stable. Our subsidiary Linkon manages reservation and distribution of tickets. A new supplier, Evry, took over responsibility for operating and monitoring Linkon's and SJ's IT systems in 2012. CGI administers our systems and develops and operates our on-board computer platform. In 2012, we signed a strategic agreement for cooperation with TeliaSonera regarding development of mobile coverage trackside, communication services at SJ and other facilities.

### **Trafikverket – our main partner**

Trafikverket is responsible for the infrastructure, long-term planning of rail services and allocation of train paths.

Through cooperation we contribute to efficiency and benefit to customers in the industry. We cooperate in a constant endeavour to improve – in punctuality and availability.

We also work together on the direction of long-term investments in track and facilities, as well as on planning of track engineering works.

### **Respect for the environment – in dialogue with our suppliers**

It is insufficient for our own environmental efforts to be effective; what our suppliers do also plays a major part. As a result, we impose environmental conditions on specially selected suppliers who are particularly important to sustainable service delivery. We endeavour to influence their environmental activities in a direction that we believe in, for example, by using approved chemicals and by replacing environmentally hazardous products with more desirable alternatives. Every year, we conduct a thorough environmental audit in which sub-contractors have to account for their use of chemicals, waste management and in-house environmental activities. These environmental reports are followed up via regular reviews. In 2013, we will streamline our purchasing process via new technical facilities and guidelines to ensure that our suppliers satisfy the requirements set initially in the procurement process.



SJ's foremost contribution to sustainable development consists of convincing as many people as possible to travel with us. A journey with SJ is energy-efficient and makes little environmental impact compared with most other modes of transport. Our environmental efforts can always be better – we constantly face challenges and are always developing.

## Responsible enterprise – our environmental efforts

From the starting-point of an ISO-certified environmental management system, SJ strives constantly to reduce the Company's environmental impact even further. This centres on making journeys more energy-efficient by driving trains in such a way that we minimise energy wastage – without sacrificing punctuality or comfort. It is equally important to offer an eco-friendly range of products on board and to maintain close dialogue with suppliers on how our trains are to be cleaned and maintained. All services by SJ trains in Sweden have since 1994 borne the Bra Miljöval ecolabel, which sets strict criteria for low emissions, high energy-efficiency and the use of energy from renewable resources.

SJ environmental goals drive this work forwards in four focus areas:

### Energy efficiency

SJ trains are energy-efficient and consume little energy compared with other modes of travel. Nevertheless, we procure large volumes of electricity overall and it is important to be economical with resources. Eco-driving is one way of achieving more efficient use of energy. In 2012, all train drivers underwent eco-driving training, a method that reduces energy consumption while contributing to good comfort and punctuality.

Target 2012: 12.7 kWh/train km.

**Outcome: 13.6 kWh/train km.**

### Emissions (carbon dioxide)

SJ purchases 100 percent renewable energy from hydropower and wind power sources to operate its trains. This results in very low emissions of climate-impacting carbon dioxide. Substantially lower levels of rail replacement services during the year, together with termination of operations in Germany, led to lower emissions than in 2011. In addition to its own environmental efforts,

SJ climate-offsets its own emissions from train operations, employees' business travel and refrigerant leakage. Target 2012: 1.1 g/pkm.

**Outcome: 0.27 g/pkm.**

### Waste

Handling and minimisation of waste are important environmental issues. On trains and in our offices, we provide facilities for sorting waste, resulting in both environmental and financial savings.

Target 2012: 15 percent pre-sorted waste on board.

**Outcome: 18%.**

### Environmental profile

Our environmental work is an important component of the SJ brand. Many people are aware that travelling with SJ is climate-smart. SJ's rankings as Number 1 in Sustainable Brands and as Sweden's greenest brand are clear evidence of that fact. SJ has many environmentally aware customers who choose the train for environmental reasons – 40 percent, according to our on-board customer surveys.

Environmental Index, Customers, Target 2012: 70.

Environmental Index, Employees, Target 2012: 75.

**Outcome: 67 (customers), 74 (employees).**

### Environmental calculation

On website features our SJ Environmental Calculator (Miljökalkyl), which calculates and compares emissions from journeys by rail, car, bus and air, respectively. By keying in the desired start and destination locations, the user can easily compare the difference in emissions between the different modes of transport. The environmental calculation is popular both among private individuals wishing to calculate their impact on the environment and corporate customers with a need to monitor and control the emissions from their business travel.





# Contents

<b>49</b>	Directors' report
<b>54</b>	Corporate governance report
<b>60</b>	SJ AB – Board of Directors
<b>62</b>	SJ AB – Management
<b>64</b>	Five-year summary
<b>65</b>	Group – Statement of comprehensive income
<b>67</b>	Group – Statement of changes in financial position
<b>69</b>	Group – Statement of cash flows
<b>70</b>	Group – Statement of changes in equity
<b>71</b>	Parent Company – Income statement
<b>71</b>	Parent Company – Statement of comprehensive income
<b>72</b>	Parent Company – Balance sheet
<b>74</b>	Parent Company – Statement of cash flows
<b>75</b>	Parent Company – Statement of changes in equity
<b>76</b>	Accounting policies
<b>84</b>	Notes
<b>106</b>	Directors' declaration
<b>107</b>	Auditors' report
<b>109</b>	Accounting policies for sustainability reporting
<b>111</b>	Auditor's Review Report on the Sustainability Report
<b>112</b>	GRI Index
<b>118</b>	Definitions





# Directors' report

The Board of Directors and Chief Executive Officer of SJ AB (corporate identity number 556196-1599) present herewith SJ's annual accounts and consolidated accounts for the 2012 financial year. Unless otherwise indicated, all amounts are in SEK million (SEK m.).

## SIGNIFICANT EVENTS IN 2012

Punctuality in SJ's long-distance and regional train services stabilised over the past year. SJ achieved punctuality of 91 percent (88) in long-distance services and 90 percent (87) in regional services.

In January, SJ took train cleaning in-house in the Stockholm, Gothenburg and Malmö regions.

SJ's new fast train, the SJ 3000, was placed in service between Stockholm and Sundsvall in February. SJ 3000s now also serve on the routes between Stockholm and Karlstad, Umeå, Uddevalla and Jönköping.

On 1 May, SJ took over management of regional and commuter train services in the Västra Götaland region. A three-year contract was signed by SJ and Västtrafik, Jönköping County Council and Hallandstrafiken.

In 2012, SJ was again engaged to operate overnight train services in Norrland. The new agreement runs from July 2013 to December 2018.

The Ådalen Line was inaugurated on 14 September. This enabled SJ services to the north to be increased from 9 December through an expansion of the Sundsvall–Stockholm service by three extra daily departures terminating at Umeå.

Crister Fritzson was appointed new SJ's new President and CEO, taking up his appointment on 12 November.

A government bill entitled Investing in a Robust and Sustainable Transport System was passed on 18 December, containing a proposed economic framework for the State-owned transport infrastructure over the 2014-2025 period. The bill establishes a budget of SEK 522 billion.

## SJ – OPERATIONS AND STRUCTURE

SJ AB, established in 2001, is 100-percent owned by the Swedish State. The Company's owner has set a commercial remit: SJ is to operate train services at a profit and the business is to be conducted in accordance with business principles. The Parent Company, SJ SB, represents a major share of the Group's operations (see also Note 1 to the Financial Statements). Its core operations consist of train services. SJ operates primarily in the market for inter-regional and long-distance services in two categories: SJ services and contract services. Train services underwent step-by-step deregulation in the 2000s and today SJ operates in a competitive market. The Group's train services are conducted mainly via the Parent Company, as well as in subsidiaries SJ Götalandståg AB (regional services in Västra Götaland), Stockholmståg KB (commuter services in the counties of Stockholm and Uppsala) and SJ Norrlandståg

AB. Other subsidiaries are engaged in activities closely related to the train services operated.

## MARKET

Statistics from Trafikverket indicate weak market growth of around 1–1.5 percent for long-distance inland travel during 2012. Competition from air travel was tough during the year, especially on the Stockholm–Gothenburg and Stockholm–Malmö routes. As far as SJ is concerned, a high level of supply and low-cost offerings created severe competition, above all in end-to-end travel i.e. journeys between departure and arrival stations.

Air travel in December declined by 14 percent, partly as a result of seasonal factors. Travel using SJ also fell during the same month, although only by 3 percent. Over the past 12-month period travel using SJ rose by 1.9 percent. Excluding the West Coast Line, SJ travel increased by 4.7 percent.

On 3 December, Riksdagen (Sweden's Parliament) passed the government's 2013 infrastructure budget. Funding for road and rail projects will total SEK 44.6 billion. This represents a rise of approximately SEK 500 million over the preceding year's rail budget and will be spent on increased maintenance. The government's Investing in a Robust and Sustainable Transport System was passed by Riksdagen on 18 December. As a result, an economic budget of SEK 522 million was adopted for the State-owned transport infrastructure over the 2014-2025 period. Investments include the first sections of a new main line for fast trains, the Eastern Link between Järna and Linköping, and the first part of the section between Gothenburg and Borås. The government also directed Riksdagen to undertake a detailed study of the organisation of the railway system.

Despite the effect of recent years' disruptions on train services and low confidence in the railway system, the outlook for the future is considered encouraging. Environmentally, rail travel is the most efficient mode of transport. SJ is firmly committed to being the first choice for passengers in commercial public transport, via continued investments in developing quality, service and equipment in the existing train fleet.

## FINANCIAL OVERVIEW

### Income

Operating income over the year increased by a total of 7 percent. Net turnover amounted to SEK 8,504 million (8,038). In 2012, operations at SJ were more stable than in the preceding year, with rapid expansion from the second quarter

as a result of the staged introduction of the SJ 3000. However, growth in travel in SJ's main markets was weak, and thus income from SJ's own services failed to rise in line with supply. This development was entirely due to SJ Fast Train, which increased its service supply (by 9.4 percent) during 2012, but the volume of travel did not rise accordingly.

In order to remedy a lack of capacity identified earlier, in 2012 SJ expanded its fast train services to its principal markets of Stockholm, Gothenburg, Malmö and Sundsvall. The outcome of the expansion was slightly poorer in terms of load factor, relative to the average load factor for fast train services, which fell to 63 percent in 2012. Income from regional services increased, despite an actual reduction in the service supply. The increase arose from price rises, more bookable carriages to enable higher utilisation of trains and reduced prices for 1st-class travel to render the offering more attractive. Service supply in SJ InterCity was reduced in 2012 as a result of the expansion of SJ Fast Train. The reduction in supply led to a corresponding fall of 7.1 percent in income. One important change took place in the autumn; the replacement of InterCity services to Borlänge/Falun/Mora by SJ 3000 services. Other major changes in services were the replacement of SJ 2000s by SJ 3000s on the Stockholm-Sundsvall route and the launch of a new SJ fast train service destination, Umeå. In travel products, sales of single tickets – which account for the bulk of SJ own-service income – are on the rise. The trend of falling annual season ticket sales continued. Monthly season ticket sales are rising in line with those of single tickets.

However, a budget-price campaign in the autumn failed to halt a downward trend with a less satisfactory mix of high-yield versus low-yield passengers. The main loss was recorded in 1st class relative to 2nd class travel.

### Costs

The Group's costs over the whole year were SEK 154 million higher than in 2011. However, by focusing closely on active cost and resource management, the increase in operating costs was kept to just 2 percent. The increase arose through increased personnel expenses and higher depreciation costs. Discontinued services and gradually rising digital sales led to the closure of a number of travel shops and a reduction in employee numbers. At the same time, employee numbers increased when train cleaning was taken in-house and personnel at the SJ Götalandståg AB subsidiary joined the Group. As a result of the review of the Group's strategy, encompassing organisation, cost structure and performance, restructuring costs of SEK 80 million were incurred in 2012, of which the decision in December to integrate parts of the training organisation into the SJ Service Academy AB subsidiary accounted for restructuring costs totalling SEK 28 million.

The increase in the Group's depreciation costs is made up of depreciation on SJ 3000 trains received, refurbished passenger carriages and overhauls of SJ 2000 and double-decker trains. Depreciation costs for the whole year were around SEK 158 million higher than in the preceding year. The Group's quality deficiency costs, including travel time guarantee compensation and rail replacement service

costs, were considerably lower in 2012 than in 2011. In addition, a milder winter in 2012 led to lower electricity costs. Productivity improvements in work procedures reduced SJ's maintenance costs. As a result of train cleaning being taken in-house, other costs were lower in 2012.

### Operating profit

The Group's operating profit totalled SEK 467 million (60). An operating margin of 5.4 percent (0.7) was recorded. The reasons for the improvement were higher net sales and cost savings. Operating income increased as a result of financial penalties of SEK 156 million received for delays in delivery of SJ 3000s. In September 2011, a cost of SEK 150 million, in connection with a settlement paid to Tåg i Bergslagen AB, was reported. As a result of this cost and severe winter conditions that year, the accumulated profit at year-end 2011 was weak.

### Financial items, profit and tax

Net financial items amounted to SEK 31 million (-22). The improvement is attributable mainly to positive changes in the value of investments. The Group's profit before tax amounted to SEK 498 million (38). Tax on profit for the year totalled SEK -27 million (-2). A change in treatment of temporary differences in leased assets resulted in an amount of SEK 64 million in deferred tax recoverable. Re-statement of the deferred tax liability arising from a reduction in the rate of corporation tax led to SEK 38 million in deferred tax recoverable. Profit for the year amounted to SEK 471 million (36).

### Cash flow

The accumulated change in working capital comprises a surplus on operations, an increase in trade receivables arising from the new subsidiary acquired, SJ Götalandståg AB, higher trade payables arising from the calendar day effect and tighter control of working capital. Accumulated investments in property, plant and equipment and intangible non-current assets for the year totalled SEK 1,116 million (869), of which SEK 1,019 million (746) was in vehicles, primarily SJ 3000 and SJ 2000 trains. The cash flow from investing activities totalled SEK -803 million, including financial compensation of SEK 156 million received, plus SEK -157 million in supplier invoices not yet received for SJ 3000s. The cash flow from financing activities was a negative SEK -302 million (-272), the main items of which comprised investment in and sale of bonds, amortisation of lease liabilities, new borrowing and dividend to shareholders. The overall cash flow for the Group in the period was SEK 272 million (1). Cash and cash equivalents totalled SEK 320 million (48).

### Financing

On 31 December 2012, the net liability in the SJ Group was SEK 693 million (1,106). On 31 December 2012, the Group's liabilities consisted primarily of payment commitments for SJ's financial lease contracts plus loans of SEK 800 million raised during the year, making a total of SEK 2,091 million (2,365). On 12 January 2012, SJ AB signed a credit facility agreement with Nordea for a maximum of

SEK 500 million. On 22 May, SJ AB signed a further credit facility agreement for a maximum of SEK 500 million with Nordiska Investeringssbanken. On 30 October, the final lease contract for the SJ 2000 fleet was redeemed by a payment of SEK 924 million, as a result of which SJ owns the entire SJ 2000 fleet. Major payments were made for the SJ 3000s, and in the last quarter, SJ drew SEK 800 million on credit facility agreements obtained earlier in the year, using nine SJ 3000s as security.

### SIGNIFICANT RISKS AND UNCERTAINTIES

SJ's work in risk management is based on an annual risk analysis. SJ's risk management aims to limit undesired effects that could affect the Company's financial position, earnings or market position. Primary responsibility for SJ's risk management is with executive management, although much of the work is performed locally in the organisation.

### EXTERNAL RISKS

External risks are events in the outside world that could impact on SJ's ability to achieve its targets.

#### Shared responsibility for the travel process

Sweden's railway infrastructure consists not only of tracks and points, but also overhead contact lines and signalling systems. It is under extremely severe pressure, particularly in Sweden's big city regions during peak hours. The infrastructure is owned and operated by Trafikverket, while SJ and other train operators are responsible for their own rolling stock, as well as for service and information on board the trains. This shared responsibility for the travel process is a risk, inasmuch as decisions and priorities are not uniform throughout the process.

#### Neglected maintenance

The infrastructure is inadequate partly because it restricts expansion of cargo and passenger services and partly because it has for many years suffered from a drastic neglect of maintenance, which may lead to service disruptions. Our most recent winters have demonstrated the vulnerability of the railway system, in that inadequate snow clearance, as well as frozen points, falling overhead contact lines etc. have led to train cancellations and delays.

#### Service disruption management

Service disruptions of various kinds that frequently lead to train cancellations and delays over a long period cause customer dissatisfaction and a decline in trust in SJ, as well as in the entire rail industry as a reliable transport option. This results in environmental impact, since customers will turn to less eco-friendly options. In turn, this also leads to poor profitability because of lower income and higher costs.

### COMMERCIAL RISKS

Commercial risks are those linked to SJ's strategic decisions, the Company's business model and how SJ competes in the market. They are in large part closely linked to external risks. It is important for SJ to be flexible and prepared so that it can respond quickly and adapt business

decisions to changes in conditions. Another risk is that key people will move to other employers or other employment, which may impair profitability over a period.

### Suppliers

SJ is dependent on certain strategic suppliers who provide, for example, maintenance and cleaning services, and if they do not fulfil agreed commitments SJ will not be able to satisfy customer requirements for punctuality, service and cleanliness. What is in many cases a high degree of specialisation in terms of knowledge and equipment, makes it difficult to expose suppliers to competition or replace them in a short time. SJ works with suppliers to achieve high quality, and incentive agreements linked to quality parameters are in place and monitored continuously. To increase quality, SJ has decided with effect from 2012 to take train cleaning in-house.

### OPERATING RISKS

Operating risks relate to how the organisation and resources are managed and how our products and services are delivered. The category also encompasses administrative risks. These may include various procedures not being followed, which in turn may lead to necessary feedback not being communicated.

### Resources

Huge capital is invested in SJ's fleet of rolling stock. This represents a risk in terms of over- and under-capacity. With major investments, SJ's sensitivity to excess capacity increases.

SJ may also be affected by financial damage/loss in event of lack of availability of vehicles, or if vehicles do not meet customer expectations. In recent years, SJ has engaged in major refurbishment of its vehicle fleet in order to better respond to current and future requirements from the market. This programme will continue in the years ahead.

Trains have a very long service life; a train will often be in service for 20–30 years and during this period will travel around 5 million km. The service life of rolling stock is so long that new technology can be developed during that time. As many SJ trains were specially ordered and manufactured to our requirements, and as our rolling stock suppliers are undergoing extensive restructuring, spare parts for older rolling stock based on older technology are in short supply. This may lead to longer servicing times. Challenges of this kind place considerable pressure on SJ's know-how in rolling stock.

### IT environment

Greater use of IT at SJ and increasingly integrated IT systems in our customer offering and in production mean that SJ is more exposed to failures in, and any threats to, IT systems. The IT systems used must operate in real time, which means that any downtime immediately causes disruption. Customer contact in future will take place more via digital self-service channels and if such channels fail, the risk is that customers will perceive SJ negatively and in the long run will opt for other travel modes.



## FINANCIAL RISKS

The Group's financial operations and management of financial risks are centralised within SJ's Treasury function. Financial policy serves as a framework for all finance-related activities in the SJ Group. SJ's financial risks and risk management are described in Note 21.

## SJ'S SUSTAINABILITY WORK

SJ believes a proactive approach to sustainability will help to fulfil our vision of "To get everyone on board" and will contribute to a greener and more sustainable society.

Sustainability has always been a priority for SJ, which has a long history of working actively on these issues. In support of SJ's work on sustainability – to govern decisions and to achieve the desired targets – SJ adopted eight sustainability policies in 2011: Occupational Safety Policy, Ethical Policy, Purchasing Policy, IT Policy, Equal Opportunity Policy, Quality Policy, Environmental Policy and Transport Safety Policy. SJ's Ethical Policy sets out guidelines for acting in an exemplary manner towards our customers, suppliers and the world outside. These guidelines require SJ to conduct its operations on a commercial basis but not to employ methods that work against economic, social and democratic development. SJ complies with the government's Global Responsibility Initiative.

As a framework for our sustainability reporting, we apply the third generation of the Global Reporting Initiative (GRI) guidelines, G3 ([www.globalreporting.org](http://www.globalreporting.org)). For 2012, SJ chose to apply level B+.

## SJ's environmental work

In November 2008, SJ was environmentally certified under ISO 14001:2004, and has for some years focused on environmental issues in accordance with the ISO standard.

SJ continuously maintains a watch on current legislation and local regulations, in order to ensure that the Company complies with relevant requirements. SJ meets all environmental requirements and is not engaged in any activities subject to compulsory licensing.

SJ's environmental work concentrates on five target areas: energy efficiency in train services, emissions into the air from train services, purchasing of goods and services, sorting of waste at source & resource management and training & information.

On the basis of SJ's annual environmental analysis, the areas with the highest environmental impact are updated and prioritised, and the measurable environmental targets are continuously monitored.

Regular on-board surveys and questionnaires are conducted to sound out customers and employees for their views on SJ and the environment.

## SJ's employees

The efforts of our employees, individually and in groups, are critically important in deciding how our goals for efficiency, quality and service are to be achieved. The Company's success therefore depends totally on the competence, motivation and commitment of our employees.

To maintain this, SJ takes on board the views of our em-

ployees via annual employee surveys. SJ invests in employee fitness, in the form for example of various exercise facilities. Health inspirers are active in the workplace, health blogs are posted on the Internet and guidance on diet and exercise is provided. SJ also pays entry fees for teams wishing to take part in various exercise runs.

SJ's Equal Opportunities Policy aims at ensuring that all employees should have equal rights and opportunities, and that SJ should strive for diversity and equal opportunity, and against discrimination and degrading treatment.

In 2011, SJ was certified under the work environment standard OHSAS 18001. SJ's work environment plan for 2011–2012 states three overarching objectives for this work: lower sick leave, higher employee satisfaction index/health index and efficient, systematic work on occupational safety. Activities to achieve these targets aim at ensuring long-term sustainable development at SJ, taking due account of the personal development and good health of its employees.

## PROPOSALS FOR PRINCIPLES FOR REMUNERATION FOR SENIOR EXECUTIVES

The Board's proposals to the AGM for remuneration to senior executives are described in the following.

### Principles for remuneration

In recruiting to the Company's management, the guidelines on conditions of employment for senior executives at State-owned enterprises, as adopted by the government on 20 April 2009, shall be applied. Under these guidelines, the total remuneration paid to senior executives shall be competitive, capped, reasonable and fit-for-purpose. The level of remuneration shall not be on a pay-setting level, relative to comparable enterprises, and shall also be characterised by restraint.

The remuneration shall be constituted cost-efficiently and based on the following components: fixed salary, pension and other benefits.

The fixed salary component shall reflect the demands placed on the position in terms of competence, responsibility, complexity and the manner in which it contributes towards achieving the objectives of the business. The fixed salary component shall be individually calculated and differentiated. Variable pay, including gratuities, bonuses and similar remuneration, shall not be offered.

Pension benefits should be of the defined-contribution type. In the event that SJ agrees to a defined-benefit pension, it shall comply with the appropriate collective-bargaining pension plan. The pensionable age shall not be less than 62 years and should be not less than 65 years. The cost to the Company of the pension shall be borne during the employee's period of activity.

The period of notice for members of the executive management may be up to six months if employment is terminated by the executive. If employment is terminated by the Company, the executive may also be entitled to a termination benefit corresponding to no more than 18 monthly salary payments. Termination benefit shall be paid monthly and shall consist of a fixed monthly salary without

employment benefits. Termination benefit will in no circumstances be paid for longer than up to the age of 65 years. The executive may be entitled to company car benefits, sickness and health benefits, travel insurance etc., in line with generally accepted practice in the market. The majority of agreements concerning senior executives were renegotiated in 2012. For more details of remuneration to senior executives, see Note 5.

#### **DIRECTORS' DECLARATION IN ACCORDANCE WITH THE SWEDISH COMPANIES ACT, Section 18, subsection 4**

In its proposal for appropriation of profit, the Board recommends that at the 2013 AGM, the shareholder should resolve that in respect of the 2012 financial year SJ AB should pay a dividend of SEK 39.25 per share, representing a total dividend of SEK 157 million. Dividend will be paid on 6 May.

#### **SJ's financial position**

The owner's financial targets for SJ AB are an equity/assets ratio of no less than 30 percent and a return on equity of no less than 10 percent. In the 2012 financial year, SJ met both its equity/assets ratio target and its target for return on the Company's equity. The Parent Company's equity/assets ratio is 50.1 percent before, and 49.3 percent after, payment of the proposed dividend. The proposed dividend represents 3.3 percent of the Parent Company's equity and 3.2 percent of the Group's equity. The owner's equity/assets ratio target was also met after payment of the proposed dividend. The Parent Company's equity includes SEK -13 million in accumulated changes in value, via other comprehensive income, for financial instruments measured at fair value in accordance with the Swedish Annual Accounts Act, Section 4, subsection 14a. The Group's equity includes SEK -8 million in accumulated changes in value for financial instruments measured at fair value in accordance with IAS 39, section 9. Of the above total, SEK -8 million comprises changes in value via other comprehensive income.

#### **Basis of Board's decision**

With reference to the above, the Board considers that the proposed appropriation of profit is justifiable in view of the

requirements set forth in the Swedish Companies Act, Section 17, subs. 3, par. 2 and 3. The nature and scope of the business does not involve risks of any greater magnitude than normally prevail within the industry. The Board's view of the financial position of the Company and the Group indicates that the dividend is justifiable in view of the demands that the nature, extent and risks of the business place on the size of the Company's and the Group's equity and the Company's and the Group's need for consolidation, liquidity and financial position in other respects. The Board takes the view that the proposed dividend will not affect SJ AB's ability to fulfil the Company's obligations in the short and long term or to make any necessary investments.

#### **Events after the financial year-end**

On 24 January, the Swedish Competition Authority announced that it had requested the Administrative Court to test whether SJ AB's operations are subject to the Act on Procurement in the Water, Energy, Transport and Postal Services Sectors, LUF (SFS 2007:1092), and whether the Act thus applies to procurement by SJ AB. SJ AB does not consider that its operations are of such as to be subject to the Act. If the Administrative Court shares the Competition Authority's view, SJ AB may be subject to procurement damages of SEK 8.5 million.

#### **APPROPRIATION OF PROFIT**

The following unappropriated profit in the Parent Company is at the disposal of the Annual General Meeting (SEK):

Retained earnings	3,709,978,569
Profit for the year	442,718,269
<b>Total</b>	<b>4,152,696,838</b>

The Board proposes that the unappropriated profit be distributed as follows (SEK):

Dividend	157,000,000
To be carried forward	3,995,696,838
<b>Total</b>	<b>4,152,696,838</b>

#### **FINANCIAL POSITION**

##### **Operations relative to the owner's directive and financial requirements for the business**

	2012	2011	2010	2009	2008
<b>Return on equity (Group) %</b>	10.3	0.8	6.7	9.6	13.5
Target	10.0	10.0	10.0	10.0	10.0
<b>Equity/assets ratio (Group) %</b>	51.1	49.6	48.4	41.0	40.4
Target	30	30	30	30	30
<b>Dividend, SEK m.</b>	157	12	90	153	181

The owner's financial targets for SJ are an equity/assets ratio of no less than 30 percent and a return on equity averaging no less than 10 percent after tax over a business cycle. SJ's regular dividend shall amount to one-third of the profit for the year, provided that the equity/asset ratio target is achieved after dividend. In 2012, SJ, met its financial targets for both equity/assets ratio and return on equity.

# Corporate governance report

SJ AB is 100-percent owned by the Swedish State and is administered by the Ministry of Finance. The government's ultimate objective for the business is to create value. The objective of creating value implies demands in terms of long-termism, efficiency, profitability, potential for development and environmental and social responsibility.

## Principles of corporate governance

Corporate governance at SJ is based primarily on the following elements:

- The provisions of Swedish law
- The Swedish Annual Accounts Act (ÅRL)
- The Swedish State's policy on ownership and other owner's directives
- The Swedish Code of Corporate Governance (the Code).
- The Company's Articles of Association
- The Working Procedures for the Board, including Instructions to the Chief Executive Officer
- Internal documents

The Company's Articles of Association, previous corporate governance reports, material from SJ's most recent general meetings and related matters are available on the SJ website, under "Corporate Governance".

## Application of the Code

The Code is based on the principle of "comply or explain". This means that a company applying the Code may deviate from individual provisions provided that it explains the reasons for doing so in each case. The deviations from the Code at SJ arise mainly from its ownership structure. SJ is 100-percent owned by the Swedish State, whereas the Code is designed mainly for listed companies with diversified ownership. SJ has deviated from the Codes on the following points:

### Rule 1.1

Publication of information on shareholders' right of initiative. The purpose of this rule is to provide shareholders with the opportunity to prepare in good time ahead of the company's annual general meeting (AGM) and to have business included in the notice of the AGM. At wholly State-owned enterprises, there is no reason for compliance with this rule.

