



2014

ANNUAL REPORT

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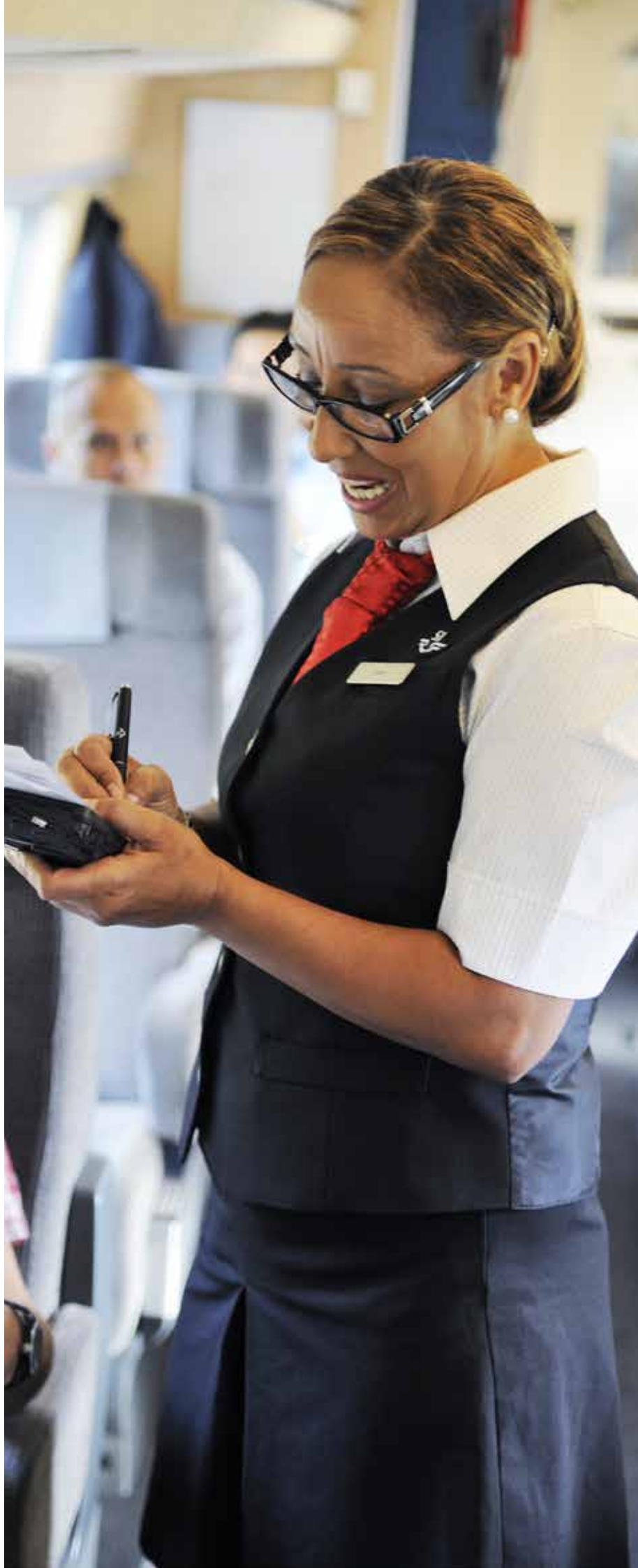
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Directors' Report

The Board of Directors and Chief Executive Officer of SJ AB (corporate registration number 556196-1599) hereby present SJ's annual accounts and consolidated accounts for the 2014 financial year.

All amounts are in SEK million, unless otherwise indicated.

SIGNIFICANT EVENTS IN 2014

- In 2013, SJ decided to invest about SEK 3.5 billion in a thorough renovation of all X 2000 trains. In January 2014, an agreement was concluded with ABB regarding the technical part of the renovation for a total of SEK 1.4 billion.
- Within the framework of the improvement programme to reduce SJ's costs by SEK 1 billion, a total of 400 employees in administration and sales were given notice in January 2014. In the first quarter, 18 of SJ's Ticket Offices were closed down, including the office in Copenhagen. At the same time, SJ gave notice regarding closure of the Service Center in Tranås, affecting a total of 95 permanent employees. In the second quarter, the SJ Service Center was concentrated to Ånge.
- The partnership with Reitan, owner of Pressbyrå, 7-Eleven and the Resia and BIG Travel travel agencies resulted in a total of 610 ticket sales outlets as of 1 April 2014.
- SJ became a partner in the industry-owned joint development company X2AB, aimed at helping to create simple and efficient ticketing and payment solutions for the benefit of travellers.
- SJ terminated most of its existing vehicle maintenance contracts, with the aim of renegotiating the contracts in order to create a clear delegation of responsibilities and increase quality. SJ also concluded a sourcing agreement with Volvo IT and thereby consolidated the services previously offered by CGI, Fujitsu and Evry. The new agreement became effective on 1 January 2015 and full take-over will be implemented in the first quarter of 2015.

- In October, SJ was awarded the contract to operate commuter train services in the Gothenburg area, and regional rail services in western Sweden on behalf of Västtrafik, Hallandstrafiken and Länstrafiken in Jönköping County. SJ has operated rail services for Västtågen since May 2012. The new contract is effective from December 2015 until December 2024 and valued at about SEK 5 billion.
- In autumn, SJ adjusted its fares for high-speed trains, and lowered the price of refundable tickets in both 1st and 2nd class. Due to the fare adjustments, combined with a number of sales campaigns, the number of travellers on SJ's high-speed trains between Gothenburg and Stockholm rose about 10 percent in the final quarter compared with the year-earlier period. This was a trend reversal, and the largest increase in sales in several years.

SJ's OPERATIONS AND MARKET

SJ AB is a travel company that is 100-percent owned by the Swedish government. SJ's core business is rail services and the company mainly operates in the markets for regional and long-distance rail travel, within Sweden, and to Copenhagen and Oslo. The rail operations comprise two categories: proprietary commercial services and community-funded public transport. The Group's rail services are conducted by the Parent Company, and the three subsidiaries – SJ Götalandståg AB, Stockholmståg KB and SJ Norrlandståg AB. Other subsidiaries are engaged in activities that are closely related to rail services.

The rail market

Rail services in Sweden have gradually been deregulated and SJ now operates in an open and competitive market. EU legislation provides a framework for Swedish legislation, and the European Commission's proposed Fourth Railway Package is aimed at taking further steps toward an integrated European railway market with common standards and increased competition between train operating companies. The Fourth Railway Package includes proposals for open access to the rail market in all Member States, and a requirement for procurement by competitive bidding when the public engages an operator to manage public transport services by rail. In 2014, the European Parliament voted on the Fourth Railway Package and proposed revisions to the Commission's proposal that national passenger services should be open to competition. The Parliament's amendments meant that the railway monopoly could continue, but that national authorities must, in future, justify any decisions to award contracts to individual operators. Since the rail market has already been deregulated in Sweden, the effect of the proposal on Swedish legislation is only limited – however, deregulation could increase the mobility of competing companies in Europe. At the same time, the proposal is considered to entail increased opportunities for Swedish train operating companies seeking to conduct passenger services in other Member States. For SJ, the proposal may, in the long term, impact distribution and ticket sales, access to transport data and the rights of passengers.

After multi-year capacity studies, the national infrastructure plan (roads, rail, maritime) was determined in 2014. It entails that the Swedish government

will invest SEK 522 billion during the 2014-2025 period, an increase of 20 percent compared with the preceding plan period. Of these SEK 522 billion, SEK 155 billion will be allocated to roads, SEK 86 billion to rail, and SEK 281 billion to the development of transport infrastructure. These investments will finance measures for roads and the railway network, and strategic measures for ports, shipping lanes and locks. The plan includes more than 150 investment projects across the country. The largest project is a new railway line for high-speed trains, with two routes: The Eastern Link (between Järna, south of Stockholm, and Linköping) and Mölnlycke-Bollebygd (between Gothenburg and Borås). Other investments include expansion to four tracks on the Malmö–Lund route, a double track on the West Coast Line, investments in freight lines through Skåne and Bergslagen, and expansions of the Mälaren Line (between Tomtebodavägen and Kallhäll) and the West Link. Sweden's new infrastructure minister has also announced that the new government intends to proceed with the plan to construct high-speed lines in Sweden. The construction of new main lines is expected to commence within a few years, and be due for completion around 2035. The existing rail system could then be used more frequently for freight and regional commuter rail services. The new main lines are built to handle speeds of up to 320 kilometers per hour. According to the Swedish Transport Authority, the new high-speed trains could reduce travel time between Stockholm and Gothenburg to about two hours, and between Stockholm and Malmö to about two-and-a-half hours. The new main lines would entail investment of an estimated SEK 170 billion in the rail network up to and including 2035.

For the full-year 2014, passengers travelling on domestic flights increased 5 percent according to Swedavia. During the same period, the number of passengers travelling with SJ rose 2 percent.

FINANCIAL OVERVIEW

- Net sales amounted to SEK 9,065 million (9,023)
- Operating profit rose to SEK 568 million (298)
- Profit for the period totalled SEK 460 million (220)

- Return on operating capital was 11.5 percent (5.7)
- The net debt/equity ratio was a negative 0.07 (pos: 0.04)

Income

Consolidated net income amounted to SEK 9,208 million, an increase of SEK 48 million. The increase was mainly attributable to consolidated net sales. Sales of locomotives in 2014 account for SEK 128 million of other operating income for the current period. SJ's farebox income increased during the period and pertained primarily to an increase in SJ AB, mainly due to the resumption of rail services on the Gothenburg–Malmö route in December 2013, and is therefore not included in full in the comparative figures. Passengers affected by Veolia Transport's strike in June 2014 chose to travel with SJ AB instead, which led to increased travel and a positive impact on farebox income. The increase in consolidated earnings was offset by the major service disruption caused by a fire in the signal box in Myrbacken, and a number of incidents during the summer whereby SJ AB, but above all the SJ Norrlandståg AB subsidiary, were impacted by service disruptions that led to reduced travel. The accumulated load factor for SJ AB was marginally lower than in 2013, due to a weak start to the year. Travel continued to increase at the end of the year while supply remained constant, resulting in a higher load factor in the final months of the year.

Expenses

Consolidated expenses for the period amounted to SEK 8,666 million (8,732), a decrease of SEK 66 million compared with 2013. Expanded production in the Group's operations due to the resumption of services on the Gothenburg–Malmö route in December 2013 increased the underlying cost base. SJ AB's employee expenses were reduced by SEK 24 million due to 493 fewer full-time equivalent employees in December compared with the end of 2013, an effect of the year's change process. This was offset by higher employee expenses in Stockholmståg KB, attributable to the takeover of station operations in May 2013. In 2014, the Group's infrastructure expenses were about SEK 40 million higher year-on-year, due to

increased production on the Gothenburg–Malmö route, and higher infrastructure charges from the Swedish Transport Authority. The Group's maintenance expenses for the period, pertaining to additional maintenance, declined by a total of SEK 45 million due to less damage following a mild winter. The costs of supervision and service were SEK 35 million lower year-on-year due to a mild winter and the associated low costs for de-icing. Completed measures, and overall restraint with regard to other variable costs, resulted in a generally lower cost level.

Operating profit

Operating profit increased to SEK 270 million during the period, resulting in an operating margin of 6.2 percent (3.3) for the period. A favourable outcome for SJ AB in the Arbitral Tribunal concerning a dispute with a catering supplier, resulted in a positive contribution of SEK 28 million. Sales of locomotives on two occasions during the period resulted in total capital gains of SEK 128 million. In addition, a reversal of some of the reserve funds set aside on 31 December 2013 for future losses in the associated company Botniatåg AB, strengthened operating profit by SEK 22 million. Insurance claims related to the accident in Skoterud in 2010 had a positive impact of SEK 7 million on earnings. A restructuring reserve of SEK 92 million, arising from SJ AB's improvement process, was charged to operating profit for the year. Impairment of refurbished family coaches to accurately reflect future earnings capacity had a negative impact of SEK 28 million on operating profit. Underlying operating profit, or operating profit excluding the above items, amounted to SEK 503 million (347).

Financial items

Net financial items amounted to SEK 10 million (expense: 10). The improvement was due to lower net debt and the divestment of 75 percent of SJ AB's ownership in the formerly wholly owned subsidiary Linkon AB in December, which generated a profit of SEK 8 million for the Group. Consolidated profit before tax amounted to SEK 578 million (288). Tax on profit for the period amounted to SEK 118 million (68). Profit for the period totalled SEK 460 million (220).

Cash flow

At 31 December 2014, cash and cash equivalents amounted to SEK 345 million (80). Cash flow from operating activities amounted to SEK 1,267 million (1,039) and was impacted by positive operating income and an increase in current receivables. Cash flow from investing activities amounted to a negative SEK 143 million (neg: 943). A negative cash flow of SEK 860 million (neg: 336) from financing activities pertains to amortisation of SEK 787 million (179), and paid dividends of SEK 73 million (157) for the period. Cash flow for the period amounted to SEK 265 million (neg: 240).

Financing

At 31 December 2014, the Group's net cash position was SEK 396 million, compared with net debt of SEK 216 million at the end of 2013. The Group's interest-bearing liabilities amounted to SEK 1,124 million (1,912) and mainly comprised payment commitments for SJ's financial leases, and loans of SEK 800 million raised in 2012 to finance the new SJ 3000 trains. The decrease was mainly attributable to the settlement of a leasing loan of some SEK 650 million for double deckers on 30 June 2014, and amortisations. At 30 June, payment for the settlement of leasing was financed with own cash. Of the interest-bearing liabilities, SEK 709 million (1,125) was non-current and SEK 415 million (787) current, pertaining to those parts of the liability that mature within one year. The average maturity for outstanding liabilities was 49 months (41). The average fixed-rate period was 15 months (13). At 31 December 2014, the average interest rate was 2.0 percent (2.5).

SIGNIFICANT RISKS AND UNCERTAINTIES

The risk-management process

Risk is a natural part of all business activities, but also entails opportunities. Good knowledge of risks and activities to minimise them can limit their negative financial impact and present opportunities to take advantage of them in the best possible way.

The process begins by identifying operational, business and market risks. The sustainability perspective is included in the broad approach applied.

The process involves all divisions, staffs and subsidiaries, which enables consultation, raised awareness in the organisation, and more effective risk identification. The purpose of risk management is to limit undesirable effects that could impact the company's financial position, earnings or market position.

The process entails that Executive Management monitors changes in the risk assessments on a quarterly basis to make decisions regarding the need to take action, or whether new risk areas should be assessed. The risks are prioritised on the basis of likelihood and impact, and linked to activities aimed at managing the risks. As of 2014, the risks have been grouped according to SJ's six scorecard areas. Due to their financial impact, all identified risks can be classified as Financial but the starting point for the new identification process has been to classify the risks in the scorecard area, whereby risk has the greatest impact based on the risk description.

In 2014, SJ initiated a project to review the Group's risk management in order to further improve the process. A Risk and Safety Forum was established to work proactively with the identification and reduction of risks, and to monitor impact reduction and the prevention of past events recurring. A Safety Manager with overall responsibility for all safety issues (except for traffic safety, where this responsibility is already well-defined) was also recruited in 2014.

Risks – Employees

Employees who work on board and in Ticket Offices are at risk of threats and violence in their workplace. SJ works proactively in dialogue with police authorities and other players. Internally, SJ works with such initiatives as employee safety training.

Sickness absence

SJ has a major responsibility to prevent ill-health and to help ill employees return to work. During the year, SJ decided to initiate a programme to help employees on long-term sick leave to return to work. The initiative is based on a team of experts – physician, nurse, ergonomist and others – being available to provide a diagnosis at an early stage. This is followed by rehabilitation goals and the development of an action plan.

Risks – Partnerships and Resources

Sweden's railway infrastructure is extremely congested, especially in major cities during peak hours. The infrastructure is owned and managed by the Swedish Transport Authority. The infrastructure limits the expansion of freight and passenger services, and maintenance has been badly neglected for many years, which may cause service disruptions. Service disruptions that lead to cancelled and delayed trains cause customer dissatisfaction and lower confidence in the entire rail industry as a reliable means of transport. The environment is impacted when customers turn to less sustainable options. This also leads to lower profitability due to lower revenue and higher expenses. At present, SJ is largely dependent on Jernhusen AB as its landlord for depots, and substantial rent increases have been announced as of 2020. SJ is engaged in dialogue with the relevant parties.

The Swedish Post and Telecom Authority (PTS) has given telecom operators permission to use frequencies adjacent to the railway's GSM-R for the build-out of 3G/4G broadband as of 1 July 2015. When the mobile operators turn on their full-power transmitters, the new technology may interfere with the GSM-R frequency band. Discussions are ongoing with several parties, including the Swedish Transport Authority and the Swedish Transport Agency.

Risks – Social

SJ works continuously to improve its reputation and earn trust, since a bad reputation and low level of trust in the long term could have a negative impact on earnings due to reduced travel.

Risks – Customers

In 2015, a major part of SJ's IT system will be relocated to Volvo IT, which requires careful planning and supervision. Any disruptions or delays could lead to an increase in costs due to the dual systems.

Cyber attacks

The increase in cyber attacks is an international trend. A worst-case scenario is that SJ would not be able to sell tickets or run trains, which would affect customers.

Risks – Process and product

All six Regional Public Transport Authorities in the Stockholm-Mälaren Region have increased their control over transport services in the region and have agreed to implement a new core network for the regional rail services that are scheduled to commence in 2017. SJ may lose a considerably amount of business in the Stockholm-Mälaren Region as a result – which could incur a need for rationalisation and lead to lower economies of scale. The Administrative Court dismissed SJ's appeal, and SJ has now lodged an appeal with the Administrative Court of Appeal.

Risks – Financial

SJ conducts regular exercises to manage these risks and their impact. The Group's financial operations and financial risk management are centralised to SJ's finance function. The financial policy provides a framework for all finance-related activities conducted by the SJ Group. SJ's financial risks and risk management are described in Note 20. Aviation's growing range of services and price competition for long-distance travel is leading to strong price competition between airlines, which may also lead to reduced travel with SJ and, in turn, lower revenue.

SJ's SUSTAINABILITY WORK

SJ's approach is that pro-active sustainability work will contribute to the realisation of SJ's vision "An SJ you can trust and long for." SJ aims to be an attractive and reliable travel option, capable of competing with road, air and other rail operators. To be the customer's first choice, SJ must be a responsible train operator with consistent delivery of high-quality services – quite simply, SJ must keep its promise. At the same time, profitability is essential for a long-term sustainable company.

Sustainable business is an integral part of SJ's business model and the operations are guided by a holistic perspective. With the company's vision, mission and values as the starting point, SJ's social, environmental and economic sustainability is secured by using the following control areas: Employees, Partnerships and Resources, Social, Customer, Process and Product, and Financial, to measure

and monitor the operations. Long-term, strategic targets have been determined for each control area. In turn, the targets have been integrated with business and operational plans and the level of ambition is in line with SJ's long-term strategy.

In autumn 2013, in line with requirements that SJ's owner places on all government-owned companies, the Board of SJ resolved on three long-term sustainability targets linked to existing key figures in the current business plan. These three targets are punctuality of 95 percent (by 2020), the proportion of completed supplier and partnership assessments (20 percent), and SJ Volunteer, an opportunity for employees to engage in voluntary work during working hours. SJ's Annual General Meeting on 28 April 2014 also resolved on new financial targets. The company aims to achieve a long-term net debt/equity ratio of 0.5–1.0 (multiple). Return on operating capital should amount to at least 7 percent on average, and the dividend to between 30 and 50 percent of profit for the year after tax over the long term. Both financial and non-financial targets are monitored annually, quarterly or monthly.

To further support sustainability work, there are policies in the following eight areas: occupational health and safety, ethics, purchasing, IT, equal opportunity, quality, the environment and traffic safety. SJ's ethics policy includes guidelines for setting a good example for customers, suppliers and the community. In 2014, both an internal and external Code of Conduct were prepared.

Environmental and OHS management

SJ has an integrated management system which is certified according to ISO 14001:2004 (environmental), ISO 9001: 2008 (quality) and OHSAS 18001:2007 (occupational health and safety-OHS). SJ conducts no environmentally hazardous activities and works consistently to monitor applicable environmental legislation. SJ's environmental activities focus on four areas: energy efficiency in rail services, air emissions from replacement services, purchasing of goods and services, and training and information. SJ conducts regular on-board surveys and

questionnaires to find out what customers and employees think about SJ and the environment.

Employees' efforts, both individually and in groups, are highly significant for the achievement of our efficiency, quality and service targets. The Company's success is therefore totally dependent on the expertise, motivation and commitment of our employees. To facilitate this process, SJ collects employee feedback by conducting annual employee surveys and "dialogue meetings." SJ also promotes workplace wellness. There are wellness inspirers at the workplaces, a health blog and a food and exercise guide.

SJ's equal opportunity policy is based on all employees having equal rights and opportunities, and SJ works for diversity and equality, but against discrimination and victimisation. SJ's business plan includes three major objectives for occupational health and safety (OHS): reduced sick leave, an improved performance index and an improved leadership index. Activities to achieve these objectives are aimed at ensuring long-term sustainable development for SJ, in harmony with employee development and health.

SJ's Sustainability Report was prepared in accordance with the third generation of the Global Reporting Initiative (GRI). SJ has continued to report according to Application Level B+. SJ's sustainability work is conducted in accordance with the international principles of the Global Compact.

PROPOSED REMUNERATION POLICIES FOR SENIOR EXECUTIVES

The Board's proposals to the AGM regarding guidelines for remuneration to senior executives is described below.

Remuneration policies

When recruiting to Executive Management, the guidelines for terms of employment for senior executives in state-owned companies, which was adopted by the government on 20 April 2009, is applied. Under these guidelines, the total remuneration paid to senior executives is to be competitive, capped, reasonable and appropriate. The level of remuneration is not to be leading in relation to comparable companies, but characterised by moderation.

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

The fixed salary is to reflect the demands of the position in terms of expertise, responsibility, complexity and the manner in which it contributes to achieving the business objectives. The fixed salary is to be individually differentiated. Variable salary is not paid, including gratuities, bonuses and similar payments.

Pension benefits should be defined-contribution plans. In the event that SJ agrees on a defined-benefit pension plan, it is to comply with the applicable collective pension plan. Retirement age should not be less than 62 and should at least be 65. The company's pension expense is to be borne during the employee's active period.

The period of notice for members of Executive Management is up to six months upon termination by the executive. Upon termination by the company, severance pay corresponding to a maximum of 18 month's salary may also be paid. Severance pay is to be paid monthly and comprise the fixed monthly salary without any supplement for benefits. Severance pay is never paid after the age of 65. The executive may be entitled to a company car, sickness and health benefits, travel insurance, etc., in line with standard market practice. The remuneration of senior executives is described in more detail in Note 5.

STATEMENT BY THE BOARD OF DIRECTORS

Due to the Board's proposed distribution of profits, the Board of Directors of SJ AB, corp. reg. no. 556196-1599, hereby presents the following statement pursuant to the Swedish Companies Act, Chapter 18, section 4. The proposed distribution of profit is based on the 2014 Annual Report. The proposed appropriation of profit, income statement and balance sheet for the Parent Company, and the income statement and statement of financial position for the Group, will be presented to the Annual General Meeting for approval on 29 April 2015. In its proposed appropriation of profit, the Board recommends that shareholders at the 2015 AGM resolve that SJ AB pay a dividend of SEK 57.42 per share for the 2014

financial year, representing a total dividend of SEK 230 million. The Board also proposes that shareholders at the AGM adopt the payment date of 12 May 2015.

The following unappropriated funds are at the disposal of the Annual General Meeting:		SEK
Retained earnings	4,126,665,056	
Profit for the year	338,974,943	
Total	4,465,639,999	

The Board of Directors proposes that the profits be distributed as follows:		SEK
Dividend to shareholders (SEK 57.42 per share)	229,666,667	
To be carried forward	4,235,973,332	
Total	4,465,639,999	

The owner's financial targets for SJ AB are a minimum of 7-percent return on operating capital, on average, and a long-term net debt/equity ratio of 0.5–1.0 (multiple) for the Group. In addition, the long-term dividend should amount to 30–50 percent of profit for the year after tax. SJ AB achieved its return on operating capital target, but the net debt/equity ratio was lower than the specified target interval. The SJ Group's position regarding the key figures described above at the end of 2014, and after the proposed dividend, are specified in the following table. All else is equal.

KEY FIGURES IN RELATION TO THE PROPOSED DIVIDEND

	31 Dec 2014	31 Dec 2014 After dividend
Net debt/equity ratio, multiple	-0.07	-0.03
Net debt, SEK million	-396	-166
Return on working capital, %	11.5	11.5
Equity/assets ratio, %*	57.6	56.5
Available unrestricted equity in SJ AB	4,483,318,371	4,253,651,704

* The Group's equity/assets ratio is 60.1 percent and will be 59.1 percent after the dividend.

The proposed dividend represents 4.5 percent of equity in the Parent Company, and 4.3 percent of equity in the Group. The proposed dividend entails no change to return on working capital, but the net debt/equity ratio will be changed from -0.07 to -0.03 (multiple). The owner's net debt/equity ratio target

was not achieved as a result of the dividend, since SJ still has lower short-term indebtedness. The equity/assets ratio is considered adequate, given that the operations remain profitable. The liquidity of the Parent Company and the Group is expected to remain strong. The proposed distribution of profit to the shareholders entails that the Parent Company's equity/assets ratio will decrease from 57.6 to 56.5 percent after the proposed dividend. Of the Parent Company's equity, SEK 0 million represents cumulative changes in value through other comprehensive income relating to financial instruments measured at fair value in accordance with the Swedish Annual Accounts Act, Chapter 4, Section 14a. Of the Group's equity, SEK 18 million represents cumulative changes in value relating to financial instruments measured at fair value in accordance with IAS 39, point 9.

Reasons for the Board's decision

With reference to the above, the Board believes that the proposed appropriation of profit is justifiable pursuant to the requirements of the Swedish Companies Act, Chapter 17, Section 3, Paragraphs 2 and 3. The nature and scope of the business do not entail any greater risks than are normally present in the industry. The Board's assessment of the financial position of the company and the Group means that the dividend is justifiable in relation to the demands that the nature, scope and risks of the business place on the size of the company's and the Group's equity, and the company's and the Group's needs for consolidation, liquidity and general financial position. The Board deems that the proposed dividend will not affect SJ AB's ability to meet its obligations in the short and long term, or to make any necessary investments.

EVENTS AFTER THE BALANCE-SHEET DATE

On 15 January 2015, SJ appealed the Administrative Court's ruling on public service obligations in the Stockholm-Mälaren Region to the Administrative Court of Appeal.

Corporate Governance Report

SJ AB is 100-percent owned by the Swedish state, and managed by the Ministry of Finance. The government's overall objective for the business is to create value. The objective of creating value entails demands on sustainability, efficiency, profitability, development capacity and environmental and social responsibility.

Principles of Corporate Governance

SJ's corporate governance is primarily based on:

- Swedish law
- The Swedish Annual Accounts Act
- The Swedish government's ownership policy and other owner directives
- The Swedish Corporate Governance Code (the Code)
- The Company's Articles of Association
- The Board's Rules of Procedure, including the CEO's instructions
- Internal documents

The Company's Articles of Association, previous Corporate Governance Reports, material from SJ's most recent Annual General Meetings, and so forth, are available on SJ's website sj.se under "Corporate Governance."

Application of the Code

The Code is based on the "comply or explain" approach. This means that a company applying the Code may deviate from individual rules provided that the reasons for doing so are explained. SJ's deviations from the Code are mainly due to its ownership structure. SJ is 100-percent owned by the Swedish state, while the Code is primarily written for listed companies with dispersed ownership. SJ has deviated from the following Code provisions:

Provision 1.1

Publication of information on the shareholders' right of initiative. The aim of this provision is to give shareholders enough time to prepare for the AGM, and to have matters listed in the notice of the AGM. In State-owned companies, there is no reason to comply with this provision.

Provision 2

The establishment of a nomination committee to represent the company's shareholders in the election and remuneration of the Board and auditors. The Board of SJ has decided to replace the provisions regarding a nomination committee under provision 2 with the owner's nomination process, which is described in detail in the government's ownership policy.

Provision 10.2

The independence of Board members in relation to major shareholders is to be disclosed. Under Provision 2 of the Code, at least two Board members are to be independent of the company's major shareholders. The reason for the rule on independence is mainly to protect minority shareholders. In State-owned companies, there is no reason to report independence in relation to the government. In light of the above, SJ does not report such information.

Provision 4.3.

Under the Code, the Chief Executive Officer may serve on the Board but may not be its Chairman. According to the owner, it is important to distinguish between the role of the Board and the role of the Chief Executive Officer, which is why the Chief Executive Officer should not be a member of the Board.

Provision 8.2

The Board is to evaluate the Chief Executive Officer's performance at least once per year. The performance of the Chief Executive Officer was evaluated in February 2015.

OWNER

The Annual General Meeting on 28 April 2014 resolved on new, long-term financial targets for SJ. The previous target of at least 10 percent return on equity was replaced by a target of at least 7 percent, on average, return on operating capital. The AGM also resolved on a long-term net debt/equity ratio of 0.5–1.0 (multiple) to replace the previous target of an equity/assets ratio of at least 30 percent. The long-term dividend should

amount to between 30 and 50 percent of profit for the year. The previous target was that the dividend should amount to at least one-third of profit for the year.

The owner determines the company's business objectives via the Articles of Association. In 2014, meetings took place between the owner, the Board of SJ and the Chief Executive Officer, and the areas discussed during the year's dialogue with the owner included evaluation of the Board's performance and composition, SJ's relationship with strategic suppliers and stakeholders, and the partnership with the Swedish Transport Agency. In addition to these meetings, the company maintains an ongoing dialogue with the owner regarding the Board's performance. The owner exercises its rights as a shareholder at the AGM.

ANNUAL GENERAL MEETING

According to the State ownership policy, the AGM is to be held prior to 30 April each year. Under special circumstances, the Meeting may be held later, but not later than 30 June each year. Extraordinary General Meetings may be held in addition to the AGM. The AGM is normally held in Stockholm, and SJ specifies where and when the meeting will be held on its website. Annual Meetings are convened four to six weeks before they take place. Based on proposals from the owner, the AGM appoints the Board of Directors, adopts the income statement and balance sheet and elects auditors. At the AGM, the Board presents the proposed policies for remuneration and other terms of employment terms for senior executives, as well as the annual report for approval. If necessary, the Board convenes Extraordinary General Meetings.

The Chairman and as many Board members as possible are to attend all General Meetings so that the Board is a quorum. The Chief Executive Officer is also required to attend.

2014 Annual General Meeting

The 2014 AGM was held in Stockholm on 28 April. The meeting was open to

the public and those in attendance were invited to present questions to Executive Management. The owner was represented by Anna Magnusson. Matters resolved by the AGM included:

- Re-election of Jan Sundling as Chairman of the Board.
- Re-election of Board members Siv Svensson, Mikael Staffas, Lena Olving, Gunilla Wikman and Michael Thorén.
- Election of Board members Michael Stöhr and Ulrika Dellby.
- Remuneration of the Chairman of the Board was set at SEK 400,000 (400,000) per year, while other Board members are to be paid a fee of SEK 150,000 (150,000) each.
- Remuneration of the Chairman of the Board's Audit Committee was set at SEK 55,000 (55,000) per year and SEK 43,000 (43,000) for other Board members.
- No fee is payable to Board members employed by the Government Offices, nor to employee representatives.
- A decision that SJ is to apply the guidelines for the terms of employment for senior executives in State-owned companies as proposed by the Board.
- Adoption of the income statement and balance sheet for the company and the Group.
- Decision on dividends totalling SEK 73 million.
- Discharge of liability for the Board and Chief Executive Officer.

The minutes of the AGM are available on SJ's website.

Extraordinary General Meeting

No Extraordinary General Meeting was held in 2014.

2015 Annual General Meeting

The 2015 AGM will be held on 29 April 2015 in Stockholm. The Meeting will be convened in March.

APPOINTMENT OF THE BOARD

The nomination process for Board members of State-owned companies is managed and coordinated by the Divi-

sion for State-Owned Enterprises under the Ministry of Finance. A working party analyses the qualification requirements, based on the composition of the Boards and each company's operations and situation. The nomination and appointment of new Board members is preceded by an ongoing dialogue between the responsible Ministry and Chairman. The work of creating a structured and consistent nomination process aims to ensure effective appointments to the companies' Boards. The Board is to have a high level of expertise that is well-adapted to the company's operations, situation and future challenges. To qualify for a seat on the Board, a high level of general expertise is required in the current business operations, business development, industry knowledge, financial issues or other relevant areas. The Ministry of Finance's proposals for Board members is presented in the notice convening the AGM and on the Company's website in advance of the AGM. Board members are appointed for one year at a time.

Additional provisions regarding Board nominations are set out 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 organisation and management of the company's affairs. The State ownership policy specifies that, in companies where the State has a controlling interest, the Board is responsible for ensuring that the companies are managed in an exemplary fashion within the framework of applicable legislation, the company's Articles of Association, the owner's instructions and the ownership policy. In addition, the Boards of State-owned companies are to actively ensure that the company acts in an exemplary manner in regard to corporate sustainability, in such areas as the environment, ethics, working conditions, human rights, equal opportunity and diversity.

Composition of the Board

Regarding those members appointed by the AGM, the Board is to comprise

a minimum of three and a maximum of eight members, in addition to deputies. The Board has overall responsibility for the management and administration of the company. According to the State ownership policy, the Board's composition should be such that the Board always possesses such industry knowledge or other expertise relevant to the company. The composition of the Board should also ensure a balance of skills, experience, age and gender. As of the AGM in April 2014, SJ's Board comprised eight elected Board members. Of the Board's members, four are women and four are men (50/50).

The employee organisations appointed three employee representatives to the Board. None of the Board members form part of Executive Management. All Board members are independent in relation to the company and its management. Refer also to the information on pages 14–15.

The Chief Executive Officer and the Chief Financial Officer participate in Board meetings. Other members of Executive Management participate in certain meetings as required. SJ's General Counsel is the secretary of the Board.

THE BOARD'S WORK

Duties and division of responsibilities in the Board

The Board has adopted Rules of Procedure that specify how responsibilities should be divided between the Board, owner, Committees and Chief Executive Officer. The Rules of Procedures are determined annually.

In addition to mandatory items under the Swedish Companies Act, the Rules of Procedure regulate, for example, the Chairman's duties, information to the Board, the form of Board meetings, and evaluation of the performance of the Board and Chief Executive Officer. The Board's work follows an annual scheme of agenda items and has special themes, such as the presentation of annual and interim reports and approval of the budget. The Board also resolves on matters of principle or of major financial significance, such as the company's overall

strategy, extensive structural and organisational changes, as major investments.

The Board's Rules of Procedure stipulate that five regular meetings are to be held each year. In addition to these regular meetings, the Board is to convene additional meetings should the need arise. The Rules of Procedure stipulate that the following matters are to be on the agenda each year:

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

In addition to these matters, significant business events since the last meeting and SJ's financial position and financing situation are reported at every regular meeting.

The Board's work in 2014

In 2014, nine Board meetings were held, including one by correspondence and two by teleconferencing. The Board conducted continuous, customary monitoring of the economic trend, and any social and environmental aspects arising from the business. This included monthly reporting of strategic key performance indicators such as the Customer Satisfaction Index (CSI), sickness absence, the Employee Satisfaction Index and financial return measurements. Based on this information, the Board was also able to continuously evaluate SJ's sustainable development performance.

In March 2015, the Board met the company's auditors, without the presence of Executive Management, in accordance with the Code's requirements. In addition to ongoing monitoring of key performance indicators for Corporate Sustainability, the Board addressed and resolved on the following matters in 2014:

- Determination of the 2015–2019 business plan
- Code of Conduct for suppliers
- Procurement of new supplier for IT Sourcing
- Capital contribution to the associated company Botnietåg AB
- Determination of the financial policy

- Monitoring of the Improvement Programme
- Divestment of majority shareholding in the Linkon AB subsidiary
- Tender for transport services contract – Västtågen
- Appeal of ruling on public service obligations in the Stockholm-Mälaren Region
- Decision to liquidate the SJ Försäkring AB subsidiary
- Strategic focus for future vehicle maintenance
- Punctuality measures

The Chairman leads the Board's work and is responsible for ensuring that other Board members receive adequate information. The Board has established an Audit Committee and a Remuneration Committee, and determined the Rules of Procedure for the committees. When required, the Board may also establish other committees for the preparation of matters in more narrowly defined areas. At the Board meeting in June, members of SJ's Executive Management also participated and various strategic issues were discussed.

Evaluation of the work of the Board and the CEO

The Board uses a systematic and structured process to evaluate the performance of the Board and the CEO once a year. The Chairman of the Board is responsible for ensuring that the Board's performance is evaluated annually. The evaluation is conducted by a third party and assesses the Board both as a group and as individuals. The results of the evaluation are reported to the Ministry of Finance. The evaluation aims to continuously improve the efficiency of Board work, and to provide a basis in the process of appointing new members. The results of the evaluation for 2014 were presented at the Board meeting on 5 February 2015.

THE BOARD'S WORK IN COMMITTEES

Audit Committee

Composition

The Audit Committee consisted of four Board members. Siv Svensson was

Chair of the Audit Committee in 2014. The CFO, head of the internal audit function and the external auditors also participate in parts of the Committee's meetings. The Audit Committee is a preparatory body in relation to the Board, and its proposals are always submitted to the Board.

Responsibilities

The Audit Committee is a preparatory body for the Board and does not assume, or influence, the Board's responsibilities or duties. The duties of the Audit Committee include:

- Preparation of the Board's work to monitor and assure the company's financial reporting and internal control. To discuss important issues in annual and interim reports prior to deliberation by the Board.
- To assist the Board in matters relating to financial risk and reporting.
- To meet external auditors on a regular basis to remain continuously informed about the planning, focus and scope of the audit.
- To assist the owner in the selection of auditors.
- To evaluate the work of the external auditors.
- To approve the internal audit plan.

Eight meetings were held during the year. SJ's auditors presented significant accounting, auditing and internal control and process issues during the year. The Committee's Chairman submitted regular reports of the Committee's work to the Board.

Remuneration Committee

Composition

SJ's Remuneration Committee comprises two Board members and the Board's Chairman. During the year, two recorded meetings were held, and continuous discussions also took place between the Committee's members.

Responsibilities

The Remuneration Committee is a preparatory body in relation to the Board, and submits its proposals to the Board for a decision, unless the Board, in a specific case, has delegated decision-making authority to

the Committee. The duties of the Remuneration Committee include:

- To ensure the implementation of, and compliance with, the AGM's guidelines for terms of employment for senior executives.
- Preparation of the Board's proposed policies for remuneration and other terms of employment for the CEO and other senior executives to the 2014 AGM.
- Preparation of the Board's proposals for updated guidelines, should the need arise.
- Preparation of ongoing matters regarding remuneration and other terms of employment for the CEO, prior to Board decisions, and to serve as a consultative body in terms of the CEO's proposal for remuneration and other terms of employment for other senior executives, including all annual salary revisions.

Board fees and fees for work on Board committees

Board fees and separate fees for work on established committees are determined by the AGM. Under the State ownership policy, these fees are to be competitive, but not market-leading. For complete information about policies and remuneration, see Note 5.

EXECUTIVE MANAGEMENT

SJ's Chief Executive Officer and President is responsible for the ongoing management of the company in accordance with the Swedish Companies Act and the Board's instructions. In addition to the CEO, Executive Management consists of ten members appointed by the CEO following consultation with the Board. SJ's Executive Management comprises Crister Fritzson, CEO, Carina Wång, Vice President & Chief Financial Officer, Thomas Silbersky, Senior Vice President Sales and Marketing, Madeleine Raukas, Vice President Traffic and Service, Caroline Åstrand, Vice President Product Division, Jens Wigen, Vice President Planning, Björn Rosell, Vice President IT, Claes Broström, Vice President Fleet Management, Erica Kronhöffer, Vice President Quality, Environment and Sustainability, Peter Blomqvist, Vice President HR. In 2014, Helga Baagoe was a member of SJ's Executive Management as the Vice President of Communication, and when her employment was terminated on 11 February 2015, Monica Berglund was appointed acting Vice President of Communication. Executive Management meets regularly and its work is led by the CEO, who makes decisions concerning SJ AB and the Group in consultation with Execu-

tive Management. The decisions of the CEO and Executive Management are based on the Board's adopted guidelines and instructions.

Guidelines for terms of employment for senior executives

SJ applies the Swedish government's guidelines for terms of employment for senior executives in State-owned companies. For complete information about principles and remuneration, see Note 5.

AUDITORS

The owner is responsible for appointing auditors for State-owned companies. The role of the auditors is to perform an independent review of the management conducted by the Board and CEO, and of the company's annual report and accounts.

The practical procurement process is handled by the company's audit committee. The final decision is made by the owner at the AGM. In the event that a re-election of auditors is considered, the work of the auditors is always evaluated. The notice convening the AGM includes a proposal for the election of auditors, and information about conditions that may be relevant when assessing the experience and independence of the proposed auditors.

BOARD OF DIRECTORS, BOARD FUNCTION AND ATTENDANCE

Name	Board function	Board Meetings	Audit Committee	Remuneration Committee
Jan Sundling	Chairman, Chairman of Remuneration Committee	9/9		2/2
Siv Svensson	Member, Chair of Audit Committee	9/9	8/8	
Eivor Andersson ²⁾	Member	2/9		
Mikael Staffas ³⁾	Member	9/9	5/8	1/2
Ulrika Dellby ¹⁾	Member	7/9		
Mikael Stöhr ¹⁾	Member	7/9		
Lena Olving	Member	9/9		2/2
Gunilla Wikman	Member	9/9	8/8	
Michael Thorén	Member	9/9	8/8	2/2
Erik Johannesson	Employee representative	9/9		
Per Hammarqvist	Employee representative	9/9		
Hans Pilgaard	Employee representative	9/9		

¹⁾ Mikael Stöhr and Ulrika Dellby were elected to the Board of SJ AB on 28 April 2014, after which seven Board meetings were held.

²⁾ Eivor Andersson stepped down from the Board of SJ AB on 28 April 2014.

³⁾ Mikael Staffas was appointed a member of SJ AB's Audit Committee at a statutory Board meeting on 28 April 2014, after which five Committee meetings were held. Mikael Staffas stepped down from the Remuneration Committee on 28 April 2014, prior to which one meeting had been held.

This information also includes the scope of the non-audit services that the proposed auditors have provided the company over the past years and, if re-elected, the year in which the auditors were appointed and how long the auditors have performed the assignment. The proposed auditors proposed are to be present at the AGM in order to introduce themselves and answer questions from the owner.

2014 Audit

At the 2014 AGM, accountancy firm Deloitte AB, represented by Authorised Public Accountant Hans Warén, was appointed auditor-in-charge until the 2015 AGM. The auditors presented their audit of the financial statements for 2013 to the entire Board at the Board meeting on 13 February 2014, and their audit of the financial statements for 2014 at the meeting on 24 March 2015. For the 2014 financial year, the Audit Committee and auditors discussed the company's financial statements, accounting, management and risk management. The auditors met the Board, without the presence of Executive Management, on one occasion. In addition, the auditors maintained ongoing 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 presented in the Annual Report, Note 8.

Auditors are to be appointed at each AGM, in accordance with the currently applicable principal rule of the Swedish Companies Act and the currently applicable State ownership policy.

INTERNAL CONTROL

Under the Swedish Companies Act and Swedish Corporate Governance Code, the Board is responsible for internal control of the company. The following describes how the internal control over financial reporting is performed. SJ's external financial

reporting comprises interim, year-end and the greater part of annual reports.

The Board has overall responsibility for internal control at SJ. The Audit Committee's work represents some of the Board's control. External and/or internal auditors have presented their findings at all Audit Committee meetings in 2013, including those related to SJ's annual financial statements and interim financial statements for September.

It is the responsibility of the Board and the management that companies in which the government has a controlling interest are managed in an exemplary manner, within legal frameworks, and in accordance with the long-term interests of their owners. In matters relating to finance, the environment, employees, diversity and social sustainability, all companies have a major responsibility, especially State-owned companies.

The government has therefore expressed that Boards should actively monitor and report the companies' initiatives in these areas.

Risk assessment

A structured risk assessment enables the identification of significant risks for the internal control over financial reporting, and to the identification of where these risks lie. SJ's Management Team works systematically with risk assessments to identify and take measures in the company's risk areas.

The risk assessments are concentrated to the risk areas that could be expected to have a material affect on the company's earnings and financial position. The Audit Committee evaluates SJ's risk assessments, as preparation for the Board's work. SJ's Management Team has an established process for risk assessment. The process involves all divisions, staffs and subsidiaries, which enables consultation, raised awareness in the organisation, and more effective risk identifica-

tion. The purpose of risk management is to limit undesirable effects that could impact the company's financial position, earnings or market position.