### Rule 2

Establishment of a nomination committee to represent the company's shareholders in election of and establishing fees for board of directors and auditors. The SJ Board of Directors has decided, in place of the Code's provisions on a nomination committee stated in Code rule 2, to apply the owner's nomination process, as described in detail in the State's ownership policy.

### Rule 10.2

Information is to be provided on the independence of members of the board in relation to major shareholders. According to this rule, no fewer than two board members shall be independent of the company's major shareholders. The rule on independence is mainly based on the need to protect minority shareholders. At State-owned companies, there is no reason for providing information on independence vis-à-vis the State. Against this background, SJ does not provide such information.

### Rule 6.1

Under the State's ownership policy, if the chair of the board relinquishes his position during the mandate period, a new chair is to be elected immediately at an extraordinary general meeting. This represents a deviation from the Code, according to which the board can appoint the chair from among its members.

### Rule 4.3

According to the Code, the chief executive officer may serve on the board but cannot be its chair. In the owner's view, it is important to separate the roles of the board and the chief executive officer and for that reason the chief executive officer shall not be a member of the board.

### Rule 8.2

The board is to evaluate the work of the chief executive officer at least once a year. The work of the chief executive officer was evaluated for the 2011 year of operations. In 2012, priority was given to recruiting a new chief executive officer. As a result, this evaluation will be performed in 2013.

## OWNER

The owner's financial targets for SJ AB are an equity/assets ratio of no less than 30 percent and a return on equity of no less than 10 percent.

The owner defines the objectives of the business via the Company's articles of association. In 2012, SJ's owner, the Chair and the Chief Executive Officer met five times. Areas discussed during the year's dialogue with the owner include evaluation of the work of the Board of Directors and its composition, SJ's relationships with strategic suppliers, cooperation with Trafikverket and the appointment of a Chief Executive Officer. In addition to these meetings, the Company maintains regular dialogue with the owner regarding the work of the Board. The owner exercises its rights as shareholder at the AGM.

## ANNUAL GENERAL MEETING

According to the State's ownership policy, the AGM is to be held before 30 April each year. However, the AGM may be



held after that date, but no later than 30 June in any year, if justified by particular reasons. In addition to the AGM, extraordinary general meetings (EGMs) may be held. The AGM is normally held in Stockholm. SJ publishes details of time and place for the meeting on its website. Notice convening the meeting will be published four to six weeks before it is due to be held.

The AGM appoints SJ's Board of Directors based on proposals from the owner, adopts the income statement and balance sheet and appoints auditors. At the AGM, the Board presents proposals for principles regarding remuneration and other employment terms for senior executives, as well as the annual report for approval. If and when required, the Board of Directors will convene an Extraordinary General Meeting. All general meetings must be attended by the Chair of the Board and the number of other Board members as this is required to form a quorum. The Chief Executive Officer is also required to attend.

#### *Annual General Meeting 2012*

The 2012 AGM was held in Stockholm on 27 April. The meeting was open to the public and those in attendance were invited to put questions to the management. The owner was represented by Anna Magnusson.

The Annual General Meeting voted on the following resolutions:

Re-election of Jan Sundling as Chair of the Board.

- Re-election of Siv Svensson, Eivor Andersson, Lars-Olof Gustavsson, Lena Olving, Gunilla Wikman and Michael Thorén as members of the Board.
- Remuneration to the Chair of the Board was set as SEK 400,000 annually (260,000). The fees to the other Board members were set at SEK 150,000 each (122,000).
- Remuneration to the chair of the audit committee was set as SEK 55,000 annually (55,000). The fees to the other members of the committee were set at SEK 43,000 each (43,000).
- No fee is payable to any Board member who is employed in the Government Offices, and neither is a fee paid to employee representative.
- Resolution that SJ is to apply the guidelines on conditions of employment for senior executives at State-owned enterprises, as proposed by the Board.
- Adoption of income statement and balance sheet.
- Resolution on dividend totalling SEK 12 million.
- Granting of discharge from liability for the Board of Directors and the Chief Executive Officer.

The minutes from the AGM are available on the SJ website.

#### *Extraordinary General Meeting*

SJ held an Extraordinary General Meeting in Stockholm on 12 March 2012. The meeting voted to elect Siv Svensson och Michael Thorén as new members of SJ AB's Board of Directors.

#### *Annual General Meeting 2013*

The 2013 AGM will be held in Stockholm on 26 April 2013. Invitations to attend the AGM will be distributed in March.

## **APPOINTMENT OF THE BOARD OF DIRECTORS**

The nomination process for members of the Boards of State-owned enterprises is managed and coordinated by the State-Owned Enterprise Department at the Ministry of Finance. A working party analyzes the skills/competence requirements, based on the composition of the particular board and the respective company's operations and situation. Nomination and appointment of new members take place following a continuous dialogue between the department concerned and the chair of the board. The work of creating a structured and standardized nomination process is intended to ensure an effective supply of skills and competence to the boards of the companies. 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 seat on the board, a high level of general competency is required in any of day-to-day business operations, business development, the specific sector in question, financial matters or other relevant areas. The Ministry of Finance's proposals for board members are presented in the notice convening the AGM and on the Company's website in good time ahead of the AGM. Board members are appointed for one year at a time.

Further provisions regarding board nominations are laid down in the Swedish State's ownership policy.

## **BOARD OF DIRECTORS**

Under the Swedish Companies Act, SJ's Board of Directors is responsible for the Company's organization and management of the Company's affairs. The State's ownership policy sets forth that the board of directors in companies where the State has an ownership stake is responsible for ensuring that the companies are managed in an exemplary fashion within the limits established by legislation, the company's articles of association, the owner's directives and the ownership policy. Furthermore, the board of directors at State-owned companies is required to make every effort to ensure that the company acts in an exemplary fashion in sustainable enterprise in areas such as the environment, ethics, working conditions, human rights, equal opportunity and diversity.

### **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 plus deputies. The Board has overall responsibility for the Company's administration and management. According to the State's ownership policy, the composition of the Board shall be such that the Board always has the industry knowledge and or other expertise that is relevant to the Company. Appointments to the Board of Directors shall also be made in such a way that a balance is achieved in terms of expertise, background, age and gender. Since the AGM held in April 2012, SJ's Board of Directors has comprised seven members elected by the AGM. Of the Board members, four are women.

Three members of the Board are employee representatives appointed by the employee organisations. None of the Board members serve in the Company's executive manage-

ment. Board members are independent of the Company and executive management. See also pages 61 and 62.

The Chief Executive Officer and the Chief Financial Officer take part in meetings of the Board. Other members of the executive management participate in these meetings as necessary. SJ's Vice President Legal Affairs acts Secretary to the Board of Directors.

## THE WORK OF THE BOARD OF DIRECTORS

### *Tasks and allocation of work of the Board of Directors*

The Board has adopted Rules of Procedure defining how work shall be allocated among Board of Directors, owner, committees and Chief Executive Officer. These Rules of Procedures are submitted for approval annually. Other than tasks established as compulsory by the Swedish Companies Act, the Rules of Procedure govern, for example, the Chair's tasks, information to the Board, procedures for Board meetings and assessment of the work of the Board and CEO. Board activities follow an annual agenda, including items to be reported on and particular issues to be addressed. These include presentation of the annual accounts, interim reports and approval of the Company's budget. The Board also decides on issues of key importance or of major financial importance, including the Company's overall strategy, comprising organisational structure and changes as well as major investments.

Under the Board's Rules of Procedure, five to eight regular meeting shall be held each year. In addition to the regular meetings, the Board will convene further meetings as necessary. The Rules of Procedure state inter alia that the following items shall be included on the agenda each year:

- Adoption of the budget
- Presentation of external financial reports
- Strategic plan
- SJ's total exposure to risk

In addition to these items, reports are presented at every regular meeting describing (i) significant commercial events since the previous meeting, and (ii) SJ's financial position and financial situation.

### *Work of the Board of Directors in 2012*

In 2012, seven Board meetings were held. In addition, a decision was taken per capsulam in May concerning relocation of the head office. The Board regularly performed customary follow-ups of both economic developments and the social and environmental issues that arose in operations. This was done in the form of reporting strategic key figures for Responsible Business, Passenger Satisfaction Index (NRI), Sickness Absence, Employee Satisfaction Index (NMI) and measures of financial return. This information also enabled to Board continuously monitor SJ's performance in terms of sustainable development.

In March 2013, the Board met the Company's auditors, without the executive management being present, in line with the requirements of the Code. In addition to continuous follow-up of significant key figures in Responsible Business, the Board also dealt with and decided on the following issues in 2012:

- Organisational and productivity development
- Tendering for the Swedish Transport Agency's procurement of services in Upper Norrland
- Direct procurement of services in the West
- Measures to improve punctuality
- Service and rolling stock strategy
- IT Strategy
- Group governance
- New system support for vehicle maintenance (EAM)
- Regional services in Mälardalen
- Appointment of CEO
- New financing arrangement

The Chair oversees the work of the Board and is responsible for ensuring that other members receive the required information. The Board has established an audit committee and a remuneration committee, together with rules of procedure for the committees. Where required, the Board can also establish other committees to address issues in more narrowly defined areas. At the Board meeting in June, members of SJ's management group also participated and various strategic issues were discussed.

## BOARD OF DIRECTORS, BOARD FUNCTION AND ATTENDANCE

Name	Board function	Board Meetings	Audit committee	Remuneration committee
Jan Sundling	Chair	7/7	7/7	2/2
Siv Svensson <sup>1</sup>	Non-executive director Audit committee	7/7	7/7	
Eivor Andersson	Non-executive director	7/7		2/2
Lars-Olof Gustavsson	Non-executive director	6/7		2/2
Lena Olving	Non-executive director	6/7	6/7	
Gunilla Wikman	Non-executive director	7/7		2/2
Michael Thorén <sup>2</sup>	Non-executive director	6/7	7/7	2/2
Erik Johannesson	Employee representative	7/7		
Thomas Winäs <sup>3</sup>	Employee representative	2/7		
Per Hammarqvist	Employee representative	7/7		
Hans Pilgaard	Employee representative	5/7		

<sup>1</sup> Siv Svensson was elected as a non-executive director on SJ AB's Board of Directors on 12 March 2012, but attended the meeting held on 2 February 2012 as a co-opted non-executive director.

<sup>2</sup> Michael Thorén was elected as a non-executive director on SJ AB's Board of Directors on 12 March 2012.

<sup>3</sup> Thomas Winäs resigned as employee representative during the year, to be replaced by Hans Pilgaard for the remainder of the year.

### Evaluation of the work of the Board and the CEO

The Board evaluates the work of the Board and the CEO through a systematic and structured process once a year. The Chair of the Board is responsible for ensuring that the work of the Board is evaluated annually. This evaluation, which is conducted by an external party, involves evaluation of the performance of the Board as a group and its individual members. The results of the evaluation are reported to the Ministry of Finance. The purpose of the evaluation is to continuously improve the efficiency of the work of the Board and to serve as the basis of the work of appointing new members. The results of the latest evaluation were reported at the Board meeting held on 11 December 2012.

## THE WORK OF THE BOARD OF DIRECTORS IN COMMITTEES

### Audit committee

#### Composition

The audit committee comprised three Board members and Chair of the Board. Lena Olving served as chair of the audit committee until 11 March 2012. Siv Svensson served as chair of SJ's audit committee for the remainder of 2012. Meetings of the audit committee are also attended by the CFO and the head of the internal audit function, as well as the Company's external auditors. The audit committee serves the Board as a drafting body, whose proposals are always submitted to the Board for decision.

#### Responsibilities

The audit committee is drafting body on behalf the Board and does not assume or influence the Board's responsibilities or tasks. The tasks of the audit committee include the following responsibilities:

- Preparation for the Board's work on overseeing and quality assuring the Company's financial reporting and internal controls. Addressing important issues in the annual report and interim reports for treatment by the Board
- Assisting the Board in matters concerning financial risk and reporting
- Regular meetings with external auditors to keep continuously informed about the planning focus and scope of the audit
- Assisting the owner in choosing the auditors
- Evaluating the work of the external auditors
- Approval of the internal audit plan

During the year, seven meetings were held. SJ's auditors presented a number of reports on important accounting and auditing issues, as well as on issues of internal controls and processes, during 2012. The chair of the committee continuously informed the Board about the work of the committee.

### Remuneration committee

#### Composition

SJ's remuneration committee consists of four Board members and the Chair of the Board. During the year, two min-

uted meetings were held and continuous discussions took place between the members of the committee.

#### Responsibilities

The remuneration committee serves the Board as a drafting body, whose proposals are always submitted to the Board for decision. The tasks of the remuneration committee include the following:

- To ensure implementation of and compliance with the guidelines approved by the AGM concerning conditions of employment for senior executives.
- To present to the 2012 AGM proposals for principles of remuneration and other conditions of employment for the CEO and other senior executives.
- To draft the Board's proposals for updated guidelines, should the need arise.
- To prepare day-to-day issues regarding remuneration and other conditions of employment for the CEO, for decision by the Board, and to serve as a reconciliation body regarding the CEO's proposals for remuneration and other conditions of employment for other senior executives, in all cases subject to the Company's annual pay review. One meeting was held in 2012.

### Board of Directors' fees and fees for the work of the Board's committees

The Board of Directors' fees and separate fees for the work of the committees established are for decision by the AGM. In accordance with the State's ownership policy, these fees shall be competitive, but not market-leading. For comprehensive information on principles and remuneration, see Note 5.

## MANAGEMENT

SJ's CEO is responsible for day-to-day management in accordance with the Swedish Companies Act and instructions from the Board of Directors. The management group consists of the CEO and seven other members appointed by the CEO following consultation with the Board. SJ's management group consists of Crister Fritzson, Chief Executive Officer, Britta Dalunde, Vice President & Chief Financial Officer, Elisabeth Lindgren, Vice President Sales, Marketing and Corporate Communications, Madeleine Raukas, Vice President Business & Service, Jens Wigen, Vice President Traffic Management and Planning, Björn Rosell, Vice President IT, Claes Broström, Vice President Fleet Management och Peter Blomqvist, Vice President HR. The executive management meets on a regular basis and its work is overseen by the CEO, who takes decisions concerning SJ AB and the Group in consultation with the management group.

The decisions of the CEO and executive management are subject to the guidelines and directives approved by the Board. Over the year, work proceeded on creating a structured process for strategic and operational control of the business based on the balanced scorecard concept. In order to conduct SJ's business on a long-term sustainable basis it is vital that the perspectives of Customer, Community, Partnership & Resources, Employees, Process & Product and Finance should be balanced.



### Guidelines on remuneration to senior executives

SJ applies the government's guidelines on conditions of employment for senior executives at State-owned enterprises. For comprehensive information on principles and remuneration, see Note 5.

### AUDITORS

The responsibility for choice of auditors at State-owned enterprises lies with the owner. The task of the auditors is to conduct an independent audit of the management by the Board of Directors and CEO, and of the Company's annual accounts and accounting records.

The practical process of acquiring audit services is conducted by the Company's audit committee. The ultimate decision is taken by the owner at the AGM. In the event that re-election of auditors is under consideration, the performance of the auditors is always evaluated. The notice of the Annual General Meeting includes proposals for election of auditors and information on circumstances that may be relevant in evaluating the competence and independence of the auditors proposed. This information also includes the scope of the services provided by the proposed auditors to the Company in addition to auditing in recent years, as well as, in the case of re-election, the year in which the auditor was elected and how long the auditor had performed the assignment. The auditors proposed are required to be present at the AGM in order to introduce themselves and answer questions from the owner.

### Auditing in 2012

At the 2012 AGM, accountancy firm Ernst & Young AB, represented by authorised public accountant Lars Träff, was re-elected as the Company's auditor until the 2013 AGM. Riksrevisionen (the Swedish National Audit Office), appointed authorised public accountant Per Redemo to serve until the 2013 AGM. The auditors reported on their audit of the year-end accounts to the full Board of Directors at the Board meeting held on 21 March 2013. Regarding the 2012 financial year, the audit committee and auditors discussed the Company's year-end accounts, reporting, administration and risk management. The auditors met the Board, without the presence of the management group, on one occasion. In addition, the auditors maintained continuous contact and held meetings with the Board's audit committee. Fees and reimbursement of expenses to the auditors are paid on an open account basis and are detailed in Note 8 to the financial statements.

In 2012, SJ conducted a procurement process for auditors for election at the 2013 AGM. Auditors are to be elected at each AGM, in accordance with the new main rule of the Swedish Companies Act and the State's current ownership policy.

### INTERNAL CONTROL

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control of the Company. The following is an account of how internal control of financial reporting is performed. External financial reporting at SJ comprises interim re-

ports, year-end report and the major share of the annual report. The Board has overall responsibility for internal control at SJ. The work of the audit committee represents part of this control function by the Board. External and internal auditors made observations at every meeting of the audit committee in 2012, for example, regarding SJ's year-end accounts and the September interim report. During the work of planning the annual audit, discussions take place between the external and internal audit functions concerning SJ's risk situation.

At companies in which the State has an ownership interest, the board of directors and management are responsible for ensuring that the company is managed in an exemplary fashion within the limits established by legislation and in accordance with the long-term interests of the owners. With regard to issues concerning finance, the environment, employees, diversity and social sustainability, all companies have a major responsibility, not least State-owned companies. The government has therefore stated that the boards of directors should actively follow the progress of and report on the companies' initiatives in these areas. SJ has adopted general policies in all important areas, including work environment, ethics, environment, equal opportunities, ethnic diversity, quality, IT, procurement and transport safety.

More detailed instructions on practical coding and reconciliation routines have been established at Company level.

### Reporting

SJ uses formalised processes for financial reporting and follow up. These processes are designed to ensure that the Company develops in the right direction and in line with the targets and guidelines adopted by the Board and executive management. The Board determines the reporting requirements necessary to obtain appropriate information on the financial outcome, risks in the Group's business and how risks and outcomes are managed. The purpose of internal reporting is that a fit-for-purpose and appropriate system is in place for following up and reporting on the business vis-à-vis the business plan and budget established. Monthly reports are made to the Board of Directors, CEO and executive management. The purpose of external reporting by SJ is to provide regular information on the Company's development to external stakeholder groups. External reporting by SJ complies with relevant legislation and regulations and the requirements set by the owner.

### Risk assessment

Structured risk assessment makes it possible to identify the significant risks that affect internal control in relation to financial reporting and to identify where these risks arise. The Board engages systematically in risk assessment to identify the Company's areas of risk and to undertake measures accordingly. Such risk assessments are focused in the areas that are expected to significantly affect the Company's results and financial position. In preparation for the work of the Board, the audit committee evaluates the risk assessments performed at SJ. SJ's management group uses an established risk assessment process.

The process involves all divisions and staffs, ensuring support and heightened awareness in the organisation and more efficient collation of risks. Risk management aims to limit undesired effects that could compromise the company's financial position, earnings or market position. In the process, executive management is required to monitor changes in risk assessments quarterly in order to decide whether there is any need to take action or whether new areas of risks are to be assessed.

Furthermore, Business Control analyses risks and opportunities in various projects, as well as in the operational areas of the business, on behalf of the executive management. SJ has analysed items on the balance sheet and income statement in order to identify significant risks and to be able to take measures capable of mitigating risks relating to financial reporting.

#### *Internal audit*

SJ has an internal audit function that reports directly to the Board's audit committee. The internal audit function performs independent, objective auditing assignments and on occasion consulting services that result in remedial measures and improvement programmes. In the course of 2012, internal audit carried out 24 audits in the following areas, among others: compliance with regulations, management and control systems, recovery capability and register analysis. Every year, SJ's internal audit function performs an independent risk analysis, which serves as the basis for the internal audit's annual audit plan. The latter is submitted to the Board for approval after drafting in the audit committee.

#### **Control activities**

Control activities are designed 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. One example of control activities are Business Reviews, which are administered by Business Control. At review meetings, the managers represented in the management group report on their operation and planning to the CEO and CFO.

The basis of internal control consists of the control environment and organization, decision paths, authority and responsibilities as documented in and communicated via governing documents, and the fundamental values that the Board and executive management communicate and operate from. Governing documents at SJ include:

- Rules of Procedure for the Board
- Rules of Procedure for audit and remuneration committees
- Board of Directors' Instruction to the Chief Executive Officer
- Rules on attestation intended as guidance to all involved in managing financial transactions and to ensure effective control of financial transactions to prevent intentional or unintentional errors

- Policies on ethics, contact-promotion actions and business entertainment
- Financial policy. The Group's Finance department operates in line with financial limits adopted by the Board as regards financial risk management. The financial policy is to be reviewed annually and submitted for approval by the Board. The aim of the policy is to limit the financial risks arising in connection with investments and currency exposure.
- Work procedures and instructions for internal control activities, day-to-day reporting and year-end accounts are thoroughly documented at detailed level.

#### **Information and communication**

Effective channels of information and communication enable reporting and feedback to take place from the operational level to Board and Company management. It is important that the right people have the information necessary to understand the implications of internal policies and guidelines issued, and the consequences of any deviations. SJ endeavours to improve the quality of internal information and to define decision paths more clearly, in order to increase the reliability and effectiveness of the Company's financial reporting. The Company has documented decision paths, levels of authorisation and areas of responsibility in place and described on the SJ intranet. Meetings are held at SJ to enable dialogue to take place between managers and employees. Great emphasis is placed on regular workplace meetings, where Company's overarching issues are linked in a natural way to the area of responsibility of individual employees. In addition, employee surveys, offering a medium for feedback are carried out.

#### **Follow-up**

The Board receives regular reports describing how the business is developing in relation to the business plan, budget and goals established. The organisation continuously follows up compliance with internal policies, guidelines and manuals as well as the fitness for purpose and functionality of established control activities. For example, the Finance department regularly follows up the administrative processes for VAT and income tax accounting, internal and external business entertainment and compliance with the rules on authorisation, among other matters. In addition, the way in which internal controls related to financial reporting are organised is evaluated on an ongoing basis. The external auditors audit certain aspects of internal control annually. The internal audit function observes the audit plan adopted by the Board of Directors. The internal audit function reports the results of its examination to the SJ Board after drafting by the audit committee.



From left:  
Hans Pilgaard, Erik Johannesson, Per Hammarqvist, Jan Sundling, Gunilla Wikman, Lars-Olof Gustavsson,  
Eivor Andersson, Siv Svensson, Lena Olving, Michael Thorén



# SJ AB – Board of Directors

## JAN SUNDLING

**YEAR OF BIRTH 1947.**

**B. SC. IN NAUTICAL SCIENCE.**

**CHAIR, SJ AB**

**SINCE 2011**

Consultant. Formerly CEO, Green Cargo AB Chairman, Swedish Maritime Association, Jan Sundling i Ytterkvarn AB; non-executive director, Corem Property Group AB, Aditro Logistics AB and Vectura AB. Vice Chairman Management Committee Brussels.

## SIV SVENSSON

**YEAR OF BIRTH 1957.**

**DEGREE IN INTERNATIONAL ECONOMICS**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2012**

Consultant. Formerly CEO, Sefina Finance AB, before that 25 years in the Nordea Group, including as Senior Vice-President and Director of Regional Banking. Non-executive director, Swedbank.

## LARS-OLOF GUSTAVSSON

**YEAR OF BIRTH 1943.**

**MASTER OF BUSINESS ADMINISTRATION.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2005**

Chairman, Four Seasons Venture Capital AB, Boule Diagnostics AB, Fouriertransform AB. Non-executive director, Mikroponent AB, Siem Capital AB, Industrifonden Foundation, TA Associates AB.

## EIVOR ANDERSSON

**YEAR OF BIRTH 1961.**

**DEGREE IN MARKETING.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2005**

Consultant. Formerly CEO, Ving Sverige AB/Thomas Cook Sweden and My Travel Sweden AB. Chairman of the Board, Senior Work AB. Non-executive director, Inflight Service AB, SkiStar AB and European Travel Interactive. Non-executive director, Coop Butiker and Stormarknader AB.

## LENA OLIVING

**YEAR OF BIRTH 1956.**

**M. SC. IN ENGINEERING.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2011**

Senior Vice President and COO (Chief Operating Officer), Saab AB AB; formerly Vice President, Volvo Car. Non-executive director, Alfa Laval AB, Norsk Hydro A/S (Norway), Gunnebo AB, Green Cargo AB; other duties at Novozymes A/S (Denmark).

## MICHAEL THORÉN

**YEAR OF BIRTH 1969.**

**MASTER OF BUSINESS ADMINISTRATION.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2012**

Deputy Director, Ministry of Finance Non-executive director, Saab Automobile Parts AB and AB Svenska Spel.

## GUNILLA WIKMAN

**YEAR OF BIRTH 1959.**

**MASTER OF BUSINESS ADMINISTRATION.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2011**

Consultant, Carrara Communication and Ekmand & Partners. Formerly Director of Communications at Riksbanken (Central Bank of Sweden) and Head of Group Communications, SEB. Board duties at HMS Network, AMF Fonder, Oatley AB, Ceba AB and Flyinge AB; Deputy Chairman, the Swedish Equestrian Federation.

## PER HAMMARQVIST

**YEAR OF BIRTH 1958.**

**TRAFFIC PLANNER.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2011**

Employee representative, SACO/TJ (the Swedish Confederation of Professional Associations/Transport & Rail). Chairman, SACO section at SJ AB; Chairman, TJ section at SJ AB.

## HANS PILGAARD

**YEAR OF BIRTH 1963.**

**TRAIN DRIVER.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2012**

Chairman, ST-spårtrafik SJ AB. Member of the departmental board of ST-spårtrafik.

## ERIK JOHANNESSEN

**YEAR OF BIRTH 1957.**

**TRAIN DRIVER.**

**NON-EXECUTIVE DIRECTOR, SJ AB SINCE 2005**

Chairman, SEKO (the Union of Service and Communication Employees) SJ's Negotiation Unit, non-executive director, SEKO West Branch.

# SJ AB – Management

**CRISTER FRITZSON**  
**YEAR OF BIRTH 1961.**  
**CEO**

Degree in Marketing.  
 Employed at SJ since 2012.  
 Non-executive director, Systembolaget AB, Botnietåg AB.

**PETER BLOMQVIST**  
**YEAR OF BIRTH 1954.**  
**VICE PRESIDENT HUMAN RESOURCES.**

Degree in Social Work.  
 Employed at SJ since 1982.  
 Chairman, SJ Danmark A/S, Denmark, Chairman of Railbound Transport Board, Almega.

**ELISABETH LINDGREN**  
**YEAR OF BIRTH 1963.**  
**VICE PRESIDENT MARKET, COMMUNICATION AND SALES.**

Degree in Marketing and MBA  
 Employed at SJ since 2007.  
 Non-executive director, SJ Norrlandståg AB, Linkon AB and Magelungen AB.

**BRITTA DALUNDE**  
**YEAR OF BIRTH 1958.**  
**VICE PRESIDENT & CHIEF FINANCIAL OFFICER**

Master of Business Administration, Ph D  
 Employed at SJ since 2009.  
 Non-executive director, Boule Diagnostics AB, Linkon AB and SJ Danmark A/S. Chairman of the Board, SJ Försäkring AB and SJ Invest AB.

**CLAES BROSTRÖM**  
**YEAR OF BIRTH 1954.**  
**VICE PRESIDENT FLEET MANAGEMENT**

Degrees in Mechanical Engineering and Marketing.  
 Year of hire 2006.

**BJÖRN ROSELL**  
**YEAR OF BIRTH 1962.**  
**CIO (CHIEF INFORMATION OFFICER)/ VICE PRESIDENT IT**

M. Sc. in Engineering, M. Sc. in Economics and MBA  
 Employed at SJ since 2012.  
 Non-executive director, Årsta Runstens Sportryttare.

**MADELEINE RAUKAS**  
**YEAR OF BIRTH 1967.**  
**VICE PRESIDENT BUSINESS AND SERVICE**

B. A.  
 Employed at SJ since 2012.  
 Non-executive director, Botnietåg AB, SJ Götalandståg AB, Branschföreningen Tågoperatörerna, Samtrafiken, Trafik i Mälardalen AB.