The process entails that Executive Management monitors changes in the risk assessments on a quarterly basis to make decisions regarding the need to take action, or whether new risk areas should be assessed. In addition, Business Control analyses risks and opportunities in various projects and in the operational areas of the business, on behalf of Executive Management.

Internal audit

SJ has an internal audit function that reports directly to the Board's Audit Committee. Internal Audit performs independent and objective review assignments, and sometimes consultative services, that result in measures and improvement programmes. During the year, Internal Audit performed 38 reviews in such areas as sustainability, HR and IT. Every year, SJ's Internal Audit conducts an independent risk analysis, which serves as the basis for its annual audit plan, which is determined by the Board after preparation by the Audit Committee. In conjunction with planning the annual audit, the external and internal audit functions discuss SJ's risk profile.

Control environment

The basis of internal control consists of the control environment with organisation, decision-making processes, authorities and responsibilities that are documented and communicated in governing documents, and the core values upon which the Board and Executive Management communicate and operate.

Governing documents at SJ include:

- Rules of Procedure for the Board.
- Rules of Procedure for the Audit Committee and Remuneration Committee.

- The Board's instructions for the Chief Executive Officer.
- Authorisation rules with the aim of guiding all those involved in the management of financial transactions, and ensuring effective control of financial transactions to prevent intentional or unintentional errors.
- Established policies for key areas.
- Financial policy. The Group's Finance Department follows the Board's established framework for financial risk management. The financial policy is to be revised annually and determined by the Board. The objective is to limit the financial risks arising in connection with investments and currency exposure.
- Working procedures and instructions for internal control activities, current accounts and financial statements are well-documented at a detailed level.

Control activities

The company's control activities are designed to systematically manage significant risks relating to financial reporting, including significant accounting issues identified during the risk assessment. The aim of control activities is to prevent or enable early detection of errors in financial reporting, and thereby minimise the consequences. Staff of the Finance Department are responsible for analysis of the financial results and compilation of the financial reporting. One example of control activities is Business Reviews, which are administered by Business Control. At these meetings, the managers in Executive Management present their operations and planning for the CEO and CFO.

Information and communication

Effective information and communication channels enable reporting and feedback from the operations to the Board and Executive Management. It

is important that the right people possess the information that is required to understand the meaning of issued internal policies and guidelines, and the consequences of any deviations. SJ works continuously to improve its internal communication and to explain the decision-making process clearly, in order to increase the reliability and effectiveness of the company's financial reporting. The company's decision-making processes, authorities and areas of responsibility are documented and available on SJ's intranet. SJ conducts meetings that enable dialogue between managers and employees. Great emphasis is placed on regular workplace meetings, where the company's overarching issues are naturally linked to the individual employee's responsibilities. During the year, six dialogue meetings were held, a joint meeting interface for the entire company. Employee surveys are also conducted, which offers opportunities for feedback.

Monitoring

SJ has formalised processes in place for financial reporting and monitoring. These processes aim to ensure that the company moves in the right direction and in relation to the targets and guidelines established by the Board and Executive Management. The Board determines the reporting requirements required to obtain appropriate information about the financial results, the Group's operational risks, and how the risks and outcomes are affected. The purpose of internal reporting is to ensure that monitoring and reporting of the operations is appropriate and accurate in relation to the established business plan and budget. Monthly reports are submitted to the Board, CEO and Executive Management. SJ's external reporting is aimed at providing external stakeholder groups with regular reports of the company's performance, and complies with applicable

laws and regulations, and the owner's requirements.

The Board receives regular reports on how the operations are performing in relation to the business plan, budget and forecasts. The organisation continuously monitors compliance with internal policies, guidelines and manuals, as well as the appropriateness and functionality of established control activities. For example, the Finance Department continuously monitors VAT in the form of registry analyses with the purpose of strengthening and improving quality. During the year, a total review of SJ's taxation model was also conducted and a new complementary model is currently being introduced to strengthen monitoring. An evaluation of how the internal control over financial reporting is organised is also conducted on a regular basis. During the year, a new role was added with the purpose of revising the internal control system. The external auditors perform some review of the internal control system annually. Internal Audit follows the audit plan adopted by the Board. Internal Audit reports the findings of its audit to the Board of SJ after preparation in the Audit Committee.

SJ AB – Board of Directors

Michael Thorén

Born 1969
M.Sc. in Economics

Board member of SJ AB since 2012.
Deputy Director, Ministry of Finance.
Board member of Infranord AB,
AB Svenska Spel and Samhall AB.

Mikael Staffas

Born 1965
M.Sc. in Engineering and MBA.

Board member of SJ AB since 2013.
CFO of Boliden Group.



Jan Sundling

Born 1947
B.Sc. in Nautical Science, Higher Business Administration programme at the Frans Schartau Business institute.

Chairman of the Board of SJ AB since 2011.
Consultant and Board duties. Chairman of the Board of the Swedish Maritime Association and Jan Sundling i Ytterkvarn AB. Board member of Corem Property Group AB and Aditro Logistics AB.

Gunilla Wikman

Born 1959
M.Sc. in Economics

Board member of SJ AB since 2011.
Consultant at Carrara Communication. Board assignments in AMF Fonder, Oatly AB, Flyinge AB and Hoist Finance AB. Vice President of the Swedish Equestrian Federation.

Siv Svensson

Born 1957
Degree in International Economics.

Board member of SJ AB since 2012.
Board member of Swedbank, Karolinska Sjukhuset and Allba AB. Vice Chair of Inlandsinnovation AB.

Mikael Stöhr

Born 1970
Degrees in law and economics

*Board member of SJ AB since 2014.
CEO of Coor Service Management.*

Per Hammarqvist

Born 1958
Traffic Planner

*Board member of SJ AB since 2011.
Chairman of SACO (the Swedish Con-
federation of Professional Associa-
tions) at SJ. Chairman of the Transport
& Rail Section of SACO at SJ.*

Erik Johannesson

Born 1957
Train driver

*Board member of SJ AB since 2005.
Chairman of the Negotiation Council
of SEKO (Union of Service and Com-
munication Employees) at SJ, Board
member of SEKO Western Region.*



Ulrika Dellby

Born 1966
M.Sc. in Economics

*Board member of SJ AB since 2014.
Partner Fagerberg & Dellby. Board
member of Cybercom Group AB
(publ) and BIG BAG Group AB. Vice
Chairman of Fastighetsaktiebolaget
Norrporten (publ).*

Lena Olving

Born 1956
M.Sc. in Engineering

*Board member of SJ AB since 2011.
President and CEO of Mycronic AB (publ).
Board member of Novozymes A/S (Den-
mark).*

Hans Pilgaard

Born 1963
Train driver

*Board member of SJ AB since 2012.
Chairman of ST-spårtrafik at SJ AB.
Member of the departmental board
of ST-spårtrafik.*

SJ AB – Executive Management



Crister Fritzson

Born 1961
CEO
Market Economist
Board member of Systembolaget AB, Trafik i Mälardalen AB and Botnietåg AB. Chairman of the Association of Swedish Train Operating Companies
Employed in 2012



Caroline Åstrand

Born 1970
Vice President Product Division
M.Sc. in Economics
Member of SJ's Executive Management since 1 January 2014
Board member of Trafik i Mälardalen AB and Vänertåg AB
Employed in 2010



Peter Blomqvist

Born 1954
Vice President HR
Social Worker
Board member of the Railbound Transport Board, Almega
Employed in 1982



Carina Wång

Born 1966
Vice President & Chief Financial Officer
M.Sc. in Economics
Employed in 2013



Erica Kronhöffer

Born 1971
Vice President Quality, Environment and Sustainability
Master of Laws
Employed in 2013



Madeleine Raukas

Born 1967
Vice President Traffic and Service
BA, Stockholm University
Board member of the Association of Swedish Train Operating Companies, Trafik i Mälardalen AB, Sveriges Kommunikationer AB and Botnietåg AB
Employed in 2012



Helga Baagø

Born 1963
Vice President Communication
University Diploma in Communications
Board member of Radiotjänst i Kiruna AB
Employed in 2013, employment terminated on 11 February 2015



Thomas Silbersky

Born 1965.
Senior Vice President Sales and Marketing
MBA, Stockholm School of Economics
Board member of Gordin Promotion and Living Management
Employed in 2013



Jens Wigen

Born 1955.
Vice President Planning
BA
Employed in 2012



Björn Rosell

Born 1962
Vice President IT
M.Sc. in Engineering, M.Sc. in Economics and MBA
Board member of Årsta Runstens Sportryttare
Employed in 2012



Claes Broström

Born 1954
Vice President Fleet Management
Mechanical Engineer/Market Economist
Employed in 2006

Multi-year summary

Group	2014	2013	2012	2011	2010
Condensed statement of comprehensive income, SEK million					
Operating income	9,208	9,160	8,664	8,097	8,717
– of which net sales	9,065	9,023	8,504	8,038	8,627
Operating expenses	–8,666	–8,732	–8,188	–8,034	–8,270
Result from participations in associated companies	26	–130	–9	–3	–8
Operating profit	568	298	467	60	439
Profit before tax	578	288	498	38	406
Tax for the period	–118	–68	–27	–2	–112
Profit for the period	460	220	471	36	294
Earnings per share (basic and diluted), SEK	115	55	118	9	73
Condensed consolidated statement of changes in financial position, SEK million					
Non-current assets					
Tangible assets	6,250	6,356	6,830	6,440	6,258
Intangible assets	236	308	294	314	312
Financial assets	596	567	482	474	436
Current assets					
Inventories	8	7	6	6	5
Current receivables	615	719	853	709	1,003
Short-term deposits	760	1,203	780	921	1,044
Cash and cash equivalents	345	80	320	48	47
Non-current assets held for sale	60	72	–	–	171
Total assets	8,870	9,312	9,565	8,913	9,276
Equity					
– of which holdings without controlling influence	–	–	–	–	–
Interest-bearing liabilities	1,125	1,911	2,091	2,365	2,505
Non-interest-bearing liabilities	1,655	1,813	1,963	1,565	1,721
Provisions	379	360	429	396	394
Deferred tax liabilities	377	267	195	167	170
Total equity and liabilities	8,870	9,312	9,565	8,913	9,276
Condensed statement of cash flow, SEK million					
Cash flow from operating activities	1,267	1,039	1,229	778	787
Cash flow from investing activities	–143	–943	–671	–504	447
Cash flow from financing activities	–860	–336	–286	–272	–1,672
Changes in cash and cash equivalents	265	–240	272	1	–438
Investments	828	448	1,116	869	858
– of which affect cash flow	828	448	803	869	858
Margins					
Operating margin, %	6.2	3.3	5.4	0.7	5
Profit margin, %	6.3	3.1	5.7	0.5	4.7
Yield ratios					
Return on operating capital, %	11.5	5.7	8.6	1.2	–
Return on equity, %	9.1	5.1	10.3	0.8	6.7
Capital structure at the end of the period					
Equity, SEK million	5,335	4,961	4,886	4,419	4,486
Capital employed, SEK million	6,574	6,978	7,111	7,093	7,302
Net interest-bearing debt, SEK million	–396	216	693	1,106	1,144
Net debt/equity ratio, multiple	–0.07	0.04	0.14	0.25	–
Equity/assets ratio, %	60.1	53.3	51.1	49.6	48.4
Average number of employees	4,541	4,953	4,299	4,041	4,262

Statement of comprehensive income

Group

SEK million	Note	2014	2013
Net sales	2	9,065	9,023
Other operating income	4	142	137
Total operating income	1	9,208	9,160
Personnel expenses	5	-2,972	-2,910
Depreciation/amortisation and impairment	1, 6	-885	-847
Other expenses	3, 7, 8	-4,809	-4,975
Total expenses		-8,666	-8,732
Result from participations in associated companies	15	26	-130
Operating profit	1	568	298
Interest income and similar profit/loss items	1, 10	49	47
Interest expense and similar profit/loss items	1, 10	-39	-57
Profit before tax		578	288
Tax for the period	1, 11	-118	-68
Profit for the period	1	460	220
Other comprehensive income			
<i>Components that will be reclassified to profit or loss</i>			
Cash flow hedges	10	-13	16
Non-current assets held for sale	10	-4	-1
Deferred tax	11	4	-3
Other comprehensive income for the period		-13	12
Comprehensive income for the period		447	231
Income for the period attributable to:			
Parent Company shareholders ¹⁾		460	220
Comprehensive income for the period attributable to:			
Parent Company shareholders ¹⁾		447	231
Earnings per share (basic and diluted), SEK		115	55
Number of shares at year-end, thousands		4,000	4,000
Average number of shares during the year, thousands		4,000	4,000

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

COMMENTS ON THE STATEMENT OF COMPREHENSIVE INCOME

Income

Consolidated income for the period amounted to SEK 9,208 million, representing an increase of SEK 48 million. The increase was mainly attributable to consolidated net sales, which for the period were SEK 42 million higher than in 2013. In 2013, standstill compensation and damages related to the accident in Kimstad in 2010 were received, as well as insurance payments. In 2014, capital gain on sales of locomotives accounted for SEK 128 million of the current period's other operating income.

SJ's farebox income increased during the period and pertained primarily to an increase in SJ AB, mainly due to the resumption of rail services on the Gothenburg–Malmö route in December 2013, and is therefore not included in full in the comparative figures. Passengers affected by Veolia Transport's strike in June 2014 chose to travel with SJ AB instead, which led to increased travel and a positive impact on farebox income. The increase in consolidated earnings was offset by the major service disruption caused by a fire in the signal box in Myrbacken, and a number of incidents during the summer whereby SJ AB, but above all the SJ Norrlandståg AB subsidiary, were impacted by service disruptions that led to reduced travel.

Construction income associated with Stockholmståg KB rose SEK 12 million, attributable to the station takeover from ISS (May 2013) and slightly higher compensation for achieved punctuality targets in accordance with the incentive agreement. The Group's supply increased during the period, compared with 2013, which is largely attributable to the new services on the Gothenburg–Malmö route. The year's timetable was also expanded with an additional train in each direction on the Malmö–Stockholm route. The accumulated load factor for SJ AB was marginally lower than in 2013, due to a weak start to the year. Travel continued to increase at the end of the year, while supply remained constant, resulting in a higher load factor in the final months of the year.

Expenses

Consolidated expenses for the period amounted to SEK 8,666 million (8,732). The Group's total expenses for the year declined SEK 66 million, compared with 2013. Expanded production in the Group's operations due to the resumption of services on the Gothenburg–Malmö route in December 2013 increased the underlying cost base.

Employee expenses for the Group were SEK 62 million higher year-on-year. However, there are major differences in employee expenses within Group companies. SJ AB's employee expenses were reduced by SEK 24 million due to 493 fewer full-time equivalent employees in December compared with the end of 2013, an effect of the year's change process. This was offset by higher employee expenses in Stockholmståg KB, attributable to the takeover of station operations in May 2013.

During the year, a restructuring reserve of SEK 92 million was recognised due to the implementation of SJ AB's change programme. A transition from other operating expenses to employee expenses took place, partly a result of SJ performing its own train cleaning in strategic locations, and partly due to Stockholmståg KB's takeover of station operations from ISS, resulting in 500 new employees. Lower employee expenses were also partly attributable to lower costs for vehicle and driver training courses, due to implemented efficiencies and the completion of restructuring measures.

In 2014, The Group's infrastructure expenses were about SEK 40 million higher year-on-year. An amount of SEK 13 million was attributable to increased production on the Gothenburg–Malmö route, the remaining portion was due to higher infrastructure charges from the Swedish Transport Administration. The Group's maintenance expenses showed a positive trend compared with the year-earlier period, especially for additional maintenance. These expenses declined by a total of SEK 45 million, primarily the result of less damage following a mild winter. The costs of supervision and service were SEK 35 million lower year-on-year, due to a mild winter and the associated low costs for de-icing. However, costs for the Group's replacement services increased. The increase pertained to unplanned replacement services due to a number of unforeseen events that impacted SJ's services, including the derailment of a mail train between Stuvsta and Huddinge in January, the derailment of a freight train between Katrineholm and Södertälje, a fallen overhead power line in Töreboda on the Stockholm–Gothenburg route, the fire in a switchyard in Myrbacken and strained train services during July and August in 2014. The effect was slightly offset by stable train services throughout the remaining part of the year, which led to lower costs for unplanned replacement services during these months. Completed measures, and overall restraint with regard to other variable costs, resulted in a generally lower cost level.

Total costs for claims annuities were lower year-on-year due to changes in the discount rate and the indexation assumption.

Operating profit

Consolidated operating profit amounted to SEK 568 million (298). Operating profit thus strengthened to SEK 270 million during the period, resulting in an operating margin of 6.2 percent (3.3) for the period. A favourable outcome for SJ AB in the Arbitral Tribunal concerning a dispute with a catering supplier, resulted in a positive contribution of SEK 28 million. Sales of locomotives on two occasions during the period resulted in total capital gains of SEK 128 million. In addition, a reversal of some of the reserve funds set aside on 31 December 2013 for future losses in the associated company Botniatåg AB, strengthened operating profit by SEK 22 million. Insurance claims related to the accident in Skotterud in 2010 had a positive impact of SEK 7 million on earnings. A restructuring reserve of SEK 92 million, arising from SJ AB's improvement process, was charged to operating profit for the year. Impairment of refurbished family coaches to accurately reflect future earnings capacity had a negative impact of SEK 28 million on operating profit.

Underlying operating profit, or operating profit excluding the above items, amounted to SEK 503 million (347).

Financial items

Net financial items amounted to SEK 10 million (expense: 10). The improvement was due to lower net debt and the divestment of 75 percent of SJ AB's ownership in the formerly wholly owned subsidiary Linkon AB in December, which generated a profit of SEK 8 million for the Group.

Consolidated earnings and tax

Consolidated profit before tax amounted to SEK 578 million (288). Tax on profit for the period amounted to SEK 118 million (68). Profit for the period totalled SEK 460 million (220)

Statement of changes in financial position

Group

SEK million	Note	2014	2013
ASSETS			
Non-current assets			
Buildings	12	30	33
Rolling stock	12	5,567	5,787
Machinery and equipment	12	64	81
Construction in progress	12	589	455
Intangible assets	13	236	308
Participations in associated companies	15	28	11
Long-term securities		0	0
Non-current receivables	16	568	556
Total non-current assets		7,083	7,231
Current assets			
Inventories		8	7
Accounts receivable	17	211	228
Receivables from associated companies		5	5
Other receivables	18	193	255
Prepaid expenses and accrued income	19	206	231
Short-term deposits	20	760	1,203
Cash and cash equivalents	20	345	80
Non-current assets held for sale	12	60	72
Total current assets		1,788	2,081
TOTAL ASSETS	1	8,870	9,312

COMMENTS ON THE STATEMENT OF CHANGES IN FINANCIAL POSITION

Assets

Tangible assets

The Group's tangible assets amounted to SEK 6,250 million (6,356) and mainly consisted of vehicles. SJ's train fleet comprises SJ 3000s, X 2000s, double deckers, locomotives and coaches. The largest single investment is in the SJ 3000, which represented a total investment of SEK 2,256 million in 20 train sets in 2013. Introduction of the SJ 3000 proved the most successful initiative in SJ's history – the trains have run very well and are robust in the winter climate.

Efforts to thoroughly modernise SJ's high-speed X2000 train are ongoing. Changes during the period were therefore primarily attributable to investments in construction in progress in the X2 Upgrade Project and depreciation/amortisation and impairment for the year. The Group's depreciation/amortisation and impairment losses amounted to SEK 885 million, and include an impairment loss of SEK 28 million at year-end for the new family coach to accurately reflect the future earnings capacity of the coaches. In 2013, a decision was made to upgrade both technology and comfort in the X 2000 train sets, at a total estimated cost of SEK 3.5 billion. The decision entails that all train sets, with six coaches each, will undergo extensive renovation that will extend their service life until about 2035. The technology investment amounted to SEK 1.4 billion. The renovation schedule is that the 36 train sets will be modernised between 2016 and 2019 and gradually deployed during the period as they are ready. The technical upgrade is now in the design phase for the new drive and control system,

which will provide world-class reliability for the X 2000. The procurement of a major comfort refurbishment commenced at the end of the year. As part of the process to adapt SJ's train fleet to the new competitive situation, Rc3 model locomotives were sold at two auctions during the period. The locomotives were manufactured in the early 1970s and were in commercial operation until their date of sale. SJ's need for locomotives has decreased since the number of multiple units in the fleet has increased, especially since the SJ 3000 was launched.

Financial assets

Financial assets amounted to SEK 596 million (567) and primarily comprised long-term interest-bearing receivables. These mainly consist of deposits in connection with lease financing with Nordea Finans Sverige AB. Parts of the deposit are tied up in long-term investments with remaining maturities of up to six months. The remaining portion of the Group's financial assets comprise investments to guarantee actuarial commitments. The SJ Försäkring AB subsidiary has investments in interest-bearing securities, of which a total of SEK 223 million (223) is classified as a financial asset.

Current assets

During the period, short-term deposits decreased SEK 443 million, since loans for financing the double-deckers matured on 30 June 2014. At 31 December 2014, non-current assets held for sale amounted to SEK 60 million, pertaining to two X31 train sets and their components.

Statement of changes in financial position, cont.

Group

SEK million	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Share capital		400	400
Other contributed capital		4,519	4,519
Reserves		-9	5
Retained earnings		425	38
Total equity attributable to owner of Parent Company¹⁾	21	5,335	4,961
Total equity		5,335	4,961
Non-current liabilities			
Provisions	23	170	194
Interest-bearing liabilities	20,22	709	1,125
Non-interest-bearing liabilities	20	0	19
Deferred tax liability	11	377	267
Current liabilities			
Provisions	23	210	166
Interest-bearing liabilities	22	415	787
Trade accounts payable		506	504
Accrued expenses and deferred income	24	882	940
Liabilities to associated companies		31	10
Tax liabilities		7	8
Other current liabilities		229	332
Total liabilities		3,536	4,352
TOTAL EQUITY AND LIABILITIES		8,870	9,312
Pledged assets	26	1,181	1,251
Contingent liabilities	27	290	74

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

COMMENTS ON THE STATEMENT OF CHANGES IN FINANCIAL POSITION

Equity

On 31 December 2014, the Group's equity amounted to SEK 5,335 million (4,961). Equity strengthened due to favourable earnings for the period. During the period, equity was also impacted by issued dividends of SEK 73 million, in line with the appropriation of profit for 2013.

Owner requirements

On 28 April 2014, the Annual General Meeting resolved on new, long-term financial targets for SJ. The previous target of at least 10 percent return on equity was replaced by a target of at least 7 percent, on average, return on operating capital. The AGM also resolved on a long-term net debt/equity ratio of 0.5–1.0 (multiple) to replace the previous target of an equity/assets ratio of at least 30 percent. The long-term dividend should amount to between 30 and 50 percent of profit for the year. The previous target was that the dividend should amount to at least one-third of profit for the year.

In 2014, return on operating capital amounted to 11.5 percent. The Group's interest-bearing provisions and liabilities amounted to SEK 1,277 million (2,055) and interest-bearing assets to SEK 1,672 million (1,839). Profit before tax amounted to SEK 578 million (288), while operating capital amounted to SEK 4,952 million (5,225). The Group's net assets declined about SEK 300 million during the year, partly attributable to changes in working capital and

divestment of the Linkon AB subsidiary. Depreciation was slightly higher than the rate of investment, which also impacted operating capital. Equity increased due to favourable earnings and a relatively low dividend ratio (1/3), while the Group's net financial debt decreased sharply. Operating capital is now financed exclusively with equity, which is reflected by the net debt/equity ratio of -0.07, corresponding to a net cash position of SEK 396 million in the SJ Group.

Liabilities

Interest-bearing liability

At 31 December 2014, the Group's net cash position was SEK 396 million, compared with net debt of SEK 216 million at the end of 2013. The Group's interest-bearing liabilities amounted to SEK 1,124 million (1,912) and mainly comprised payment commitments for SJ's finance leases, and loans of SEK 800 million raised in 2012 to finance the new SJ 3000 trains. The decrease was mainly attributable to the settlement of a leasing loan of some SEK 650 million for double deckers on 30 June 2014, and amortisation.

At 30 June, payment for the settlement of leasing was financed with own cash. Of the interest-bearing liabilities, SEK 709 million (1,125) was non-current and SEK 415 million (787) current, pertaining to those parts of the liability that mature within one year. The average maturity for outstanding liabilities was 49 months (41). The average fixed-rate period was 15 months (13). At 31 December 2014, the average interest rate was 2.0 percent (2.5).

Statement of cash-flow

Group

SEK million	Note	2014	2013
OPERATING ACTIVITIES			
Profit before tax		578	288
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	6	885	847
– Changes in provisions		19	–69
– Capital gain/loss		–125	4
– Other changes		–12	–33
– Result from participations in associated companies		–26	130
Cash flow from operating activities before changes in working capital		1,320	1,167
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventories		–1	–2
Increase (-) / Decrease (+) in operating receivables		–9	135
Increase (+) / Decrease (-) in operating liabilities		–43	–262
Cash flow from operating activities		1,267	1,039
Investing activities			
	12, 13, 25		
Acquisition of tangible assets		–693	–316
Acquisition of intangible assets		–135	–132
Sale of tangible assets		146	8
Sale of shares and participations		91	–
Acquisition of long-term interest-bearing receivables*		–17	–78
Change in short-term investments		465	–423
Cash flow from investing activities		–143	–943
Cash flow before financing activities			
		1,124	96
Financing activities			
Amortisation of lease liability		–787	–179
Borrowings		–	–
Dividends		–73	–157
Cash flow from financing activities		–860	–336
Cash flow for the period		265	–240
Cash and cash equivalents at 1 January		80	320
Cash and cash equivalents at 31 December	20	345	80

* Interest income received in the Group totalled SEK 51 million (47) and interest paid was SEK 33 million (57).

COMMENTS ON THE GROUP'S CASH FLOW

Cash flow from operating activities amounted to SEK 1,267 million (1,039) and was impacted by positive operating income and an increase in current receivables. The increase in current receivables is largely attributable to higher accounts receivable, which depends on when invoicing takes place.

Adjusted for non-cash items, including depreciation/amortisation of SEK 885 million (847), a change of SEK 19 million (neg: 69) in provisions primarily pertaining to restructuring measures, loss of SEK 26 million (profit: 130) from participations in associated companies, sales, primarily of the Rc3 model locomotive, amounting to a loss of SEK 125 million (profit: 4), and other items amounting to a loss of SEK 12 million (loss: 33), cash flow from operating activities before changes in working capital amounted to SEK 1,320 million (1,167).

Investments in tangible and intangible assets amounted to SEK 828 million (448), of which SEK 677 mil-

lion (282) pertained to investments in vehicles, primarily renovation and modernisation of the X 2000. The change in intangible assets amounted to SEK 135 million (132), attributable to various investments, including a new timetable system in SJ AB.

Other investments amounted to SEK 16 million (34). Sales of non-current assets, primarily Rc3 model locomotives, amounted to SEK 146 million (3). The total change in short-term investments amounted to SEK 465 million (neg: 423), in sales of shares and participations to SEK 91 million (0) and in investments in interest-bearing securities to a loss of SEK 17 million (loss: 78). Cash flow from investing activities was a negative SEK 143 million (neg: 943).

A negative cash flow of SEK 860 million (neg: 336) from financing activities pertains to amortisation of SEK 786 million (179), and paid dividends of SEK 73 million (157) for the period. On 31 December, cash and cash equivalents amounted to SEK 345 million (80). Total cash flow amounted to SEK 265 million (neg: 240).

Statement of changes in equity

Group

SEK million	Note	Attributable to owner of Parent Company ¹⁾					Total ¹⁾ equity
		Share capital	Other contributed capital	Reserves Cash flow hedges	Reserves Non-current assets held for sale	Retained earnings	
1 Jan 2013	21	400	4,519	-15	8	-26	4,886
Profit for the period						220	220
Other comprehensive income		-	-	13	-1	1	13
Comprehensive income				13	-1	221	233
Dividends to shareholders						-157	-157
31 Dec 2013	21	400	4,519	-2	7	38	4,961
Profit for the period						460	460
Other comprehensive income		-	-	-10	-3		-13
Comprehensive income				-10	-3	460	447
Dividends to shareholders						-73	-73
31 Dec 2014	21	400	4,519	-12	4	425	5,335

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

COMMENTS ON THE GROUP'S EQUITY

On 31 December 2014, the Group's equity amounted to SEK 5,335 million (4,961). Equity strengthened due to favourable earnings for the period. Retained earnings, including profit for the year, comprised a negative change of SEK 10 million (pos: 13) pertaining to unrealised cash flow hedges less deferred tax, and a negative

amount of SEK 3 million (neg: 1) pertaining to non-current assets held for sale less deferred tax. Retained earnings for the year were also impacted by shareholder dividends totalling SEK 73 million (157) in line with the AGM resolution.

Financial position

The operations in relation to the owner's directive and financial requirements of the business

	2014	2013
Return on operating capital (Group) %	11.5	5.1
Target	7	10
Net debt/equity ratio, (Group) multiple	-0.07	53.3
Target	0.5-1.0	30
Dividend, SEK million		73

The owner's financial targets for SJ are a minimum average return of 7 percent on operating capital, and a long-term net debt/equity ratio of 0.5-1.0, multiple. The long-term dividend should amount to between 30 and 50 percent of profit for the year.

Income statement

Parent Company

SEK million	Note	2014	2013
Net sales	2	6,143	6,125
Other operating income	4	173	157
Total operating income	1	6,317	6,283
Personnel expenses	5	-1,797	-1,821
Depreciation/amortisation and impairment	1, 6	-858	-813
Other expenses	3, 7, 8	-3,231	-3,315
Total operating expenses		-5,886	-5,950
Operating profit	1	431	333
Results from subsidiaries	9	-31	89
Result from associated companies	15	34	-130
Interest income and similar profit/loss items	1, 10	63	40
Interest expense and similar profit/loss items	1, 10	-40	-60
Profit before tax		457	272
Tax for the period	1, 11	-118	-68
Profit for the year	1	339	205

Statement of comprehensive income

Parent Company

SEK million	Note	2014	2013
Profit for the year	1	339	205
<i>Components that will be reclassified to profit or loss</i>			
Cash flow hedges	10	-13	16
Non-current assets held for sale	10	-4	0
Deferred tax	11	4	-3
Other comprehensive income for the period	21	-13	12
Comprehensive income for the period		326	217

Balance sheet

Parent Company

SEK million	Note	2014	2013
ASSETS			
Non-current assets			
Tangible assets			
Buildings	12	30	33
Rolling stock	12	5,627	5,859
Machinery and equipment	12	64	80
Construction in progress	12	589	455
Total tangible assets		6,310	6,426
Intangible assets			
Capitalised development expenditure	13	235	170
Brand	13	0	0
Total intangible assets		235	170
Financial assets			
Participations in Group companies	14	147	206
Participations in associated companies	15	13	2
Long-term securities		0	0
Non-current receivables	16	344	332
Total financial assets		505	541
Total non-current assets		7,050	7,136
Current assets			
Receivables			
Inventories		8	7
Accounts receivable	17	133	152
Receivables from Group companies		195	370
Receivables from associated companies		3	2
Other receivables	18	148	121
Prepaid expenses and accrued income	19	133	127
Total receivables		619	780
Short-term investments			
Other short-term investments	20	760	1,203
Total short-term investments		760	1,203
Cash and bank balances	20	345	80
Total current assets		1,724	2,063
TOTAL ASSETS	1	8,774	9,199

Parent Company

SEK million	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		400	400
Statutory reserve		200	200
Unrestricted equity			
Fair value reserve		-14	-1
Retained earnings		4,140	4,009
Profit for the year		339	205
Total equity	21	5,066	4,812
Liabilities			
Provisions			
Non-current provisions	23	107	128
Current provisions	23	144	82
Deferred tax liability	11	367	252
Total provisions	1	618	463
Non-current liabilities			
Interest-bearing liabilities	20	709	1,125
Other non-current liabilities	20	-	19
Total non-current liabilities		709	1,144
Current liabilities			
Interest-bearing liabilities	22	415	787
Trade accounts payable		405	362
Liabilities to Group companies		633	646
Liabilities to associated companies		31	4
Other liabilities		157	205
Accrued expenses and deferred income	24	739	778
Total current liabilities	1	2,380	2,781
TOTAL EQUITY AND LIABILITIES		8,774	9,199
Pledged assets	26	1,181	1,251
Contingent liabilities	27	290	304

Statement of cash-flow

Parent Company

SEK million	Note	2014	2013
OPERATING ACTIVITIES			
Profit after financial items		457	272
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	6	858	813
– Changes in provisions		41	–62
– Capital gain/loss		–125	4
– Other changes		3	–31
– Result from participations in associated companies	15	0	130
Cash flow from operating activities before changes in working capital		1,234	1,126
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventories		–1	–2
Increase (-) / Decrease (+) in operating receivables		161	134
Increase (+) / Decrease (-) in operating liabilities		–425	–265
Cash flow from operating activities		970	994
Investing activities			
	12, 13, 25		
Acquisition of tangible assets		–693	–315
Sale of tangible assets		146	3
Acquisition of intangible assets		–135	–108
Acquisition and sale of shares and participations		39	0
Other long-term interest-bearing receivables*		–16	0
Change in short-term investments (91-360 days)		443	–478
Cash flow from investing activities		–216	–897
Cash flow before financing activities		753	97
Financing activities			
Amortisation of lease liability		–415	–179
Dividends		–73	–157
Cash flow from financing activities		–488	–336
Cash flow for the period		265	–240
Cash and cash equivalents at 1 January		80	320
Cash and cash equivalents at 31 December	20	345	80

* Other long-term interest-bearing receivables from financing activities were reclassified as investing activities in Q3 2013.

Interest income received in the Parent Company totalled SEK 41 million (40) and interest paid was SEK 33 million (60).

Statement of changes in equity

Parent Company

SEK million	Restricted equity		Unrestricted equity				Total equity
	Share capital	Statutory reserve	Fair value reserve			Profit for the year	
			Cash flow hedges	Non-current assets held for sale	Retained earnings		
1 Jan 2013	400	200	-16	3	3,724	443	4,753
Profit for the year						205	205
Other comprehensive income			13	0			12
Comprehensive income			13	0	0	205	217
Appropriation of profits					443	-443	0
Dividends to shareholders					-157		-157
31 Dec 2013	400	200	-3	3	4,009	205	4,812
Profit for the year						339	339
Other comprehensive income			-10	-3			-13
Comprehensive income			-10	-3	0	339	326
Appropriation of profits					205	-205	0
Dividends to shareholders					-73		-73
31 Dec 2014	400	200	-13	0	4,141	339	5,066

SJ AB's equity totalled SEK 5,066 million (4,812), and the equity/assets ratio was 57.7 percent (52.3). The change in equity was largely a result of profit for the year after tax of SEK 339 million (205).

Retained earnings, including profit for the year, included a negative change of SEK 10 million (pos: 13) pertaining to

unrealised cash-flow hedging including deferred tax, and a negative amount of SEK 3 million (0) pertaining to non-current assets held for sale including deferred tax. Retained earnings for the year were also impacted by shareholder dividends totalling SEK 73 million (157) in line with the AGM resolution.

Accounting policies

GENERAL INFORMATION

The SJ Group operates passenger services and other related operations, directly and indirectly, through subsidiaries and associated companies. The financial statements for the SJ Group for the financial year ending 31 December 2014 were approved for publication by the Board of Directors and the Chief Executive Officer on 24 March 2015, and will be submitted to the Annual General Meeting on 29 April 2015 for adoption. The Parent Company is a Swedish limited liability company with its registered office in Stockholm, Sweden.

The address of the head office is Vasagatan 10, SE-105 50 Stockholm, Sweden.

ACCOUNTING POLICIES APPLIED

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

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

Conformity with regulations and standards

The consolidated financial statements 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 adopted by the EU. The consolidated financial statements have also been prepared in accordance with Swedish law by applying the recommendations of the Swedish Financial Reporting Board RFR 1, Supplementary Accounting Rules for Groups.

The Parent Company's financial statements have been prepared in accordance with Swedish law, applying the recommendations of the Swedish Financial Accounting Standards Council's RFR 2, Accounting for Legal Entities. This means that IFRS measurement and disclosure rules are applied, apart from exemptions arising from legal provisions or the relationship between accounting and taxation. Deviations between the accounting policies applied by the Group and the Parent Company are described in the respective sections below.

SJ AB also complies with Nasdaq Stockholm's rules and regulations for issuers.

BASIS OF RECOGNITION

Recognition is primarily based on historical cost, except for certain financial instruments. The accounting policies have been consistently applied to all specified years and the amounts stated are in millions of Swedish kronor, unless otherwise indicated.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS FOR 2014

New and amended standards and interpretations from the IASB and IFRS had no material impact on the consolidated financial statements.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT YET ENTERED INTO FORCE

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard has been issued in phases, whereby the version issued in July 2014 replaced all previous versions. Application of IFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The standard has not yet been approved by the EU. IFRS 9 contains new requirements for the classification and measurement of financial instruments, derecognition, impairment and general rules for hedge accounting. The macro hedge accounting model is treated as a separate project. Executive Management has not yet completed a detailed analysis of the effects of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue and IAS 11 Construction Contracts. The application of IFRS 15 is mandatory for financial years commencing on

or after 1 January 2017. The standard has not yet been approved by the EU. IFRS 15 represents a model for revenue recognition for almost any revenue arising from contracts with customers, except leases, financial instruments and insurance contracts. The basic principle for revenue recognition is that the entity is to recognise revenue when all risks and economic rewards associated with the goods and or the services are transferred to customers in exchange for remuneration for these goods and or services. Executive Management has not yet completed a detailed analysis of the effects of applying IFRS 15.

Other new and amended standards and interpretations are not expected to have any material impact on the consolidated financial statements in the period in which they are first applied.

AMENDED ACCOUNTING POLICIES FOR THE PARENT COMPANY

The changes in RFR 2 Accounting for Legal Entities, which entered into force for the 2014 financial year, and the changes that entered into force from 1 January 2015, have not had/are not expected to have any material impact on the Parent Company's financial statements.

SIGNIFICANT ACCOUNTING ISSUES AND ESTIMATES AND ASSUMPTIONS

Assessments of significant accounting issues

When preparing the financial statements for the Group and Parent Company, the Board and Executive Management, in addition to estimates, made several assessments of critical accounting issues that are of major significance for recognised amounts. This applies to the following areas:

Leases

Leases are classified as either finance or operating leases. A finance lease exists when the economic risks and rewards associated with ownership are essentially transferred to the lessee. Leases not classified as finance leases are operating leases. Around 25 percent of SJ AB's vehicle fleet (the double-deckers) is leased via finance leases and recognised in both the income statement and the balance sheet. When estimating the economic life of the vehicles, it appears to exceed the lease terms. SJ AB intends to assume ownership of these vehicles when the contracts expire. Depreciation is therefore applied over the expected useful life.

Finance leases

Significant assets acquired under finance leases are recognised as non-current assets in the financial statements, as in the financial statements of the Parent Company, from when the contract has been signed and the equipment delivered. The finance lease liability is measured at the present value of the minimum lease payments, which are payable to the lessor during the lease term, and any amounts guaranteed by the lessee or a related party. The lease term is the period for which SJ AB has agreed to lease the asset. Under finance leases, assets are depreciated over their estimated useful life. Future commitments to the lessor are recognised as a liability in the balance sheet. Lease payments are divided into financial expenses and amortisation of the liability.

Operating leases

Operating leases entail that no item is recognised in the balance sheet, but that lease payments are expensed on a straight-line basis over the lease term.

Financial instruments

When using financial instruments, SJ is able to categorise them according to four different categories. The principal rule is that an instrument is classified in accordance with how similar instruments have previously been classified. When using a new type of instrument, a decision is made regarding classification.

Penalty amounts

When purchasing trains, penalty amounts are normally deducted from the project cost. In certain cases, where the penalty amount

is paid to cover loss of revenue or additional costs arising from non-fulfilment of a contract, this is recognised in profit or loss.

Uncertainty in estimates and assumptions

During the preparation of the financial statements, the Board and Executive Management make estimates and assumptions that affect the assets, liabilities, income and expenses recognised in the financial statements, as well as other disclosures. The actual outcome may differ from these estimates. Estimates and assumptions are based on historical experience and reasonable assumptions about future market trends, but also on prevailing circumstances, such as political decisions. Of particular importance to the financial position are estimates when calculating the value in use of investments in trains, the outcome of onerous contracts regarding transport and service deliveries, and restructuring reserve. Other relevant factors include estimates of the actuarial provision and assessments of disputes, in which provision is only made for damage amounts when it is possible to make a reliable estimate.

In annual impairment testing, the entire SJ Group is considered a cash-generating unit.

ACCOUNTING POLICIES FOR THE GROUP

The consolidated financial statements comprise the Parent Company SJ AB and all subsidiaries. Companies acquired during the year are included in the Group's income statement and balance sheet and statement of cash flow as of the date of acquisition. Divested companies are included until the date of divestment.

The acquisition method

The consolidated financial statements are prepared using the acquisition method. This means that the assets, liabilities and contingent liabilities of acquired subsidiaries are recognised at fair value using the prepared acquisition analysis. If the cost of shares in subsidiaries exceeds the estimated fair value of the company's net assets, the difference is recognised as goodwill. Transaction costs are expensed immediately.

Subsidiaries

Subsidiaries included in the consolidated financial statements are those companies in which SJ AB has a controlling influence, meaning the right to determine the subsidiary's financial and operational strategies.

Associated companies

Associated companies are companies in which the Parent Company directly or indirectly controls 20–50 percent of the voting rights, or has significant influence. Associated companies are consolidated using the equity method. This method entails that participations in associated companies are recognised at cost, plus or minus SJ AB's share of profits or losses arising after the acquisition. The Consolidated Statement of Comprehensive Income reflects the Group's share of results from associates during the period. The share of results from associates was calculated on the last available balance-sheet date from the associated companies, but not older than three months. Considerations were thereafter made for significant events and transactions that occurred during the period until the actual balance-sheet date.

Parent Company

Participations in subsidiaries and associated companies are recognised in the Parent Company using the cost method. Dividends received are recognised in profit or loss. The value is tested for impairment at least once a year.

Recognition of Group contributions

The Parent Company has applied the alternative rule to Group contributions since the 2012 financial year.

Elimination of intra-Group transactions

Intra-Group receivables and liabilities, internal sales, internal profits and the intra-Group insurance contracts are eliminated in full in

the consolidated financial statements. SJ Försäkring AB's external insurance contracts are therefore recognised in the consolidated financial statements.

Internal pricing

Market-based pricing, meaning pricing based on market prices, are applied for deliveries between the Group's companies.

INCOME RECOGNITION

Income is measured at fair value, meaning the sales value, taking into account any discounts and taxes, and excluding VAT.

Income/Net sales

Net sales comprise farebox income, bistro income, income from leasing vehicles and commission income. Farebox income and bistro income are recognised when the train journey was undertaken. This means that sold, unused tickets are recognised as deferred income on the balance-sheet date. Income associated with SJ Prio is recognised in accordance with IFRIC 13, Customer Loyalty Programmes, meaning the initial sale is divided according to the component method, whereby a portion of the income is reserved as a payment obligation for the future bonus commitment. When the customer redeems the bonus and SJ has fulfilled its obligation, the income is recognised as revenue. The future bonus commitment is measured at fair value by estimating the future utilisation of the benefit.

Income from contracts where SJ AB provides commissioned services are accrued to the month in which the services are scheduled to be performed. Season ticket income accrues on a straight-line basis over the period of validity. Lease income is recognised on a straight-line basis over the lease period. Commission income, which is the reimbursement SJ AB receives for sales of journeys on behalf of other operators, is recognised when the journey is sold.

Other operating income

Income not pertaining to net sales is classified as other operating income and mainly comprises capital gain on sales of non-current assets as well as insurance, damages and standstill compensation.

The capital gain is recognised when the equipment is delivered, and other compensation is normally recognised when the insurance company or equivalent has approved a claim for compensation, or upon payment thereof.

SEGMENT REPORTING

Segment reporting is based on a business management perspective. An operating segment is a business unit that engages in business activities from which revenue may be earned and expenses may be incurred (including revenue and expenses relating to transactions with other parts of the same company) and whose operating results are regularly reviewed by the company's management and Board as a basis for decisions on resource allocation. This means that there must be separate financial information for the segments that are reported externally.

The Group reports the following segments: SJ AB, Train-operating subsidiaries and Other subsidiaries.

The Group operates, in all material respects, in Sweden, which means that the Group only reports one geographical location, see Note 1.

DEPRECIATION AND AMORTISATION

Assets are depreciated and amortised on a straight-line basis according to systematic plans over their estimated useful life, which is tested continuously and commences in the month after the asset has been taken into service. The amortisation period for intangible assets is normally three years (software) but there are also amortisation periods of 5 and 7 years where this amortisation period best reflects the useful life.