**JENS WIGEN**  
**YEAR OF BIRTH 1955.**  
**VICE PRESIDENT PLANNING**

B. A.  
 Employed at SJ since 2012.  
 Non-executive director, SJ Götalandståg AB



From left:  
Peter Blomqvist, Crister Fritzson, Madeleine Raukas, Claes Broström, Björn Rosell, Elisabeth Lindgren, Jens Wigen, Britta Dalunde



# Five-year summary

GROUP	2012	2011	2010	2009	2008
<b>Statement of comprehensive income, summary, SEK million</b>					
Operating income	8,664	8,097	8,717	8,790	8,994
– net sales	8,504	8,038	8,627	8,741	8,992
Operating expenses	-8,188	-8,034	-8,270	-8,163	-8,203
Operating profit	467	60	439	629	795
Profit after financial items	498	38	406	622	728
Tax on profit for the year	-27	-2	-112	-162	-203
Profit for the year	471	36	294	460	525
Earnings per share (basic and diluted), SEK	118	9	73	115	131
<b>Statement of changes in financial position, summary, MSEK</b>					
Non-current assets					
Property, plant and equipment	6,830	6,440	6,258	6,220	6,339
Intangible assets	294	314	312	360	346
Financial assets	482	474	436	514	454
Deferred tax assets	–	–	–	–	116
Current assets					
Inventories	6	6	5	5	4
Current receivables	853	709	1,003	591	709
Short-term deposits	780	921	1,044	2,315	1,506
Cash and cash equivalents	320	48	47	485	484
Non-current assets for sale	–	–	171	–	–
<b>Total assets</b>	<b>9,565</b>	<b>8,913</b>	<b>9,276</b>	<b>10,490</b>	<b>9,958</b>
Equity					
– non-controlling interests	–	–	–	–	–
Interest-bearing liabilities	2,091	2,365	2,505	4,108	3,800
Non-interest-bearing liabilities	1,963	1,565	1,721	1,661	1,791
Provisions	429	396	394	369	341
Deferred tax liabilities	195	167	170	46	–
<b>Total equity and liabilities</b>	<b>9,565</b>	<b>8,913</b>	<b>9,276</b>	<b>10,490</b>	<b>9,958</b>
<b>Statement of cash flows, summary, SEK million</b>					
Cash flow from operating activities	1,229	778	787	1,329	1,309
Cash flow from investing activities	-655	-504	447	-1,304	-1,858
Cash flow from financing activities	-302	-272	-1,672	-24	-420
Changes in cash and cash equivalents	272	1	-438	1	-969
Investments	1,116	869	858	595	1,011
– affecting cash flow	803	869	858	595	1,011
<b>Margins</b>					
Operating margin, %	5.4	0.7	5.0	7.2	8.8
Profit margin, %	5.7	0.5	4.7	7.1	8.1
<b>Measures of return on capital</b>					
Return on capital employed, %	8.0	1.7	6.2	9.6	11.6
Return on equity, %	10.3	0.8	6.7	11.2	13.5
<b>Capital structure at year-end</b>					
Equity, SEK million	4,886	4,419	4,486	4,306	4,026
Capital employed, SEK million	7,111	7,093	7,302	8,591	7,949
Net interest-bearing debt, SEK million	693	1,106	1,144	942	1,499
Gearing ratio, multiple	0.4	0.5	0.6	1.0	0.9
Equity/assets ratio, %	51.1	49.6	48.4	41.0	40.4
Average number of employees	4,299	4,041	4,262	4,439	4,539

For definitions, see page 118.

# Statement of comprehensive income

**GROUP**

SEK million	Note	2012	2011
Net turnover	2	8,504	8,038
Other operating income	4	159	59
<b>Total income</b>	<b>1</b>	<b>8,664</b>	<b>8,097</b>
Personnel expenses	5	-2,691	-2,415
Depreciation and impairment	1, 6	-748	-616
Other expenses	3, 7, 8	-4,750	-5,002
<b>Total expenses</b>		<b>-8,188</b>	<b>-8,034</b>
Result from interests in associated companies	15	-9	-3
<b>Operating profit</b>	<b>1</b>	<b>467</b>	<b>60</b>
Income from other securities and receivables	1, 10	96	57
Interest expenses and similar expenses	1, 10	-65	-79
<b>Profit after financial items</b>		<b>498</b>	<b>38</b>
Tax on profit for the year	1, 11	-27	-2
<b>Profit for the year</b>	<b>1</b>	<b>471</b>	<b>36</b>
<b>Other comprehensive income</b>			
Cash flow hedges	10	5	-15
Available-for-sale financial assets	10	5	-6
Deferred tax	11	-2	6
<b>Other comprehensive income for the year</b>		<b>9</b>	<b>-15</b>
<b>Comprehensive income for the year</b>		<b>480</b>	<b>21</b>
<b>Income for the year attributable to:</b>			
Parent Company's shareholder <sup>1</sup>		471	36
<b>Comprehensive income for the year attributable to:</b>			
Parent Company's shareholder		480	21
Earnings per share (basic and diluted), SEK		118	9
Number of shares at year-end, thousands		4,000	4,000
Average number of shares during year, thousands		4,000	4,000

<sup>1</sup> There are no non-controlling interests in the SJ Group.

**COMMENTS ON STATEMENT OF COMPREHENSIVE INCOME****Operating income**

Operating income over the year increased overall by 7 percent. Net turnover amounted to SEK 8,504 million (8,038). In 2012, production at SJ was more stable than in the preceding year, with rapid expansion from the second quarter as a result of the staged introduction of the SJ 3000. However, growth in travel in SJ's main markets was weak, and thus income from SJ's own services failed to rise in line with supply. This development was entirely due to SJ Fast Train, which increased its service supply by 9.4 percent during 2012, but the volume of travel did not rise accordingly.

**Operating expenses**

A close focus on active cost and resource management made it possible to keep the increase in operating costs to just 2 percent. The Group's costs over the whole year were SEK 154 million higher than in 2011. The increase arose mainly through increased personnel expenses and higher depreciation costs.

**Operating profit**

The Group's operating profit totalled SEK 467 million (60). An operating margin of 5.4 percent (0.7) was recorded. The

reasons for the improvement were higher net sales, combined with cost savings. Operating income increased as a result of financial compensation of SEK 156 million received for delays in delivery of SJ 3000s. In September 2011, a cost of SEK 150 million, in connection with a settlement paid to Tåg i Bergslagen AB, was reported. As a result of this cost and severe winter conditions that year, the accumulated profit at year-end 2011 was weak.

**Group's net financial items, profit and tax**

Net financial items amounted to SEK 31 million (-22). The improvement is attributable mainly to positive changes in the value of investments. The Group's profit before tax amounted to SEK 498 million (38). Tax on profit for the year totalled SEK -27 million (-2).

A change in treatment for temporary differences in leased assets resulted in an amount of SEK 73 million in deferred tax recoverable. Restatement of the deferred tax liability arising from a reduction in the rate of corporation tax led to an amount of SEK 25 million in deferred tax recoverable. Profit for the year amounted to SEK 471 million (36).



# Statement of changes in financial position

## GROUP

SEK million	Note	2012	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Buildings	12	36	39
Rolling stock	12	6,333	4,464
Plant and machinery	12	82	53
Construction in progress	12	379	1,885
Intangible assets	13	294	314
Interests in associated companies	15	11	20
Securities held as non-current assets	16	0	0
Non-current receivables	17	470	454
<b>Total non-current assets</b>		<b>7,606</b>	<b>7,228</b>
<b>Current assets</b>			
Inventories		6	6
Trade receivables	18	348	212
Receivables from associated companies		5	6
Other receivables	19	298	275
Prepaid expenses and accrued income	20	201	217
Short-term deposits	21	780	921
Cash and cash equivalents	21	320	48
<b>Total current assets</b>		<b>1,959</b>	<b>1,685</b>
<b>TOTAL ASSETS</b>	1	<b>9,565</b>	<b>8,913</b>

### Total assets

The Group's total assets amounted to SEK 9,565 million (8,913) at year-end.

### Non-current assets

The Group's property, plant and equipment mostly consists of rolling stock. SJ's fleet of rolling stock is made up of SJ 3000s, SJ 2000s, double-decker trains, locomotives and passenger carriages. The value of these assets is calculated at SEK 6,830 million (6,440).

During the year, SJ took delivery of 19 new SJ 3000 fast train sets, of which 14 entered service.

## &gt; Statement of changes in financial position, cont.

**GROUP**

SEK million	Note	2012	2011
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		400	400
Other contributed capital		4,519	4,519
Reserves		-9	-17
Retained earnings		-26	-486
<b>Total equity attributable to owner of Parent Company<sup>1</sup></b>	22	<b>4,886</b>	<b>4,419</b>
<b>Total equity</b>		<b>4,886</b>	<b>4,419</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	21, 23	1,907	1,298
Other non-current liabilities	21	19	19
Non-current provisions	24	211	245
Deferred tax liability	11	195	167
<b>Current liabilities</b>			
Interest-bearing liabilities	23	184	1,067
Trade payables	21	687	545
Accrued expenses and deferred income	25	1,016	798
Liabilities to associated companies		16	5
Income tax liability		10	1
Other current liabilities		215	197
Current provisions	24	217	152
<b>Total liabilities</b>		<b>4,679</b>	<b>4,494</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,565</b>	<b>8,913</b>
<b>Contingent liabilities</b>	28	<b>145</b>	<b>429</b>
<b>Pledged assets</b>	27	<b>1,316</b>	<b>311</b>

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

**COMMENTS ON STATEMENT OF CHANGES IN FINANCIAL POSITION****Equity**

The Group's equity totalled SEK 4,886 million (4,419). The Group's equity/assets ratio was 51.1 percent (49.6).

**Liabilities**

On 31 December 2012, the net liability in the SJ Group was SEK 693 million (1,106). The Group's interest-bearing liabilities consisted primarily of payment commitments for SJ's financial lease contracts plus loans of SEK 800 million raised during the year, making a total of SEK 2,091 million (2,365). Of these interest-bearing liabilities, SEK 1,907 million (1,298) are long term and SEK 184 million (1,067) short term, i.e. the portion of the liability that

falls due for payment within one year. On 12 January 2012, SJ AB signed a credit facility agreement with Nordea for a maximum of SEK 500 million. On 22 May, SJ AB signed a credit facility agreement with Nordiska Investeringssbanken for a maximum of SEK 500 million. On 30 October, the final lease contract for the SJ 2000 fleet was paid off, as a result of which SJ owns the entire SJ 2000 fleet. Major payments were made for the SJ 3000s, and in the last quarter, SJ drew on credit facility agreements totalling SEK 800 million obtained earlier in the year, using nine SJ 3000s as security.

# Statement of cash flows

## GROUP

SEK million

	Note	2012	2011
<b>OPERATING ACTIVITIES</b>			
Profit after financial items		498	38
Adjustments for non-cash items			
– Depreciation and impairment	6	748	616
– Changes in provisions		32	3
– Capital gain		-2	-10
– Other changes		-152	7
– Result from interests in associated companies		9	3
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,132</b>	<b>658</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / Decrease (+) in inventories		0	-1
Increase (-) / Decrease (+) in operating receivables		-144	294
Increase (+) / Decrease (-) in operating liabilities		240	-173
<b>Cash flow from operating activities</b>		<b>1,229</b>	<b>778</b>
<b>Investing activities</b>	12, 13, 26		
Acquisition of property, plant and equipment		-720	-785
Acquisition of intangible assets		-83	-84
Disposal of property, plant and equipment		7	243
Short-term deposits (91-360 days)		142	122
<b>Cash flow from investing activities</b>		<b>-655</b>	<b>-504</b>
<b>Cash flow from financing activities</b>		<b>574</b>	<b>274</b>
<b>Financing activities</b>			
Other long-term interest-bearing receivables		-16	-42
Amortisation of lease liability		-1,070	-140
Borrowings		796	-
Dividend		-12	-90
<b>Cash flow from financing activities</b>		<b>-302</b>	<b>-272</b>
<b>Cash flow for the year</b>		<b>272</b>	<b>1</b>
<b>Cash and cash equivalents at start of year</b>		<b>48</b>	<b>47</b>
<b>Cash and cash equivalents at year-end</b>	21	<b>320</b>	<b>48</b>

Interest received by the Group totalled SEK 96 million, as against interest paid of MSEK 65.

## COMMENTS ON STATEMENT OF CASH FLOWS FOR THE GROUP

The accumulated change in working capital comprises a surplus on operations, an increase in trade receivables arising from the new subsidiary acquired, SJ Götalandståg AB, and higher trade payables arising from the calendar day effect and tighter control of working capital. Items not affecting cash flow included financial compensation of SEK 156 million received in connection with delivery of SJ 3000 trains.

Accumulated investments in property, plant and equipment and intangible non-current assets for the year totalled SEK 1,116 million (869), of which SEK 1,019 million (746) was in rolling stock, primarily SJ 3000 and SJ 2000 trains. The cash flow from investing activities totalled SEK -803 million, including financial compensation of SEK 156 million received, plus SEK -157 million in supplier invoices not yet received for SJ 3000s. Investments in intangible assets totalled SEK 83 million (84), represented mainly by in-

vestments in a sales and distribution platform for its subsidiary Linkon AB and investments in Infotainment, an information/entertainment service on board SJ 3000 trains. Other investments totalled SEK 14 million (39), consisting mainly of renovations to buildings.

The cash flow from financing activities was a negative SEK -302 million (-272), the main items of which comprised loans raised from Nordea and Nordiska Investeringssbanken totalling SEK 800 million and redemption of leases for SJ 2000s totalling SEK 924 million. The cash flow from financing activities was also affected by investment in and sale of bonds, amortisation of lease liabilities and dividend to shareholders.

The overall cash flow for the Group in the period was SEK 272 million (1). Cash and cash equivalents totalled SEK 320 million.



# Statement of changes in equity

GROUP		Attributable to shareholders in Parent Company								
SEK million	Note	Share capital	Other capital contributed	Reserves Cash flow hedges	Reserves Financial assets available for sale	Retained earnings	Total	Non-controlling interests	Total equity	
1 Jan 2011	22	400	4,519	-9	9	-432	4,486	0	4,486	
Profit for the year						36	36	–	36	
Other comprehensive income				-10	-5	–	-15	–	-15	
Comprehensive income				-10	-5	36	21	–	21	
Dividend to shareholder						-90	-90	–	-90	
31 Dec 2011	22	400	4,519	-19	4	-486	4,419	–	4,419	
Profit for the year						471	471	–	471	
Other comprehensive income				4	4	1	9	–	9	
Comprehensive income				4	4	472	480	–	480	
Dividend to shareholder						-12	-12	–	-12	
31 Dec 2012	22	400	4,519	-15	8	-26	4,886	0	4,886	

## COMMENTS ON GROUP'S EQUITY

The Group's equity totalled SEK 4,886 million (4,419). The equity/assets ratio was 51.1 percent (49.6). The change in the Group's equity is attributable in the main to profit for the year of SEK 471 million (36) after tax. Dividend of SEK 12 million (90) was paid to the shareholder.

# Income statement

## PARENT COMPANY

SEK million	Note	2012	2011
Net turnover	2	6,001	6,013
Other operating income	4	184	97
<b>Total operating income</b>	<b>1</b>	<b>6,185</b>	<b>6,109</b>
Personnel expenses	5	-1,845	-1,815
Depreciation and impairment	1, 6	-722	-604
Other expenses	7, 8	-3,161	-3,648
<b>Total operating expenses</b>		<b>-5,727</b>	<b>-6,067</b>
<b>Operating profit</b>	<b>1</b>	<b>457</b>	<b>42</b>
Income from subsidiaries	9	3	-6
Interest income and similar income	1, 10	74	50
Interest expenses and similar expenses	1, 10	-69	-83
<b>Profit after financial items</b>		<b>466</b>	<b>4</b>
Tax on profit for the year	1, 11	-24	1
<b>PROFIT FOR THE YEAR</b>	<b>1</b>	<b>443</b>	<b>4</b>

# Statement of comprehensive income

## PARENT COMPANY

SEK million	Note	2012	2011
<b>Profit for the year</b>	<b>1</b>	<b>443</b>	<b>4</b>
Cash flow hedges	10	5	-15
Available-for-sale financial assets	10	2	-6
Deferred tax	11	-3	6
<b>Other comprehensive income for the year</b>	<b>22</b>	<b>5</b>	<b>-15</b>
<b>Comprehensive income for the year</b>		<b>447</b>	<b>-11</b>

# Balance sheet

## PARENT COMPANY

SEK million

	Note	2012	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised development costs	13	149	210
Brand	13	0	0
<b>Total intangible assets</b>		<b>149</b>	<b>210</b>
<b>Property, plant and equipment</b>			
Buildings	12	36	39
Rolling stock	12	6,329	4,459
Plant and machinery	12	79	41
Construction in progress	12	379	1,883
<b>Total property, plant and equipment</b>		<b>6,822</b>	<b>6,422</b>
<b>Financial assets</b>			
Interests in Group companies	14	206	206
Interests in associated companies	15	2	16
Securities held as non-current assets	16	0	0
Non-current receivables	17	323	311
<b>Total financial assets</b>		<b>532</b>	<b>534</b>
<b>Total non-current assets</b>		<b>7,504</b>	<b>7,166</b>
<b>Current assets</b>			
<b>Receivables</b>			
Inventories		6	6
Trade receivables	18	159	112
Receivables from Group companies		381	308
Receivables from associated companies		3	5
Other receivables	19	249	197
Prepaid expenses and accrued income	20	115	122
<b>Total receivables</b>		<b>913</b>	<b>750</b>
<b>Short-term deposits</b>			
Miscellaneous short-term deposits	21	725	864
<b>Total short-term deposits</b>		<b>725</b>	<b>864</b>
Cash in hand and on deposit	21	320	48
<b>Total current assets</b>		<b>1,957</b>	<b>1,662</b>
<b>TOTAL ASSETS</b>	1	<b>9,461</b>	<b>8,828</b>



## PARENT COMPANY

SEK million

	Note	2012	2011
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		400	400
Statutory reserve		200	200
<b>Unrestricted equity</b>			
Fair value reserve		-14	-18
Retained earnings		3,724	3,731
Profit for the year		443	4
<b>Total equity</b>	22	<b>4,753</b>	<b>4,317</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Non-current provisions	24	132	172
Current provisions	24	141	92
Deferred tax liability	11	181	155
<b>Total provisions</b>	1	<b>454</b>	<b>419</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	21, 23	1,907	1,298
Other non-current liabilities	21	19	19
<b>Total non-current liabilities</b>		<b>1,926</b>	<b>1,317</b>
<b>Current liabilities</b>			
Trade payables		531	444
Liabilities to Group companies		615	432
Liabilities to associated companies		16	5
Interest-bearing liabilities	23	184	1,066
Other liabilities		115	99
Accrued expenses and deferred income	25	867	728
<b>Total current liabilities</b>	1	<b>2,328</b>	<b>2,775</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,461</b>	<b>8,828</b>
<b>Pledged assets</b>	27	<b>1,316</b>	<b>311</b>
<b>Contingent liabilities</b>	28	<b>366</b>	<b>631</b>

# Statement of cash flows

## PARENT COMPANY

SEK million

	Note	2012	2011
<b>OPERATING ACTIVITIES</b>			
Profit after financial items		466	4
Adjustments for non-cash items			
– Depreciation and impairment	6	722	604
– Changes in provisions		9	19
– Capital gain		-2	-10
– Other changes		-146	3
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,049</b>	<b>620</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / Decrease (+) in inventories		0	-1
Increase (-) / Decrease (+) in operating receivables		-163	163
Increase (+) / Decrease (-) in operating liabilities		-637	-70
<b>Cash flow from operating activities</b>		<b>250</b>	<b>711</b>
<b>Investing activities</b>	12, 13, 26		
Acquisition of property, plant and equipment		-716	-781
Disposal of property, plant and equipment		6	242
Acquisition of intangible assets		-30	-29
Acquisition of shares and participations		0	-3
Short-term deposits (91–360 days)		139	90
<b>Cash flow from investing activities</b>		<b>-601</b>	<b>-481</b>
<b>Cash flow from financing activities</b>		<b>-351</b>	<b>230</b>
<b>Financing activities</b>			
Other long-term interest-bearing receivables		-13	–
Amortisation of lease liability		-149	-140
Borrowings		796	–
Other non-current liabilities		0	–
Dividend		-12	-90
<b>Cash flow from financing activities</b>		<b>623</b>	<b>-230</b>
<b>Cash flow for the year</b>		<b>272</b>	<b>1</b>
<b>Cash and cash equivalents at start of year</b>		<b>48</b>	<b>47</b>
<b>Cash and cash equivalents at year-end</b>	21	<b>320</b>	<b>48</b>

Interest received by the Group totalled SEK 74 million, as against interest paid of SEK 69 million.

# Statement of changes in equity

PARENT COMPANY	Restricted equity		Unrestricted equity				
	Share capital	Statutory reserve	Fair value reserve		Retained earnings	Profit for the year	Total equity
			Cash flow hedges	Financial assets available for sale			
SEK million							
1 Jan 2011	400	200	-9	7	3,552	270	4,419
Profit for the year						4	4
Other comprehensive income			-10	-5			-15
Comprehensive income			-10	-5		4	-11
Appropriation of profits					270	-270	0
Dividend to shareholder					-90		-90
31 Dec 2011	400	200	-19	2	3,731	4	4,317
Profit for the year						443	443
Other comprehensive income			4	1			5
Comprehensive income			4	1	0	443	447
Appropriation of profits					4	-4	0
Dividend to shareholder					-12		-12
31 Dec 2012	400	200	-16	3	3,724	443	4,753

# Accounting policies

## GENERAL INFORMATION

The SJ Group operates passenger services and other compatible activities, directly and indirectly, via subsidiaries and associated companies. The accounts for the SJ Group for the financial year ending on 31 December 2012 were approved on 30 March 2012 by the Board of Directors and the Chief Executive Officer for publication and will be submitted to the Annual General Meeting (AGM) on 26 April 2013 for adoption. The Parent Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. The address of the main office is Centralplan 19, SE-105 50 Stockholm, Sweden.

## ACCOUNTING POLICIES APPLIED

The accounting policies applied in the preparation of the annual accounts for the Group and Parent Company are set out below.

### Conformity with regulations and standards

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as endorsed by the European Union. Furthermore, the consolidated accounts have been prepared in accordance with Swedish law, by application of the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The Parent Company accounts have been prepared in accordance with Swedish law and by application of recommendations in RFR 2, Accounting Rules for Legal Entities issued by the Swedish Financial Reporting Board. This means that IFRS measurement and disclosure rules are applied, apart from exemptions arising from statutory provisions or the relationship between accounting and taxation. Deviations between the Group and Parent Company accounting policies are described in the relevant section, below.

SJ AB also complies with the Rule Book for Issuers issued by Nasdaq OMX Stockholm.

## BASIS OF RECOGNITION

Recognition is based primarily on historical cost, except for specific financial instruments. These accounting policies have been consistently applied in all the years presented and the amounts stated are in millions of Swedish kronor (SEK million/SEK m.) unless otherwise indicated.

## CHANGES IN ACCOUNTING POLICIES

New and amended standards and statements from IASB were very limited in extent during 2012 and did not significantly affect SJ's financial statements.

## NEW ACCOUNTING POLICIES

The following section provides information on those new and amended accounting standards that are thought may affect SJ.

### IAS 1 Presentation of Financial Statements

New heading: "Statement of Profit or Loss and Other Comprehensive Income" Classification into two categories; components that are not reclassified and components that are reclassified. Income tax is to be separated out and recognised in the category concerned.

### IFRS 9 Financial Instruments: Recognition and Measurement

This standard is part of a complete revision of the current IAS 39 standard. The standard reduces the number of measurement categories for financial assets, to consist of the main categories recognition at Historical cost (amortised cost) and Fair value via the income statement. In the case of certain investments in a company's own equity instrument, it is possible for the item to be recognised at fair value in the balance sheet, with any change in value taken directly to other comprehensive income, in which case no transfer takes place to profit for the period on disposal of the asset. In addition, new rules have been introduced determining how changes in a company's own credit spread should be recognised when liabilities are measured at fair value. Rules on impairment losses, hedge accounting and derecognition from the balance sheet will be added to the standard. The standard enters into force on 1 January 2015, but the sections recently issued have not yet gained EU approval. Pending completion of all parts of the standard, SJ has not assessed the possible effects of the new standard.

### IFRS 10, Consolidated Financial Statements

This standard replaces most of IAS 27 and SIC 12. The intention is that there should be one core basis for consolidating investment projects within a Group, and that the core basis should be degree of controlling interest. This is defined as when all of the following three criteria are satisfied: 1) the power to direct essential activities; 2) exposure, or rights, to variable returns; and 3) the ability to use own power to exercise control. The standard entered into force on 1 January 2013, but companies in the EU are allowed to defer application of the standard until 1 January 2014, and SJ will opt for this alternative. The new standard is not expected to affect SJ's financial statements to any significant extent.

### IFRS 11, Joint Arrangements

The core principle is that two or more parties have a controlling interest, as provided for in IFRS 10. There are also two different classifications. The first is joint operation, in



which the parties have rights to the assets and obligations for the liabilities. The second classification is joint venture, where the parties have rights to the net assets. The factor critical to classification is the parties' respective rights and obligations under the relevant agreement. The different classifications are subject to different accounting rules. In a joint operation, the owners account for assets, liabilities, revenues and expenses on the basis of their respective involvement, in accordance with the relevant IFRSs. In a joint venture, the owners are required to account for their respective investments using the equity method, in accordance with IAS 28 Investments in Associates and Joint Ventures. The standard entered into force on 1 January 2013, but companies in the EU are allowed to defer application of the standard until 1 January 2014, and SJ will opt for this alternative. SJ is not at present party to any significant joint arrangement.

#### **IFRS 12 Disclosure of Interests in Other Entities.**

The standard deals with disclosures regarding interests in subsidiaries, associates and other companies. The information required is extensive. It is intended to assist the reader of the financial report in determining the level of influence that the interest in other entities may represent. Disclosures that have to be provided include details of what controlling interest is exercised and what important estimates or assumptions have been made. Information is also required as to any joint arrangement that is in place. The standard entered into force on 1 January 2013, but companies in the EU are allowed to defer application of the standard until 1 January 2014, and SJ will opt for this alternative.

#### **IFRS 13, Fair Value Measurement**

The standard represents a framework for measuring fair value when required by other standards. It applies to both financial and non-financial items.

Fair value is the price or compensation that can be obtained at the measurement date. The standard is to be implemented from 1 January 2013. The new standard is not expected to affect SJ's financial statements to any significant extent.

### **IMPORTANT ACCOUNTING ISSUES AND UNCERTAINTY IN ESTIMATES AND ASSUMPTIONS**

#### **Assessments of important accounting issues**

During preparation of the Group and Parent Company accounts, the Board and executive management have made a number of estimates, together with a number of assessments of critical accounting issues of major importance to the amounts reported. This applies to the following areas:

#### **Leases**

Most of SJ AB's rolling stock fleet is leased via financial lease contracts and is therefore recognised in both income statement and balance sheet. When estimating the economic life of the rolling stock, it is apparent that the economic life exceeds the term of the leases. SJ AB intends to assume ownership of this rolling stock on expiry of the leases. As a result, depreciation is applied over the expected useful life.

#### **Financial instruments**

When SJ uses financial instruments, it has the option of classifying them in four different categories. The principal rule is that an instrument is classified in accordance with how similar instruments have been classified in the past. When a new type of instrument is used, a decision is taken on how it is to be classified.

#### **Penalty payments**

When trains are purchased, any penalty payments are normally deducted from the project cost. In certain cases where a penalty payment is made to cover loss of revenue or additional costs arising from non-fulfilment of a contract, this is recognised via profit/loss.

#### **Uncertainty in estimates and assumptions**

During preparation of the accounts, the Board and executive management make estimates and assumptions that affect the amounts reported in the accounts for assets, liabilities, income and expenses, as well as other information disclosed. The actual outcome may differ from these estimates. Estimates and assumptions are based on experience and prudent assumptions of future market trends, but also on current circumstances, such as political decisions. Of particular importance to SJ's financial position are estimates in the calculation of the value in use of investments in trains and the outcome of onerous contracts in transport and service deliveries. Other relevant factors include estimates of actuarial provisions and assessments of the outcome of disputes in which provision is only made for amounts of compensation where it is possible to make an estimate of the outcome with reasonable assurance.

In annual testing for any impairment requirement, the SJ Group excluding Stockholmståg KB is considered to represent a cash-generating unit.

### **ACCOUNTING POLICIES FOR THE GROUP**

The consolidated accounts comprise the Parent Company SJ AB and all subsidiaries. Companies acquired during the year are included in the Group's statement of comprehensive income and statement of financial position and statement of cash flows from the date of acquisition, in-

clusive. Divested companies are included up to and including the date of disposal.

#### Purchase method

The Group accounts are prepared using the purchase method. This means that the assets, liabilities and contingent liabilities of acquired subsidiaries are reported at fair value in accordance with an analysis prepared of the acquisition. If the historical cost of acquisition of shares in a subsidiary exceeds the estimated fair value of the Company's net assets, the difference is recorded as goodwill. Transaction costs are expensed as they arise.