The depreciation of high-value components and additional investments is based on the remaining useful life of the main unit. Repairs of high-value components are expensed as incurred. Trains constitute

the major part of SJ AB's tangible assets and are divided into two main components – chassis and interior. The depreciation periods for these components differ.

The following depreciation periods are applied:

Capitalised development expenditure	3–7 years
Vehicle – chassis	20–25 years
Vehicle – interior	7–13 years
Infotainment, handheld computers	3 years
Building – workshop	20 years
Building equipment	5–10 years
Cars	5 years
Machinery and equipment	5–10 years
Improvements to leased premises according to length of lease.	

Impairments

On each balance-sheet date, tests are carried out to assess whether there is any indication that tangible and intangible assets may be impaired, meaning whether they have declined in value. If so, the recoverable amount of the asset or cash-generating unit is determined, and is the higher of the net selling price and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. If the recoverable amount is less than the carrying amount, the asset or cash-generating unit is impaired. The impairment loss is recognised in profit or loss. Completed impairment testing is based on the Board's adopted business and strategic plan. Significant estimates and assumptions are discounting factors, as well as the growth and price factor.

BORROWING EXPENSES

Borrowing costs that are directly attributable to the purchasing, construction or production of assets, and that require a considerable time until completion, are included in the asset's cost. Expenses associated with the raising of loans are accrued over the term of the loan using the effective interest method. Borrowing costs are otherwise expensed.

INCOME TAXES

Recognised tax comprises current and deferred tax. Current tax is based on net earnings and calculated on the balance-sheet date rate. Tax paid or received during the current year is classified as current tax. This also includes the adjustment of current tax attributable to prior periods.

Taxes are recognised in profit or loss except when the underlying transaction is recognised directly in other comprehensive income or directly in equity, whereby the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax is recognised at the differences between the carrying amount and tax base of assets and liabilities, known as temporary differences. Deferred tax is measured at the tax rates that have been enacted or substantively enacted by the balance-sheet date and that are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets arising from temporary differences and tax loss-carryforwards are recognised to the extent that it is probable that they will be utilised in the future.

On each balance-sheet date, the carrying amount of the deferred tax asset is reviewed and receivables are reduced to the extent that it is no longer probable that sufficient taxable profit will be available.

EARNINGS PER SHARE

Earnings per share are measured as the Parent Company's average number of shares during the period in relation to the Group's profit after deduction for participations without non-controlling interests held by the owner. SJ has no convertible debentures, preference shares or options programmes, which is why no dilution effects occur.

TANGIBLE ASSETS

Tangible assets are recognised at cost less accumulated depreciation and any accumulated impairment losses. The amount is reviewed annually.

Buildings

One leased premise in Västerås is classified as a finance lease. The cost of the building, a workshop for maintaining the double-decker vehicles, comprises the present value of the minimum lease payments for the lease term. The commitment for restoration expenses is included in cost.

Rolling stock, plant and machinery

Cost for rolling stock is the purchase price plus any expenses directly attributable to the asset in order to bring it to a location and in such a condition that it can be used in accordance with the purpose of the purchase. Such expenses primarily consist of expenses for project planning and interest expenses during the construction period. Additional expenses, for the refurbishment of vehicle interiors, for example, are capitalized.

The rolling stock considered a finance lease is recognised in the balance sheet at the lower of either its fair value, or present value of the minimum lease payment established at the inception of the lease. Depreciation is calculated using the same structure as for tangible assets.

Construction in progress

Non-current assets that are delivered but not yet used are recognised as construction in progress. Vehicles that are not yet in service, for example, due to pending inspection, testing or modification, are recognised as 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 can ensure that the asset's future economic benefits will flow to the Group
- the Group can reliably measure the cost.

Capitalised development expenditure

Capitalised development expenditure is recognised in accordance with the cost method at cost, less accumulated depreciation and any accumulated impairment losses. Identifiable expenditures for development that are attributable to specific projects are capitalised to the extent they are expected to provide future economic benefits, provided that the Group has control over the asset. The development expenditure that is capitalised primarily pertains to sales systems, customer programme systems and work planning schemes for train crews. Development expenditure for systems is recognised under intangible assets as construction in progress until the date they are taken into use by the Group.

INVENTORIES

Stores and warehouses are measured at the lower of either their cost or net selling price. The risk of obsolescence has therefore been taken into account. When calculating the cost, the first-in first-out method (FIFO) has been applied.

The net selling price is calculated as the selling price less selling expenses.

FINANCIAL INSTRUMENTS

Recognition and measurement

Financial instruments, defined as financial assets, financial liabilities and derivative instruments, are only recognised in the balance sheet when the Group becomes a party to the instrument's contractual terms. Upon initial recognition, financial instruments are measured at fair value including directly attributable transaction expenses, except for financial assets measured at fair value through profit or loss.

Subsequent valuations are at fair value or amortised cost using the effective interest method, depending on the category to which

the financial instrument belongs. The value change can occur in other comprehensive income or through profit or loss.

Fair value

When there is an active market for the financial instruments, the fair value of such instruments corresponds to the quoted prices in active markets for identical assets or liabilities (level 1). If there is no active market according to level 1, inputs other than quoted prices included within level 1 are used. These inputs are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices) (level 2). Fair value can then be measured on the basis of comparison with similar instruments, or by observing the interest rate or yield curve for the relevant issuer. In the absence of level 2 prices, measurement of the asset or liability in question is not based on observable market data (level 3).

Financial assets recognised at amortised cost

Recognition at amortised cost for accounts receivable and other receivables means that the financial instrument is measured at cost less impairment due to 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 payments or receipts throughout the financial instrument's expected term.

Derecognition from the balance sheet

A financial asset is partially or fully derecognised from the balance sheet when the contractual rights to the cash flow expire, or when the Group transfers the asset's contractual rights to receive cash flows, or in some cases when the Group retains the rights, but undertakes to pay the cash flows to one or more recipients. A financial liability is partially or fully derecognised when the contractual obligation is discharged, cancelled or expired.

Classification

The Group classifies financial assets in three categories:

- financial assets measured at fair value through profit or loss
- held-to-maturity investments
- non-current assets held for sale.

The Group classifies 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 presented according to their classification category, valuation principle and valuation method (level) in Note 20.

Financial assets measured at fair value through profit or loss

The proportion of the Group's derivative instruments that are not identified as hedges are recognised at fair value through profit or loss. Long-term securities, shares and participations, and bonds are also included in this category. These have been classified in this category because Executive Management monitors them based on their fair values.

Settlement date accounting is applied to this class of assets, except for derivatives recognised on their transaction date, and the value change is recognised in profit or loss

Held-to-maturity investments

This group includes non-derivative financial assets with fixed payments and fixed maturity for which the company has the intention and ability to hold to maturity. Settlement-date accounting is used for this category of financial assets and amortised cost is measured using the effective interest method.

Loans and receivables

This category of assets refers to non-derivative financial assets that are not quoted on a market with fixed payments, including accounts receivable, loans receivable, other receivables and cash and bank balances. These are included in current assets, except for items with maturities greater than twelve months after the balance-sheet date. Trade-date accounting is used for this category of financial assets. Loans and receivables are measured at amortised cost. The value change is recognised in profit or loss when the financial asset is derecognised from the balance sheet, upon impairment or through allocation.

Non-current assets held for sale

This category includes investments not identified as being held for sale, and financial instruments not classified in any other category. Settlement-date accounting is used for non-current assets held for sale. Changes in value are recognised in other comprehensive income.

Financial liabilities measured at amortised cost

This category includes borrowings and accounts payable. Assets are measured at amortised cost using the effective interest method. Trade-date accounting is applied for accounts payable.

HEDGE ACCOUNTING

Cash flow hedging

SJ uses hedging instruments to secure future cash flows, for instance to cover investments made in foreign currencies, which are recognised in the balance sheet at fair value. According to the rules for cash flow hedging, the change in value of the foreign currency forward contract is recognised in other comprehensive income and accumulated in the hedging reserve in equity. When the hedged amount falls due for payment, the value of the hedging reserve is transferred to the asset through other comprehensive income.

To hedge the variable interest-rate risk, SJ uses interest-rate derivatives which are measured at fair value, and this change in value is also recognised directly in other comprehensive income in the hedging reserve. If the hedging relationship ceases upon premature redemption of the underlying debt, the accumulated change in value in other comprehensive is transferred to profit or loss. If hedging is terminated for any other reason, such as a decision to change the duration of the debt portfolio, the surplus or deficit in profit or loss is accrued until the date that the interest-rate derivative would have expired. 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 in profit or loss.

LOAN LOSSES

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

FINANCIAL ASSETS

Long-term securities, shares and participations

Long-term securities be measured at fair value.Changes in value are recognised through profit or loss. These holdings consist mainly of shares in unlisted companies, over which the Group does not have significant influence.

Non-current receivables

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

ACCOUNTS RECEIVABLE

Accounts receivable are recognised, when the invoice has been sent, at amortised cost, which corresponds to the invoiced amount. Bad debts are individually assessed when it is no longer probable that the full amount will be received.

ACCRUED INCOME

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

SHORT-TERM INVESTMENTS

Short-term investments are financial instruments with a maturity of 91 days up to one year, and longer bond assets that are held for sale.

Parent Company

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

CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consist of cash and cash balances, as well as short-term, highly liquid investments such as commercial papers with a maximum maturity of 90 days from the date of acquisition, readily convertible to a known amount of cash and only subject to insignificant risk of changes in value. Commercial papers with a maximum maturity of 90 days held by SJ Försäkring AB are excluded.

Parent Company

The definition of cash and bank balances comprises cash on hand, as well as demand deposits at banks and similar institutions.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are recognised as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continued use, in accordance with IFRS 5. This requirement is only satisfied if it is highly probable that a sale will take place and if the asset is available for immediate sale in its existing condition. Available-for-sale assets are recognised at the lower of either their prior carrying amount or fair value less selling costs.

Parent Company

Parent Company recognises non-current assets held for sale as part of total non-current assets.

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other liabilities are recognised at amortised cost when a product or service is received, corresponding to the estimated, non-discounted amount that will be paid for the liability.

LEASING

Leases are classified as either finance or operating leases. A finance lease exists when the economic risks and rewards associated with ownership are essentially transferred to the lessee. Leases not classified as finance leases are operating leases.

Finance leases

Significant assets acquired through finance leases are recognised in the consolidated financial statements, and in the financial statements of the Parent Company, as non-current assets from when the contract is concluded and the equipment is delivered.

At the commencement of the lease term, the leased asset and leased liability are measured at the lower of either the leasing object's fair value or the present value of the minimum lease payments. These amounts are payable to the lessor during the lease term, plus any amount guaranteed by the lessee or related company. The lease term is the period for which SJ AB has agreed to lease the asset. Under finance leases, assets are depreciated over their estimated useful life.

The future commitment to the lessor is recognised as a liability in the balance sheet. Lease payments are divided into financial expenses and debt amortisation.

Operating leases

Operating leases entail that no item is recognised in the balance sheet, but that lease payments are expensed on a straight-line basis over the lease term.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

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

PROVISIONS

Provisions are liabilities that are uncertain in terms of amounts, or the date when they will be settled.

A provision is recognised in the consolidated balance sheet when a past event has led to the Group having a legal or constructive obligation that will probably require an outflow of resources that can be reliably estimated.

Significant provisions are discounted to present value when the effect of the calculation is important. Dissolution of the present value calculation is recognised as a financial expense. Provisions are reviewed on each balance-sheet date and reversed if they are no longer current.

Annuities

Annuities are used to indemnify third-party injuries after an accident. Annuities are calculated on an individual basis in accordance with agreements, and taking various factors into account, such as life expectancy and indexation. The provision is discounted.

Restructuring

Restructuring is a substantial reorganisation. Provision restructuring measures is made when a detailed, formal action plan has been produced and communicated.

Pensions

Commitments in respect of retirement and family pension plans for SJ's employees are mainly secured by payments to the National Government Employee Pensions Board (SPV) and Alecta. These commitments are classified as defined-benefit plans, which comprise several employers according to UFR 3 (Classification of ITP plans, financed through insurance with Alecta). SJ does not have access to the information required to recognise 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 therefore recognised as defined-contribution plans, in accordance with UFR 6 (Pension plans covering several employers).

Customer loyalty programme

Revenue related to SJ Prio is recognised in accordance with IFRIC 13, Customer Loyalty Programmes. This means that the initial sale is divided according to the component method, entailing that a portion of the income 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 makes purchases from SJ and selected partners. The points can then be used as, for example, payment for travel and hotel accommodation. Membership is free of charge and available at three levels – white, grey and black – of which black is the highest. The customer loyalty programme promotes and rewards loyalty. The more a customer travels with SJ, the more offers and benefits they receive.

EQUITY

Equity includes share capital, other contributed capital, reserves and retained earnings. For other information, see Note 21. Changes in equity are divided into "owner-related" and "non-owner-related" changes, of which the latter corresponds to recognised total profit/loss in the statement of comprehensive income. The Group does not distinguish between unrestricted and restricted equity.

Parent Company

Equity is divided between 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 participations in Group companies. The recipient recognises the contribution in unrestricted equity.

CONTINGENT LIABILITIES

I koncernen används begreppet eventualförpliktelse medan moderbolagets benämning enligt ÅRL är ansvarsförbindelser.

Contingent liabilities are existing obligations attributable to past events that have not been recognised as a liability or provision.

The reason being that it is not probable that an outflow of resources will be required to settle the obligation or that the size of the obligation cannot be determined with sufficient reliability.

STATEMENT OF CASH FLOW

The statement of cash flow presents the Group's cash receipts and disbursements during the period divided into operating, investing and financing activities. This indicates the Group's ability to generate cash and cash equivalents. The statement of cash flow is prepared using the indirect method, which means that earnings are adjusted for:

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

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

RELATED PARTY DISCLOSURES

The Group's related parties are defined as State-owned companies that undertake commercial activities, over which the State has a controlling influence. In addition to these, the Parent Company, subsidiaries, associated companies, the Swedish Transport Administration and the Swedish government in general are also defined as related legal entities. Related individuals are defined as Board members, senior executives and the immediate family members of such persons. SJ discloses related-party transactions, excluding immaterial transactions with government entities and companies.

EVENTS AFTER THE BALANCE-SHEET DATE

Should events occur that are significant, but will not be taken into account when amounts in the income statement and balance sheet are adopted, the Group provides information on the nature of the event and, if possible, an estimate of the financial effect in the Directors' Report and the Notes. "Significant" implies that disclosure of the information could influence the financial decisions made by users of the financial statements.

Significant events that provide evidence of conditions that existed at the balance-sheet date, and that occur after the year-end report has been issued but prior to signing the Annual Report, lead to adjustment of the amounts in the Annual Report.

Notes

NOTE

1

Segment reporting

2014	SJ AB	Train-operating subsidiaries	Other subsidiaries	Elim.	Total
Income from external customers	6,197	2,965	44	–	9,208
Income from internal transactions	118	3	228	–349	0
Total income	6,317	2,968	272	–349	9,208
Depreciation/amortisation and impairment	–858	–1	–27	–	–885
Operating profit	431	60	51	26	568
Result from associated companies	34	–	–	–8	26
Financial income	63	1	9	–24	49
Financial expenses	–40	–1	0	2	–39
Tax	–118	0	0	0	–118
Profit for the year	339	127	24	–30	460
Investments	828	0	0	–	828
Significant non-cash items capital gain sales locomotives	–128	–	–	–	–128
Total assets	8,774	712	345	–960	8,870
Provisions, incl. deferred tax	618	4	124	9	756
Non-interest-bearing liabilities	1,393	410	11	–159	1,655
Interest-bearing liabilities	1,697	61	36	–669	1,125
Total liabilities	3,708	475	172	–819	3,536
2013	SJ AB	Train-operating subsidiaries	Other subsidiaries	Elim.	Total
Income from external customers	6,167	2,946	48	–	9,160
Income from internal transactions	116	2	261	–379	–
Total income	6,283	2,948	309	–379	9,160
Depreciation/amortisation and impairment	–813	–1	–33	–	–847
Operating profit	333	52	42	–130	298
Result from associated companies	–130	–	–	–	–130
Financial income	40	2	9	–4	47
Financial expenses	–60	–1	0	4	–57
Tax	–68	12	–14	2	–68
Profit for the year	205	66	36	–87	220
Investments	423	1	25	–	448
Total assets	9,199	685	642	–1,214	9,312
Provisions, incl. deferred tax	463	4	147	13	628
Non-interest-bearing liabilities	1,466	433	124	–211	1,813
Interest-bearing liabilities	2,458	138	121	–806	1,911
Total liabilities	4,387	575	393	–1,004	4,352

Operating segments are identified in accordance with the formulation of the financial information reported to the Board and Executive Management. The same accounting policies have been used to prepare the segment reporting as the consolidated financial statements. The Group's operating segments comprise SJ AB, the train-operating subsidiaries SJ Norrlandståg AB,

SJ Götalandståg AB, Stockholmståg KB and other subsidiaries. In all material respects, the operations are conducted in Sweden. Outside the train-operating subsidiaries' operations, there are no major customers that account for more than 10 percent of total sales.

NOTE
2 **Net sales**

	Group		Parent Company	
	2014	2013	2014	2013
Farebox income	8,350	8,297	5,666	5,607
Bistro income	206	204	193	188
Leasing of vehicles	13	39	13	39
Commissions	80	90	80	90
Other	416	395	191	201
Total net sales	9,065	9,023	6,143	6,125

Income for subsidiaries that do not conduct rail services is recognised under Other and is primarily derived from sales of various services in the SJ Group's accounting system for passenger travel.

NOTE
3 **Related-party transactions**

The Swedish State owns 100 percent of the shares in SJ AB. For the delivery of services and products within the Group, and between the Group and other related companies, commercial terms and market pricing is applied. Other related companies are defined as associated companies, State-owned companies that undertake commercial activities and over which the State has a controlling influence, and government agencies. The purchase of products and services amounting to SEK 687 million (661) from the Swedish Transport Administration, and SEK 204 million (199) from Jernhusen AB are dominant. For information about the remuneration of senior executives, see Note 5.

NOTE
4 **Other operating income**

	Group		Parent Company	
	2014	2013	2014	2013
Capital gains/losses on non-current assets	125	-4	125	-4
Compensation for damages and standstills	13	128	44	149
Other	4	13	4	12
Total other operating income	142	137	173	157

Other operating income primarily consists of capital gains and losses on sales of non-current assets, and insurance payments. In 2014, sales of Rc3 model locomotives generated a capital gain of SEK 128 million. In 2013, other operating income comprised compensation for damages and standstills, mainly in connection with the accident at Kimstad in 2010, and other insurance payments received.

NOTE
5 **Personnel**

Employee expenses include salaries, other remuneration and social security expenses.

SEK million	Group		Parent Company	
	2014	2013	2014	2013
Salaries and other remuneration				
Board of Directors	-1	-1	-1	-1
CEO and senior executives	31	-29	-24	-22
Other employees	-2,044	-1,968	-1,225	-1,200
Total salaries and other remuneration	-2,076	-1,998	-1,250	-1,223
Social security expenses	-835	-832	-509	-526
of which pension expenses, including special payroll tax to the CEO and senior executives	-11	-11	-8	-8
of which pension expenses, including special payroll tax to other employees	-222	-232	-145	-158
Other personnel-related expenses	-61	-80	-38	-72
Total employee expenses	-2,972	-2,910	-1,797	-1,821

The ITP 2 Plan's defined-benefit retirement and family pension (or family pension) commitments on behalf of salaried employees in Sweden is secured through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 3 Classification of ITP plans financed through insurance with Alecta, this is classed as a defined-benefit plan covering several employers. The company has not had access to the information required to recognise its proportionate share of the plan's obligations, plan assets and costs, which means that the plan has not been possible to recognise as a defined-benefit plan. The ITP 2 pension plan is secured through insurance with Alecta and therefore recognised as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and dependent on factors including salary, previously earned pension and expected remaining period of service.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 155 percent, measures shall be taken in order to create the conditions for the consolidation level to return to the normal range. In the event of low consolidation, one measure could be to raise the agreed price for contracting new, or extending existing, benefits. In the event of high consolidation, one measure could be to introduce premium reductions. At the end of 2014, Alecta's consolidation level was 143 percent (148). The Group's pension premium charges for 2014 (excluding special payroll tax) totalled SEK 187 million (178), of which SEK 90 million (95) consisted of defined-benefit premiums and SEK 97 million (83) defined-contribution premiums. The National Government Employee Pensions Board's plans (SPV), mainly in the form of the PA 91 and PA 03 plans, which are both defined-benefit and defined-contribution plans, are recognised as defined-contribution plans.

Note 5, cont.

Average no. of employees	Group						Parent Company					
	2014			2013			2014			2013		
	Total	Men, %	Women, %	Total	Men, %	Women, %	Total	Men, %	Women, %	Total	Men, %	Women, %
Sweden	4,537	62	38	4,945	61	39	2,876	59	41	2,990	59	41
Nordic region	4	30	70	8	48	52	–	–	–	–	–	–
Total	4,541	62	38	4,953	61	39	2,876	59	41	2,990	59	41
Distribution of senior executives on the balance-sheet date												
Board members	10	50	50	16	62	38	8	38	63	7	43	57
Others in the company's Executive Management including the CEO	16	63	37	16	69	31	11	55	45	10	60	40
Total	26	58	42	32	66	34	19	47	53	17	53	47

Remuneration to the Board of the Parent Company

2014

SEK 000s		Board fees	Committee fees	Total
Chairman	Jan Sundling	400	0	400
Board member	Lena Olving	150	0	150
Board member ¹⁾	Eivor Andersson	50	14	64
Board member	Mikael Staffas	150	29	179
Board member	Gunilla Wikman	150	43	193
Board member	Siv Svensson	150	55	205
Board member	Michael Thorén	0	0	0
Board member ²⁾	Mikael Stöhr	113	0	113
Board member ³⁾	Ulrika Dellby	113	0	113
Total		1,276	141	1,417

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

2014

SEK 000s		Base salary	Benefits	Total	Pension expense	Total	Termination by the employer + no. of months' severance pay
President/Chief Executive Officer SJ AB	Crister Fritzon	4,500	10	4,510	1,224	5,734	6+18
Vice President HR	Peter Blomqvist	1,571	83	1,654	666	2,320	6+18
Vice President Traffic & Service	Madeleine Raukas	2,167	40	2,207	449	2,656	6+12
Vice President Communication	Helga Baagøe	1,830	64	1,895	537	2,432	6+12
Vice President Marketing & Sales	Thomas Silbersky	2,476	43	2,519	720	3,239	6+12
Vice President Quality, Environment & Sustainability	Erica Kronhöffer	1,521	27	1,548	458	2,007	6+12
Vice President and Chief Financial Officer	Carina Wång	1,912	9	1,921	472	2,393	6+12
Vice President Planning	Jens Wigen	2,073	59	2,131	651	2,783	6+12
Vice President Fleet Management	Claes Broström	2,037	79	2,116	596	2,712	6+12
Vice President IT	Björn Rosell	1,854	62	1,916	417	2,333	6+12
Vice President Product Division ⁴⁾	Caroline Åstrand	1,591	79	1,671	348	2,019	6+12
CEO SJ Norrlandståg AB	Björn Nilsson	1,568	5	1,573	457	2,030	6+12
CEO Linkon AB ⁵⁾	Christer Jernberg	1,163	76	1,239	306	1,545	6+18
CEO Stockholmståg KB	Kjell Färnström	1,724	85	1,808	794	2,602	6+12
CEO SJ Försäkring AB	Carl Dahlberg	737	13	749	231	980	6+12
CEO SJ Götalandståg AB	Lena Källström	1,262	32	1,294	387	1,681	6+6
Total		29,987	764	30,751	8,712	39,464	

¹⁾ Stepped down from the Board on 28 April 2014.