#### Subsidiaries

The subsidiaries that are included in the consolidated accounts are the companies in which SJ AB has a controlling interest, that is to say in which it has the right to determine the subsidiary's financial and operational strategies. In non-wholly-owned subsidiaries, non-controlling interests are recognised in the Group statement of financial position in equity, and comprise the external shareholders' share in the subsidiary's profits and net assets. Non-controlling interests are recognised as a component of the consolidated profit or loss via other comprehensive income. A classification of ownership conditions is presented in conjunction with the statement of comprehensive income and separately in the Group's equity in the statement of financial position.

#### Associated companies

Associated companies are those in which the Parent Company directly or indirectly controls 20–50 percent of the voting rights or exercises a significant influence. Associated companies are consolidated using the equity method. In this, interests in associates are recognised at historical cost plus or minus SJ AB's interest in profits or losses arising after acquisition. The Group statement of comprehensive income reflects the Group's interest in the profits of the associate companies during the period. Interests in profits have been measured at the most recently available balance-sheet date from the associate companies, but not if this is older than three months. Significant events and transactions occurring during the period up to the balance sheet date concerned have then been taken into account.

#### Parent Company

Interests in subsidiaries and associated companies are accounted for within the Parent Company using the historical cost method. Dividends received are recognised in the income statement. The value is tested for impairment at least once a year.

#### Accounting for Group contributions

The Parent Company recognises Group contributions received as financial income and Group contributions provided as financial expense. Subsidiaries recognise Group contributions provided and received via equity.

#### Elimination of intra-Group transactions

Intra-Group receivables and liabilities, internal sales, internal profits and intra-Group insurance agreements are eliminated in their entirety in the consolidated accounts. SJ Försäkring AB's external insurance contracts are therefore recognised in the consolidated accounts.

#### Internal pricing

Goods and services traded between Group companies are transacted at market rates.

#### INCOME RECOGNITION

Income is recognised at fair value, which is the selling value less any discounts and taxes, and excluding VAT.

#### Income/Net turnover

Net turnover consists of income from train services, bistro sales, hiring out of rolling stock and commission income. Revenue from train services and bistro sales is recognised when the train journey is completed. This means that tickets that are sold but not used are recognised on the balance-sheet date as prepaid income. Revenue relating to SJ Prio is recognised using IFRIC 13, Customer Loyalty Programmes, meaning the initial sale is divided according to the component method, whereby a portion of the revenue is reserved as a payment obligation for the future bonus commitment. When the customer redeems the bonus and the Company has fulfilled its obligation, the revenue is recognised as income. The future bonus commitment is measured at fair value, through an estimate of the degree the benefit will be used in the future.

Income from contracts where SJ AB provides commissioned services accrues on a straight-line basis until the month in which services are performed as per timetable. Season ticket income accrues on a straight-line basis over the period in which the tickets are valid. Income from hiring out rolling stock is recognised on a straight-line basis over the contract period. Commission income, which arises when SJ AB sells travel services on behalf of other operators, is recognised as of the sale date.

#### Other operating income

What is not net turnover is classified as other operating income. This consists for the most part of disposal of property, plant and equipment, the net realisable value less carrying amount, and insurance claim payments.

Net realisable value is recognised on delivery of the equipment, and insurance claim payments are normally recognised when the insurance company has approved a request for payment of an insurance claim or on payment thereof.

#### SEGMENT REPORTING

Segment reporting is based on the executive management's perspective. An operating segment is a business unit that engages in business activities from which it may earn income and in which it may incur expenses (including income and expenses relating to transactions with

other components of the same company) and whose operating results are regularly reviewed by the company's management and board of directors as a basis for decisions on resource allocation. This means that separate financial information must be available for segments that are reported externally.

The Group reports the following segments: SJ AB, Stockholmståg KB and Other Subsidiaries.

The Group's operations are essentially conducted in Sweden, and the Group therefore only reports one geographical location, see Note 1.

### DEPRECIATION AND AMORTISATION

Depreciation and amortisation are measured using the straight-line method according to systematic plans for the useful life of the assets, starting in the month after the asset has been used for the first time. The useful life of an asset is subjected to continuous review and depreciation amounts are adjusted in line with the results of this process.

The depreciation period for certain intangible assets is 10 years, as this period of depreciation best reflects their useful life.

High-value components and additional investments are depreciated over the remaining useful life of the main unit. Repairs of high-value components are expensed as they arise.

Trains constitute the major part of SJ AB's property, plant and equipment and are divided into two main components: chassis and interior. The depreciation periods for these components differ.

The amortisation and depreciation periods for intangible assets and property, plant and equipment are as shown below:

Capitalised development expenses	3–10 years
Rolling stock – chassis	20–25 years
Rolling stock – interiors	7–13 years
Internet, handheld computers, china	3 years
Buildings – workshops	20 years
Building equipment	5–10 years
Company cars	5 years
Plant and machinery	5–10 years
Improvements in leased premises according to length of lease	

### Impairment of assets

At each balance sheet date, property, plant and equipment and intangible assets are reviewed to determine whether any need for impairment exists, that is, whether their value has declined. If this is the case, the recoverable amount is calculated. The recoverable amount consists of the net realisable value or value in use, whichever is higher. Value in use is measured as the present value of expected future cash flows until the end of the useful life of an asset or other cash-generating unit. An impairment loss is recognised when the carrying amount exceeds the

recoverable amount. Impairment losses are recognised in the income statement. Major criteria in this assessment are discount factor, growth factor and business plan.

### BORROWING COSTS

Borrowing costs directly attributable to purchase, construction or production of assets that require a considerable time to be completed are included in the acquisition cost of the asset. Expenses associated with the raising of loans are recognised as accrued over the term of the loan. Borrowing costs are otherwise carried as expenses.

### INCOME TAX

Income tax consists of current tax and deferred tax. Current tax is based on profit for the period and calculated using tax rates prevailing on the balance-sheet date. Tax paid or received during the current year is classified as current tax. This includes adjustments to current tax for previous years.

Taxes are recognised in the income statement except when the underlying transaction is recognised directly in other comprehensive income.

Deferred tax that is paid in the future or reduces future tax liabilities is recognised for the differences between the carrying amounts and tax values of assets and liabilities. These are known as temporary differences. Costs that will become tax deductible after being recognised via profit/loss may also give rise to deferred tax assets. Deferred tax is determined using tax rates that have been enacted or announced by the balance-sheet date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets arising from tax-loss carry-forwards are recognised to the extent that it is probable that they will be utilised in the future.

The carrying amount for a deferred tax asset is reviewed on each balance sheet date and the claim reduced to the extent that it is no longer probable that a sufficient taxable surplus will be available.

### EARNINGS PER SHARE

Earnings per share are calculated as the Parent Company's average number of shares during the period, relative to Group profit after deducting the interests of owners of non-controlling interests. SJ has no convertible debentures, preference shares or option programmes. As a result, no dilution effects arise.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition cost after deduction of accumulated depreciation and any accumulated impairment losses. The amount is reviewed annually.

#### Building

The cost of the building, a workshop for maintaining the double-decker trains, corresponds to the present value of minimum leasing costs over the lease term. Commit-

ments for restoration expenses are included in the acquisition cost.

#### **Rolling stock, plant and machinery**

The cost of rolling stock is the purchase price plus expenditure directly related to the asset in order to bring it to a location and to such a condition that it can be used in accordance with the purpose of its acquisition. Such expenditure relates primarily to planning expenditure and interest expenses during the construction period. Additional expenses, such as upgrades of train interiors, are capitalised.

Most rolling stock is held on financial leases. It is therefore recognised in the balance sheet at whichever is the lower of fair value or current value of the minimum lease charge determined at the start of the lease term. Depreciation is booked according to the same structure as for property, plant and equipment.

#### **Construction in progress**

Construction in progress includes non-current assets that have been delivered but are not yet in use. Examples include rolling stock yet to enter service pending controls, testing or modification, and construction in progress.

#### **INTANGIBLE ASSETS**

The principal rule is that intangible assets are recognised in the balance sheet when:

- the asset is identifiable
- the Group is certain that future economic benefits from the asset will flow to the Group
- the Group can reliably measure the cost.

#### **Capitalised development expenses**

Capitalised development expenses are recognised at cost using the acquisition cost method, after deduction of any accumulated depreciation and any accumulated impairment losses. Identifiable development expenditure attributable to specific projects is capitalised when it is considered that such expenditure will generate future financial benefits, provided that the Group exercises control over the asset. The principle development expenses capitalised are sales systems, systems for customer programmes and systems for work planning for train crews. System development expenses are recognised under intangible assets as work in progress until the date on which the Group begins to use the systems.

#### **INVENTORIES**

Inventories are valued at the lower of cost or net realisable value. Due account has been taken of the risk of obsolescence. In determining the acquisition cost, the first-in first-out (FIFO) principle has been applied.

The net realisable value is determined as selling price less selling expenses.

#### **FINANCIAL INSTRUMENTS**

##### **Recognition and measurement**

Financial instruments, defined as financial assets and liabilities and derivative instruments, are recognised in the balance sheet only when the Group is party to the underlying contract. On the date of initial recognition, financial instruments are measured at fair value including directly attributable transaction expenses, other than financial assets recognised at fair value via profit/loss.

Depending on the class of instrument, subsequent valuations are measured at fair value or amortised cost using the effective interest method for the relevant class of instrument. The change in value may be recognised in other comprehensive income or via profit/loss.

All value changes in interest rate derivatives attributable to the effective portion of cash flow hedges are recognised in other comprehensive income until cash flows arising from the hedged instruments occur, and are then recognised via profit/loss.

All value changes in currency derivatives held for hedging purposes are recognised in other comprehensive income. When the hedged investment is paid, the effective portion of the change in value is taken to the non-current assets.

##### **Fair value**

When an active market for financial instruments exists, the fair value of such instruments corresponds to the prices listed on active markets for identical assets or liabilities (level 1). In the absence of a level 1 active market, input data other than the listed prices as in level 1 are used. This input data is either observable directly for the asset or liability (i.e., as prices) or indirectly (i.e., derived from prices) (level 2). Fair value can then be measured on the basis of comparison with similar instruments or by considering the interest rate projection or credit curve for the issuer concerned. In the absence of level 2 prices, measurement of the asset or liability in question is not based on observable market data (level 3).

##### **Amortised cost**

Recognition at amortised cost for trade and other receivables means that the financial instrument is measured at cost less impairment losses arising from financial assets that cannot be recovered.

##### **Effective interest method**

The effective interest method is used to calculate the amortised cost of a financial asset or financial liability, and to allocate the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows associated with the instrument through to maturity.

##### **Derecognition from the balance sheet**

A financial asset is wholly or partly derecognised from the balance sheet when the contractual rights to the cash



flows from the asset cease, or when the Group transfers such contractual rights, or in certain cases when the Group retains the rights but undertakes to pay cash flows to a third party or parties. A financial liability is wholly or partly derecognised from the balance sheet when the contractual obligations have been completed, cancelled or terminated.

### Classification

The Group classifies financial assets in three categories:

- financial assets measured at fair value via profit/loss
- investments held until maturity
- available-for-sale financial assets

The Group classifies all financial liabilities as:

- financial liabilities measured at amortised cost

This classification depends on the purpose for which the instruments were acquired. All of SJ's financial instruments are reported, classified by category, measurement policy and measurement method (level), in Note 21.

### Financial assets measured at fair value via profit/loss

Those of the Group's derivative instruments that are not identified as hedges are recognised at fair value via profit/loss. Also included in this category are securities held as non-current assets, shares and participating interests and bonds. These have been classified in this category since the Company's executive management follows them up on the basis of fair values.

The Group uses the cash/settlement approach for this asset category, except with regard to derivatives recognised on the transaction date, and the change in value is recognised via profit/loss.

### Investments held until maturity

This category includes non-derivative financial assets with fixed payments and fixed terms, where the intention and capacity exists for them to be held until maturity. Transaction-day accounting is used for financial assets in this category, which are measured at amortised cost using the effective interest method.

### Loan receivables and trade receivables

This category of assets consists of non-derivative financial assets that are not listed on a market with fixed payments, including trade receivables, loan receivables, other receivables and cash in hand and on deposit. They are included among current assets, except for those with maturities greater than 12 months after the balance-sheet date. Transaction-day accounting is used for financial assets in this category. The assets are measured at amortised cost. Value changes are recognised via profit/loss when the financial asset is derecognised from the balance sheet by impairment or accrual.

### Available-for-sale financial assets

This category includes investments not identified as being held for trading, and financial instruments not classified in any other category. Settlement-date accounting is used

for available-for-sale financial assets. Value changes are recognised in other comprehensive income.

### Financial liabilities measured at amortised cost

This category includes borrowings and trade payables. Assets are measured at amortised cost using the effective interest method. SJ uses transaction-date accounting for trade payables.

## HEDGE ACCOUNTING

### Cash flow hedging

SJ uses hedging instruments to secure future cash flows, for instance to cover investments made in foreign currencies. Such hedges are recognised in the balance sheet at fair value. Under rules on cash flow hedging, any changes in value in currency forward contracts are recognised in other comprehensive income and aggregated in the hedging reserve in equity. When the hedged amount falls due for payment, the value in the hedging reserve is transferred to the asset via other comprehensive income.

SJ uses interest-rate derivatives to hedge risks arising from floating interest rates. These are measured at fair value, and changes in value are here too recognised directly in other comprehensive income, in the hedging reserve. If the hedging relationship ceases on premature redemption of the underlying debt, the cumulative change in value is recognised in profit/loss under other comprehensive income. If hedging ceases for some other reason, for example a decision to change the duration of the debt portfolio, the surplus or deficit is distributed in profit/loss over the period until the interest rate derivative would have matured.

The portion of the profit or loss on a hedging instrument that is considered to be an effective cash flow hedge is initially recognised in other comprehensive income and the ineffective part of the profit or loss is recognised via profit/loss.

## CREDIT LOSSES

On the balance sheet date, the Group tests to determine if any objective evidence exists to indicate that an impairment loss has arisen on a financial asset or group of financial assets. An impairment loss for a financial asset carried at amortised cost is measured as the difference between the carrying amount for the asset and the present value of estimated cash flows. Impairment losses are recognised in the income statement. Available-for-sale financial assets are reviewed to determine whether a need for impairment exists. If there is objective evidence for impairment to be performed, the accumulated loss recognised in other comprehensive income is reclassified from equity via other comprehensive income to profit/loss.

## FINANCIAL ASSETS

### Securities held as non-current assets, shares and participations

Securities held as non-current assets are measured at fair value. These holdings consist mainly of shares in unlisted

companies, over which the Group does not exercise any significant influence.

#### Non-current receivables

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

#### TRADE RECEIVABLES

Trade receivables are recognised at amortised cost, which is the same as the invoiced amount, once the invoice has been sent. Bad debts are assessed individually when they are considered no longer likely to result in full payment.

#### ACCRUED INCOME

Accrued income is income recognised in the current year, where payment is to be received in future years.

#### SHORT-TERM DEPOSITS

Short-term deposits are financial instruments with a term to maturity of between 91 days and one year, as well as longer-term bond assets held for trading purposes.

#### Parent Company

The Parent Company's short-term deposits have a term to maturity of up to 90 days from acquisition.

#### CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents include cash in hand and on deposit, as well as current liquid investments such as commercial paper due within a maximum of 90 days from the date of acquisition, that may easily be converted into a known amount and that are exposed to only a negligible risk of fluctuations in value. Commercial paper due within no more than 90 days that are held by SJ Försäkring AB are excluded.

#### Parent Company

The definition of cash in hand and on deposit includes cash and liquid deposits with banks and similar institutions.

#### TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other liabilities are recognised at amortised cost when a product or service has been received, and correspond to the estimated, non-discounted amount falling due for payment.

#### LEASING

Leases are classified either as financial leases or operating leases. Leases in which the bulk of the risks and rewards of ownership is transferred to the lessee are classified as financial leases. An operating lease is a lease other than a financial lease.

#### Financial leases

Significant assets acquired through financial leases are recognised in the consolidated accounts and Parent Company accounts as non-current assets once the contract

has been signed and the equipment has been delivered.

Financial lease liabilities are measured at the present value of minimum lease fees payable to the lessor during the term of the lease, plus any sum guaranteed by the lessee or party related to the lessee. The lease term is the period for which SJ AB has contracted to lease the asset.

Under financial leases, an asset is depreciated over the course of its estimated useful life.

Future commitments to the lessor are recognised as a liability in the balance sheet. Payment of lease fees is divided into financial expense and debt amortisation.

#### Operating leases

Operating leases are not recognised in the balance sheet but are expensed on a straight-line basis during the term of the lease.

#### RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Transactions in foreign currency are valued at transaction date exchange rates. On the balance sheet date, receivables and liabilities in foreign currencies are restated at the exchange rate on that date. Translation differences in financial receivables and liabilities are recognised as financial income or expense for the period in which they arise. Other translation differences are recognised in operating profit for the period in which they arise.

#### PROVISIONS

Provisions are liabilities that are uncertain with regard to amount by which, or the time when, they will be settled. A provision is recognised in the Group statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably calculated.

Material provisions are measured at present value when the effect of the calculation is significant. Any unwinding of the present value calculation is recognised as a financial expense. Provisions are reviewed at each balance sheet date and reversed if no longer needed.

#### Accident annuities

Accident annuities consist of compensation for damages paid to third parties due to accidents. They are calculated at an individual level as per contract and taking into account life expectancy and indexation. The provision is discounted.

#### Restructuring

Restructuring is reorganisation on a major scale. Provision for restructuring measures is made when a detailed formal action plan has been drafted and full information has been disclosed.

#### Pensions

SJ's commitments in respect of retirement and family

pension plans for Company employees are mainly secured payments to the SPV (the National Government Employee Pensions Board) and Alecta. These are classed as defined-benefit plans covering a number of employers, in accordance with regulation UFR 3 (Classification of ITP plans financed through insurance with Alecta). SJ did not have access to the information required to enable us to report these as defined-benefit plans. ITP pension plans, which are secured through insurance with Alecta and pension plans secured through insurance with SPV, the PA-91 pension plan and the defined-benefit part of the PA-03 pension plan are all therefore reported as defined-contribution plans, in accordance with regulation UFR 6 (Pension plans covering several employers).

### EQUITY

Equity includes share capital, other contributed capital, reserves, retained earnings and non-controlling interests. For further information see Note 22. Changes in equity are classified as “owner-related” and “non-owner-related” changes, the latter corresponding to recognised comprehensive income in the statement of comprehensive income. Classification into unrestricted and restricted equity is not performed in the Group.

#### Parent Company

Equity is classified as unrestricted and restricted equity in accordance with the Swedish Annual Accounts Act.

Shareholder contributions are recognised in the grantor's accounts as an increase in investments in Group companies. The recipient recognises the contribution under the heading of unrestricted equity.

### CONTINGENT LIABILITIES

Contingent liabilities are current commitments relating to events that have occurred and that have not been recognised as a liability or provision.

This is because it is unlikely that funds will have to be paid to settle them or because their size cannot be determined with adequate certainty.

### STATEMENT OF CASH FLOWS

The statement of cash flows presents payments to and from the Group during the financial year classified into operating activities, investing activities and financing activities. It clarifies the Group's ability to generate cash and cash equivalents. The statement of cash flows is prepared using the indirect method, which means that the net flow of payments in operating activities is adjusted for:

- changes for the period in inventories, trade receivables and payables, as well as other operating assets and liabilities
- non cash-flow items such as depreciation, provisions and deferred tax
- changes in value related to SJ's cash management
- all other items for which the cash effects relate to investing or financing activities.

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

### RELATED PARTY DISCLOSURES.

SJ-related companies are defined as State-owned enterprises, operating with commercial mandates, over which the State has a controlling interest. Related parties also include the Parent Company, subsidiaries, associates, Trafikverket and other parts of the Swedish State.

Related individuals are defined as members of the Board of Directors, senior executives and the immediate family members of such persons.

SJ discloses related party transactions, with the exception of non-material transactions with government agencies or companies.

### EVENTS AFTER THE FINANCIAL YEAR-END

The Group discloses, in the Directors' report and Notes to the accounts, information on any significant events that occur after year-end and that therefore fall outside the scope of the income statement and balance sheet for the year, seeking where possible to estimate the financial impact of the events concerned. A significant event is an occurrence whose disclosure may affect the financial decisions made by users of the financial statements.

In the case of significant events that occur after publication of the year-end report but prior to the annual accounts being approved, and which confirm the conditions that existed on the balance-sheet date, the figures stated in the annual accounts are adjusted.

# Notes

## NOTE 1: SEGMENT REPORTING

2012	SJ AB	Stockholmståg KB	Other	Elim.	Total
Income from external customers	6,073	1,735	856	–	8,664
Income from internal transactions	112	0	289	-401	–
<b>Total income</b>	<b>6,185</b>	<b>1,735</b>	<b>1,145</b>	<b>-401</b>	<b>8,664</b>
Depreciation and impairment	-722	-1	-24	–	-748
Operating profit/loss	457	78	-60	-9	467
Financial income	74	3	10	9	96
Financial expenses	-69	0	-2	5	-65
Tax	-24	0	17	-21	-27
Profit/loss for the year	443	81	-48	-5	471
Investments	1,059	2	55	–	1,116
Total assets	9,461	372	927	-1,196	9,565
Non-interest-bearing liabilities	1,674	216	371	-275	1,986
Interest-bearing liabilities	2,581	70	164	-724	2,091

2011	SJ AB	Stockholmståg KB	Other	Elim.	Total
Income from external customers	5,965	1,594	539	–	8,097
Income from internal transactions	145	0	289	-433	–
Total income	6,109	1,594	828	-433	8,097
Depreciation and impairment	-604	-3	-10	–	-616
Operating profit/loss	42	67	-45	-3	60
Financial income	50	3	9	-5	57
Financial expenses	-83	0	-1	5	-79
Tax	1	0	11	-14	-2
Profit/loss for the year	4	70	-35	-3	36
Investments	810	0	59	–	869
Total assets	8,828	310	782	-1,007	8,913
Non-interest-bearing liabilities	1,402	136	256	-230	1,565
Interest-bearing liabilities	2,690	100	151	-575	2,365

The accounting principles used in segment accounting were the same as applied in preparation of the consolidated accounts. The Group's operating segments comprise SJ AB, Stockholmståg KB and other subsidiaries. The operating segments have been identified in accordance with the structure of the financial information

reported to the Board of Directors and management. Operations are essentially conducted in Sweden. Outside of the operations of Stockholmståg, no major customers contribute more than 10% of total turnover.

## NOTE 2: NET TURNOVER

	Group		Parent Company	
	2012	2011	2012	2011
Income from train services	7,829	7,567	5,515	5,537
Income from bistro services	174	179	158	161
Rolling stock leased to others	38	39	38	39
Commission	87	89	87	89
Other	376	164	203	187
<b>Total net sales</b>	<b>8,504</b>	<b>8,038</b>	<b>6,001</b>	<b>6,013</b>

Income for subsidiaries not operating train services is reported on the line "Other" and consists primarily of the sale of various services via the SJ Group's settlement system for passenger travel.



**NOTE 3: RELATED PARTY TRANSACTIONS**

The Swedish State owns 100 percent of the shares in SJ AB.

Business transactions between the Group and related companies are conducted on commercial terms and conditions and at market rates. Other related parties are defined as associated companies, State-owned enterprises operating with commercial mandates and public service corporations. Purchases of products and services

from the Swedish Transport Agency SEK 546 million (611) and from Jernhusen AB SEK 199 million (165) dominate.

A liability of SEK 924 million to the Statens Järnvägar Public Service Corporation was paid off in full during the year through redemption of a lease commitment.

**NOTE 4: OTHER OPERATING INCOME**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Capital gains/losses on non-current assets	2	10	2	10
Insurance claim payments	1	38	26	78
Other	156	11	156	9
<b>Total other operating income</b>	<b>159</b>	<b>59</b>	<b>184</b>	<b>97</b>

In 2012, SJ received financial compensation of SEK 156 million for delays in deliveries of SJ 3000s.

**NOTE 5: PERSONNEL**

<b>Personnel expenses: salaries, other remuneration and social security expenses, SEK m</b>	<b>Group</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Salaries and other remuneration:</b>				
Board of Directors	-1	-1	-1	-1
CEO and senior executives	-39	-34	-26	-24
Other employees	-1,767	-1,567	-1,217	-1,171
<b>Total salaries and other remuneration:</b>	<b>-1,807</b>	<b>-1,602</b>	<b>-1,244</b>	<b>-1,196</b>
Social security expenses	-745	-683	-498	-505
of which, pension expenses including special payroll tax	-209	-186	-130	-134
Other personnel-related expenses	-140	-130	-103	-114
<b>Total personnel costs</b>	<b>-2,691</b>	<b>-2,415</b>	<b>-1,845</b>	<b>-1,815</b>

Commitments in respect of retirement and family pension plans for Parent Company employees are mainly secured through insurance policies with SPV (the National Government Employee Pensions Board) and Alecta; such plans are mostly to be classified as of the defined-benefit type. For the 2012 financial year, SJ did not have access to information enabling these plans to be reported as defined-benefit plans, and they are therefore reported as defined-contribution plans.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance commitments measured according to Alecta's actuarial assumptions. At the end of 2012, Alecta's collective consolidation level was provisionally calculated at 130 percent (113). The Group's pension premium charges (excluding special payroll tax) for 2012 totalled SEK 162 million (154), of which SEK 89 million (81) was defined-benefit premiums and SEK 73 (73) million defined-contribution premiums.

<b>Average number of employees</b>	<b>2012</b>			<b>Group 2011</b>			<b>2012</b>			<b>Parent Company 2011</b>		
	<b>Total</b>	<b>Men %</b>	<b>Women %</b>	<b>Total</b>	<b>Men %</b>	<b>Women %</b>	<b>Total</b>	<b>Men %</b>	<b>Women %</b>	<b>Total</b>	<b>Men %</b>	<b>Women %</b>
Sweden	4,292	60	40	4,040	60	40	2,986	58	42	3,037	58	42
Nordic region	7	36	64	1	–	–	–	–	–	–	–	–
<b>Total</b>	<b>4,299</b>	<b>60</b>	<b>40</b>	<b>4,041</b>	<b>60</b>	<b>40</b>	<b>2,986</b>	<b>58</b>	<b>42</b>	<b>3,037</b>	<b>58</b>	<b>42</b>

<b>Distribution, senior executives</b>	<b>2012</b>			<b>Group 2011</b>			<b>2012</b>			<b>Parent Company 2011</b>		
	<b>Total</b>	<b>Men %</b>	<b>Women %</b>	<b>Total</b>	<b>Men %</b>	<b>Women %</b>	<b>Total</b>	<b>Men %</b>	<b>Women %</b>	<b>Total</b>	<b>Men %</b>	<b>Women %</b>
Board members	13	62	38	48	67	33	8	50	50	16	63	37
Other executive management, including CEO	40	65	35	17	82	18	24	79	21	9	67	33
<b>Total</b>	<b>53</b>	<b>64</b>	<b>36</b>	<b>65</b>	<b>71</b>	<b>29</b>	<b>32</b>	<b>72</b>	<b>28</b>	<b>25</b>	<b>64</b>	<b>36</b>

## &gt; NOTE 5, cont.

## 2012

## Remuneration to Board of Directors and senior executives in the Group 2012

		Board fee	Committee fee	Total
Chair	Jan Sundling	355	43	398
Non-executive director <sup>1</sup>	Lena Olving	168	45	213
Non-executive director	Eivor Andersson	141	–	141
Non-executive director	Lars-Olof Gustavsson	141	–	141
Non-executive director <sup>2</sup>	Richard Reinius	–	–	–
Non-executive director	Gunilla Wikman	141	–	141
Non-executive director <sup>3</sup>	Siv Svensson	120	46	166
Non-executive director <sup>3</sup>	Michael Thorén	–	–	–
<b>Total</b>		<b>1,066</b>	<b>134</b>	<b>1,200</b>

## 2012

## Remuneration to senior executives in the Group 2012

		Basic salary	benefits	Total	Pension expense	Period of notice from employer + number of months' severance pay	severance pay and termination expense
CEO, SJ AB <sup>4</sup>	Jan Forsberg	1,338	55	1,393	1,495	2,888	12+12
CEO, SJ AB <sup>5</sup>	Jan Olson	1,448	61	1,509	380	1,889	–
Vice President Business Development <sup>5</sup>	Jan Olson	642	34	676	264	940	6+18
CEO, SJ AB <sup>6</sup>	Crister Fritzon	531	0	531	97	628	6+18
Vice President Legal Affairs <sup>7</sup>	Magnus Westerlind	928	32	960	256	1,216	12+4
Vice President Legal Affairs <sup>8</sup>	Robert Westerdahl	268	0	268	29	297	3+0
Vice President Human Resources	Peter Blomqvist	1,411	97	1,508	637	2,145	6+18
Vice President Business & Service <sup>9</sup>	Madeleine Raukas	1,402	0	1,402	335	1,737	6+12
Vice President & Chief Financial Officer	Britta Dalunde	1,860	44	1,904	557	2,461	6+12
Vice President Traffic Safety <sup>10</sup>	Lars Svensson	905	5	910	381	1,291	–
Vice President Traffic Safety <sup>11</sup>	Peter Sjöquist	246	–	246	25	271	2+0
Vice President Sales, Corporate Communications & Marketing	Elisabeth Lindgren	1,832	112	1,944	506	2,450	6+12
Vice President Traffic & Service <sup>12</sup>	Håkan Ahl	587	22	609	198	807	6+6
Vice President Planning & Traffic Management <sup>13</sup>	Jens Wigen	1,600	14	1,614	399	2,013	6+12
Vice President Sales <sup>14</sup>	Nina Hornewall	1,730	64	1,794	418	2,212	6+18
Vice President Fleet Management	Claes Broström	1,955	87	2,042	594	2,636	6+12
Vice President IT <sup>15</sup>	Björn Rosell	1,452	62	1,514	347	1,861	6+12
CEO SJ Norrlandståg AB	Björn Nilsson	1,562	6	1,568	465	2,033	6+12
CEO SJ Event AB <sup>16</sup>	Michael Wikström	988	70	1,058	231	1,289	6+18
CEO SJ Service Academy AB	Olle Lundström	1,490	74	1,564	469	2,033	6+12
CEO Linköping AB	Christer Jernberg	1,227	100	1,327	390	1,717	6+18
CEO Stockholmståg KB	Kjell Färnström	1,652	93	1,745	771	2,516	6+12
CEO SJ Försäkring AB	Carl Dahlberg	681	5	686	181	867	6+12
CEO SJ Götalandståg AB <sup>17</sup>	Jan Jansson	648	0	648	191	839	6+12
CEO SJ Götalandståg AB <sup>18</sup>	Lena Källström	194	–	194	22	216	3+0
<b>Total</b>		<b>28,577</b>	<b>1,037</b>	<b>29,614</b>	<b>9,638</b>	<b>39,252</b>	<b>10,084</b>

1 L. Olving was not paid the full director's fee in 2011; the outstanding amount of SEK 27,500 was paid in March 2012.

2 R. Reinius resigned as non-executive director in January 2012.

3 New non-executive director from beginning of March 2012.

4 Resigned as CEO in April 2012. Has an agreed period of notice that deviates from government guidelines. The contract was signed prior to April 2009, when the current guidelines came into force.

5 Resigned as Vice President Business Development in April 2012. CEO in April–October 2012.

6 Took up the appointment of CEO in November.

7 Appointment terminated from beginning of May 2012. The period of notice, 12 months, deviates from the government guidelines as does the right to accept other employment or trade on own account without any reduction in salary or severance pay during the period of notice.

8 Took up the appointment of Vice President Legal Affairs in October 2012.

9 Took up the appointment of Vice President Business & Service in April 2012.

10 Retired in August 2012.

11 Took up the appointment of Vice President Traffic Safety in September 2012.

12 Resigned as Vice President Traffic & Service in April 2012.

13 Took up the appointment of Vice President Planning & Traffic Management in March 2012.

14 Resigned from appointment in October 2012.

15 Took up the appointment of Vice President IT in March 2012.

16 Appointment terminated in July 2012. Basic salary, benefits and pension expense recognised until end of August when CEO responsibility ended as per contract.

17 CEO, SJ Götalandståg AB, in period May–October 2012.

18 Took up appointment of CEO, SJ Götalandståg AB, in November 2012.

## 2011

**Remuneration to Board of Directors and senior executives in the Group 2011**

		Board fee	Committee fee	Total
Chair <sup>1</sup>	Ulf Adelsohn	87	18	105
Chair <sup>2</sup>	Jonas Iversen	0	0	0
Chair <sup>3</sup>	Jan Sundling	87	14	101
Non-executive director <sup>4</sup>	Caroline Sundewall	122	47	169
Non-executive director <sup>5</sup>	Lena Olving	61	22	83
Non-executive director	Eivor Andersson	122	–	122
Non-executive director	Lars-Olof Gustavsson	122	–	122
Non-executive director <sup>6</sup>	Björn Mikkelsen	0	–	0
Non-executive director <sup>6</sup>	Ingela Tuvegran	41	–	41
Non-executive director <sup>6</sup>	Elisabet Salander Björklund	41	–	41
Non-executive director <sup>5</sup>	Richard Reinius	0	–	0
Non-executive director <sup>5</sup>	Gunilla Wikman	81	–	81
<b>Total</b>		<b>764</b>	<b>101</b>	<b>865</b>

## 2011

**Remuneration to senior executives in the Group 2011**

		Basic salary	benefits	Total	Pension expense	Period of notice from employer + number of months' severance pay	severance pay and termination expense
President/CEO, SJ AB <sup>7</sup>	Jan Forsberg	4,615	26	4,641	3,899	8,540 12+12	5,577
Vice President Legal Affairs <sup>7</sup>	Magnus Westerlind	1,683	79	1,762	607	2,369 12+12	
Vice President Human Resources <sup>7</sup>	Peter Blomqvist	1,106	93	1,199	422	1,622 12+6	
Director Business Development <sup>7</sup>	Jan Olson	1,887	121	2,009	628	2,636 12+6	
Vice President & Chief Financial Officer	Britta Dalunde	1,805	34	1,839	505	2,344 6+12	
Vice President Traffic Safety <sup>7</sup>	Lars Svensson	1,336	5	1,341	448	1,788 12+12	
Vice President Corporate Communications	Elisabeth Lindgren	1,746	94	1,839	461	2,301 6+12	
Vice President Traffic & Service	Håkan Ahl	1,719	71	1,790	483	2,273 6+12	
Vice President Sales	Nina Hornewall	1,800	80	1,880	955	2,835 12+6	
Vice President Fleet Management	Claes Broström	1,848	97	1,945	466	2,410 6+12	
CEO SJ Norrlandståg AB	Björn Nilsson	1,415	5	1,420	423	1,843 6+12	
CEO SJ Event AB <sup>7</sup>	Michael Wikström	1,150	119	1,269	284	1,554 12+6	
CEO SJ Service Academy AB	Olle Lundström	1,402	89	1,492	459	1,950 6+12	
CEO Linkon AB <sup>7</sup>	Christer Jernberg	1,182	93	1,275	322	1,597 12+6	
CEO Stockholmståg KB	Kjell Färnström	1,704	92	1,795	576	2,371 6+12	
CEO SJ Försäkring AB <sup>8</sup>	Carl Dahlberg	605	0	605	183	788 6+12	
<b>Total</b>		<b>27,003</b>	<b>1,097</b>	<b>28,100</b>	<b>11,120</b>	<b>38,615</b>	<b>5,577</b>

1 Resigned as Chair in April 2011.

2 Chair during the period May–July 2011.

3 Chair from beginning of August 2011.

4 Resigned as non-executive director in December 2011. C. Sundewall served as chair of the audit committee in the period May–December 2011.

5 New non-executive director from beginning of May 2011. L. Olving was not paid the full director's fee in 2011; the outstanding amount of SEK 27,500 was paid in March 2012. R. Reinius resigned as non-executive director in January 2012.

6 Resigned as non-executive director in April 2011. B. Mikkelsen resigned as non-executive director in January 2011.

7 Has an agreed period of notice that deviates from government guidelines. The contracts were signed prior to April 2009, when the current guidelines came into force.

8 New CEO from beginning of February 2011.

9 If employment is terminated by the employee, the period of notice is 6 months and no severance pay is due.

## &gt; NOTE 5, cont.

**Changes in executive management and other senior executives**

Jan Forsberg resigned early as CEO in April 2012. He was succeeded by Jan Olson, who served as CEO in the period April–November 2012. On 11 November 2012, Crister Fritzson took over as SJ's new President and CEO.

**Remuneration for senior executives***Senior executives*

Senior executives are defined as regular Board members, CEO, individuals responsible for operations in the Company who are members of the executive management, managers who are not members of executive management but who report directly to the CEO and CEOs of subsidiaries of the Group.

*Guidelines and decision-making procedures*

During the year, the Company observed the principles regarding remuneration and other terms and conditions of employment for senior executives that were approved at the 2012 Annual General Meeting (AGM). These principles are based on the guidelines issued by the government on 20 April 2009 concerning terms and conditions of employment for senior executives at State-owned enterprises. Decisions as to terms and conditions of employment for the CEO are drafted by the remuneration committee and subject to approval by the Board. Decisions as to terms and conditions of employment for other senior executives are subject to approval by the CEO, following a standard review with the Company's remuneration committee. The results of agreements reached are reported to the Board. Before any decision is taken with regard to individual remuneration, documentation in writing, showing the total costs to the Company, is produced as a basis for decision. The Board verifies that the remuneration items comply with these guidelines by comparing remuneration items for executives at a similar level in other State-owned and private enterprises in Sweden that are comparable for size, complexity and turnover. At the Annual General Meeting, the Board shall present for approval proposals for principles regarding remuneration and other terms and conditions of employment for the CEO and senior executives. The remit of the remuneration committee is to draft the Board's proposals for principles governing salaries and other remuneration. The remuneration committee has been composed of Gunilla Wikman, Eivor Andersson and Jan Sundling since September 2012.

**Remuneration***Board of Directors*

According to decision by SJ AB's 2012 AGM, annual fees shall be paid to the members of the Board of Directors, in the amounts of SEK 400,000 to the Chairman and SEK 150,000 each to the other mem-

bers, as elected at the AGM. In addition, annual fees shall be paid to the members of the Board's audit committee, in the amounts of SEK 55,000 to the Chairman and SEK 43,000 per person to the other members. However, a fee is paid to the Chair of the Board, who has been employed to a limited extent as a special advisor in the Government Offices since 2011. No separate fee is payable for other Board committee work. No fee is payable to any member who is employed in the Government Offices. No commitments regarding pension benefits have been entered into on behalf of external Board members.

*Executive Management*

The overarching principle in "Guidelines on remuneration for senior executives" is that remuneration and other terms and conditions of employment for senior executives shall be in line with the market, but not market-leading, in order to ensure that SJ can attract and retain highly qualified senior executives. Remuneration to the CEO and other senior executives will be made up of basic salary, certain taxable benefits, health insurance and pension. Basic salary will be set individually and in line with the pay levels prevailing in the market in which the executive concerned is employed.

The CEO and other senior executives have no entitlement to variable remuneration or remuneration paid in the form of financial instruments. Benefits, as shown in the table, consist primarily of company cars and fuel.

*Pensions*

Other senior executives receive pensions under the ITP plan. Two of these executives also have separate pension premiums paid, in addition to the ITP plan, totalling SEK 5,000 per person per month.

*Termination and severance pay*

In the event that the Company terminates the employment contract, the notice periods and severance pay amounts are as shown in the table. If the employee takes up new employment or receives income from other business activities, the salary paid during the notice period and the severance pay shall be reduced by an amount corresponding to the income or other benefit received during the period concerned. In 2011, eight senior executives had employment contracts permitting longer notice periods from the employer than is stipulated by relevant guidelines on terms and conditions of employment for senior executives in State-owned enterprises. These contracts were signed prior to April 2009, when the current guidelines came into force. The relevant terms and conditions of employment were renegotiated in 2012. In addition, two executives, the then CEO Jan Forsberg and the then Vice President Legal Affairs Magnus Westerlind, terminated their employment without any changes in the terms and conditions of employment.



**NOTE 6: DEPRECIATION, AMORTISATION AND IMPAIRMENTS**

		Group	Parent Company	
	2012	2011	2012	2011
Depreciation of property, plant and equipment	-634	-515	-627	-508
Amortisation of intangible assets	-103	-82	-90	-77
Impairments	-11	-19	-5	-19
<b>Total</b>	<b>-748</b>	<b>-616</b>	<b>-722</b>	<b>-604</b>

**NOTE 7: OTHER EXPENSES**

		Group	Parent Company	
	2012	2011	2012	2011
Train maintenance and upkeep	-1,424	-1,467	-923	-1,023
Expense of electricity for operating trains	-463	-492	-289	-326
Infrastructure charges	-372	-339	-268	-266
Other production-related expenses	-1,373	-1,615	-532	-812
Indirect expenses	-1,118	-1,089	-1,149	-1,221
<b>Total</b>	<b>-4,750</b>	<b>-5,002</b>	<b>-3,161</b>	<b>-3,648</b>

Figures from 2011 presented for comparison include extra costs for winter problems, in the form of travel time guarantee, rail replacement services, customer service and maintenance costs. In 2011, the Group reported a non-recurring cost in settlement of a dispute with Tåg i Bergslagen AB, as a result of which operating costs increased by SEK 150 million.

**NOTE 8: FEES AND REIMBURSEMENT OF EXPENSES TO AUDITORS**

		Group	Parent Company	
	2012	2011	2012	2011
<b>Ernst &amp; Young AB</b>				
Audit assignment	-4	-4	-3	-3
Auditing other than audit assignment	-	0	-	0
Tax advice	0	0	0	0
Other services:	-1	-1	-1	-1
<b>Riksrevisionen (the Swedish National Audit Office)</b>				
Audit assignment	0	0	0	0
<b>Total</b>	<b>-5</b>	<b>-5</b>	<b>-4</b>	<b>-4</b>

"Audit assignment" consists of examination of the annual accounts and accounting records and the administration by the Board and the CEO. During an audit it may emerge that a more in-depth examination is required, in which case the associated costs will be reported as Auditing in addition to audit assignment. Consultation on tax issues and assistance with tax returns are accounted for under Tax advice. Other services include, for example, advice on interpretation of IFRS and other accounting rules.

**NOTE 9: INCOME FROM SUBSIDIARIES**

	Parent Company	
	2012	2011
Group contributions received	30	37
Group contributions paid	-97	-80
Dividend	70	37
<b>Total</b>	<b>3</b>	<b>-6</b>

**NOTE 10: INTEREST INCOME, INCOME EXPENSES AND SIMILAR ITEMS**

		Group	Parent Company
Interest income and similar income	2012	2011	2012
Impairment losses on shares and participations	0	–	-14
Interest income, current receivables	74	34	73
Interest income, non-current receivables	18	17	11
Other interest income	4	6	3
Interest income, Group companies	–	–	1
<b>Total</b>	<b>96</b>	<b>57</b>	<b>74</b>

		Group	Parent Company
Interest expenses and similar expenses	2012	2011	2012
Interest expenses, leasing	-62	-63	-62
Charge to reflect risk <sup>1</sup>	-4	-5	-4
Net interest, hedging instruments	-2	-9	-2
Exchange differences	7	7	7
Other financial expenses <sup>2</sup>	-4	-9	-3
Interest expenses, Group companies	–	–	-4
<b>Total</b>	<b>-65</b>	<b>-79</b>	<b>-69</b>

1 Charge to reflect risk on lease contracts, established by Riksgäldskontoret (the Swedish National Debt Office) and paid to the Statens Järnvägar Public Service Corporation.

2 Accident annuities, charges to Eurofirma, the Statens Järnvägar Public Service Corporation, Nordea Finans, and other financial expenses.

**2012**

Group – Classification of net financial items	Financial income	Financial costs	Surplus/deficit Profit/loss	Net financial items	Surplus/deficit Other comprehensive income
Financial assets measured at fair value via profit/loss					
Bonds	32	–	42	74	–
Loan receivables and trade receivables	–	–	–	–	–
Cash in hand and on deposit	2	–	–	2	–
Receivables	4	–	–	4	–
Available-for-sale financial assets	–	–	–	–	–
Short-term deposits	16	–	–	16	5
<b>Financial income</b>	<b>54</b>	<b>–</b>	<b>42</b>	<b>96</b>	<b>5</b>
Derivatives identified as hedging instruments					
Derivative instruments <sup>1</sup>	27	-29	–	-2	-5
Financial liabilities measured at amortised cost	–	–	–	–	–
Interest-bearing liabilities	–	-62	–	-62	–
Other liabilities	–	-1	0	-1	–
<b>Financial expenses</b>	<b>27</b>	<b>-92</b>	<b>0</b>	<b>-65</b>	<b>-5</b>

1 Total effect of derivative instruments that is recognised via other comprehensive income amounted to SEK 5 million (-15) before tax. SEK -2 million has been taken to net interest and SEK -24 million to non-current assets, including SEK -11 million held in reserve for cash flow hedging at the start of the year.

## &gt; NOTE 10, cont.

2011

Group - Classification of net financial items	Financial income	Financial costs	Surplus/deficit Profit/loss	Net financial items	Surplus/deficit Other comprehensive income
Financial assets measured at fair value via profit/loss					
Bonds	37	-	-17	20	-
Loan receivables and trade receivables					
Cash in hand and on deposit	3	-	-	3	-
Receivables	7	-	-	7	-
Available-for-sale financial assets					
Short-term deposits	27	-	-	27	-4
<b>Financial income</b>	<b>74</b>	<b>-</b>	<b>-17</b>	<b>57</b>	<b>-4</b>
Derivatives identified as hedging instruments					
Derivative instruments <sup>1</sup>	27	-36	-9	-9	-15
Financial liabilities measured at amortised cost					
Lease liabilities <sup>2</sup>	-	-74	-	-74	-
Other liabilities	-	4	-	4	-
<b>Financial expenses</b>	<b>27</b>	<b>-106</b>	<b>-9</b>	<b>-79</b>	<b>-19</b>

1 Total effect of derivative instruments that is recognised in other comprehensive income amounted to SEK -15 million (41) before tax. SEK -9 million has been taken to net interest and SEK -5 million to non-current assets, including SEK -3 million held in reserve for cash flow hedging at the start of the year.

2 Administrative expenses and charges related to leases totalled SEK -10 million (24) in 2011.

## NOTE 11. TAX

	2012	Group 2011	Parent Company 2012	Parent Company 2011
Deferred tax expense	-27	-2	-24	1
<b>Total</b>	<b>-27</b>	<b>-2</b>	<b>-24</b>	<b>1</b>

Deferred tax expense includes tax effects of changes during the year in loss carry-forwards and temporary differences, as well as the effect of restatement of the closing balance of the deferred tax liability/recoverable, as a result of the lowering of the rate of corporation tax from 26.3 percent to 22 percent as of 1 January 2013.

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

	2012	Group 2011
Deferred tax on available-for-sale financial assets	-1	2
Deferred tax on cash flow hedges	-1	4
<b>Total</b>	<b>-2</b>	<b>6</b>

During the year, the Parent Company received Group contributions of SEK 30 million (37) and provided Group contributions of SEK 97 million (80).

The Group contributions are included in the tax expense at 26.3 percent, SEK 11 million (-7).

## &gt; NOTE 11, cont.

	Group		Parent Company	
Deferred tax assets and liabilities	2012	2011	2012	2011
<b>Deferred tax assets relating to:</b>				
Loss carry-forwards	10	5	10	5
Temporary differences, restructuring reserve	0	0	0	0
Temporary differences, financial instruments, cash flow hedges	4	6	4	6
Temporary differences, other reserves	6	7	6	7
<b>Deferred tax receivables</b>	<b>20</b>	<b>18</b>	<b>20</b>	<b>18</b>
<b>Deferred tax liabilities relating to:</b>				
Temporary differences in leasehold improvements	-3	-3	-3	-3
Temporary differences, financial leasing	-188	-177	-188	-177
Temporary differences not recognised previously	-10	7	-10	7
Temporary differences, other reserves	-14	-12	-	-
<b>Deferred tax liabilities</b>	<b>-215</b>	<b>-185</b>	<b>-201</b>	<b>-173</b>
<b>Recognised deferred tax asset/liability, net</b>	<b>-195</b>	<b>-167</b>	<b>-181</b>	<b>-155</b>

Cumulative loss carry-forwards were SEK 44 million (19) in the Group and SEK 44 million (19) in the Parent Company. Loss carry-forwards are perpetual and do not have a maturity date.

Recognition of deferred tax is reviewed every year during preparation of the financial statements. This review assesses the extent to which it is probable that the deferred tax assets can be utilised via future taxable income. In 2005, a deferred tax asset was capitalised for the first time in the accounts, in accordance with applicable

accounting rules. Based on profits over the 2004–2012 period, SJ remains of the view that its business has achieved a stable capacity to generate future profits, thus enabling the utilisation of loss carry-forwards and tax-deductible temporary differences.

The table below shows the difference between nominal and effective tax rates:

Group		2012		2011	
Reconciliation of recognised tax and effective tax rate	Tax	Tax rate, %	Tax	Tax rate, %	
Profit before tax	498	–	38	–	
Tax according to nominal rate	-131	-26	-10	26	
Change in treatment for temporary differences in leased assets	64	8	–	–	
Effect of change in tax rate	38	5	–	–	
Non-deductible expenses	1	0	-2	1	
Effect of change in previous years' tax returns	1	0	9	0	
Other differences	–	–	1	0	
<b>Tax affecting profit for the year, recognised in Statement of comprehensive income</b>	<b>-27</b>	<b>-13</b>	<b>-2</b>	<b>27</b>	

Parent Company		2012		2011	
Reconciliation of recognised tax and effective tax rate	Tax	Tax rate, %	Tax	Tax rate, %	
Profit before tax	466	–	4	–	
Tax according to nominal rate	-123	-26	-1	-25	
Dividend from limited partnership	18	4	10	250	
Non-deductible expenses	1	0	-1	-25	
Tax attributable to surplus/deficit in limited partnership	-16	-3	-18	-450	
Effect of change in previous years' tax returns	1	0	9	225	
Change in treatment for temporary differences in leased assets	64	14	–	–	
Impairments	-5	-1	–	–	
Effect of change in tax rate	35	8	–	–	
Other differences	–	–	2	50	
<b>Tax expense recognised in income statement</b>	<b>-24</b>	<b>-5</b>	<b>1</b>	<b>25</b>	

Amortisation payments for financially leased assets are tax-deductible, while depreciation and impairment losses are not.



## NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Group 2012	Leased building	Own rolling stock	Own investments in leased rolling stock	Leased rolling stock	Total rolling stock	Total machinery and equipment	Construction in progress	Total property, plant and equipment
Cost at start of year	59	5,564	604	4,416	10,584	133	1,885	12,661
Investments	–	815	10	0	825	11	197	1,033
Revisions	–	0	–	–	0	–	–	0
Sales/disposals	–	-27	0	–	-27	–	–	-27
Reclassifications	–	2,841	-338	-852	1,651	52	-1,703	0
<b>Accumulated cost at year-end</b>	<b>59</b>	<b>9,193</b>	<b>276</b>	<b>3,564</b>	<b>13,033</b>	<b>196</b>	<b>379</b>	<b>13,667</b>
Accumulated depreciation at start of year	-20	-3,303	-317	-869	-4,489	-80	–	-4,589
Depreciation for the year	-3	-409	-40	-154	-603	-28	–	-634
Revisions	–	–	-2	1	-1	–	–	-1
Sales/disposals	–	23	–	–	23	–	–	23
Reclassifications	–	-745	266	479	0	–	–	0
<b>Accumulated depreciation at year-end</b>	<b>-23</b>	<b>-4,434</b>	<b>-93</b>	<b>-543</b>	<b>-5,070</b>	<b>-108</b>	<b>–</b>	<b>-5,201</b>
Accumulated impairment losses at start of year	–	-50	-6	-1,575	-1,631	0	–	-1,631
Impairment losses for the year	–	1	–	–	1	-6	–	-5
<b>Accumulated impairment losses at year-end</b>	<b>–</b>	<b>-49</b>	<b>-6</b>	<b>-1,575</b>	<b>-1,630</b>	<b>-6</b>	<b>–</b>	<b>-1,636</b>
<b>Carrying amount at year-end</b>	<b>36</b>	<b>4,710</b>	<b>177</b>	<b>1,446</b>	<b>6,333</b>	<b>82</b>	<b>379</b>	<b>6,830</b>

The major reclassification from construction in progress to own rolling stock arises from the change in status of SJ 3000 trains, which SJ took possession of during the year. Impairment losses for the year take into account both a reversal of an earlier impairment loss

on the train damaged in the accident at Kimstad, the train having been restored to service, and an impairment loss on interiors in connection with refurbishment of a number of SJ 2000s.

Parent Company 2012	Leased building	Own rolling stock	Own investments in leased rolling stock	Leased rolling stock	Total rolling stock	Total machinery and equipment	Construction in progress	Total property, plant and equipment
Cost at start of year	59	5,557	604	4,416	10,577	104	1,883	12,623
Investments	–	812	10	0	822	10	197	1,029
Revisions	–	0	–	–	0	–	–	0
Sales/disposals	–	-25	0	–	-25	–	–	-25
Reclassifications	–	2,841	-338	-852	1,651	50	-1,701	0
<b>Accumulated cost at year-end</b>	<b>59</b>	<b>9,185</b>	<b>276</b>	<b>3,564</b>	<b>13,025</b>	<b>164</b>	<b>379</b>	<b>13,627</b>
Accumulated depreciation at start of year	-20	-3,300	-319	-868	-4,487	-63	–	-4,570
Depreciation for the year	-3	-408	-40	-154	-602	-22	–	-627
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	22	–	–	22	–	–	22
Reclassifications	–	-745	266	479	0	–	–	0
<b>Accumulated depreciation at year-end</b>	<b>-23</b>	<b>-4,431</b>	<b>-93</b>	<b>-543</b>	<b>-5,067</b>	<b>-85</b>	<b>0</b>	<b>-5,175</b>
Accumulated impairment losses at start of year	–	-50	-6	-1,575	-1,631	–	–	-1,631
Impairment losses for the year	–	1	–	–	1	–	–	1
<b>Accumulated impairment losses at year-end</b>	<b>–</b>	<b>-49</b>	<b>-6</b>	<b>-1,575</b>	<b>-1,630</b>	<b>–</b>	<b>–</b>	<b>-1,630</b>
<b>Carrying amount at year-end</b>	<b>36</b>	<b>4,705</b>	<b>177</b>	<b>1,446</b>	<b>6,328</b>	<b>79</b>	<b>379</b>	<b>6,822</b>

## &gt; NOTE 12, cont.

Group 2011	Leased building	Own rolling stock	Own investments in leased rolling stock	Leased rolling stock	Total rolling stock	Total machinery and equipment	Construction in progress	Total property, plant and equipment
Cost at start of year	59	4,951	707	4,507	10,165	116	1,709	12,049
Investments	–	290	51	–	341	7	437	785
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	-174	–	–	-174	1	–	-173
Reclassifications	–	497	-154	-91	252	9	-261	0
<b>Accumulated cost at year-end</b>	<b>59</b>	<b>5,564</b>	<b>604</b>	<b>4,416</b>	<b>10,584</b>	<b>133</b>	<b>1,885</b>	<b>12,661</b>
Accumulated depreciation at start of year	-17	-2,902	-411	-798	-4,111	-59	–	-4,187
Depreciation for the year	-3	-290	-37	-162	-489	-23	–	-515
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	111	–	–	111	2	–	113
Reclassifications	–	-222	131	91	0	–	–	0
<b>Accumulated depreciation at year-end</b>	<b>-20</b>	<b>-3,303</b>	<b>-317</b>	<b>-869</b>	<b>-4,489</b>	<b>-80</b>	<b>–</b>	<b>-4,589</b>
Accumulated impairment losses at start of year	–	-31	-5	-1,567	-1,603	–	–	-1,603
Impairment losses for the year	–	-19	-1	-8	-28	–	–	-28
<b>Accumulated impairment losses at year-end</b>	<b>–</b>	<b>-50</b>	<b>-6</b>	<b>-1,575</b>	<b>-1,631</b>	<b>–</b>	<b>–</b>	<b>-1,631</b>
<b>Carrying amount at year-end</b>	<b>39</b>	<b>2,211</b>	<b>281</b>	<b>1,972</b>	<b>4,464</b>	<b>53</b>	<b>1,885</b>	<b>6,441</b>

Parent Company 2011	Leased building	Own rolling stock	Own investments in leased rolling stock	Leased rolling stock	Total rolling stock	Total machinery and equipment	Construction in progress	Total property, plant and equipment
Cost at start of year	59	5,241	707	4,507	10,455	89	1,708	12,311
Investments	–	288	51	–	339	7	435	781
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	-468	–	–	-468	-1	–	-469
Reclassifications	–	496	-154	-91	251	9	-260	0
<b>Accumulated cost at year-end</b>	<b>59</b>	<b>5,557</b>	<b>604</b>	<b>4,416</b>	<b>10,577</b>	<b>104</b>	<b>1,883</b>	<b>12,623</b>
Accumulated depreciation at start of year	-17	-3,026	-412	-797	-4,235	-48	–	-4,300
Depreciation for the year	-3	-290	-37	-162	-489	-16	–	-508
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	237	–	–	237	1	–	238
Reclassifications	–	-221	130	91	0	–	–	0
<b>Accumulated depreciation at year-end</b>	<b>-20</b>	<b>-3,300</b>	<b>-319</b>	<b>-868</b>	<b>-4,487</b>	<b>-63</b>	<b>–</b>	<b>-4,570</b>
Accumulated impairment losses at start of year	–	-31	-5	-1,567	-1,603	–	–	-1,603
Impairment losses for the year	–	-19	-1	-8	-28	–	–	-28
<b>Accumulated impairment losses at year-end</b>	<b>–</b>	<b>-50</b>	<b>-6</b>	<b>-1,575</b>	<b>-1,631</b>	<b>–</b>	<b>–</b>	<b>-1,631</b>
<b>Carrying amount at year-end</b>	<b>39</b>	<b>2,207</b>	<b>279</b>	<b>1,973</b>	<b>4,459</b>	<b>41</b>	<b>1,883</b>	<b>6,422</b>

Impairments for 2011 relate to an accident in Malmö, in which an impairment loss of SEK 19 million was applied in respect of the rolling stock, which was then sold.