²⁾ New Board member as of 28 April 2014.

³⁾ New Board member as of 28 April 2014.

⁴⁾ Senior executive as of January 2014.

⁵⁾ Base salary, benefits and pension expense recognised until November when a controlling influence over the company ceased.

Note 5, cont.

Remuneration to the Board of the Parent Company				
2013				
SEK 000s		Board fees	Committee fees	Total
Chairman	Jan Sundling	400	14	415
Board member	Lena Olving	150	14	164
Board member	Eivor Andersson	150	25	175
Board member ¹⁾	Lars-Olof Gustavsson	50	0	50
Board member ²⁾	Mikael Staffas	100	0	100
Board member	Gunilla Wikman	150	29	179
Board member	Siv Svensson	150	55	205
Board member	Michael Thorén	0	0	0
Total		1,150	137	1,288

Remuneration, excluding social security contributions and payroll tax, to senior executives in the Group								
2013								
SEK 000s		Base salary	Benefits	Total	Pension expense	Total	Termination by the employer + no. of months' severance pay	Severance pay and termination cost
President/Chief Executive Officer SJ AB ³⁾	Crister Fritzson	4,125	5	4,129	1,452	5,581	6+18	
Vice President Legal Affairs	Robert Westerdahl	982	7	989	228	1,217	3+0	
Vice President HR	Peter Blomqvist	1,519	97	1,616	657	2,273	6+18	
Vice President Business & Service	Madeleine Raukas	2,237	0	2,237	456	2,694	6+12	
Vice President & Chief Financial Officer ⁴⁾	Britta Dalunde	2,258	39	2,297	576	2,873	6+12	
Director Traffic Safety	Peter Sjöquist	755	8	763	144	906	3+0	
Vice President Communication ⁵⁾	Helga Baagøe	1,024	32	1,056	93	1,148	6+12	
Vice President Marketing & Sales ⁶⁾	Thomas Silbersky	971	8	980	152	1,131	6+12	
Vice President Quality, Environment & Sustainability ⁷⁾	Erica Kronhöffer	877	6	884	289	1,173	6+12	
Vice President Marketing, Communication & Sales ⁸⁾	Elisabeth Lindgren	592	40	632	181	813	6+12	3,360
Vice President & Chief Financial Officer ⁹⁾	Carina Wång	380	6	386	152	538	6+12	
Vice President Planning	Jens Wigen	2,010	63	2,073	690	2,763	6+12	
Vice President Fleet Management	Claes Broström	2,010	79	2,089	659	2,748	6+12	
Vice President IT	Björn Rosell	1,812	77	1,890	422	2,312	6+12	
CEO SJ Norrlandståg AB	Björn Nilsson	1,559	6	1,565	488	2,053	6+12	
CEO SJ Service Academy AB ¹⁰⁾	Olle Lundström	488	28	516	158	674	6+12	419
CEO Linkon AB	Christer Jernberg	1,264	99	1,363	353	1,716	6+18	
CEO Stockholmståg KB	Kjell Färnström	1,724	98	1,822	806	2,628	6+12	
CEO SJ Försäkring AB	Carl Dahlberg	839	5	844	241	1,084	6+12	
CEO SJ Götalandståg AB	Lena Källström	1,280	0	1,280	455	1,735	3+0	
Total		28,708	703	29,411	8,650	38,061		3,779

¹⁾ Stepped down from the Board on 26 April 2013.

²⁾ New Board member as of 26 April 2013.

³⁾ Salary revision totalling SEK 180,000 pertaining to 2013 is not included in the table above.

⁴⁾ Ended the employment on 30 October 2013.

⁵⁾ Appointed Vice President Communication on 3 June 2013.

⁶⁾ Appointed Vice President Marketing & Sales on 1 August 2013.

⁷⁾ Appointed Vice President Quality, Environment & Sustainability on 8 April 2013.

⁸⁾ Employment ended on 1 May 2013. Base salary, benefits and pension expense recognised until April.

⁹⁾ Appointed Vice President & Chief Financial Officer on 30 October 2013.

¹⁰⁾ Employment ended on 15 April 2013. Base salary, benefits and pension expense recognised until April.

Note 5, cont.

CHANGES IN EXECUTIVE MANAGEMENT AND OTHER SENIOR EXECUTIVES

Caroline Åstrand, Vice President Product Division, became a member of Executive Management as of January. Due to divestment of participations in Linkon AB, a controlling influence over the company ceased in December. Salary, benefits and pension expense for the CEO, Christer Jernberg, are therefore recognised until the end of November.

REMUNERATION TO SENIOR EXECUTIVES

Senior executives

Senior executives include ordinary Board members, the Chief Executive Officer, heads of operations in the company who are members of Executive Management, and the Chief Executive Officers of the Group's operating subsidiaries.

Guidelines and decision-making procedures

During the year, the company observed the policies for remuneration and other terms of employment for senior executives approved at the 2014 AGM. These policies are based on the guidelines issued by the government on 20 April 2009 concerning terms of employment for senior executives in State-owned companies. Decisions on terms of employment for the Chief Executive Officer are prepared by the Remuneration Committee and adopted by the Board. Decisions on terms of employment for other senior executives are made by the Chief Executive Officer after customary consultation with the company's Remuneration Committee. The results of the agreements reached are reported to the Board. Prior to making decisions on individual remuneration, written documentation showing the company's total costs is produced as a basis for decisions. The Board ensures that all remuneration complies with these guidelines by comparing remuneration for peers in other State-owned and comparable private companies in Sweden in terms of size, complexity and sales. At the AGM, the Board is to present proposed policies for remuneration and other terms of employment for the President and other senior executives for approval by the AGM. The Remuneration Committee's role is to prepare the Board's proposed policies for salary and other payments. Members of the Remuneration Committee are Jan Sundling, Lena Olving and Michael Thorén.

REMUNERATION

Board of Directors

According to a resolution at SJ AB's 2013 AGM, annual fees payable to Board members are SEK 400,000 to the Chairman, and SEK 150,000 to each of the other members elected at the AGM. In addition, annual fees payable to members of the Board's Audit Committee are SEK 55,000 to the Chairman, and SEK 43,000 to each of the other members. No separate fee is payable for other Board committee work. Fees are not paid to member employed by the Government Offices. There are no pension benefit arrangements for external Board members. According to an AGM resolution on 28 April 2014, Board fees may be paid as salary, or under certain conditions, be invoiced within the framework of business operations. The invoicing of Board or Committee fees must be cost-neutral for SJ.

Executive Management

The overall principle of "Guidelines for remuneration to senior executives" is that remuneration and other terms of employment for senior executives is to be market-adapted but not market-leading to ensure that SJ can attract and retain qualified senior executives. Remuneration to the President and other senior executives consists of base salary, certain taxable benefits, health insurance and pension. The base salary is individual, and should be in line with salary levels in the market in which the actual executive is employed.

The President and other senior executives are not entitled to any variable remuneration or payment in the form of financial instruments. Benefits, as shown in the table, consist primarily of company cars, including fuel.

Pensions

Pensions are paid to other senior executives under the ITP plan.

Terminations and severance pay

Upon termination by the company, the notice periods and severance pay are set out in the table. If the employee takes up new employment or receives income from other business activities, the termination salary and severance pay are to be reduced by an amount corresponding to the new income or other benefits received during the actual period.

NOTE 6 Depreciation, amortisation and impairments

	Group		Parent Company	
	2014	2013	2014	2013
Depreciation of tangible assets	-760	-722	-760	-720
Amortisation of intangible assets	-94	-106	-67	-86
Impairment losses and reversals of previous impairment	-31	-19	-31	-7
Total	-885	-847	-858	-813

In 2014, non-current assets were impaired in the amount of SEK 28 million to accurately reflect the earnings capacity of SJ's new family coach.

NOTE 7 Other expenses

	Group		Parent Company	
	2014	2013	2014	2013
Maintenance and inspection of trains	-1,406	-1,490	-822	-894
Electricity costs for train operations	-440	-461	-261	-275
Infrastructure charges	-524	-456	-378	-325
Other production-related expenses	-1,153	-1,266	-535	-528
Indirect costs	-1,286	-1,301	-1,235	-1,293
Total	-4,809	-4,975	-3,231	-3,315

Indirect costs primarily pertain to IT, premises and marketing expenses.

NOTE
8 Remuneration to auditors

	Group		Parent Company	
	2014	2013	2014	2013
Deloitte AB				
Audit assignment	-2	-2	-2	-1
Auditing other than the audit assignment	0	-	0	-
Other services	0	-	0	-
Ernst & Young AB				
Audit assignment	-	-1	-	-1
Tax advice	0	0	0	0
Other services	0	0	0	0
Total	-2	-3	-2	-2

Audit assignment refers to the statutory audit of the annual financial statements and accounts, and the administration of the Board and the Chief Executive Officer. During an ongoing audit, it may emerge that a more in-depth review is required, and the costs are recognised in Auditing in addition to the audit assignment. Tax consultancy and assistance with tax returns is recognised under Tax advice. Other services include, for example, the interpretation of IFRS and other accounting rules.

In 2013, Deloitte AB was appointed auditor for the Group.

NOTE
9 Results from subsidiaries

	Parent Company	
	2014	2013
Group contributions received	52	76
Group contributions paid	-83	-68
Dividends	-	81
Total	-31	89

NOTE
10 Interest income, interest expenses and similar items

	Group		Parent Company	
	2014	2013	2014	2013
Interest income and similar income				
Sale of long-term securities	8	0	31	0
Interest income, current receivables	31	38	23	30
Interest income, non-current receivables	9	9	9	9
Interest income from Group companies	-	-	0	1
Total	49	47	63	40

	Group		Parent Company	
	2014	2013	2014	2013
Interest expenses and similar expenses				
Interest expenses on loans and leasing	-24	-38	-24	-38
Interest-rate hedging instruments, net	-13	-13	-13	-13
Exchange-rate differences	2	1	2	1
Other financial expenses ¹⁾	-4	-6	-4	-6
Interest expenses to Group companies	-	-	-2	-3
Total	-39	-57	-40	-60

¹⁾ Refers to annuities, fees to banks and other financial expenses.

Note 10, cont.

2014	Financial income	Financial expenses	Profit/Loss Results	Net financial items	Profit/Loss Other comprehensive income
Group – classification of net financial items					
Financial assets measured at fair value through profit or loss					
Bonds	20		2	22	
Loans and receivables					
Cash and bank balances	1			1	
Receivables	9			9	
Non-current assets held for sale					
Investments	17			17	-4
Financial income	47	-	2	49	-4
Derivatives identified as hedging instruments					
Derivative instruments ¹⁾	8	-20		-13	-13
Financial liabilities measured at amortised cost					
Lease liabilities ²⁾		-24		-24	
Other liabilities	2	-4		-2	
Financial expenses	10	-49	-	-39	-13

¹⁾The total effect of derivative instruments recognised in other comprehensive was a negative amount of SEK 11 million (pos: 16) before tax. Negative SEK 13 million was transferred to net interest income and SEK 0 million to non-current assets.

²⁾In 2014, administrative expenses and fees related to leases amounted to a negative SEK 1 million (neg: 2).

2013	Financial income	Financial expenses	Profit/Loss Results	Net financial items	Profit/Loss Other comprehensive income
Group – classification of net financial items					
Financial assets measured at fair value through profit or loss					
Bonds	32		-3	29	
Loans and receivables					
Cash and bank balances	1			1	
Receivables	1			1	
Non-current assets held for sale					
Investments	16			16	-1
Financial income	50	-	-3	47	-1
Derivatives identified as hedging instruments					
Derivative instruments ¹⁾	14	-27		-13	16
Financial liabilities measured at amortised cost					
Lease liabilities ²⁾		-38		-38	
Other liabilities		-6		-6	
Financial expenses	14	-71	-	-57	16

¹⁾The total effect of derivative instruments recognised in other comprehensive amounted to SEK 16 million (15) before tax. Negative SEK 13 million was transferred to net interest income and SEK 0 million to non-current assets.

²⁾In 2013, administrative expenses and fees related to leases amounted to a negative SEK 2 million (neg: 10).

NOTE
11 Tax

	Group		Parent Company	
	2014	2013	2014	2013
Deferred tax expense	-118	-68	-118	-68
Total	-118	-68	-118	-68

Deferred tax expense includes tax effects related to changes during the year in loss carryforwards and temporary differences. In addition to tax recognised in profit for the period, the following tax is recognised in other comprehensive income:

	Group		Parent Company	
	2014	2013	2014	2013
Deferred tax on non-current assets held for sale	1	0	1	0
Deferred tax on cash flow hedges	3	-3	3	-3
Total	4	-3	4	-3

The following deferred tax assets and tax liabilities were identified:

	Group		Parent Company	
	2014	2013	2014	2013
Deferred tax assets relating to:				
Loss carryforwards	4	0	4	0
Temporary differences, financial instruments, cash flow hedges	4	0	4	0
Temporary differences, other reserves	11	7	11	7
Deferred tax receivables	19	7	19	7

The table shows the difference between the nominal Swedish and effective tax rates:

Group	2014		2013	
	Tax	Tax rate, %	Tax	Tax rate, %
Reconciliation of recognised tax and effective tax rate				
Profit before tax	578		288	-
Tax according to nominal rate	-127	-22	-63	-22
Non-deductible expenses	-3	0	-2	-1
Effect of change in previous years' tax returns	0	0	-1	0
Result from sales of shares and participations	9	-2	-	-
Temporary difference not previously recognised	-	-	29	10
Impairment of shares	5	-1	-29	-10
Other differences	-2	1	-2	-1
Recognised tax affecting net income in the Statement of comprehensive income	-118	-20	-68	-24

	Group		Parent Company	
	2014	2013	2014	2013
Deferred tax liabilities relating to:				
Temporary differences in leasehold improvements	-2	-3	-2	-3
Temporary differences, finance leases	-383	-262	-383	-262
Temporary differences, other reserves	-10	-9	-	5
Deferred tax liabilities	-396	-274	-385	-259
Recognised deferred tax asset/liability, net	-377	-267	-366	-252

The total accumulated loss carryforwards amounted to SEK 21 million (1) in the Group and SEK 21 million (1) in the Parent Company. The loss carryforwards are perpetual, which means there is no maturity date.

Recognition of deferred tax is reviewed at the end of each reporting period. This review assesses the likelihood that the deferred tax assets will be recovered from future taxable income. In 2005, a deferred tax asset was capitalised in the financial statements for the first time, in accordance with applicable accounting rules. Based on the 2004–2014 results, SJ's continued assessment is that the operations have achieved a stable future profit-generating capacity, which enables the utilization of loss carryforwards and deductible temporary differences.

Note 11, cont.

Parent Company	2014		2013	
	Tax	Tax rate, %	Tax	Tax rate, %
Reconciliation of recognised tax and effective tax rate				
Profit before tax	457	–	272	–
Tax according to nominal rate	–101	–22	–60	–22
Dividends from limited partnerships	–	–	18	7
Non-deductible expenses	–2	0	–1	0
Tax attributable to profit/loss in limited partnerships	–29	–6	–24	–9
Effect of change in previous years' tax returns	1	0	–1	0
Result from sales of shares and participations	11	2	–	–
Temporary difference not previously recognised	–	–	29	11
Impairment of shares	3	1	–29	–11
Other differences	–1	0	1	0
Tax recognised in the income statement	–118	–26	–68	–24

NOTE

12 Tangible assets

Group	2014							
	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 tangible assets
Cost at 1 January	59	9,214	286	3,563	13,063	217	455	13,794
Investments	–	168	–	1	169	6	518	693
Rebookings	–	–	–	–	0	–	–	0
Sales/disposals	–	–51	–	–	–51	–36	–	–87
Reclassifications	–	2,206	–200	–1,631	375	9	–384	0
Accumulated cost at 31 December	59	11,537	86	1,933	13,556	196	589	14,400
Accumulated depreciation at 1 January	–26	–4,877	–118	–667	–5,662	–130	0	–5,818
Depreciation for the year	–3	–635	–17	–74	–726	–31	–	–760
Rebookings	–	–	–	–	0	–	–	0
Sales/disposals	–	41	–	–	41	35	–	76
Reclassifications	–	–876	102	774	0	–	–	0
Accumulated depreciation at 31 December	–29	–6,347	–33	33	–6,347	–126	0	–6,502
Accumulated impairment losses at 1 January	–	–33	–6	–1,575	–1,614	–6	–	–1,620
Impairment losses for the year	–	–28	–	–	–28	–	–	–28
Accumulated impairment losses at 31 December	–	–61	–6	–1,575	–1,642	–6	–	–1,648
Carrying amount at 31 December	30	5,129	47	391	5,567	64	589	6,250

In 2014, the major reclassification comprised partly that SJ AB redeemed a lease for X40 vehicles, and partly that both the X 2000 train from China and the refurbished family coaches (passenger coaches) were put into service. Impairment losses for the year are attributable to these family coaches.

During the year, 25 Rc3 locomotives were also sold. The 13 locomotives classified as non-current assets held for sale in 2013 were sold, as well as the 12 remaining Rc3 locomotives. 16 older locomotives and coaches were also sold.

Some components in SJ's vehicle fleet have a useful life that is shorter than the total life of the individual vehicle in question, and are therefore replaced on a regular basis as part of scheduled maintenance (known as "outages"). These components are presented separately and individually depreciated over their shorter useful lifetimes (the component depreciation method).

On 31 December, non-current assets held for sale amounted to SEK 60 million and pertained to two X31 model trains.

Note 12, cont.

Parent Company	2014							
	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 tangible assets
Cost at 1 January	59	9,318	286	3,563	13,167	185	455	13,866
Investments	–	168	–	1	169	6	518	693
Rebookings	–	–	–	–	0	–	–	0
Sales/disposals	–	–74	–	–	–74	–33	–	–107
Reclassifications	–	2,206	–200	–1631	375	9	–384	0
Accumulated cost at 31 December	59	11,618	86	1,933	13,637	167	589	14,452
Accumulated depreciation at 1 January	–26	–4,909	–118	–667	–5,694	–105	0	–5,825
Depreciation for the year	–3	–636	–17	–74	–727	–30	–	–760
Rebookings	–	–	–	–	0	–	–	0
Sales/disposals	–	53	–	–	53	32	–	85
Reclassifications	–	–876	102	774	0	–	–	0
Accumulated depreciation at 31 December	–29	–6,368	–33	33	–6,368	–103	0	–6,500
Accumulated impairment losses at 1 January	–	–33	–6	–1,575	–1,614	–	–	–1,614
Impairment losses for the year	–	–28	–	–	–28	–	–	–28
Accumulated impairment losses at 31 December	–	–61	–6	–1,575	–1,642	–	–	–1,642
Carrying amount at 31 December	30	5,189	47	391	5,627	64	589	6,310
0								
Group	2013							
	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 tangible assets
Cost at 1 January	59	9,193	276	3,564	13,033	196	379	13,667
Investments	–	43	9	–	52	24	240	316
Rebookings	–	–105	–	–	–105	–	–	–105
Sales/disposals	–	–78	–	–1	–79	–5	–	–84
Reclassifications	–	161	1	–	162	2	–164	0
Accumulated cost at 31 December	59	9,214	286	3,563	13,063	217	455	13,794
Accumulated depreciation at 1 January	–23	–4,434	–93	–543	–5,070	–108	0	–5,201
Depreciation for the year	–3	–544	–25	–124	–693	–27	–	–723
Rebookings	–	33	–	–	33	–	–	33
Sales/disposals	–	68	–	–	68	5	–	73
Reclassifications	–	–	–	–	0	–	–	0
Accumulated depreciation at 31 December	–26	–4,877	–118	–667	–5,662	–130	0	–5,818
Accumulated impairment losses at 1 January	–	–49	–6	–1,575	–1,630	–6	–	–1,636
Impairment losses for the year	–	16	–	–	16	–	–	16
Accumulated impairment losses at 31 December	–	–33	–6	–1,575	–1,614	–6	–	–1,620
Carrying amount at 31 December	33	4,304	162	1,321	5,787	81	455	6,356

The reclassification from construction in progress to own rolling stock was due to the takeover of SJ 3000 vehicles in 2013. In 2013, impairment losses for the year comprised the reversal of a previously impaired vehicle from the Kimstad accident, which was restored to service, and an impairment of interiors in connection with the refurbishment of several X 2000 vehicles. Some components in SJ's vehicle fleet have a useful life that is shorter than the total life of the individual vehicle in question, and are therefore replaced on a regular basis as part of scheduled maintenance (known as "outages").

These components are presented separately and individually depreciated over their shorter useful lifetimes (the component depreciation method).

In December 2013, the Board decided to sell two X-31 train sets and 13 Rc3 locomotives classified as non-current assets held for sale measured at the lower of either their market value or fair value. Rebookings for the year comprise a relocation of non-current assets held for sale, according to IFRS 5.

Note 12, cont.

Parent Company	2013							
	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 tangible assets
Cost at 1 January	59	9,185	276	3,564	13,025	164	379	13,627
Investments	–	42	9	–	51	24	240	315
Rebookings	–	–	–	–	0	–	–	0
Sales/disposals	–	–70	–	–1	–71	–5	–	–76
Reclassifications	–	161	1	–	162	2	–164	0
Accumulated cost at 31 December	59	9,318	286	3,563	13,167	185	455	13,866
Accumulated depreciation at 1 January	–23	–4,431	–93	–543	–5,067	–85	0	–5,175
Depreciation for the year	–3	–543	–25	–124	–692	–25	–	–720
Rebookings	–	–	–	–	0	–	–	0
Sales/disposals	–	65	–	–	65	5	–	70
Reclassifications	–	–	–	–	0	–	–	0
Accumulated depreciation at 31 December	–26	–4,909	–118	–667	–5,694	–105	0	–5,825
Accumulated impairment losses at 1 January	–	–49	–6	–1,575	–1,630	–	–	–1,630
Impairment losses for the year	–	16	–	–	16	–	–	16
Accumulated impairment losses at 31 December	–	–33	–6	–1,575	–1,614	–	–	–1,614
Carrying amount at 31 December	33	4,376	162	1,321	5,859	80	455	6,427

NOTE
13 Intangible assets

Group	2014			2013		
	Brand	Other	Total	Brand	Other	Total
Cost at 1 January	240	931	1,171	240	799	1,039
Investments	–	135	135	–	132	132
Sale/disposal	–	–353	–353	–	–	–
Accumulated cost at 31 December	240	713	953	240	931	1,171
Accumulated depreciation at 1 January	–240	–623	–863	–240	–505	–745
Depreciation and impairment losses for the year	–	–97	–97	–	–118	–118
Sale/disposal	–	243	243	–	–	–
Accumulated depreciation at 31 December	–240	–477	–717	–240	–623	–863
Carrying amount at 31 December	0	236	236	0	308	308
Parent Company	2014			2013		
	Brand	Other	Total	Brand	Other	Total
Cost at 1 January	240	560	800	240	452	692
Investments	–	135	135	–	108	108
Accumulated cost at 31 December	240	695	935	240	560	800
Accumulated depreciation at 1 January	–240	–390	–630	–240	–303	–543
Depreciation and impairment losses for the year	–	–70	–70	–	–87	–87
Accumulated depreciation at 31 December	–240	–460	–700	–240	–390	–630
Carrying amount at 31 December	0	235	235	0	170	170

Intangible assets are divided into Brand and Other intangible assets comprising the development of various IT systems. Of these, SJ's brand and about half of the other IT programmes are fully

amortised. In 2014, SJ AB divested 75 percent of formerly wholly owned Linkon AB subsidiary, which entailed the sale/disposal of intangible assets in the Group.

NOTE

14 Participations in Group companies

Parent Company	2014	2013
Carrying amount at 1 January	206	206
Sale/reclassification	-50	-
Impairment loss	-9	-
Carrying amount at 31 December	147	206

Specification of shares and participations in Group companies	Corp. Reg. No.	Reg. office	No. of participations	Participations in %	2014	2013
SJ Event AB	556577-3008	Stockholm	1,000	100	0	0
Linkon AB	556577-2984	Stockholm	501,000	100 ²	-	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	1	10
Entertrainment 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 ¹⁾	969704-4239	Stockholm	1,000	100	0	0
SJ Danmark A/S	33,372,477	Copenhagen	500	100	3	3
Total					147	206

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

²⁾ 100 percent at 31 December 2013.

The share of equity corresponds with the share of voting rights.

On 17 December 2014, SJ AB divested 75 percent of its shareholding in the formerly wholly owned Linkon AB subsidiary, whereby the company became an associated company.

NOTE

15 Participations in associated companies

	Group		Parent Company	
	2014	2013	2014	2013
Opening cost	20	20	16	16
Purchasing/reclassification	26	-	13	-
Sales	-1	-	-1	-
Accumulated cost at 31 December	45	20	27	16
Accumulated share of results from associates at 1 January	-6	-6	-	-
Share of results from associates for the year	0	-	0	0
Accumulated share of results from associates at 31 December	-6	-6	0	-
Accumulated impairment losses at 1 January	-3	-3	-14	-14
Impairment losses for the year	-8	-	-	-
Accumulated impairment losses at 31 December	-11	-3	-14	-14
Carrying amount at 31 December	28	11	13	2

Note 15, cont.

Specification of the Group's and the Parent Company's holdings in associated companies and the carrying amount	Corp. Reg. No.	Reg. office	No. of participations	Share of equity, %	Group		Parent Company	
					2014	2013	2014	2013
Amadeus Sweden AB	556277-9461	Stockholm	13,050	22	-	9	-	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
Trafik i Mälardalen AB	556083-1959	Stockholm	400	50	1	1	0	0
Fly Rail AB	556773-5252	Stockholm	50,000	50	0	0	0	0
Botniatåg AB	556801-1828	Stockholm	100,000	40	0	0	0	0
Vänertåg AB	556848-9016	Stockholm	25,000	50	0	0	0	0
Linkon AB	556577-2984	Stockholm	125,250	25	26	-	12	-
Total participations in associated companies					28	11	13	2

Specification of associated companies' assets, liabilities, results and income	Corp. Reg. No.	Reg. office	2014				2013			
			Assets	Liabilities	Income	Results	Assets	Liabilities	Income	Results
Amadeus Sweden AB	556277-9461	Stockholm	-	-	-	-	79	18	6	1
Sveriges Kommunikationer AB	556005-5955	Stockholm	8	5	2	0	5	2	-	-1
Kust till Kust AB	556481-7822	Karlskrona	0	0	0	0	0	0	0	0
Trafik i Mälardalen AB	556083-1959	Stockholm	4	1	5	1	5	3	6	2
Fly Rail AB	556773-5252	Stockholm	0	0	-	0	0	0	-	0
Botniatåg AB	556801-1828	Stockholm	39	50	200	50	67	-268	127	-321
Vänertåg AB	556848-9016	Stockholm	0	0	-	-	0	0	0	0
Linkon AB	556577-2984	Stockholm	245	193	0	-11	-	-	-	-
Total associated companies			296	249	207	40	156	-245	139	-319

Share of results from associated companies	Group		Parent Company	
	2014	2013	2014	2013
Share of results from associated companies for the year	4	-46	12	-46
Reserve for future losses in associated companies	22	-84	22	-84
Total	26	-130	34	-130

In February 2014, SJ AB divested its shares in Amadeus Sweden AB. 75 percent of its shares in the formerly wholly owned Linkon AB subsidiary were also divested, whereby the company became an associated company.

NOTE
16 Non-current receivables

	Group				Parent Company			
	2014		2013		2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Deposits	559	559	556	556	336	336	332	332
Other long-term receivables	8	8	-	-	8	8	-	-
Total	567	567	556	556	344	344	332	332

The long-term receivables relate to deposits of SEK 336 million (332) in connection with lease financing with Nordea Finans Sverige AB.

Some of the deposits are tied-up in long-term investments with maturities of up to 0.5 years, which are measured at market value.

SJ Försäkring AB has made long-term investments to guarantee actuarial commitments.

On the balance-sheet date, the market value of the investments totalled SEK 223 million (224).

NOTE

17 Accounts receivable

SJ's accounts receivable comprise a large number of small, outstanding amounts from private individuals, and receivables from companies in various industries. To reduce the risk of bad debt losses, the required credit reports are obtained from external sources, in accordance with SJ's credit policy. Loan losses in the SJ Group amounted to SEK 3 million (loss: 3) and were due to a minor amount of credit card fraud. Confirmed losses in relation to SJ's net sales amounted to 0.03 percent (0.03).

	Group		Parent Company	
	2014	2013	2014	2013
Ageing distribution – accounts receivable				
< 30 days	194	220	117	140
30–60 days	7	–9	7	–7
60–90 days	–2	–5	–2	–4
> 90 days	10	22	10	21
Settlement accounts	2	–	1	2
Total	211	228	133	152

Of which:

	Group	
	2014	2013
Bad debts		
Bad debts at 1 January	9	7
Provision for possible losses	2	5
Receivables collected	–	–
Confirmed losses	–3	–3
Bad debts at 31 December	8	9

NOTE

18 Other receivables

	Group		Parent Company	
	2014	2013	2014	2013
VAT and tax assets	131	129	103	95
Unrealised exchange gain	–	1	–	1
Damage, vehicles	55	25	42	25
External receivable	3	86	3	–
Reinsurance	4	5	–	–
Recourse	–	9	–	–
Total	193	255	148	121

NOTE

19 Prepaid expenses and accrued income

	Group		Parent Company	
	2014	2013	2014	2013
Prepaid vehicle expenses	15	12	15	12
Prepaid lease expenses	72	78	39	39
Prepaid maintenance expenses	20	20	0	0
Prepaid station charges	8	8	7	7
Other prepaid expenses	61	59	57	48
Accrued interest income	18	17	3	13
Other accrued income	12	37	12	8
Total	206	231	133	127

Other prepaid expenses largely consisted of IT licenses.

NOTE

20 Financial Instruments and financial risk management**Management of financial risks**

SJ's financial policy has been established by the Board of SJ AB and provides instructions for the ongoing management of the Group's financial risks.

Market risk

Market risk refers to a company's exposure to changes in financial markets, and includes currency risks, interest-rate risks and other price risks.

SJ's operations are capital-intensive and some of the company's tangible assets are debt-financed with bank loans or leases.

Currency risk

SJ's currency exposure mainly comprises transaction exposure, which is payments in foreign currency due to investments, and the purchase or sale of goods and/or services.

SJ's transaction exposure in day-to-day operations is limited.

According to the financial policy, SJ's maximum net exposure in foreign currencies for purposes other than hedging must not exceed the equivalent of SEK 100 million.

Larger investments are continuously hedged through the foreign exchange market.

The value of SJ's currency forward contracts changes constantly, as exchange rates rise and fall. Since currency transactions are effected, the aim is to ensure payment transactions.

Since cash flow hedging is used and hedge accounting is applicable, changes in value are recognised in other comprehensive income.

On the balance-sheet date, SJ had outstanding currency derivatives with a nominal value of SEK 0 million (0), pertaining to major investments. The fair value of these positions was SEK 0 million (0). There were also currency derivatives for financial hedging with a nominal value of SEK 19 million (183), pertaining to financial investments in foreign currency. The fair value of these positions was SEK 30 million (3).

Interest-rate risk

The Group's financing costs and return on cash and cash equivalents is affected by changes in interest rates.

SJ's borrowings consist mainly of long-term finance leases with variable interest rates.

However, the company's financial policy stipulates that the average fixed-rate period in its loan portfolio should be in the range of 1-3 years.

Interest-rate swaps are used to manage interest-rate exposure and achieve the desired fixed-rate period, which changes the variable interest rate to a fixed rate for parts of the loan portfolio.

On the balance-sheet date, the average fixed-rate period for the Group's interest-bearing borrowings amounted to 1.3 years (1.1).

The value of the interest-rate swaps that SJ holds to extend the average fixed-rate period is simultaneously affected when market rates change.

On the balance-sheet date, the market value of SJ's outstanding interest-rate derivatives was a negative SEK 18 million (neg: 8).

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, through changes in the issuer's credit risk premium or general changes in the market's credit spreads. SJ only holds bonds with a high rating, which means a lower credit risk premium and less extreme fluctuations.

On the balance-sheet date, the market value of SJ's bonds with a maturity exceeding one year amounted to SEK 715 million (1,256).

Credit and counterparty risk

Credit and counterparty risk is the risk that the counterparty to a transaction is unable to fulfil its obligations, thereby incurring a loss for SJ.

Note 20, cont.

SJ is primarily exposed to this risk when surplus liquidity is invested in financial assets, but also in financial derivatives, in guarantees and in the granting of business loans.

Financial credit risk

SJ's finance policy prescribes how liquidity is to be invested. Counterparty credit is to correspond to a K-1 rating or better for short-term investments.

No rating is required for central government, municipalities, county councils and State-owned companies.

Long-term investments, with maturities of up to 5 years, are permitted in banks with a minimum A rating.

In order to limit concentration risk, amounts per counterparty are limited.

On the balance-sheet date of 31 December 2014, the counterparty exposure in investments totalled SEK 1,328 million (1,506).

Of the total counterparty exposure, financial assets measured at fair value amounted to SEK 983 million (1,426)

All of SJ's balances can be measured on the basis of prices in active markets, and are therefore included in either hierarchy level 1 or hierarchy level 2.

Financing and liquidity risk

Financing and liquidity risk refers to the risk entailed by loan rescheduling, the fulfillment of payment obligations, limited funding opportunities or a substantially changed price situation.

SJ's financing sources primarily consist of cash flow from operations and borrowings.

Interest-bearing borrowings comprise long-term finance leases with Nordea Finans Sverige AB with variable interest rates.

In addition, SJ has a lease with Jernhusen AB for a maintenance workshop which, due to the long contract period, is recognised as a finance lease with a fixed rate of interest. Financing and liquidity risks are managed within the framework of the financial policy.

To ensure that liquidity is available to the Group at the desired time, the finance policy prescribes that SJ must always be able to secure a liquidity reserve of at least SEK 500 million. It must be possible to access this reserve within three business days. The reserve includes cash, listed financial investments that can be converted within three business days, and unutilised but confirmed credits.

On the balance sheet date, financial resources available to the operations within three days totalled SEK 1,060 million (1,283).

In addition, unutilised credit facilities amounted to SEK 100 million (100) on the same date.

SJ limits financing risk by controlling the terms of loans to achieve a suitable maturity structure over time.

Group/Parent Company

Maturity analysis for financial liabilities outstanding	2014			2013		
	Interest	Amortisation	Cash flow	Interest	Amortisation	Cash flow
Financial liabilities measured at amortised cost						
Within 1 year	14	415	429	36	786	822
1–2 years	13	41	54	19	415	434
2–3 years	13	41	54	19	41	59
3–4 years	13	41	54	14	41	60
4–5 years	14	41	55	20	41	61
5 years or more	34	545	578	63	587	648
Total	102	1,124	1,224	176	1,911	2,084
Less current portion	-14	-415	-429	-36	-786	-822
Total non-current portion	88	709	795	140	1,125	1,262

Group/Parent Company

Financial derivative instruments	2014		2013	
	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps	500	-18	1,050	-8
Currency forward contracts, positive	-	-	-	-
Currency forward contracts, negative	19	0	183	3
Total	519	-18	1,233	-5

At the end of year 2014, the total market value of derivative instruments held for hedging purposes, including financial hedging, was a negative amount of SEK 18 million (neg: 5). Of this amount, the market value of derivatives that qualified for hedge accounting was a negative amount of SEK 18 million (-8).

Group/Parent Company

Maturity structure of derivatives	2014		2013	
	Interest-rate swaps	Interest-rate swaps	Currency forward contracts	Currency forward contracts
Within 1 year	300	550	19	183
1–2 years	-	300	-	-
2–3 years	100	-	-	-
3–4 years	-	100	-	-
4–5 years	100	-	-	-
5 years or more	-	100	-	-
Total	500	1,050	19	183

Note 20, cont.

Sensitivity analysis

SJ's borrowings mainly comprise bank loans or long-term finance leases with variable interest rates, based on one, three or six month STIBOR.

Derivative instruments, such as interest-rate swaps, are used to manage the interest rate exposure and achieve the desired fixed-rate period, which changes the variable rate to a fixed rate of interest. SJ's interest-bearing borrowings amounted to SEK 1,125 million. Since four interest-rate swaps with a total nominal value of SEK 500 million have been purchased, SJ's direct transaction exposure, at an interest rate change of +1 percent, would amount to an approximate loss of SEK 6 million annually. SJ's interest rate swaps of SEK 500 million have an average maturity of 1.8 years, resulting in a simultaneous increase in value of approximately SEK 9 million at a +1 percent shift in the yield curve. Since hedge accounting is applied, the change in value affects other comprehensive income.

Of SJ's available liquidity of SEK 1,060 million, SEK 1,041 million has been invested with maturities of less than one year, or in FRN bonds.

SJ's direct transaction exposure, at an interest-rate change of +1 percent, would thereby amount to an approximate loss of SEK 1 million annually.

The simultaneous change in value in SJ's fixed-rate bond portfolio, at a +1 percent shift of the yield curve, would result in an approximate loss of SEK 3 million.

Sensitivity analysis	Volume	Change in value	Effect on earnings in one year
Interest-rate change, +1%, all interest rates (SEK million)			
Interest-bearing borrowings	1,125		-11
Interest-rate hedging instruments	500	9	5
Transaction exposure in the debt portfolio	625		-6
Short-term investments and FRN bonds	1,041		10
Total transaction exposure	-416		4
Fixed-rate bond portfolio		-1	

In the longer term, in accordance with the net cash position of SEK 395 million on 31 December 2014, a 1 percent change in the market interest rate would result in an annual exposure of SEK 4 million (loss: 2).

On the balance-sheet date, SJ had funds of SEK 11 million (10) in foreign currencies for purposes other than hedging, resulting in a negative impact of SEK 1 million on earnings, at a 10 percent change in the value of SEK against other currencies.

Group				2014		2013	
Classification of financial instruments	Category	Measurement	Note	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets							
Long-term securities	Financial assets measured at fair value through profit or loss	Fair value	16	0	0	0	0
Deposits	Held to maturity	Amortised cost	21	173	173	188	188
Other long-term receivables	Non-current assets held for sale	Fair value	17	394	394	368	368
Total financial assets				567	567	556	556
Current assets							
Accounts receivable and other receivables	Loans and receivables	Amortised cost	21	404	404	483	483
Short-term investments							
Commercial papers	Non-current assets held for sale	Fair value	21	45	45	0	0
Bonds	Financial assets measured at fair value through profit or loss	Fair value	21	715	715	1,203	1,203
Total current assets				1,164	1,164	1,686	1,686
Cash and cash equivalents							

Note 20, cont.

Group				2014		2013	
Classification of financial instruments	Category	Measurement	Note	Carrying amount	Fair value	Carrying amount	Fair value
Cash and bank balances	Loans and receivables	Amortised cost	21	345	345	80	80
Total cash and cash equivalents				345	345	80	80
Derivatives							
Interest-rate swaps	Derivatives identified as hedging instruments	Fair value	21	-18	-18	-8	-8
Currency forwards	Derivatives identified as hedging instruments	Fair value	21	-	-	-	-
Currency forwards	Financial hedging held for sale	Fair value	21	0	0	3	3
Total derivatives				-18	-18	-5	-5
Financial liabilities							
Lease liabilities	Financial liabilities measured at amortised cost	Amortised cost	23	403	403	1,154	1,154
Bank loans	Financial liabilities measured at amortised cost	Amortised cost	23	722	722	760	760
Trade payables and other liabilities	Financial liabilities measured at amortised cost	Amortised cost	25	506	506	504	504
Other liabilities	Financial liabilities measured at amortised cost	Amortised cost	23	229	229	333	333
Total financial liabilities				1,860	1,860	2,751	2,751

Hierarchy Level for financial instruments measured at fair value

	2014	2013
Hierarchy 2	1,136	1,566
Total financial instruments measured at fair value	1,136	1,566

Non-current assets

Long-term securities pertain to shares in other companies (see Note 16). Fair value reflects the ownership share of the company's recognised equity.

Other long-term receivables include long-term deposits that serve as security for lease financing of double-decker trains, totaling SEK 336 million (332).

Some of the deposits are tied-up in long-term investments with maturities of up to 0.5 years, which are measured at market value (see Note 16).

Some of the deposits are classified as held to maturity and measured at amortised cost.

SJ Försäkring AB has made long-term investments of SEK 223 million (224) to guarantee actuarial commitments.

Current assets

Accounts receivable are recognised at the amounts expected to be received. The amount is adjusted for the possible loan losses.

Short-term investments in the current assets category comprise investments with a maturity exceeding three months.

Bonds are held to increase the return on SJ's financial assets. The bond holding is categorised as held for sale and continuously measured through profit or loss.

Cash and cash equivalents

Cash and bank balances comprise account balances in SEK and foreign currency. The fair value of these assets represents the amounts due to SJ on the balance-sheet date.

Commercial papers are classified as liquid funds if their maturity is less than three months.

Derivatives

Derivatives refer to derivatives outstanding on the balance-sheet date, which were valued at a negative amount of SEK 18 million (neg: 5).

Financial liabilities

Financial liabilities measured at amortised cost comprise lease liabilities, bank loans, accounts payable and other liabilities.

SJ's credit terms for bank and leasing loans are considered in line with market terms, according to an approximate estimate, and since the liabilities carry variable STIBOR-based interest rates, the size of the liabilities according to SJ's overall assessment is considered to be an accurate estimate of their fair value.

Trade payables and other liabilities are recognised at the amounts that are expected to be settled.

Interest-rate fixing and borrowings

At 31 December 2014, the average interest rate of total long-term, outstanding interest-bearing liabilities was 1.1 percent (1.6) excluding, and 2.0 percent (2.5) including, interest-rate derivatives.

In addition, SJ has an unutilised credit facility of SEK 100 million (100) with Nordea Bank AB.

At the balance sheet date, the Group's total granted loan commitments had an average maturity of 4.1 years (3.4).

NOTE
21 Equity

GROUP

Share capital

According to SJ AB's Articles of Association, the share capital should amount to at least SEK 400 million and a maximum of SEK 1,600 million. All shares are fully paid. No shares are held by the actual company or its subsidiaries. SJ AB has no Class A shares, Class B shares or preference shares. The number of shares is 4,000,000 and the quota value is SEK 100 per share.

Reserves

Hedge accounting is applied for some derivatives, interest-rate swaps and currency forwards, which means that the change in value has been recognised in equity in the balance sheet through other comprehensive income. On the balance-sheet date, derivatives amounted to a negative SEK 18 million.

Cash flow hedges and non-current assets held for sale

Changes in the value of derivatives, meaning gains and losses attributable to unsettled cash flow hedges, are recognised in reserves under equity and later transferred to the income statement as a hedged transaction. Changes in the value of non-current assets held for sale are recognised in other comprehensive income.

Deferred tax on cash flow hedges and non-current assets held for sale

Deferred tax is recognised in other comprehensive income.

Retained earnings, including profit for the year

Retained earnings consist of profit for the year, undistributed results from associated companies and the portion of untaxed reserves that represents equity.

Owner's objectives and continuity

SJ continuously evaluates the company's capital structure based on the directives adopted by the AGM. On 28 April 2014, the AGM resolved on new, long-term financial targets for SJ. The previous target of at least 10 percent return on equity was replaced by a target of at least 7 percent, on average, return on operating capital. The AGM also resolved on a long-term net debt/equity ratio of 0.5–1.0 (multiple) to replace the previous target of an equity/assets ratio of at least 30 percent. The long-term dividend should amount to between 30 and 50 percent of profit for the year. The previous target was that the dividend should amount to at least one-third of profit for the year.