An impairment loss of SEK 9 million was also applied to SJ 2000s in connection with the removal and replacement of pairs of trailing wheels.

**NOTE 13: INTANGIBLE NON-CURRENT ASSETS**

Group			2012			2011
	Brand	Other	Total	Brand	Other	Total
Cost at start of year	240	716	956	240	632	872
Investments	–	83	83	–	84	84
<b>Accumulated cost at year-end</b>	<b>240</b>	<b>799</b>	<b>1,039</b>	<b>240</b>	<b>716</b>	<b>956</b>
Accumulated depreciation at start of year	-240	-402	-642	-240	-320	-560
Depreciation for the year	–	-103	-103	–	-82	-82
<b>Accumulated depreciation at year-end</b>	<b>-240</b>	<b>-505</b>	<b>-745</b>	<b>-240</b>	<b>-402</b>	<b>-642</b>
<b>Carrying amount at year-end</b>	<b>0</b>	<b>294</b>	<b>294</b>	<b>0</b>	<b>314</b>	<b>314</b>

Parent Company			2012			2011
	Brand	Other	Total	Brand	Other	Total
Cost at start of year	240	423	663	240	394	634
Investments	–	30	30	–	29	29
Other	–	-1	-1	–	–	–
<b>Accumulated cost at year-end</b>	<b>240</b>	<b>452</b>	<b>692</b>	<b>240</b>	<b>423</b>	<b>663</b>
Accumulated depreciation at start of year	-240	-213	-453	-240	-136	-376
Depreciation for the year	–	-90	-90	–	-77	-77
<b>Accumulated depreciation at year-end</b>	<b>-240</b>	<b>-303</b>	<b>-543</b>	<b>-240</b>	<b>-213</b>	<b>-453</b>
<b>Carrying amount at year-end</b>	<b>0</b>	<b>149</b>	<b>149</b>	<b>0</b>	<b>210</b>	<b>210</b>

Intangible assets are classified into Brand and Other intangible assets that consist of development of various IT systems. Of these, Brand and SJ Prio Full have been written off in full.

**NOTE 14: INTERESTS IN GROUP COMPANIES**

Parent Company	2012	2011
Carrying amount at start of year	206	204
Acquisition	–	2
<b>Carrying amount at year-end</b>	<b>206</b>	<b>206</b>

Schedule of shares and participations in Group companies	Corp. Id. No.	Reg'd office	No. of shares	Share, % <sup>2</sup>	Carrying amount 2012	Carrying amount 2011
SJ Event AB	556577-3008	Stockholm	1,000	100	0	0
Linkon AB	556577-2984	Stockholm	501,000	100	50	50
SJ Försäkring AB	516401-8458	Stockholm	30,000	100	54	54
SJ Invest AB	556022-1755	Stockholm	700,000	100	87	87
SJ Götalandståg AB	556083-2098	Stockholm	5,000	100	1	1
SJ Adventure AB	556064-8692	Stockholm	5,000	100	10	10
Entertainment AB	556034-4235	Malmö	1,605	100	0	0
SJ Norrlandståg AB	556196-5418	Stockholm	1,000	100	1	1
SJ Service Academy AB	556596-9630	Stockholm	1,000	100	0	0
Stockholmståg KB <sup>1</sup>	969704-4239	Stockholm	1,000	100	0	0
SJ Danmark A/S	33 372 477	Copenhagen	500	100	3	3
<b>Total</b>					<b>206</b>	<b>206</b>

<sup>1</sup> SJ AB is a full partner, and SJ Invest AB a general partner, in Stockholmståg KB. Participations are shared in the Group by SJ AB, 68%, and SJ Invest AB, 32%.

<sup>2</sup> The share of equity capital corresponds to the share of voting rights.

## NOTE 15: INTERESTS IN ASSOCIATED COMPANIES

		Group	Parent Company
	2012	2011	2012
Accumulated costs at start of year	20	20	16
Purchases	–	–	0
Marketing	–	0	0
<b>Accumulated costs at year-end</b>	<b>20</b>	<b>20</b>	<b>16</b>
Accumulated shares in profits at start of year	3	6	–
Share of associated companies' profit for the year	-9	-3	0
<b>Accumulated shares in profits at year-end</b>	<b>-6</b>	<b>3</b>	<b>–</b>
Accumulated impairment losses at start of year	-3	-3	-5
Impairment losses for the year	–	–	-9
<b>Accumulated impairment losses at year-end</b>	<b>-3</b>	<b>-3</b>	<b>-14</b>
<b>Carrying amount at year-end</b>	<b>11</b>	<b>20</b>	<b>2</b>

## Schedule of Group's and Parent Company's participations in associated companies and carrying amount

	Corp. Id. No.	Reg'd office	No. of shares	Share %	2012	Group 2011	Parent Company 2012	Parent Company 2011
Amadeus Sweden AB	556277-9461	Stockholm	13,050	22	9	8	1	1
Sveriges Kommunikationer AB	556005-5955	Stockholm	150	50	1	1	1	1
Kust till Kust AB	556481-7822	Karlskrona	60	25	0	0	0	0
Merresor i Sverige AB	556584-2134	Stockholm	500	50	–	2	–	0
Trafik i Mälardalen AB	556083-1959	Stockholm	400	50	1	1	0	0
Fly Rail AB	556773-5252	Stockholm	50,000	50	0	2	0	6
Botniatåg AB	556801-1828	Stockholm	100,000	40	0	6	0	8
<b>Total participations in associated companies</b>					<b>11</b>	<b>20</b>	<b>2</b>	<b>16</b>

## Schedule of assets, liabilities, provisions, profit and income of associated companies

	Corp. Id. No.	Reg'd office	Assets	Liabilities	Profit/loss	2012 Income	2012 Assets	2012 Liabilities	2012 Profit/loss	2011 Income
Amadeus Sweden AB	556277-9461	Stockholm	85	25	1	7	94	36	2	1
Sveriges Kommunikationer AB	556005-5955	Stockholm	4	0	0	–	5	1	1	–
Kust till Kust AB	556481-7822	Karlskrona	0	0	0	0	1	0	1	1
Merresor i Sverige AB	556584-2134	Stockholm	–	–	–	–	1	0	-1	0
Trafik i Mälardalen AB	556083-1959	Stockholm	3	3	0	7	3	1	0	6
Fly Rail AB	556773-5252	Stockholm	0	0	-8	1	8	0	-2	3
Botniatåg AB	556801-1828	Stockholm	67	56	-4	92	29	16	-5	40
<b>Total participations in associated companies</b>			<b>159</b>	<b>84</b>	<b>-11</b>	<b>107</b>	<b>141</b>	<b>54</b>	<b>-4</b>	<b>51</b>

## NOTE 16: SECURITIES HELD AS NON-CURRENT ASSETS

Holdings of listed shares in companies other than Group or associated companies	2012	Group 2011	Parent Company 2012	Parent Company 2011
Carrying fair value amount at start of period	0	0	0	0
<b>Carrying amount at year-end</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**NOTE 17: NON-CURRENT RECEIVABLES**

	2012		Group 2011		2012		Parent Company 2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bank deposits	470	470	454	454	323	323	311	311
<b>Total</b>	<b>470</b>	<b>470</b>	<b>454</b>	<b>454</b>	<b>323</b>	<b>323</b>	<b>311</b>	<b>311</b>

Non-current receivables relate to deposits of SEK 323 million (311) in respect of financial leases with Nordea Finans Sverige AB.

The deposits are in part tied up in non-current investments, with a term to maturity of up to 2.5 years, which are measured at market value.

SJ Försäkring AB has made long-term investments to guarantee actuarial commitments.

The market value of the investments totalled SEK 147 million (143) on the balance-sheet date.

**NOTE 18: ACCOUNTS RECEIVABLE – TRADE**

SJ's trade receivables are made up of a large number of small outstanding amounts from private individuals, as well as receivables from companies in various sectors. With the aim of reducing the risk of bad debt losses, the credit information necessary is obtained from external sources, in line with SJ's credit policy. Credit losses in

the SJ Group amounted to SEK -13 million (-19). The decrease is attributable to a lower level of credit card fraud. Losses as a proportion of SJ's net sales totalled 0.2% (0.3).

Bad debts on the balance-sheet date totalled SEK 3 million (2).

Maturity structure – trade accounts receivable	Group		Parent Company	
	2012	2011	2012	2011
< 30 days	353	219	161	119
30–60 days	-6	-8	0	-8
60–90 days	1	1	-2	1
> 90 days	-1	0	–	0
<b>Total</b>	<b>348</b>	<b>212</b>	<b>159</b>	<b>112</b>

Of whom

Bad debts	Group	
	2012	2011
Bad debts at start of year	2	3
Provision for anticipated losses	16	20
Receivables collected	-2	-2
Confirmed losses	-13	-19
<b>Bad debts at year-end</b>	<b>3</b>	<b>2</b>

**NOTE 19: OTHER RECEIVABLES**

	Group		Parent Company	
	2012	2011	2012	2011
VAT and other tax assets	160	155	131	109
Insurance claim	23	29	23	28
Unrealised exchange gain	19	19	19	19
Damage, rolling stock	76	41	76	41
Other receivable	10	13	–	–
Recourse	10	18	–	–
<b>Total</b>	<b>298</b>	<b>275</b>	<b>249</b>	<b>197</b>

**NOTE 20: PREPAID EXPENSES AND ACCRUED INCOME**

		Group	Parent Company
	2012	2011	2012
			2011
Prepaid rolling stock expenses	4	4	4
Prepaid lease expenses	43	66	33
Maintenance expenses	0	15	0
Station fees	8	10	10
Other prepaid expenses	100	64	49
Accrued interest income	11	18	18
Other accrued income	35	40	8
<b>Total</b>	<b>201</b>	<b>217</b>	<b>115</b>
			<b>122</b>

Other prepaid expenses consist in large part of prepaid IT licences.

**NOTE 21: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT****Management of financial risks**

SJ's financial policy is approved by SJ AB's Board of Directors and mandates the Treasury function to manage the Group's financial risks.

**Market risk**

SJ's business is capital-intensive and items of its property, plant and equipment are debt-financed, via leases and bank loans.

Market risk is the risk associated with SJ's exposure to fluctuations on financial markets. This risk consists of currency risk, interest rate risk and other price risks.

**Currency risk**

SJ's currency risk consists exclusively of transaction exposure, that is, payments in foreign currencies in connection with investments and purchases or sales of goods and/or services.

SJ's transaction exposure in day-to-day operations is limited.

SJ's finance policy states that SJ's net exposure in foreign currency held for other than hedging purposes may not exceed the equivalent of SEK 50 million.

Major investments are continuously hedged using currency forwards via the currency market.

The value of SJ's currency forwards changes constantly, as exchange rates change. When foreign currency transactions are entered into, their purpose is to secure payment flows.

When cash flow hedging is used and hedge accounting is applied, value changes are recognised in other comprehensive income.

On the balance sheet date, SJ had outstanding currency derivatives, relating to major investments, to a nominal value of SEK 0 million (287). The fair value of these positions was SEK 0 million (-7). In addition, SJ held currency derivatives to a nominal value of SEK 153 million (397) for the purpose of financial hedging in foreign currencies. The fair value of these positions was SEK 19 million (18).

**Interest rate risk**

The Group's finance costs and yield on cash and cash equivalents are influenced by changes in market interest rates.

SJ's borrowings consist mainly of non-current financial leases at floating rates of interest.

However, the Company's finance policy stipulates that the average fixed-interest term in its debt portfolio shall be in the range of 1-2 years.

Interest rate swaps are used to manage interest rate exposure and achieve the desired fixed-interest period. The swaps convert floating interest rates into fixed rates for parts of the debt portfolio.

The average fixed-interest term for the Group's interest-bearing borrowings was 1.2 years (1.4) on the balance-sheet date.

The value of the interest rate swaps held by SJ to extend the average fixed-interest term is affected instantly by changes in market interest rates.

SJ's outstanding interest rate derivative instruments had a market value of SEK -24 million (-18) at year-end.

**Other price risks**

Other price risks refers to the risk that the fair value of a financial instrument could be affected by factors other than currency and interest rate fluctuations. SJ is exposed to other price risks in the valuation of its bond portfolio, in that an issuer's credit risk premium and the general trend of market credit spreads could change. SJ only holds bonds with a high rating, which means a lower credit risk premium and less extreme fluctuations.

SJ's holdings of bonds with a maturity of more than 1 year amounted to SEK 871 million (954) on the balance-sheet date.

**Credit and counterparty risk**

Credit and counterparty risk is the risk of a transaction counterparty being unable to fulfil its undertakings, thereby causing SJ a financial loss.

SJ is exposed to this risk above all when investing surplus cash in financial assets, but also in financial derivatives contracts, in guarantees and in extending credit to commercial customers.

**Financial credit risk**

SJ's finance policy regulates how liquidity is to be invested. Counterparties in short-term investment must have a credit rating of K-1 or higher.

Ratings are not required for central government, municipalities, county councils and State-owned enterprises.

Long-term investments of maturities of up to 5 years may be made in banks with a rating of not lower than A.

To limit concentration risk, restrictions apply in respect of amount per counterparty.

On the balance sheet date, 31 December 2012, total counterparty exposure in investments totalled SEK 1,246 million (1,130).

Of the total counterparty exposure, financial assets measured at fair value amounted to SEK 871 million (1,082).

All of SJ's balances can be valued on the basis of prices in an active market, and are therefore included in either hierarchy level 1 or hierarchy level 2.

**Financing risk and liquidity risk**

Financing and liquidity risk arises in relation to rescheduling of loans, meeting payment commitments, limited opportunities for financing and major changes taking place in prices.

## &gt; NOTE 21, cont.

SJ's main sources of finance are cash flow from operating activities and borrowings.

Interest-bearing borrowings consist of non-current financial leases with Nordea Finans Sverige AB at floating interest rates.

In addition, SJ has a lease on a maintenance workshop from Jernhusen. In view of the long fixed-interest period, this is accounted for as a fixed-rate financial lease. Financing and liquidity risks are managed within the framework of the finance policy.

To ensure that the Group has liquidity available at any given time, the finance policy states that SJ must at any one time be able to access a liquidity reserve amounting to not less than SEK 500 mil-

lion. It must be possible to access this reserve within three business days. The reserve includes cash, market-listed financial investments that can be sold within three business days, and unutilised but confirmed credits.

On the balance sheet date, sources of finance available to the business within three days totalled SEK 1,045 million (1,001).

At the same point in time, SJ also had unutilised credit facilities totalling SEK 100 million (100).

SJ limits its financing risk by managing the terms to maturity of its loans to ensure that the loan portfolio has an appropriate structure over time.

**Terms to maturity of outstanding financial liabilities**

Financial liabilities measured at amortised cost	Group 31 Dec 2012			Group 31 Dec 2011		
	Interest	Amortisation	Cash flow	Interest	Amortisation	Cash flow
Within 1 year	49	183	232	54	1,067	1,121
1–2 years	42	786	827	32	146	178
2–3 years	21	415	436	24	748	772
3–4 years	22	40	62	6	377	383
4–5 years	23	41	64	2	3	5
5 years or more	86	626	712	7	24	31
<b>Total</b>	<b>243</b>	<b>2,091</b>	<b>2,333</b>	<b>125</b>	<b>2,365</b>	<b>2,490</b>
Less current portion	-49	-183	-232	-54	-1,067	-1,121
<b>Total non-current portion</b>	<b>193</b>	<b>1,908</b>	<b>2,101</b>	<b>71</b>	<b>1,298</b>	<b>1,369</b>

**Financial derivative instruments**

Group / Parent Company	31 Dec 2012		31 Dec 2011	
	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps	950	-24	1,100	-18
Currency forwards, positive	5	–	397	18
Currency forwards, negative	158	19	287	-7
<b>Total</b>	<b>1,113</b>	<b>-5</b>	<b>1,784</b>	<b>-7</b>

Total market value of derivative instruments held for hedging purposes, including financial hedging, totalled SEK -5 million (-7) at year-end 2012. Of these, the market value of derivatives qualifying for hedge accounting totalled SEK -24 million (-9).

Group / Parent Company	31 Dec 2012		31 Dec 2011	
	Interest rate swaps	Currency forwards	Interest rate swaps	Currency forwards
<b>Maturity structure of derivatives</b>				
Within 1 year	–	153	250	527
1–2 years	550	–	–	158
2–3 years	300	–	550	–
3–4 years	–	–	300	–
4–5 years	100	–	–	–
5 years or more	–	–	–	–
<b>Total</b>	<b>950</b>	<b>153</b>	<b>1,100</b>	<b>685</b>

**Sensitivity analysis**

SJ's borrowings consist mainly of bank loans and non-current financial leases at floating rates of interest based on 3- or 6-month STIBOR.

In order to manage the interest rate exposure and achieve the desired fixed-interest period, derivative instruments such as interest rate swaps are used to convert a floating rate to a fixed rate. SJ's interest-bearing borrowings amount to SEK 2,089 million. As SJ has purchased seven interest rate swaps for a total nominal amount of SEK 950 million, SJ's direct transaction exposure at a change in interest rates of +1% amounts to an annual loss of approximately SEK -11 million. SJ's interest rate swaps totalling SEK 1,102 million have an average term to maturity of 2.2 years, representing an instantane-

ous value increase of approximately SEK +20 million in response to a movement of +1% in the curve. When hedge accounting is applied, the value change affects other comprehensive income.

Of SJ's available liquidity totalling SEK 1,045 million, SEK 886 million is invested in instruments with a term to maturity of less than 1 year, or in FRNs.

A 1% increase in interest rates would cause SJ's direct transaction exposure to total around SEK 2 million annually.

A +1% shift in the interest rate curve would cause the value of SJ's fixed-interest bond portfolio to fall instantaneously by about SEK -4 million.

## &gt; NOTE 21, cont.

**Sensitivity analysis****Change in interest rates, +1%, all interest rates (SEK m)**

	Volume	Changes in value	Impact on income over a year
Interest-bearing borrowings	2,089		-21
Interest hedging instruments	950	20	10
<b>Transaction exposure in debt portfolio</b>	<b>1,139</b>		<b>-11</b>
Short-term investments and FRNs	886		9
<b>Total transaction exposure</b>	<b>253</b>		<b>-2</b>
Fixed-interest bond portfolio		-4	

With a net debt of SEK 693 million on 31 December 2012, a 1% change in market interest rates generates annual exposure of SEK 7 million (11) in the long term. With SEK 7 million (5) in foreign currency-denominated assets at year-end for purposes other than hedging, a 10% change in the value of the Swedish krona against other currencies would have an impact of SEK -1 million on profit or loss.

**Classification of financial instruments**

Classification of financial instruments					2012		2011	
Group	Category	Valuation	Note	Carrying amount	Fair value	Carrying amount	Fair value	
Non-current assets								
Securities held as non-current assets	Financial assets measured at fair value via profit/loss	Fair value	16	0	0	0	0	
Bank deposits	Held until maturity	Amortised cost	21	179	179	–	–	
Other non-current receivables	Available-for-sale financial assets	Fair value		291	291	454	454	
Total financial non-current assets				17	470	470	454	
Current assets								
Trade receivables and other receivables	Loan receivables and trade receivables	Amortised cost	18, 19	646	646	487	487	
Short-term deposits								
Commercial paper	Available-for-sale financial assets	Fair value	21	55	55	57	57	
Bonds	Financial assets measured at fair value via profit/loss	Fair value	21	725	725	864	864	
Total current assets					780	780	921	
Cash and cash equivalents								
Cash in hand and on deposit	Loan receivables and trade receivables	Amortised cost	21	320	320	48	48	
Total cash and cash equivalents					320	320	48	
Derivatives								
Interest rate swaps	Derivatives identified as hedging instruments	Fair value	21	-24	-24	-18	-18	
Currency forwards	Derivatives identified as hedging instruments	Fair value	21	–	–	-7	-7	
Currency forwards	Financial hedge held for resale	Fair value	21	19	19	18	18	
Total derivatives					-5	-5	-7	
Financial liabilities								
Lease liabilities	Financial liabilities measured at amortised cost	Amortised cost	23	1,298	1,298	2,365	2,365	
Bank loans	Financial liabilities measured at amortised cost	Amortised cost	23	793	793	–	–	
Trade payables and other liabilities	Financial liabilities measured at amortised cost	Amortised cost	21	687	687	545	545	
Other liabilities	Financial liabilities measured at amortised cost	Amortised cost	23	215	215	164	164	
Total financial liabilities					2,993	2,993	3,074	



## &gt; NOTE 21, cont.

Hierarchy level for financial instruments measured at fair value	2012	2011
Hierarchy 1	0	0
Hierarchy 2	1,066	1,368
<b>Total financial instruments measured at fair value</b>	<b>1,066</b>	<b>1,368</b>

**Non-current assets**

Securities held as non-current assets consist of shares in other companies (see Note 16). Fair value refers to the share of the Company's book equity that the holding represents.

Other non-current receivables include long-term deposits that serve as security for lease financing of double-decker trains, totalling SEK 323 million (311). Parts of the deposits are tied to non-current investments with a term to maturity of up to 2.5 years, which are measured at market value (see Note 17) at SEK 147 million (143).

**Current assets**

Trade receivables are carried to the extent that they are expected to result in full payment. The total amount has been adjusted for anticipated credit losses.

Short-term deposits included in the category of current assets are investments with a term to maturity of more than three months.

Bonds are held in order to increase the return on SJ's financial assets. Bond holdings are classified as being held for trading and their fair value is measured regularly via income.

**Cash and cash equivalents**

Cash and bank balances comprise balances in SEK and foreign currency. The fair value of these assets is the amount receivable by SJ on the balance sheet date. Commercial paper is classified as cash and cash equivalents, if the term is less than three months.

**Derivatives**

Derivatives refer to derivatives outstanding on the balance-sheet date and were valued at SEK -5 million (-7).

**Financial liabilities**

Financial liabilities measured at amortised cost comprise lease liabilities, bank loans, trade payables and other liabilities.

SJ's credit terms for bank and lease loans are regarded as being in line with the market, and since the liabilities carry floating-rate STIBOR-based interest rates, SJ considers that overall the amortised cost is essentially an accurate reflection of the fair value.

Trade payables and other current liabilities are carried to the extent that the amounts are expected to be settled.

**Fixed-interest and borrowing**

On 31 December 2012, the average interest rate on total long-term interest-bearing liabilities outstanding was 1.9% (2.9) excluding, and 2.5% (3.4) including, interest-rate derivatives.

In addition, SJ has an unutilised credit facility of SEK 100 million (100) with Nordea Bank AB.

The Group's total granted loan commitments at the balance sheet date had an average term of 4.3 years (2.1).

**NOTE 22: EQUITY****GROUP****Share capital**

Under SJ AB's Articles of Association, the share capital shall be no less than SEK 400 million and no more than SEK 1,600 million. All the shares are fully paid up. No shares are held by the Company itself or its subsidiaries. There are no A shares, B shares or preference shares in SJ AB.

The number of shares is 4,000,000 and the quota value is SEK 100 per share.

**Reserves**

For certain derivatives, interest-rate swaps and currency forwards, hedge accounting is applied, which means that any change in value is taken to equity in the balance sheet via other comprehensive income. On 31 December 2012, derivatives totalled SEK-24 million.

**Cash-flow hedging and Available-for-sale financial assets**

Any change in value of derivatives, that is to say gains and losses attributable to non-settled cash flow hedges, is recognised against reserves within equity in order to be later taken to the income statement as a hedged transaction. The change in the value of available-for-sale financial assets is recognised in other comprehensive income.

**Deferred tax on cash-flow hedges and available-for-sale financial assets**

Deferred tax is recognised in other comprehensive income.

**Retained earnings including profit for the year**

Profit brought forward includes profit for the year and the part of untaxed reserves that constitutes equity, as well as non-distributed profit in associated companies.

**Owner's objectives and continuity**

SJ regularly evaluates the Company's capital structure on the basis of the directives approved by the AGM.

In order to maintain a stable financial situation, the equity/assets ratio shall be no less than 30 percent.

SJ's operations should generate a return on equity of no less than 10 percent over a business cycle.

Regular dividend to the owner shall amount to one-third of the profit for the year, provided that the equity/assets ratio exceeds 30 percent. SJ applies a weighted return on capital requirement in assessing major investments and projects.

## &gt; NOTE 22, cont.

	31 Dec 2012	31 Dec 2011
Financial liabilities (interest-bearing)	2,263	2,529
Financial assets (interest-bearing)	-1,570	-1,423
<b>Net liability</b>	<b>693</b>	<b>1,106</b>
Total equity	4,895	4,434
Cash flow hedges and available-for-sale financial assets	-9	-15
<b>Adjusted equity</b>	<b>4,886</b>	<b>4,419</b>
Debt/equity ratio	0.4	0.6

In 2012 SJ's equity/assets ratio rose from 49.6% to 50.1%.

**PARENT COMPANY****Restricted and unrestricted reserves**

Under Swedish law, equity is divided into restricted and unrestricted equity.

The amount available for distribution is subject to both a specified limit and a principle of prudence. The specified limit means that no dividend is paid unless there is full cover for restricted equity immediately after the dividend is paid.

In addition, under the principle of prudence, dividend may only be paid if justifiable in view of the risks represented by the nature and scale of the operation to the equity of the Parent Company and Group.

The restricted equity consists of share capital of SEK 400 million (400) and a statutory reserve of SEK 200 million (200).

Schedule of reserves, other comprehensive income	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Group, SEK m.	Cash flow hedges	Cash flow hedges	Available-for-sale financial assets	Available-for-sale financial assets
<b>Opening balance for the year</b>	-19	-9	4	7
Change in value of available-for-sale assets	-	-	5	-4
Change in value of cash flow hedges	-21	-28	-	-
To income statement	2	9	-	-
To balance sheet	24	5	-	-
Tax effect	-2	4	-1	1
<b>Closing balance for the year</b>	<b>-16</b>	<b>-19</b>	<b>8</b>	<b>4</b>

**NOTE 23: INTEREST-BEARING LIABILITIES**

SJ's borrowing consists of bank loans and financial lease contracts. The financial lease contracts run until 2014–2015 and do not include any covenants - that is, any financial credit terms.

SJ has a lease on a workshop for the maintenance of double-decker trains. The lease runs until 31 December 2024. It is classified as a financial lease.

An annual amortisation expense for the financial lease liability of SEK 3 million is recognised in respect of the workshop for rolling stock maintenance.

In October 2012, SJ raised new bank loans totalling SEK 800 million. SJ's bank loans run until 2020-2022 and do not include any covenants, but 9 SJ 3000 trains have been used as security for

the loans. SJ rents workshop premises in Olskroken, Hagalund and Västerås, which are sub-let to SJ's maintenance suppliers.

Annual rent payable under the leases totals SEK 50 million.

SJ has financial leases with Nordea Finans Sverige AB (Nordea Finans) for 42 double-decker trains.

The total finance lease liability pertaining to the double-deckers totalled SEK 1,262 million (1,402) on the balance-sheet date.

Of this liability, SEK 1,120 million (1,262) is non-current, while SEK 142 million (140) is current and relates to the portion of liability that falls due for payment within one year. The lease contracts entered into expire in 2014 and 2015.

Group	2012	2011
Future minimum lease payments	1,333	2,524
Interest	-35	-159
<b>Present value of future minimum lease payments</b>	<b>1,298</b>	<b>2,365</b>

## &gt; NOTE 23, cont.

Group	2012		2011	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
<b>Maturity structure of leases</b>				
Within 1 year	164	162	1,135	1,102
<b>Total current lease liabilities</b>	<b>164</b>	<b>162</b>	<b>1,135</b>	<b>1,102</b>
In more than 1 year but less than 5 years	1,144	1,113	1,358	1,239
More than 5 years	25	23	31	24
<b>Total non-current lease liabilities</b>	<b>1,169</b>	<b>1,136</b>	<b>1,389</b>	<b>1,263</b>
<b>Total lease liabilities</b>	<b>1,333</b>	<b>1,298</b>	<b>2,524</b>	<b>2,365</b>

Minimum lease payments include interest and contractual amortisation, plus the residual value of existing lease liabilities.

	2012	2011
<b>Bank loans, maturity structure</b>	<b>Amortisation</b>	<b>Amortisation</b>
Within 1 year	37	–
<b>Total current bank loans</b>	<b>37</b>	<b>–</b>
In more than 1 year but less than 5 years	150	–
More than 5 years	606	–
<b>Total long-term bank loans</b>	<b>756</b>	<b>–</b>

## Operating leases

Group	2012			2011		
<b>Future payment commitments in nominal values</b>	<b>Rolling stock</b>	<b>Premises</b>	<b>Total</b>	<b>Rolling stock</b>	<b>Premises</b>	<b>Total</b>
Within 1 year	484	312	796	405	326	731
1–2 years	473	280	753	369	307	676
2–3 years	473	237	710	320	287	607
3–4 years	291	138	429	320	226	546
4–5 years	110	30	139	160	136	296
5 years or more	108	66	174	0	8	8
<b>Total</b>	<b>1,939</b>	<b>1,064</b>	<b>3,002</b>	<b>1,574</b>	<b>1,290</b>	<b>2,865</b>

The Group's operating leases relate for the most part to rolling stock and commercial premises. The contract period varies from 0 to 5 years. The lease contracts are based on standard market terms. In 2012, rental payments of SEK 737 million (724) were made.

## NOTE 24: PROVISIONS

Group	Accident annuities		Re-restructuring		Insurance contracts		Loyalty programme		Other		Total Total	
<b>Provisions</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Provision at start of year	164	141	5	19	80	104	99	95	48	35	396	394
Provisions	10	25	70	1	29	22	25	27	164	245	297	371
Estimated interest rate	4	4	–	–	–	–	–	–	–	–	4	4
Dissolved/utilised	-6	-6	-20	-15	-38	-46	-31	-22	-174	-232	-269	-373
<b>Total</b>	<b>172</b>	<b>164</b>	<b>55</b>	<b>5</b>	<b>71</b>	<b>80</b>	<b>93</b>	<b>99</b>	<b>38</b>	<b>48</b>	<b>428</b>	<b>397</b>
<b>Distribution in balance sheet</b>												
Non-current provisions	165	158	5	0	17	25	17	60	0	2	211	245
Current provisions	7	6	28	5	54	55	76	40	37	46	217	152
<b>Total</b>	<b>172</b>	<b>164</b>	<b>33</b>	<b>5</b>	<b>71</b>	<b>80</b>	<b>93</b>	<b>99</b>	<b>38</b>	<b>48</b>	<b>428</b>	<b>397</b>

## &gt; NOTE 24, cont.

## Parent Company

Provisions	Accident annuities		Re-restructuring		Loyalty programme		Other		Total Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Provision at start of year	115	99	5	19	99	95	44	32	264	245
Provisions	–	17	48	1	25	27	162	244	235	289
Estimated interest rate	4	4	–	–	–	–	–	–	4	4
Dissolved/utilised	-5	-5	-20	-15	-31	-22	-174	-232	-230	-274
<b>Total</b>	<b>114</b>	<b>115</b>	<b>33</b>	<b>5</b>	<b>93</b>	<b>99</b>	<b>33</b>	<b>44</b>	<b>273</b>	<b>264</b>
<b>Distribution in balance sheet</b>										
Non-current provisions	109	110	5	0	17	60	0	2	132	172
Current provisions	5	5	28	5	76	40	32	42	141	92
<b>Total</b>	<b>114</b>	<b>115</b>	<b>33</b>	<b>5</b>	<b>93</b>	<b>99</b>	<b>32</b>	<b>44</b>	<b>273</b>	<b>264</b>

**Accident annuities**

Accident annuities relate to compensation paid to just over 60 people injured mainly before SJ was converted to limited liability status. Accident annuities are life-long, but at the age of 65 the annuity is in almost all cases reduced by half, or if the individual was very young at the time of the injury the annuity is reduced by up to two-thirds. All accident annuities are uprated annually in line with the change in Sweden's price base amount. The payments to annuity holders are expected to continue for a further just over 50 years.

Calculation of the reserve is based on assumptions of life expectancy, discount rate and the index by which the index-linked annuities have been uprated. The discount rate used is based on the yield curve.

**Insurance contracts**

When SJ was converted to limited liability status, a lump-sum premium was paid to SJ Försäkring AB to cover the commitment for compensation of injuries, settlement of which had not been completed at the time of conversion. These injuries are known as run-off injuries.

**Loyalty programme**

SJ Prio, SJ's customer loyalty programme, was launched in 2007. Today, SJ Prio has around 907,000 members, of whom 100,000 signed up in 2012.

Revenue relating to SJ Prio is recognised using IFRIC 13, Customer Loyalty Programmes, meaning the initial sale is divided according to the component method, whereby a portion of the revenue is reserved as a payment obligation for the future bonus commitment. The customer loyalty programme provides rewards in the form of points when the member buys from SJ and selected partners. The points can then be redeemed, for example, as payment for travel and hotel accommodation. Membership is free and is available on three levels, white, grey and black, of which black is the highest. The programme promotes and rewards loyalty. The more that customers travel with SJ, the more offers and benefits they receive.

**Other**

The provision in 2012 consisted primarily of the travel time guarantee and restoration costs.

## NOTE 25: ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2012	2011	2012	2011
Personnel-related expenses	228	188	172	169
Electricity and infrastructure charges	107	76	82	61
Rolling-stock related expenses	261	86	250	86
Other accrued expenses	119	107	62	76
Prepaid annual season and other tickets	264	286	264	286
Other deferred income	37	55	37	50
<b>Total</b>	<b>1,016</b>	<b>798</b>	<b>867</b>	<b>728</b>



**NOTE 26: INVESTING ACTIVITIES**

During the year, property, plant and equipment and intangible assets totalling SEK 1,116 million in the Group and totalling SEK 1,059 million in the Parent Company were acquired. The bulk of the investments consisted of 19 sets of SJ 3000 trains, for which the total investment was SEK 759 million, that SJ took possession of.

Investments	Investments				Statement of cash flows			
	2012	Group 2011	Parent Company 2012	Parent Company 2011	2012	Group 2011	Parent Company 2012	Parent Company 2011
<b>Investments in property, plant and equipment and intangible assets</b>								
Investments in intangible assets	83	84	30	29	83	84	30	29
Other investments in property, plant and equipment	1,033	785	1,029	781	720	785	716	781
<b>Total investments in property, plant and equipment and intangible assets</b>	<b>1,116</b>	<b>869</b>	<b>1,059</b>	<b>810</b>	<b>803</b>	<b>869</b>	<b>746</b>	<b>810</b>
<b>Financial investments</b>								
Acquisition of shares and participations	–	–	–	3	–	–	–	-3
<b>Total financial investments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-3</b>
<b>Total investments</b>	<b>1,116</b>	<b>869</b>	<b>1,059</b>	<b>813</b>	<b>803</b>	<b>869</b>	<b>746</b>	<b>807</b>

Sales – cash flow	Group		Parent Company	
	2012	2011	2012	2011
<b>Sale of property, plant and equipment</b>				
Sale of rolling stock/components	7	243	6	242
<b>Total sales of property, plant and equipment</b>	<b>7</b>	<b>243</b>	<b>6</b>	<b>242</b>
<b>Total sales</b>	<b>7</b>	<b>243</b>	<b>6</b>	<b>242</b>

**NOTE 27: PLEDGED ASSETS**

	Group		Parent Company	
	2012	2011	2012	2011
Security for loans raised	993	–	993	–
Deposits	323	311	323	311
<b>Total</b>	<b>1,316</b>	<b>311</b>	<b>1,316</b>	<b>311</b>

Deposits consist of cash and cash equivalents and serve as security in financing double-decker trains. The assets are held via financial leases, see Note 23. In connection with loans raised from Nordea and Nordiska Investeringssbanken in October 2012, nine SJ 3000 trains with a book value of SEK 993 million were placed as security for loans raised totalling SEK 800 million.

**NOTE 28: CONTINGENT LIABILITIES**

	Group		Parent Company	
	2012	2011	2012	2011
Contingent liabilities	145	429	366	631
<b>Total</b>	<b>145</b>	<b>429</b>	<b>366</b>	<b>631</b>

The bulk of SJ's investment commitment relates to SJ 3000s, for which upcoming payments total SEK 126 million (408).

As full partner, the Parent Company also has a commitment totalling SEK 221 million (202) in relation to Stockholmståg KB.

Net profit for the year for Stockholmståg KB is included in the Group's income.

SJ AB has received invoices from Jernhusen AB relating to capital cost compensation payments from AB Storstockholms Lokaltrafik.

SJ AB and Jernhusen AB entered into an accord in 2012 to cease invoicing and issuing credits for invoices issued pertaining to the period beginning on 1 January 2011. The accord also included an agreement to the effect that if Jernhusen AB were, in the event of a future legal test, found to be entitled to capital compensation, any right to interest on overdue payment that might accrue to Jernhusen AB under the Swedish Interest Act shall be calculated as if invoicing had taken place on an ongoing basis as of 1 January 2011.

**NOTE 29: EVENTS AFTER THE FINANCIAL YEAR-END**

On 24 January, the Swedish Competition Authority announced that it had referred the case to the Administrative Court to test whether SJ AB's operations are subject to the provisions of the Act on Procurement in the Water, Energy, Transport and Postal Services Sectors, LUF (SFS 2007:1092), and whether the Act thus applies to pro-

curement by SJ AB. In SJ AB's view, its operations are not such that they are subject to the Act. If the Administrative Court shares the Competition Authority's view, SJ AB may be subject to procurement damages of SEK 8.5 million.

## Directors' declaration

The undersigned declare that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and in accordance with generally accepted accounting practice; that they provide a true and fair view of the finan-

cial position and results of the Group and the Parent Company; and that Directors' report provides a true and fair view of the Company's operations, financial position and results and describes material risks and uncertainties faced by the companies included in the Group.

Stockholm, 21 March 2013

Jan Sundling  
Chair of the Board

Eivor Andersson  
Non-Executive Director

Lars-Olof Gustavsson  
Non-Executive Director

Lena Olving  
Non-Executive Director

Michael Thorén  
Non-Executive Director

Siv Svensson  
Non-Executive Director

Gunilla Wikman  
Non-Executive Director

Per Hammarqvist  
Non-Executive Director

Thomas Winäs  
Non-Executive Director

Erik Johannesson  
Non-Executive Director

Christer Fritzon  
Chief Executive Officer

Our Audit Report was submitted on 21 March 2013

Ernst & Young AB

Lars Träff  
Authorised Public Accountant

Per Redemo  
Authorised Public Accountant

APPOINTED BY RIKSREVISIONEN  
(THE SWEDISH NATIONAL AUDIT OFFICE)

# Auditors' report

To the Annual General Meeting of SJ AB, Corp. Id. No.  
556196-1599

## REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

We have audited the annual report and consolidated accounts for SJ AB for 2012, but not the corporate governance report on pages 54–63. The annual report and the consolidated accounts are included on pages 49–106 of the printed version of this document.

### Respective responsibilities of the Board of Directors and the Chief Executive Officer (CEO) with regard to the annual report and the consolidated accounts

The Board of Directors and the CEO are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated accounts that provide a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act, as well as for the internal systems of control that the Board of Directors and CEO deem to be necessary in order to prepare an annual report and consolidated accounts that are free of material misstatement, whether caused by irregularity or error.

### Responsibilities of the auditor

Our responsibility is to express our opinion on the annual report and consolidated accounts on the basis of our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. Those standards require that we observe the requirements of professional ethics and that we plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated accounts are free from material misstatement.

An audit includes obtaining, by variety of measures, accounting evidence supporting the amounts and disclosures in the annual report and consolidated accounts. The auditor decides which actions should be taken, for example by determining the risks of material misstatements in the annual report and the consolidated accounts, whether caused by ir-

regularity or error. In determining risks in this way, the auditor considers which aspects of internal systems of control are relevant to how the company prepares the annual report and the consolidated accounts to provide a true and fair view, in order to devise audit measures that are fit-for-purpose with regard to the circumstances, but not in order to state an opinion as to the efficacy of the company's internal systems of control. An audit also includes an assessment of the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the CEO in the accounts, as well as an assessment of the overall presentation of the annual report and the consolidated accounts.

We believe that the accounting evidence we have obtained provides an adequate and appropriate basis for our opinions.

### Opinions

In our view, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position on 31 December 2012 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Group's financial position on 31 December 2012 and of its financial results and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. Our opinions do not refer to the corporate governance report on pages 54-63. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend to the Annual General Meeting that the income statement and balance sheet of the parent company and the statement of comprehensive income and the statement of changes in financial position of the group be adopted.

## REPORT ON OTHER REQUIREMENTS UNDER LEGISLATION AND OTHER REGULATIONS

In addition to our audit of the annual report and the consolidated accounts, we have also reviewed the proposed treatment of the company's profit or loss and the administration of the affairs of SJ AB by the Board and the CEO in the year 2012.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed arrangements for the company's profit or loss, and the Board and CEO are responsible for administration under the Swedish Annual Accounts Act. It is also responsible for ensuring that the corporate governance report on pages 54-63 has been prepared in accordance with the Government's Ownership Policy and Guidelines for State-owned Enterprises.

### Responsibilities of the auditor

Our responsibility is to express an opinion with a reasonable degree of assurance as to the proposed treatment of the company's profit or loss and as to the administration based on our review. We conducted our audit in accordance with generally accepted auditing practice in Sweden.

As a basis for our opinion on the Board's proposed arrangements for the company's profit or loss, we have examined the Board's reasoned statement, as well as documents, on a test basis, in support of this statement, in order to be able to determine whether the proposed arrangements are consistent with the Swedish Annual Accounts Act.

As a basis for our opinion concerning discharge from liabil-

ity we examined, in addition to our audit of the annual accounts, significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

We believe that the accounting evidence we have obtained provides an adequate and appropriate basis for our opinions.

Furthermore, we have read the corporate governance report and on the basis of this reading and our knowledge of the company consider that we have sufficient grounds for our opinions. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

### Opinions

We recommend to the annual general meeting of shareholders that the profit be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

A corporate governance report has been prepared and the mandatory information required by the government's ownership policy is consistent with the other parts of the annual report and the consolidated accounts.

Stockholm, 21 March 2013

Ernst & Young AB

Lars Träff  
Authorised Public Accountant

Per Redemo  
Authorised Public Accountant  
APPOINTED BY RIKSREVISIONEN  
(THE SWEDISH NATIONAL AUDIT OFFICE)



# Accounting policies for sustainability reporting

The sustainability report for the SJ Group has been prepared in accordance with SJ's sustainability reporting policies. These policies are based in the Global Reporting Initiative's (GRI) "Sustainability Reporting Guidelines 3.0" (G3). They are also based in large part on the UN's Global Compact and the OECD's Guidelines for Multinational Enterprises.

SJ's sustainability reporting policies are based on the ten reporting principles presented in the GRI's G3 Guidelines. The principles are divided into two categories: four to determine the content and six to assure the quality.

## Determine content

- Materiality
- Stakeholders
- Context
- Completeness

## Ensure quality

- Balance
- Comparability
- Accuracy
- Legality
- Clarity
- Reliability

## Determine content

To ensure a balance and credible presentation of information in SJ's sustainability report, decisions must be taken on what the report is to include. SJ determines content on the basis of materiality with regard to the purpose of the business and SJ's wide-ranging stakeholder engagement through which the expectations and interests of the Company's stakeholders are expressed. The focus has been on highlighting aspects of sustainability that are significant to SJ, especially the Company's environmental impact and its social effects on customers and personnel.

## Materiality

In preparing the sustainability report, information has been included that may be considered important on the basis of the factors comprised by the concept of sustainability. In reporting, SJ includes external factors such as legislation and regulations, factors in its business/operational environment, future challenges, risks and opportunities. Also included are internal factors, including those set forth in GRI, that are considered relevant to SJ's business in particular, such as SJ's vision and policies and other information that may significantly affect how SJ's stakeholders perceive the Company.

## Stakeholders

In its sustainability report, SJ is required to state who the Company's stakeholders are and how SJ has satisfied their expectations and interests. SJ caters to a multi-faceted group of stakeholders.

Maintaining strong relationships and engagement with all stakeholders is important in terms of the Company's development and helps us to identify priority sustainability issues. To be able to ensure that stakeholder needs for information are satisfied and to judge what is important to them, SJ strives to maintain open and constructive engagement. In turn, this ensures that the content of the sustainability report is relevant to SJ's stakeholders. How SJ operates in relation to the environment and its stakeholders shall be based on sound business ethics and consideration and respect for the individual and the environment. SJ's watchwords – reliable, safe, simple and eco-friendly – combined with its core values – innovation, consideration and responsibility – represent the foundation for what the Company's stakeholders should expect of SJ.

## Context

The purpose of SJ's sustainability report is to describe how these sustainability factors are linked to the Company's long-term strategies, risks and opportunities. Information is to be provided on SJ's performance in a broader sustainability context. SJ is also required to demonstrate a good understanding of sustainable development and provide objective information on and objective measurement of the Company's development.

## Completeness

The sustainability report must give stakeholders a complete picture of the impact of the business in terms of sustainability factors. To be "complete", the report must encompass all units of major importance and indicators in accordance with the GRI framework. In SJ's case, this means the inclusion of the appropriate parts of SJ AB, Stockholmtåg KB and SJ Norrlandståg AB. Work on integrating these operations is in progress.

## Ensure quality

A quality-assured and transparent sustainability report enables SJ's stakeholders to make a reasoned assessment of SJ's operations.

### Balance

In the report, balance is ensured through information on both favourable and unfavourable aspects of the Company's operations. The report's credibility is underscored by also bringing negative issues to the fore and highlighting areas for improvement, in turn enabling work on sustainability to be taken to a higher level. Ultimately, this means that the interests of SJ's stakeholders are satisfied. SJ is also required to distinguish clearly what are facts and what are SJ's interpretations. The emphasis in the report must be on the aspects that SJ judges to be most material.

### Comparability

SJ must present information in a way that enables stakeholders to analyse changes over time and compare them to those of other organisations. SJ is required to maintain consistency in methods used for calculation and compilation of data and in reporting of methods and assumptions used to prepare information in the sustainability report. It must be possible for SJ's stakeholders to identify and understand without difficulty material changes in terms of the boundary, scope, length of the reporting period or other significant information. By applying GRI's generally accepted G3 guidelines, SJ ensures straightforward comparability with other organisations.

### Accuracy

SJ's ambition is that the information disclosed in its sustainability report should be accurate and sufficiently detailed for stakeholders to be able to correctly assess the Company's performance. As assurance of the accuracy of the sustainability report, it is certified by an external auditor.

### Legality

To satisfy the requirement of legality, SJ must maintain consistent and up-to-date reporting. Sustainability information is presented annually in conjunction with publication of SJ's Annual Report. On its website, SJ publishes the Company's various sustainability policies and the GRI index of contents, showing SJ's Application Level for G3, with references to where information may be accessed. Information in the sustainability report and on the website is clearly marked with indications as to the time period to which it relates, when the information was last updated and when it will next be updated again.

### Clarity

SJ's ambition is that the information disclosed in its sustainability report should be understandable without difficulty, accessible and usable by SJ's stakeholders. To ensure that its reporting is understandable without difficulty, SJ uses tables and graphics that clarify and illustrate the information presented.

### Reliability

Users of SJ's sustainability report should have confidence in the information presented. SJ operates routines for gathering, recording, compiling, analysing and disclosing the content and processes used in preparation of the report. This ensures that the content of the report is reliable and that the report satisfies the criteria for control. SJ does not present information that cannot be substantiated by reliable documentation.

# Auditor's Review Report on SJ AB's Sustainability Report 2012

To the readers of SJ AB's Sustainability Report 2012

## Introduction

We have been engaged by the Board of Directors of SJ AB to review SJ AB's sustainability report for the year 2012. The Board of Directors and the executive management are responsible for ongoing activities regarding the environment, work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the sustainability report in accordance with the applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

## Nature and scope of the review

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by Far. A review consists of making inquiries, primarily of persons responsible for the preparation of the sustainability report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing practices in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review are based are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), which are applicable to the sustainability report, together with the accounting and calculation policies specifically developed and described by the company. We consider these criteria suitable for the preparation of the Sustainability Report.

Our review comprises the aspects listed in the GRI index of contents on pages 112–117 and the pages referred to by that index of contents.

Our review has, based on an assessment of materiality and risk, inter alia included the following procedures:

- a. update of our knowledge and understanding of SJ AB's organisation and operations,
- b. assessment of suitability and application of the criteria regarding the stakeholders' need for information,
- c. assessment of the outcome of the company's stakeholder engagement,
- d. interviews with managers responsible at selected business units, in order to assess whether the qualitative and quantitative information stated in the sustainability report is comprehensive, accurate and adequate,
- e. shared internal and external documents in order to assess whether the information stated in the Sustainability Report is comprehensive, accurate and adequate.
- f. evaluation of the systems and processes used to gather, handle and validate sustainability information,
- g. evaluation of the model used to calculate carbon dioxide emissions,
- h. analytical review of reported information,
- i. reconciliation of financial information with the Company's 2012 annual report,
- j. assessment of the Company's stated application level according to GRI's guidelines,
- k. consideration of the overall impression of the sustainability report, and its format, considering the consistency of the stated information with applicable criteria, and
- l. reconciliation of the information audited with the sustainability information in the company's 2012 annual report.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the sustainability report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 21 March 2013

Ernst & Young AB

Ernst & Young AB

Lars Träff  
Authorised Public Accountant

Curt Öberg  
Authorised Public Accountant

## References

ÅHR: SJ Annual Report and Sustainability Report 2012

ÅHR: SJ Corporate Governance Report, pages 54–59

# GRI Index

Variables omitted are those that are considered irrelevant to SJ or those that are dealt with as a result of SJ's compliance with applicable legislation.

MANAGEMENT'S REPORT		PAGE	REPORT 2012
CRITERIA			
<b>1</b>	<b>STRATEGY AND ANALYSIS</b>		
01.01	Statement from the most senior decision-maker of the organisation regarding the relevance of sustainable development to the organisation and its strategy.	ÅHR: 4, 6	●
01.02	Description of key impacts, risks, and opportunities.	ÅHR: 4, 6, 8, 9	●
<b>2</b>	<b>ORGANISATIONAL PROFILE</b>		
02.01	Name of the organisation.	ÅHR: COVER	●
02.02	Primary brands, products and/or services.	ÅHR: 24–27	●
02.03	Operational structure of the organization (units, business areas, subsidiaries & joint ventures).	ÅHR: 49	●
02.04	Location of organisation's headquarters.	ÅHR: BACK COVER	●
02.05	Countries where the organization operates (including countries with relevant operations or that are relevant in terms of the issues affecting sustainability). <i>SJ operates primarily in the Swedish market. Services on a limited scale are also conducted in Norway and Denmark.</i>		●
02.06	Nature of ownership and legal form.	ÅHR: 49, 54	●
02.07	Markets served. <i>SJ operates primarily in the Swedish market.</i>		●
02.08	Scale of the reporting organisation (including number of employees, net turnover, total capitalisation as represented by liabilities and equity, and scale of products and services).	ÅHR: 1, 2	●
02.09	Significant changes during the reporting period regarding size, structure and ownership. <i>No major changes in size, structure or ownership took place in 2012.</i>		●
02.10	Awards received during the reporting period	ÅHR: 12, 36, 43	●
<b>3</b>	<b>REPORT PARAMETERS</b>		
<b>Report profile</b>			
03.01	Reporting period for information provided. <i>The reporting period is the calendar year.</i>	ÅHR: COVER	●
03.02	Date of publication of the most recent report. <i>The most recent sustainability report was presented in conjunction with SJ's Annual Report on 31 March 2012.</i>		●
03.03	Reporting cycle. <i>Sustainability reporting is updated annually.</i>		●
03.04	Contact point for questions regarding the report or its contents. <i>Any questions should be directed to Ulrika Lindell, Finance, on +46 (0) 10-751 50 84.</i>		●
<b>Report Scope and Boundary</b>			●
03.05	Process for defining report content.	ÅHR: 109, 110	●
03.06	Boundary of the report.	ÅHR: 109, 110	●
03.07	Specific limitations on the scope or boundary of the report.	ÅHR: 109, 110	●
03.08	Principle for reporting of units that can significantly affect comparability between different periods of time and/or organisations.	ÅHR: 109, 110	●
03.09	Data measurement techniques and the bases of calculations.	ÅHR: 109, 110	●
03.10	Effect of any re-statements of information provided in earlier reports and explanations for such re-statements.	ÅHR: 109, 110	●

## Coverage

● Fully covered    ▸ Partially covered



		PAGE	REPORT 2012
03.11	Significant changes from previous reporting periods with regard to boundary, scope and measurement techniques used in reporting. <i>Index of contents in accordance with GRI.</i>	ÅHR: 109, 110	●
<b>4</b>	<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>		
	<b>Governance</b>		
04.01	Governance structure of the organisation.	ÅHR: 54-59	●
04.02	Indication of whether the chair of the highest governance body is also chief executive officer.	ÅHR: 54	●
04.03	Number of independent and/or non-executive members of the highest governance body.	ÅHR: 60	●
04.04	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body or executive management.	ÅHR: 55	●
04.05	Linkage between remuneration to members of governance bodies, senior executives and managers and the organisation's performance.	ÅHR: 52, 53, 55, 57	●
04.06	Processes in place for the highest governance body to ensure that conflicts of interest are avoided.	ÅHR: 54-59	●
04.07	Routines and processes for determining the qualifications and expertise of the members of the highest governance body.	ÅHR: 55	●
04.08	Missions, values, code of conduct and principles formulated internally, relevant to sustainability performance, and their implementation status.	ÅHR: 8, 9, 31	●
04.09	Procedures of the highest governance body for overseeing the organisation's sustainability performance, as well as risks and opportunities.	ÅHR: 56, 57	●
04.10	Processes for evaluating the highest governance body's own performance, particularly from a sustainability perspective. <i>By producing and publishing a sustainability report which is submitted to independent auditing.</i>	ÅHR: 57	●
	<b>Undertakings regarding external initiatives</b>		
04.11	Organisation's application of the Precautionary Principle. <i>The Precautionary Principle is described in the Swedish Environmental Code and SJ complies with the provisions of this legislation in selecting materials for new trains and in selecting chemical products in its maintenance workshops etc.</i>		●
04.12	Adoption of externally developed charters, principles or other initiatives.	ÅHR: 8, 9	●
04.13	Memberships of associations and/or national/international advocacy organizations, in which the company is represented in a governance role, participates in projects, provides substantial financing or regards its membership as strategic. <i>Membership of Globalt Ansvar (Global Responsibility) <a href="http://www.regeringen.se">www.regeringen.se</a>, Naturskyddsföreningen (Swedish Society for Nature Conservation) (SSNC) <a href="http://www.naturskyddsforeningen.se">www.naturskyddsforeningen.se</a>, Nätverket för Transporter och Miljö (Network for Transport and Environment) (NTM) <a href="http://www.ntm.calc.se">www.ntm.calc.se</a>, Näringslivets Miljöchefer (Swedish Association of Environmental Managers) (NMC) <a href="http://www.nmc.a.se">www.nmc.a.se</a>, International Union of Railways (UIC) <a href="http://www.uic.asso.fr">www.uic.asso.fr</a>, TransportForsk AB (TFK) <a href="http://www.tfk.se">www.tfk.se</a>, Branschföreningen Tågoperatörerna (Swedish Association of Train Operators) <a href="http://www.tagoperatorerna.se">www.tagoperatorerna.se</a>, Svenska Lokaltrafikföreningen (Swedish Public Transport Association) (SLTF) (associate member) <a href="http://www.slutf.se">www.slutf.se</a>, Branschföreningen ALMEGA Spårtrafik (Employer and Trade Organisation for the Swedish Service Sector – Railbound Industries) <a href="http://www.almega.se">www.almega.se</a>.</i>		●
	<b>Communication with stakeholders</b>		
04.14	List of stakeholder groups with which the organisation maintains contact.	ÅHR: 10, 11	●
04.15	Basis for identification and selection of stakeholders.	ÅHR: 10, 11	●
04.16	Approaches to stakeholder engagement, including frequency and type of contact, stakeholders, by type and stakeholder category.	ÅHR: 11	●
04.17	Key topics and concerns raised through stakeholder engagement, how the company has responded to them and their impact on sustainability reporting.	ÅHR: 11	●