	2014	2013
Financial liabilities (interest-bearing)	1,277	2,055
Less: Financial assets (interest-bearing)	-1,673	-1,839
Net debt	-396	216
Total equity	5,345	4,949
Cash-flow hedges and non-current assets held for sale	-10	12
Adjusted equity	5,335	4,961
Debt/equity ratio	-0.07	0.04

In 2014, SJ's equity/assets ratio rose from 53.3 percent to 60.1 percent.

PARENT COMPANY

Restricted and unrestricted reserves

Under Swedish law, equity is divided into restricted and unrestricted equity.

The distributable amount is dependent on both a distribution limit and a prudence rule. The distribution limit means that dividends may only be paid when there is full cover for the restricted equity immediately after the distribution. In addition, the prudence rule means that dividends may only be paid when they are justified with regard to the risks posed by the nature and scale of the operations, and the equity of the Parent Company and Group.

Restricted equity comprises share capital of SEK 400 million (400) and a statutory reserve of SEK 200 million (200).

Specification of reserves, other comprehensive income	Cash flow hedges		Non-current assets held for sale	
	2014	2013	2014	2013
Group/Parent Company, SEK million				
Opening Balance for the period	-3	-16	3	3
Change in value of assets held for sale	0	0	-4	0
Change in value of cash flow hedges	-24	3	-	-
To the income statement	10	13	-	-
To the balance sheet	0	0	-	-
Tax effect	4	-4	1	0
Closing Balance for the period	-13	-3	0	3

22 Interest-bearing liabilities

SJ's borrowing comprises bank loans and finance leases. The finance leases mature in 2014–2015 and contain no financial credit conditions (covenants).

SJ has a lease that matures on 31 December 2024 and is classified as a finance lease. The lease pertains to a workshop for the maintenance of double-deckers and an amount of SEK 3 million is recognised as annual amortisation of the lease liability for this workshop.

In autumn 2012, new bank loans totalling SEK 800 million were raised, maturing in 2020–2022. The loans do not include any covenants, but nine SJ 3000 vehicles are pledged as collateral for the loans.

SJ leases workshop premises in Olskroken, Hagalund and Västerås, which are sub-leased to SJ's maintenance suppliers. The total annual rent for the leases is SEK 44 million.

SJ currently has finance leases with Nordea Finans Sverige AB (Nordea Finans) regarding 42 double-decker trains with maturities in 2014–2015.

On the balance-sheet date, the total finance lease liability for the double-deckers amounted to SEK 374 million (1,120).

The long-term portion is SEK 0 million (374) and the current portion, maturing within one year, is SEK 374 million (746).

	2014	2013
Future minimum lease payments	414	1,167
Interest	-10	-15
Present value of future minimum lease payments	404	1,152

Maturity structure of leases	2014		2013	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Within 1 year	380	373	754	748
Total current lease liabilities	380	373	754	748
In more than 1 year, but less than 5 years	17	16	392	385
More than 5 years	17	15	21	19
Total long-term lease liabilities	34	31	413	404
Total lease liabilities	414	404	1,167	1,152

Minimum lease payments include interest, contractual amortisation and the residual value of existing lease liabilities.

Maturity structure of bank loans	Amortisation	
	2014	2013
Within 1 year	37	37
Total current bank loans	37	37
In more than 1 year, but less than 5 years	150	150
More than 5 years	532	569
Total long-term bank loans	682	719

Operating leases, Group	2014			2013		
	Vehicles	Premises	Total	Vehicles	Premises	Total
Future payment commitments in nominal values						
Within 1 year	472	309	781	499	472	971
1-2 years	296	206	502	480	312	792
2-3 years	114	48	162	298	159	457
3-4 years	112	39	152	116	25	141
4-5 years	0	33	33	114	23	137
5 years or more	0	38	38	0	17	17
Total	994	674	1,669	1,507	1,008	2,515

The Group's operating leases primarily pertain to vehicles and premises. The contract period varies between 0 and 5 years.

The leases contain standard market terms. In 2014, rent paid amounted to SEK 814 million (804).

NOTE
23 Provisions

Group	Annuities		Restructuring		Insurance contracts		Loyalty programme		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Provision at 1 January	144	172	14	55	89	71	96	93	17	38	358	428
Provisions	26	2	113		22	44	27	27	132	118	320	191
Estimated interest	4	2									4	2
Released							-3					
Utilised	-22	-32	-101	-41	-41	-26	-21	-24	-117	-139	-303	-260
Total	152	144	26	14	70	89	99	96	32	17	379	360
Distribution in the balance sheet												
Non-current provisions	145	137	0	3	14	16	10	38	0	0	170	194
Current provisions	7	7	26	11	56	73	89	58	32	17	210	166
Total	152	144	26	14	70	89	99	96	32	17	379	360

Parent Company	Annuities		Restructuring		Loyalty programme		Other		Total			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		
Provision at 1 January			95	114	6	33	96	93	13	33	210	273
Provisions			18	1	113		27	27	131	116	289	144
Estimated interest			3	2							3	2
Released							-3					
Utilised			-14	-23	-96	-28	-21	-24	-116	-136	-249	-210
Total			102	95	23	6	99	96	28	13	252	210
Distribution in the balance sheet												
Non-current provisions			97	90	0	0	10	38	0	0	107	128
Current provisions			5	5	23	6	89	58	28	13	145	82
Total			102	95	23	6	99	96	28	13	252	210

Annuities

Annuities relate to the compensation payable to more than 50 people injured, mainly prior to the incorporation of SJ. Annuities are usually life-long, but the amount paid is usually reduced by about one-third at the age of 65. Annuities are uprated annually, in line with changes in the price base amount. The average maturity of future annuity claims is about 14 years. Calculation of the reserve is based on assumptions regarding life expectancy, the discount rate and the index at which the index-linked annuities are uprated. The discount rate follows the Swedish Financial Supervisory Authority's regulation on the choice of interest rate for calculating actuarial provisions.

Insurance contracts

When SJ was incorporated, a non-recurring premium was set aside, to SJ Försäkring AB, to cover the commitment for personal injury claims not yet settled on the corporatisation date, known as run-off injuries.

Loyalty programmes

SJ Prio is SJ's loyalty programme for passengers that was launched in 2007. SJ Prio now has some 1,000,000 members, of whom 173,000 joined in 2014. Income associated with SJ Prio is recognised in accordance with IFRIC 13, Customer Loyalty Programmes, meaning the initial sale is divided according to the component method, whereby a portion of the income 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 makes purchases from SJ and selected partners. The points can then be used as, for example, payment for travel and hotel accommodation. Membership is free of charge

and available at three levels – white, grey and black – of which black is the highest. The customer loyalty programme promotes and rewards loyalty. The more that customers travel with SJ, the more offers and benefits they receive.

Other

Provision for the year comprises travel time guarantee, lease expenses for completed operations and insurance deductibles.

NOTE
24 Accrued expenses and deferred income

	Group		Parent Company	
	2014	2013	2014	2013
Personnel-related expenses	242	241	179	173
Electricity and infrastructure charges	110	112	77	83
Vehicle-related expenses	152	167	145	162
Other accrued expenses	108	150	68	90
Prepaid annual season and travel tickets	234	245	234	245
Other deferred income	36	25	36	25
Total	882	940	739	778

NOTE

25 Investments

During the year, the acquisition of tangible and intangible assets in the Group (and the Parent Company) amounted to SEK 828 million. Tangible investments primarily pertained to the technical upgrading of SJ AB X 2000 trains during the year, which was charged to construction in progress.

Intangible investments pertained to IT development of various programmes during the year, primarily, as in 2013, in a new vehicle system.

Investments	Investments				Statement of cash flow			
	Group		Parent Company		Group		Parent Company	
	2014	2013	2014	2013	2014	2013	2014	2013
Investments in tangible and intangible assets								
Investments in intangible assets	135	132	135	108	135	132	135	108
Investments in tangible assets	693	316	693	315	693	316	693	315
Total investments in tangible and intangible assets	828	448	828	423	828	448	828	423
Financial investments								
Acquisition of shares and participations	–	–	–	–	–	–	–	–
Total financial investments	–	–	–	–	–	–	–	–
Total investments	828	448	828	423	828	448	828	423

Sales – cash flow	Group		Parent Company	
	2014	2013	2014	2013
Sale of tangible assets				
Sale of vehicles/components	146	8	146	3
Total sales of tangible assets	146	8	146	3
Total sales	146	8	146	3

NOTE

26 Pledged assets

	Group		Parent Company	
	2014	2013	2014	2013
Collateral for raised loans	845	919	845	919
Deposit	336	332	336	332
Total	1,181	1,251	1,181	1,251

The deposit comprises liquid funds, and represents collateral for financing the double-deckers. The assets are held under finance leases, see Note 23.

In conjunction with raising loans from Nordea and Nordiska Investeringssbanken in October 2012, nine SJ 3000 trains were pledged as collateral. On 31 December 2014, the carrying amount for these trains was SEK 845 million (SEK 919 million on 31 December 2013).

NOTE

27 Contingent liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Contingent liabilities	290	74	502	304
Total	290	74	502	304

In the Group, this item primarily consists of pledged guarantees in accordance with agreements for contracted services. The guarantees total SEK 280 million, of which SEK 250 million pertains to a new agreement for Västtågen in 2014.

As a general partner, the Parent Company has a commitment amounting to SEK 212 million (230) for Stockholmståg KB.

SJ AB received invoices from Jernhusen AB for capital expenses from AB Storstockholms Lokaltrafik. In 2012, an agreement was reached between SJ AB and Jernhusen AB regarding the cessation of invoicing, and the crediting of invoices issued for the period from 1 January 2011. The agreement also entails that an agreement has been signed with the effect that should Jernhusen AB, in the event of a future legal challenge, be regarded as entitled to equity compensation, then any right to penalty interest held by Jernhusen AB under the Swedish Interest Act is to be calculated on the basis of continuous invoicing as of 1 January 2011.

NOTE

28 Events after the balance-sheet date

On 15 January 2015, SJ appealed the Administrative Court's ruling on public service obligations in the Stockholm-Mälaren Region to the Administrative Court of Appeal.

Assurance

We, the undersigned, assure that the consolidated financial statements and annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, in accordance with generally accepted accounting principles, and that they provide a fair view of the

financial position and performance of the Group and the Parent Company, and that the Directors' Report provides a fair presentation of the operations, financial position and performance of the Group and the company, and describes the material risks and uncertainties faced by the companies included in the Group.

Stockholm, 24 March 2015

Jan Sundling
Chairman of the Board

Ulrika Dellby
Board member

Mikael Staffas
Board member

Lena Olving
Board member

Michael Thorén
Board member

Siv Svensson
Board member

Gunilla Wikman
Board member

Mikael Stöhr
Board member

Per Hammarqvist
Board member

Hans Pilgaard
Board member

Erik Johannesson
Board member

Crister Fritzson
Chief Executive Officer

Our Audit Report was submitted on 24 March 2015

Deloitte AB

Hans Warén
Authorised Public Accountant

Auditor's report

**TO THE ANNUAL GENERAL MEETING OF SJ AB,
CORP. REG. NO. 556196-1599**

Report on the annual accounts and consolidated financial statements

We have conducted an audit of the 2014 annual accounts and consolidated financial statements for SJ AB, with exception for the Corporate Governance Report on pages 8–17. The company's annual accounts and consolidated financial statements are included in this document on pages 3–57.

Responsibility of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated financial statements
The Board of Directors and the Chief Executive Officer are responsible for preparing annual accounts that provide a fair presentation in accordance with the Swedish Annual Accounts Act, and consolidated financial statements that provide a fair presentation in accordance with the International Financial Reporting Standards as adopted by the EU, and the Swedish Annual Accounts Act, and for such internal control deemed necessary by the Board of Directors and the Chief Executive Officer to prepare annual accounts and consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts were prepared in accordance with the Swedish Annual Accounts Act and provide a fair presentation, in all material respects, of the Parent Company's financial position on 31 December 2014, and of its financial performance and cash flows for the year according to the Swedish Annual Accounts Act. The consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act and provide a fair presentation, in all material respects, of the Group's financial position on 31 December 2014 and of its financial performance and cash flows for the year according to the International Financial Reporting Standards as adopted by the EU, and the Swedish Annual Accounts Act. Our opinion does not cover the Corporate Governance Report on pages 8–17. The Directors' Report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have also performed an audit of the proposed appropriation of the company's profit or loss, and the Board of Directors and Chief Executive Officer's administration of SJ AB in 2014. We also conducted a statutory review of the Corporate Governance Report.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposed appropriation of the the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Swedish Companies Act, and for preparation of the Corporate Governance Report on pages 8–17 in accordance with the State Ownership Policy's guidelines for State-owned companies.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriation of the company's profit or loss and on the administration based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board's proposed appropriation of the company's profit or loss, we examined the Board's reasoned statement, as well as a selection of the evidence, in order to assess whether the proposal is consistent with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any Board member or the Chief Executive Officer is liable to the company. We also examined whether any Board member or the Chief Executive Officer 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 audit evidence obtained according to the above is sufficient and appropriate to provide a basis for our audit opinion.

Furthermore, we have read the Corporate Governance Report and based on that reading and our knowledge of the company and the Group, we believe that we have a sufficient basis for our opinion. This means that our statutory review of the Corporate Governance Report is different and substantially less in scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinion

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Administration Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

A Corporate Governance Report has been prepared and the statutory information therein is consistent with the other parts of the annual accounts and consolidated financial statements.

Stockholm, 24 March 2015
Deloitte AB

Hans Warén
Authorised Public Accountant

Definitions and measuring methods

Accessibility

How well the environment in, and facilities in direct connection with, SJ's trains has been adapted for people with disabilities.

Average number of employees

The number of full-time equivalent employees as an average of the annual hours worked.

Body tilt

Technology enabling trains to tilt inwards when rounding a curve, increasing maximum speeds without discomfort for passengers. The X 2000 is a high-speed tilting train.

Brand index

A measurement of how SJ is perceived by the public based on our core values – reliable, simple, humane and enjoyable.

Capital employed

Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, including deferred tax liabilities.

Carbon dioxide (CO₂)

Carbon dioxide is produced by burning fossil fuels (oil, coal, natural gas, petrol, diesel), which are mainly used for electricity and heating supplies, and for transport. Carbon dioxide accounts for the largest contribution to the greenhouse effect, both in Sweden and the rest of the world. The ongoing rise in global average temperature is a natural phenomenon that is reinforced by human activities, which are also the main cause of the rising temperature over the past 50 years (source: Swedish Environmental Protection Agency)

Cash and cash equivalents

Cash and cash equivalents is the sum of cash and cash balances plus interest-bearing investments with a maturity of not more than 90 days on the date of acquisition.

CO₂ emissions (measurement method)

CO₂ emissions from electric trains in Sweden: Electricity consumption from the Swedish Transport Administration (kWh) x standard hydropower emissions from the NTM (Network for Transport and Environment) (0,024 g CO₂ per kWh). CO₂ emissions from electric trains in other countries: Electricity consumption in each country (kWh) x standard emissions from the NTM (Norway: 0.024 g CO₂/kWh (hydropower), Denmark: 0.024 g CO₂/kWh (wind power). Replacement services: The calculation of CO₂ emissions data is based on standards. For buses, the assumed consumption of diesel was 2.64 litres per 10 km, and emissions 2.54 kg CO₂ per litre (Swedish Petroleum and Biofuel Institute). For taxis, average emissions were an estimated 0.172 kg CO₂ per km. Data for the number of kilometres driven were obtained from replacement service pro-

viders. Business travel: Comprises trains (emissions are negligible), taxis (emissions data from taxi provider), rental cars (emissions data from car rental provider), air (number of person kilometres from travel agency x standard air emissions (0.078 kg CO₂ per km) and company cars (number of kilometres driven per car x assumption that about 10 percent is business travel x standard fuel emissions from the NTM (ethanol: 0.078 kg CO₂ per km, diesel: 0.157 kg CO₂ per km, hybrid electric: 0.118 kg CO₂ per km, biogas 0.094 kg CO₂ per km)).

Commercial services

Services that SJ operates on a commercial basis, or contracted services that are wholly or partially financed by ticket sales. Commercial services include operation of the X 2000 between Stockholm and Gothenburg, and contracted services include rail services on behalf of Rikstrafiken, to and from far-north Sweden.

Contracted services

The services operated by SJ on behalf of Passenger Transport Executives (PTEs). Contracted services include commuter rail services in Stockholm, which are operated by SJ's Stockholmståg KB subsidiary on behalf of SL.

Customer Satisfaction Index

Measurement of passenger satisfaction, based on the customer's overall travel experience with SJ over the past 12 months.

Both SL and Västtrafik conduct monthly on-board surveys to measure customer satisfaction levels for trips with Stockholmståg and SJ Götalandståg. SJ Götalandståg's index measures satisfaction with the most recent trip.

Debt/equity ratio

Interest-bearing liabilities divided by equity.

Earnings per share

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

EFQM

The European Foundation for Quality Management.

Electricity consumption

Includes the electricity consumed by train operations and the marshalling of parked coaches. Grid losses before the electricity reaches the trains is not included. Electric train emissions are calculated on emissions from electricity generated by hydropower, and based on data from the NTM (Network for Transport Measures). 50 percent of the electricity is Good Environmental Choice-labelled, where most is hydropower and a smaller proportion wind power. The remaining 50 percent is purchased as hydropower. Overall, wind power accounts for about 1 percent of the purchased electricity.

Employees

See full-time equivalent employees.

Employee turnover

Accumulated employee turnover calculated on the average number of recruitments and permanent employee departures, divided by two, divided by the number of permanent employees.

Environmental index

Measured continuously in on-board surveys and shows how our customers rate SJ's level of environmental awareness.

Equity/assets ratio

Equity in relation to total assets.

Farebox income

Income from commercial services and contracted services.

Full-time equivalents

The number of employees measured in contracted periods and full-time positions. Employees on leave of absence without pay are not included. Full-time equivalent is a ratio unit for the total number of paid hours during the contracted period. An employee working full time is a full-time equivalent, while an employee working 80 percent is a 0.8 full-time equivalent. The time for employees working on an hourly basis is calculated in terms of a full-time equivalent.

GJ (gigajoule)

1 billion joules, a unit of energy.

Good Environmental Choice

The Swedish Society for Nature Conservation's ecolabel. An ecolabelled trip has a low impact on climate, is energy-efficient and meets minimum emission standards. One requirement is to purchase ecolabelled electricity. Ecolabelling electricity places environmental demands on production. An annual third-party review ensures that SJ meets these demands.

GWh (gigawatt-hour)

1 million kilowatt hours, a unit of energy.

ISO 14001

International standard for environmental management systems.

ISO 9001

International standard for quality management systems.

Load factor (percent)

The ratio of passenger kilometres to available seat kilometres.

Manager

A person in a senior position with budget and occupational health and safety (OHAS) responsibility.

Net debt

Net interest-bearing provisions and liabilities less interest-bearing assets.

Number of trips

Total number of single trips with SJ, with or without changes.

OHSAS 18001

International standard for occupational health and safety management systems.

On-board survey

Regular customer surveys conducted on board trains.

Operating capital

Average equity and net debt.

Operating margin

Operating profit/loss as a percentage of net income.

Operating profit/loss

The difference between operating income/loss and operating expenses.

Passenger distance

The number of passenger kilometres.

Passenger kilometres

Number of passengers multiplied by the number of kilometres they travel, excluding Regional Public Transport Authority season tickets, including booked free and assumed trips with SJ's season ticket.

Passenger Transport Executives (PTEs)

Responsible for the local and regional scheduled passenger services in a county.

Profit/loss for the year

Profit/loss after tax.

Profit margin

Profit after financial items as a percentage of operating income/loss.

Punctuality

The percentage of trains arriving at their terminating station on time (train punctuality). Route punctuality is a mean for punctuality at all stations where passengers embark and disembark. As of 2013, the industry standard is defined as arrival within five minutes for long-distance services, and within three minutes for commuter services. For reporting purposes, TTT, Götalandståg and Stockholmståg measure train punctuality, while SJ AB measures route punctuality.

Rail safety index

Ratio of rail-safety-related accidents occurred in relation to the production volume.

Regularity

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

Rental cars

SJ has a partnership with a car rental company entailing that rental cars can be booked online, by phone or in stores. The statistics in this report only include data on rental cars used by SJ's employees.

Replacement services (bus and taxi)

Bus and taxi are used as replacement services during planned track maintenance and unplanned disruptions to train services. Replacement services are requested by Traffic Control.

Return on capital employed

Profit after financial items plus financial expenses (on a rolling 12-month basis) as a percentage of average capital employed for the 12-month period.

Return on equity

Net profit (on a rolling 12-month basis) according to the income statement as a percentage of average equity for the 12-month period.

Return on operating capital

EBIT (on a rolling 12-month basis) as a percentage of average operating capital.

Sales

Total income.

Seat kilometres

The seat kilometres offered for sale, meaning the number of available seats multiplied by the length of the trip.

Service index

Measurement of the passenger's perception of service, information, accessibility and on-board customer interaction.

Short-term investments

Short-term investments in the Parent Company balance sheet pertain to investments with a maturity of less than one year. For the Group, short-term investments refer to interest-bearing investments with a maturity of between three months and one year. Long-term bonds held for sale are also included in short-term investments, regardless of their maturity.

Sickness absence

The number of employees on sick leave divided by the number of full-time equivalent employees. Employees receiving sickness benefits are not currently included in the statistics for sick leave.

SJ Volunteer

New sustainability target. A programme offering employees the chance to engage in voluntary work during working hours.

Supervisor

A person in a managerial position with budget and occupational health and safety (OHAS) responsibility.

Supplier and partnership assessments

New sustainability targets to ensure that the Group's identified high and medium-risk providers comply with the requirements specified in the procurement.

Taxis

Taxis can also be booked when booking train tickets, are by on-board employees. The statistics in this report only include information about taxi trips by SJ employees.

The Global Compact

The UN's ten principles in the areas of human rights, labour standards, the environment and anti-corruption. The principles are based on the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

The Global Reporting Initiative (GRI)

The GRI is an independent international organisation that issues guidelines for sustainability reporting (www.globalreporting.org).

Total assets

Total assets

Train kilometres

The total distance travelled by all trains.

Travel time guarantee

SJ's commitment to compensate passengers for delays. For current information, visit www.sj.se.

WiFi, 4G

Wireless network with the fourth-generation of broadband mobile communications, offering faster internet access than in the past.

Yield

Income from commercial services (SJ Biljetter), including PTA season tickets (excluding booking fees), divided by the total number of passenger kilometres.

Production: SJ in partnership with Hallvarsson & Halvarsson. **Translation:** The Bugli Company AB.



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