**Coverage**

● Fully covered    ▸ Partially covered

		PAGE	REPORT 2012																		
5	ECONOMIC PERFORMANCE INDICATORS																				
Economic performance																					
EC1	Organisation's economic value generated and distributed.	ÅHR: 65–75	●																		
EC3	Coverage of the organisation's defined-benefit plan obligations.	ÅHR: 85–88	●																		
EC4	Significant financial assistance received from government. <i>SJ does not receive any subsidy.</i>		●																		
Indirect economic impacts																					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	ÅHR: 36–47	►																		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	ÅHR: 36–47	►																		
6	ENVIRONMENTAL PERFORMANCE INDICATORS																				
Materials																					
EN1	Materials used, by weight and volume. <i>The materials used by SJ for train maintenance, onboard catering and train cleaning totalled 2,511 tons (3,304), including 1,079 tons (1,998) tons of recyclable materials. The reduction is for a number of reasons: a lower level of production (service km), changes in maintenance intervals (brake pads and linings are not replaced as often), cleaning is largely carried out in-house, providing SJ with better control over which consumables are used. Consumption of office supplies is not regarded as a major environmental issue.</i>		●																		
Energy																					
EN3	Direct energy consumption by primary energy source. <i>Direct energy consumption by SJ totalled 17,209 (29,281). The year-on-year reduction was attributable to fewer rail replacement services in 2012.</i>		●																		
EN4	Indirect energy consumption by primary energy source. <i>SJ's indirect energy consumption in the form of electricity for electric locomotives amounted to 508 GWh (530). Energy consumption in buildings was supplied via the Nordic district heating mix and electricity generated via hydropower and biofuel plants. SJ purchases 100 percent renewable electricity from hydropower and wind power sources to operate its trains in Sweden, Norway and Denmark.</i>	ÅHR: 37, 46	●																		
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	ÅHR: 42–43, 46	►																		
Water																					
EN9	Water sources significantly affected by withdrawal of water. <i>No water sources are significantly affected by withdrawal of water by the SJ Group.</i>		●																		
EN10	Percentage and total volume of water recycled and reused. <i>Waste water is treated via municipal water treatment plants. Workshops that operate train washers do so in accordance with effluent conditions set by the local supervisory authority. Inspections are conducted in accordance with an established inspection programme. Some quantities of water are filtered and re-used in the train washers. The proportion recycled in this way varies from one workshop to another. Up to 80 percent of used water is recycled in the train washers.</i>		►																		
7	EMISSIONS, EFFLUENTS AND WASTE																				
EN16	Total direct and indirect emissions of greenhouse gases, by weight. <i>Total direct and indirect emissions of carbon dioxide through SJ's activities arise through train operations, rail replacement services, rail bus operation and refrigerants. Emissions totalled 1,737 tons. The volume of rail replacement services (both bus and taxi) was lower and emissions from electric powered services abroad fell considerably with the discontinuation of the German service at year-end 2011/2012. Service management also worked actively on processes and training in order to reduce the volume of rail replacement services.</i>	ÅHR: 37, 46	●																		
<table><tr><th>Carbon dioxide emissions, kg (Group)</th><th>2012</th><th>2011</th></tr><tr><td>Railbus</td><td>0</td><td>12,071</td></tr><tr><td>Refrigerant leakage</td><td>114,011</td><td>106,650</td></tr><tr><td>Rail replacement services</td><td>1,606,664</td><td>2,695,780</td></tr><tr><td>Electric powered services</td><td>16,283</td><td>688,889</td></tr><tr><td>Total</td><td>1,736,958</td><td>3,503,390</td></tr></table>		Carbon dioxide emissions, kg (Group)	2012	2011	Railbus	0	12,071	Refrigerant leakage	114,011	106,650	Rail replacement services	1,606,664	2,695,780	Electric powered services	16,283	688,889	Total	1,736,958	3,503,390		
Carbon dioxide emissions, kg (Group)	2012	2011																			
Railbus	0	12,071																			
Refrigerant leakage	114,011	106,650																			
Rail replacement services	1,606,664	2,695,780																			
Electric powered services	16,283	688,889																			
Total	1,736,958	3,503,390																			

**Coverage**

● Fully covered   ► Partially covered

		PAGE	REPORT 2012																					
EN17	Total direct and indirect emissions of greenhouse gases, by weight. <i>Indirect emissions of carbon dioxide, arising through business travel, totalled 46 tons of CO<sub>2</sub>.</i>	ÅHR: 37, 46	●																					
<table><tr><th>Indirect carbon dioxide emissions, kg (Group)</th><th>2012</th><th>2011</th></tr><tr><td>Car hire</td><td>5,504</td><td>6,810</td></tr><tr><td>Taxi</td><td>28,639</td><td>80,474</td></tr><tr><td>Air travel</td><td>7,103</td><td>38,559</td></tr><tr><td>Company cars</td><td>4,700</td><td>3,318</td></tr><tr><td><b>Total</b></td><td><b>45,946</b></td><td><b>129,161</b></td></tr></table>		Indirect carbon dioxide emissions, kg (Group)	2012	2011	Car hire	5,504	6,810	Taxi	28,639	80,474	Air travel	7,103	38,559	Company cars	4,700	3,318	<b>Total</b>	<b>45,946</b>	<b>129,161</b>					
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EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. <i>During the year, training in eco-driving was given to train drivers at SJ. The decision in 2011 to engage in climate-offsetting was implemented in 2012. SJ rail services in Germany were terminated, which had a beneficial effect in terms of this reduction.</i>	ÅHR: 42–43, 46	►																					
EN19	Emissions of ozone-depleting substances, by weight. <i>No such emissions took place in 2012.</i>		●																					
EN20	NO <sub>x</sub> , SO <sub>2</sub> and other significant air emissions by type and weight. <i>SJ's emissions of nitrogen oxides totalled 16 tons. In Sweden, levels of sulphur dioxide in the air have fallen since the 1970s when Sweden switched to low-sulphur oil for heating and transport. SJ's emissions of sulphur dioxide are very low in relation to the scale of its business, and its emissions are not classified as representing a major environment issue. As a result, no information is available on SJ's sulphur emissions.</i>		●																					
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EN22	Total weight of waste by type and disposal method. <i>Waste from SJ trains amounted to 1,938 tons. 58-71 percent of used brake pads and linings are recycled. When railway carriages are scrapped, SJ recycles approximately 99 percent of the materials by weight. However, no carriages were scrapped in 2012. During the year, a subcontractor was replaced.</i>		►																					
<table><tr><th>Waste from trains, tons</th><th>2012</th><th>2011</th></tr><tr><td>Household waste</td><td>1,207</td><td>1,946</td></tr><tr><td>Newspapers</td><td>192</td><td>185</td></tr><tr><td>Cardboard packaging</td><td>30</td><td>4</td></tr><tr><td>Corrugated board</td><td>45</td><td>1</td></tr><tr><td>Brake pads and brake linings</td><td>464</td><td>496</td></tr><tr><td><b>Total</b></td><td><b>1,938</b></td><td><b>2,632</b></td></tr></table>		Waste from trains, tons	2012	2011	Household waste	1,207	1,946	Newspapers	192	185	Cardboard packaging	30	4	Corrugated board	45	1	Brake pads and brake linings	464	496	<b>Total</b>	<b>1,938</b>	<b>2,632</b>		
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EN23	Total number and volume of significant spills. <i>No significant spills took place in 2012.</i>		●																					
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the Basel Convention. <i>Management of hazardous waste is dealt with by SJ's maintenance sub-contractors. SJ has contracts with approved hazardous waste transport and disposal firms. Whether hazardous waste is being managed in accordance with legislation, regulations and the local authority instructions is verified via self-inspection, annual environmental reports to the supervisory authorities and internal audits.</i>		►																					
<b>Products and Services</b>																								
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. <i>All travel by SJ electric trains bears the Swedish Society for Nature Conservation's ecolabel Bra Miljöval (Good Environmental Choice). SJ is also developing its offering of KRAV- (organic) and Fairtrade-certified products that are sold on board its trains. In 2012, 23 percent (20) of these products were labelled in this way (figure excludes perishable products). SJ applies the EU-wide requirements for noise under the TSI (Technical Specifications for Interoperability) scheme when new vehicles are ordered and older rolling stock is renovated. The general environmental impact of the railway, for example in terms of noise, impact on the countryside and biodiversity falls within the Swedish Transport Agency's "area of sectoral responsibility" for these issues. SJ is also involved in the Charmec research programme, whose aims include lessening the impact of vibration, noise and particle emissions on the environment.</i>	ÅHR: 36–37 42–43, 46	►																					

**Coverage**

● Fully covered   ► Partially covered

		PAGE	REPORT 2012
<b>Compliance</b>			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations SJ was not ordered to pay any fines in 2012.		●
<b>8 LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS</b>			
<b>Employment</b>			
LA1	Total workforce by employment type, employment contract and region At year-end, the SJ Group had 626 hourly-paid employees, 216 part-time employees and 3,755 permanent employees. All, apart from the hourly-paid employees are employed under SJ's "SPÅRA SJ" employment contract. Hourly-paid employees are employed under SJ local hourly pay contracts.	ÅHR: 28	●
LA2	Total number of employees and rate of employee turnover by age group, gender and region In 2012, the SJ Group had 3,099 employees, of which 40 percent were women and 60 percent men. Employee turnover in the Group was 8.4 percent.	ÅHR: 28	●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees. <i>The Förmånståget and Personalkortet employee benefit cards are available to all employees, but SJ's in-house employee benefits are in some cases cut down or subject to certain hours worked by part-time employees (who do have any commitment to fulfil). These include SJ's Friskvårdsbidrag (fitness allowance) (halved from SEK 800 to SEK 400); and its Privatreseskortet (Private Travel Card) (which requires 2 days to have been worked in 6 months). However, discounts and other benefits via Personalkortet are available to all.</i>		●
<b>Labour/management relations</b>			
LA4	Percentage of employees covered by collective bargaining agreements. <i>All personnel apart from the CEO and management group are included. Hourly-paid employees are employed under SJ local hourly pay contracts.</i>		●
<b>Occupational health and safety</b>			
LA6	Percentage of total workforce represented in health and safety committees that help monitor and advise on occupational health and safety programmes. <i>All employees are represented on health and safety committees. SJ engages in health and safety committee work on a major scale at both central and local levels, as well as in OHSAS certification.</i>		●
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region. <i>Through a systematic focus on health and safety issues, SJ strives to prevent the occurrence of work-related injuries and accidents in work. All workplaces have a safety representative, who in consultation with the employer and employee organisations, produce proposals on health and safety issues. This work is coordinated by health and safety committees. In 2012, 182 accidents (150) and 351 incidents (279) were reported in the SJ Group.</i>		●
LA8	Measures in place to assist workforce members, their families or community members in the event of serious diseases. <i>SJ complies with legislation and directives in the area of health and safety. Within the framework of its occupational pension plan, SJ provides security in the event of long-term illness under TGL (occupational group life) insurance, as well as reimbursement of medication and public healthcare expenses.</i>		
LA9	Health and safety issues covered by formal agreements with trade unions. <i>These are addressed in accordance with legislation, internal instructions and collective bargaining agreements. Random alcohol and drug tests performed on all personnel involved in traffic safety work are governed via collective bargaining agreements.</i>		●
<b>Training and education</b>			
LA10	Average hours of training per year per employee, and by employee category: <i>Train drivers 77 (93), Train crew 52 (89), Shunting personnel &amp; customer attendants/cleaning personnel 32, (39), Administrative personnel 9 (19) and Travel sales personnel 13 (44). Training of new recruits is not separated from other training and so year-on-year comparisons are not accurate.</i>		●
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. <i>SJ's employees are covered by readjustment (loss of employment benefit) insurance, which provides financial compensation and advice on termination of employment through lack of work. The readjustment contract offers two types of support from TRR Trygghetsrådet (Career Transition Service): Readjustment support in the form of in-person advice and tools to ease the path of the employee back into work. Loss of employment benefit, i.e. financial support provided if the employee is more than 40 years of age, has worked for an uninterrupted period of more than five years in a TRR-affiliated company and has had his/her employment terminated through lack of work.</i>		●

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		PAGE	REPORT 2012
LA12	Percentage of employees receiving regular performance and career development reviews <i>SJ strives to ensure that all employees take part in an annual performance review with his or her immediate manager. This is followed up via employee surveys. In 2012, 70 percent (68) stated that they had had their performance review.</i>		●
<b>Diversity and equal opportunity</b>			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	ÅHR: 29, 60	●
LA14	Ratio of average remuneration of men and women, broken down by employee category. <i>Every three years, SJ conducts a pay survey to investigate unjustified pay differences. The survey conducted in 2010 did not indicate any pay differences based on gender. Approximately 80 percent of SJ's total workforce are employed on fixed occupation-based pay rates. No survey took place in 2012; the next one will be conducted in 2013 in connection with a new pay review. There is nothing to indicate that the results for 2013 are likely to be different to those for 2012.</i>		►
<b>9 HUMAN RIGHTS PERFORMANCE INDICATORS</b>			
HR4	Total number of incidents of discrimination and actions taken. <i>At SJ AB, two cases of discrimination took place in 2012 (1 case in 2011). One dispute centres on age discrimination during the recruitment of customer attendants and has been reported by SEKO (the Union of Service and Communication Employees). Negotiations regarding the dispute have been taking place at local and central level. The period of statutory limitation for referral to the Swedish Labour Court has not expired. The second dispute also involves age discrimination and concerns the recruitment of train drivers. The case involves one person and local negotiations are scheduled to take place in 2013.</i>	ÅHR: 31	●
<b>10 SOCIETY PERFORMANCE INDICATORS</b>			
<b>Community</b>			
SO1	Description of any programmes and practices that assess and manage the impacts of operations on communities.	ÅHR: 36–47	●
<b>Corruption</b>			
SO2	Percentage and total number of business units analysed for risks related to corruption. <i>SJ's ethical policy describes SJ's approach to issues of corruption. SJ combats corruption via an effective system of internal control in the form of process descriptions and a well-balanced structure of authorisation and attestation.</i>		►
SO4	Actions taken in response to incidents of corruption. <i>No cases of corruption came to light in 2012.</i>		●
SO5	Public policy positions and participation in public policy development and lobbying. <i>SJ serves in a consultative function when political issues are being addressed. By providing quality services and through communication and marketing activities, SJ aims to promote the SJ brand so that more people chose to travel by train. SJ believes that rail travel represents a sustainable mode of transport for the future and promotes rail travel in the media and to politicians. We endeavour to use our position to communicate where investments are most beneficial to our passengers and the development of society.</i>		►
<b>Anti-competitive behaviour</b>			
SO7	Total number of legal actions taken against the organisation for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes. <i>In 2012, the Swedish Competition Authority announced on 24 January 2013 that it had requested the Administrative Court to test whether SJ AB's operations are subject to the Act on Procurement in the Water, Energy, Transport and Postal Services Sectors, LUF (SFS 2007:1092), and whether the Act thus applies to procurement by SJ AB. In SJ AB's view, its operations are not such that they are subject to the Act.</i>		●
<b>11 PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS</b>			
<b>Customer Health and Safety</b>			
PR2	Total number of incidents of non-compliance with regulations concerning health and safety impacts of products and services. <i>SJ compensates passengers suffering injury as a result of railway operations, during boarding and alighting SJ trains, in accordance with the Swedish Railway Traffic Act (1985:192). Such compensation is determined in accordance with the provisions of the Swedish law on damages. In the event of a dispute, the matter may be taken to a court of law. No matters were referred to a court of law for review in 2012.</i>		●
<b>Product and Service Labeling</b>			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	ÅHR: 20, 21	●

**Coverage**

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# Definitions

## ENVIRONMENT

### The Brundtland Report

This report was produced by the World Commission on Environment and Development on behalf of the United Nations in 1987. The Commission was headed by Gro Harlem Brundtland, former Prime Minister of Norway, and the report is thus commonly known as "The Brundtland Report".

### Bra Miljöval

#### (Good Environmental Choice)

Bra Miljöval is the Swedish Society for Nature Conservation's (SSNC) environmental approval label. All services by SJ trains in Sweden have borne the Bra Miljöval ecolabel since 1994. The criteria include requirements regarding renewable electricity, energy efficiency and low emissions. SSNC carries out an annual audit to ensure that SJ is satisfying these requirements.

### Energy usage

Energy usage includes train operations and marshalling of parked carriages. Power losses from the grid to the trains are not included. Emissions from electric services are calculated on the basis of emissions during generation of hydropower and data from NTM<sup>1</sup>. 50 percent of electricity used by SJ bears the Bra Miljöval label, with hydropower accounting for the major share and wind power for a minor amount. The other 50 percent is procured as hydropower. All-in-all, wind power represents around 1 percent of electricity procured.

### Rail replacement services – bus and taxi

Bus and taxi are used for rail replacement services when train services are

disrupted. The required resources are engaged by the rail service management. Rail replacement services are mostly coordinated by Björks Buss.

### GJ

Gigajoule – 1 billion joules – is an energy measurement unit.

### GWh

Gigawatt hour, 1 million kilowatt hours, is an energy measurement unit.

### Car hire

SJ has an agreement with Europcar under which car hire bookings may be made on the Internet, by telephone or in shops. SJ operates an agreed price tariff including delivery to the station in approximately 30 locations.

### ISO 14001

An international standard for environmental management systems.

### Carbon dioxide (CO<sub>2</sub>)

Carbon dioxide is formed during burning of fossil fuels (oil, coal, natural gas, petrol, diesel) that are used mainly for generating electricity and heating and for transport. Carbon dioxide is the biggest factor in the greenhouse effect locally (in Sweden) and internationally. The current rise taking place in average temperatures around the world is natural warming aggravated by emissions caused by man, and man's contribution is the dominant cause of rising temperatures over the past 50 years (source: Swedish Environmental Protection Agency)

### Carbon dioxide emissions, Group (tons of CO<sub>2</sub>)

Electric trains in Sweden: Electricity usage data from Trafikverket (kWh) x

standard factor for hydropower emissions supplied by NTM (0.024 g CO<sub>2</sub>/kWh) = carbon dioxide emissions from electric trains.

Electric trains outside Sweden: Electricity usage in respective country (kWh) x standard factor for emissions supplied by NTM (Norway: 0.024 g CO<sub>2</sub>/kWh (hydropower), Denmark: 0.024 g CO<sub>2</sub>/kWh (wind power), Germany 660 g CO<sub>2</sub>/kWh) = carbon dioxide emissions from electric trains outside Sweden.

Rail replacement services Data on carbon dioxide emissions are obtained by the service operator Björks Buss, which calculates the data on the basis of standard factors provided by NTM.

Business travel: Comprises rail travel (negligible emissions), taxis (emission data supplied by Netrevelation and Taxi 020), hired cars (emission data supplied by Europcar), air (number of passenger kilometres supplied by American Express Travel Partner x standard factor for air travel) (0.078 kg CO<sub>2</sub>/km) and company cars (number of kilometres driven per car (app. 80 percent green cars) x assumption that app. 10 percent is on company business x standard factor fuel supplied by NTM (ethanol: 0.097 kg CO<sub>2</sub>/km, diesel: 0.165 kg CO<sub>2</sub>/km, hybrid electric: 0.118 kg CO<sub>2</sub>/km).

### Hydrocarbons (HCs)

Hydrocarbons are a collective term for volatile organic compounds consisting of carbon and water that occur in smoke and exhaust gases. HCs may play a part in the formation of ground-level ozone, which is damaging to humans, animals and plants.

### Nitrogen oxides (NOX)

NOX is a collective term for the nitrogen

<sup>1</sup> NTM (Nätverket för Transporter och Miljön) (Network for Transport and Environment), [www.ntmcalc.se](http://www.ntmcalc.se). Calculations and assumptions performed by SJ on the basis of NTM methodology and data.

oxides that are formed during combustion at high temperatures, particularly in internal combustion engines. Nitrogen oxides contribute to acidification of soil and water, over-fertilisation and the formation of ground-level ozone.

#### **Particle emissions**

All air contains particles, but the size and chemical composition of the particles vary. Of the particles classified as air pollutants, the most damaging to health are the smallest.

#### **Taxi collaboration**

SJ operates a taxi collaboration with Netrevelation and Taxi 020. Taxis can be pre-booked at the time of booking train tickets or via the crew on board the train.

### **EMPLOYEES**

#### **Average period of employment**

The average period of employment for employees in permanent or temporary replacement employment.

#### **Gender analysis, supervisors**

Percentage breakdown by gender for the number of physical employees serving as supervisors (permanent or fixed-period employees). "Supervisors" includes personnel in an overseeing role who do not exercise budget and work environment responsibilities.

#### **Gender analysis, managers**

Percentage breakdown by gender for the number of physical employees serving as managers (permanent or fixed-period employees). "Managers" include personnel in an overseeing role who exercise budget and work environment responsibilities.

#### **Gender analysis, overall**

Percentage breakdown by gender, measured by full-time equivalents (permanent, fixed-period, hourly paid and ad hoc employees).

#### **Average age**

Refers to permanent and fixed-period employees.

#### **Average number of employees**

The number of full-time employees as an average of hours worked during the year.

#### **Average number of employees per organisation**

The number of full-time employees per organisational unit. Classification is by division, Transport and Service, Sales, Rolling Stock, Head Office and Subsidiaries.

#### **Employee Satisfaction Index (NMI)**

To determine the level of employee satisfaction in the organisation, employee surveys are conducted to identify which areas may need improvements in order to act effectively in increasing employee satisfaction.

#### **Employee turnover**

Aggregate personnel turnover, calculated as the average of the number of recruited and departing permanent employees, divided by two and divided by the number of permanent employees.

#### **Sick leave**

The number of employees on sick leave, divided by the number of full-time employees. At present, sickness benefit is not included in the sick leave figures.

#### **Full-time equivalent employees**

The number of employees measured by contracted hours and full-time positions. The figure does not include employees on unpaid leave of absence and those on long-term sick leave with sickness benefit until further notice. Full-time equivalent employees is a measure of time over the "contractual" period. Someone who is employed full-time is a full-time equivalent and someone who is employed on an 80 percent basis is a 0.8 full-time equivalent. The time worked by hourly-paid employees is recalculated to enable it to be measured on the full-time equivalent basis.

### **OPERATIONS**

#### **Number of journeys**

Total of one-way journeys with SJ, with or without changes.

#### **Load factor**

Ratio of passenger kilometres to seat kilometres expressed as a percentage.

#### **SJ rail services**

Rail services operated by SJ on a commercial basis or contract rail services financed wholly or partly by ticket sales. An example of a commercial service is the SJ 2000 service between Stockholm and Gothenburg. An example of a contract rail service is the service operated under contract with Rikstrafiken (the former National Public Transport Agency) to Upper Norrland.

#### **Contract rail services**

Services operated by SJ on behalf of regional transport authorities. An example of a contract service is the commuter train service in Stockholm, which has been operated by our subsidiary Stock-

holmståg on behalf of Stockholm Public Transport (SL).

### ISO 9001

An international standard for quality management systems.

### Passenger Satisfaction Index (NRI)

SJ regularly conducts surveys of its customers to establish how satisfied the Company's customers are with us and our offerings, and how well we have met their expectations. The findings are compiled and reported via the Passenger Satisfaction Index (NRI). We carry out four customer surveys, one that focuses on customer care, another on comfort and a third reporting on benchmarks (comparing SJ with our competitors) and structure (ticket-related issues). The fourth is a weighted survey that we use to calculate the relative importance of the separate issues in terms of overall satisfaction. The four questionnaires are distributed to randomly selected passengers on randomly selected trains on all routes operated by SJ. In order to obtain well-supported statistical certainty in our data, it is important to have a large number of completed questionnaires as a base. We collected around 20,000 questionnaires throughout the year, which provides a reliable volume of material on which to base conclusions. The replies to the survey questions are converted into an index between 0 and 100, with 100 being the highest rating. As an assurance of the quality in both distribution of questionnaires and collection of replies, SJ uses an external partner, Mind Research, which compiles the findings. We then calculate the overall NRI based on three questions set in accordance with the standards developed by ESOMAR World Research.

1. How satisfied were you, overall, with this journey?
2. If you can imagine a perfect journey, how near or far from that ideal was this particular journey?
3. To what extent did this journey meet the expectations that you had before the journey?

ESOMAR is a worldwide industry association representing people who use different types of market survey. Its membership comprises companies that deliver, and those that use, surveys. All major, established market research companies are members of ESOMAR. The organisation formulates rules on how surveys are to be conducted in accordance with sound moral and ethical principles, and member businesses must comply with these rules.

### Passenger kilometres

The number of trips with SJ AB, multiplied by journey length.

### Seat kilometres

The number of seat kilometres offered for sale, i.e. the number of available seats multiplied by distance travelled.

### Travel with SJ AB

The volume measured in passenger kilometres.

### Regional Transport Authority (RTA)

RTAs are the organisations responsible for scheduled local and regional passenger services in a county.

### Income from train services

Income from SJ's own services and contractual services

### Train kilometres

The sum total of the distance travelled by all trains.

## OTHER DEFINITIONS

### Global Reporting Initiative (GRI)

GRI is an independent international organisation that issues guidelines on sustainability accounting ([www.global-reporting.org](http://www.global-reporting.org)).

### Globalt Ansvar (Global Responsibility)

Globalt Ansvar is an initiative to promote efforts by Swedish companies in human rights, basic working conditions, anti-corruption and a better environment, based on the principles set forth in the UN Global Compact and the guidelines of the OECD. Its purpose is to serve as a platform for the various interests involved in an enterprise's social responsibilities, such as the business sector, the parties in the labour market and voluntary organisations.

### Global Compact

The Global Compact is based on principles of human rights, labour law, the environment and corruption, as associated with business. The principles are based on the UN Declaration on Human Rights, the ILO Fundamental Conventions on Human Rights at Work, the Rio Declaration and the UN Convention against Corruption.

## FINANCIAL GLOSSARY

DEFINITIONS OF  
KEY FINANCIAL RATIOS**Return on equity**

Net profit for the year, calculated on a rolling 12-month period, as per income statement, as a percentage of average equity over the same period.

**Return on capital employed**

Profit after financial items plus financial expenses, calculated on a rolling 12-month period, as a percentage of average capital employed over the same period.

**Balance sheet total**

Total assets

**Short-term deposits**

In the Parent Company balance sheet, short-term deposits are investments with a term to maturity of less than 1 year. In the Group, the term to maturity ranges from 3 months to 1 year. Longer-term bonds held for trading purposes are also included in Short-term deposits, regardless of their term to maturity.

**Cash and cash equivalents**

This is the sum of cash in hand and on deposit, plus interest-bearing deposits with a term to maturity of 90 days or less on the acquisition date.

**Net debt**

The net sum of interest-bearing provisions and liabilities, less interest-bearing assets.

**Earnings per share**

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

**Operating margin**

Operating profit expressed as a percentage of total sales.

**Debt/equity ratio**

Interest-bearing liabilities divided by equity.

**Equity/assets ratio**

Equity, including owner's non-controlling interest, as a percentage of the balance sheet total.

**Capital employed**

The balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions, including deferred tax liabilities.

**Profit margin**

Profit after financial items as a percentage of operating income.

**Profit for the year**

The Company's profit after tax.

## INDUSTRY DEFINITIONS

**Number of journeys**

Total of one-way journeys with SJ, with or without changes.

**Load factor**

Ratio of passenger kilometres to seat kilometres expressed as a percentage.

**SJ rail services**

Rail services operated by SJ on a commercial basis or contract rail services financed wholly or partly by ticket sales. An example of a commercial service is the SJ 2000 service between Stockholm and Gothenburg. An example of a contract rail service is the service operated under contract with Rikstrafiken (the former National Public Transport Agency) to and from Upper Norr-

land. Rikstrafiken was phased out on 31 December 2010 and its duties transferred to Trafikverket.

**Contract rail services**

Services operated by SJ on behalf of regional transport authorities. An example is the Alingsås commuter service that SJ operates on behalf of Västtrafik.

**Passenger kilometres**

Number of trips multiplied by journey length.

**Seat kilometres**

The number of seat kilometres offered for sale, i.e. the number of available seats multiplied by distance travelled.

**Punctuality**

In the case of fast trains, this is defined as the time stated for arrival + 15 minutes, while for regional trains the definition is the time stated for arrival + 5 minutes.

**Travel with SJ AB**

The volume measured in passenger kilometres.

**Travel time guarantee**

SJ's commitment to compensate passengers for delays. For more, up-to-date information, go to [www.sj.se](http://www.sj.se).

**Income from train services**

Income from SJ's own services and contractual services

**Train kilometres**

The sum total of the distance travelled by all trains.

**Yield**

Income from SJ rail services divided by SJ passenger volume, measured in passenger kilometres.





## **SJ AB**

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