

SJ ANNUAL REPORT & SUSTAINABILITY REPORT 2013





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The audited statutory Annual Report, including the Directors' report, consists of pages 45–55 and 60–107.

The Sustainability Report comprises pages 5–15, 18–21, 28–43 and 105–113. The Sustainability Report has been reviewed – see Auditor's Review Report on page 107.

REPORTING

The Annual Report and Sustainability Report 2013, including Corporate Governance Report and Interim Reports, are available at www.sj.se

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In the following Annual Report, for reasons of space the title of 'Trafikverket' has been used instead of the official English title, 'the Swedish Transport Administration'."

SJ in two minutes



Objective

SJ will be a sustainable rail operator in Sweden.

78%

Punctuality, Long-Distance, %
(scheduled time plus 5 minutes).

89%

Punctuality, Regional, %
(scheduled time plus 5 minutes).

9

SJ has a turn-over of around SEK 9 billion.

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

5,000 employees play their part in offering sustainable travel.

Every day, SJ operates 1,400 departures and serves 160 stations between Narvik and Copenhagen.



Carbon dioxide emissions from one person's journey by SJ 2000 from Gothenburg to Stockholm total 1 gram.* The same volume is produced by the average new car** during a journey of just 7 metres. In a biogas car*** it is possible to travel 125 metres.

How far can I get on 1 gram of carbon dioxide?

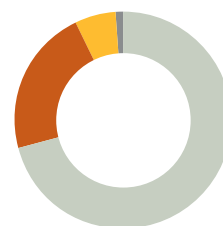


*Source: SJ Environmental Calculation **Emissions app. 138 g CO₂/km. Source: Trafikverket ***Emissions approx. 8-15 g CO₂/km. Source: www.biogas.se

Significant events in 2013

KEY FIGURES, amounts in SEK million	2013	2012	2011	2010
Net turnover	9,023	8,504	8,038	8,627
Operating profit/loss	298	467	60	439
Operating margin (%)	3.3	5.4	0.7	5.0
Profit for the year	220	471	36	294
Return on equity (%)	5.1	10.3	0.8	6.7
Equity/assets ratio (%)	53.3	51.1	49.6	48.4
Investments in property, plant and equipment and intangible non-current assets	448	1,116	869	858
Average number of employees	4,953	4,299	4,041	4,262

Carbon dioxide emissions, %



SJ procures 100 percent renewable electricity from hydropower and wind power sources to operate its trains. This means very low emissions of climate-impacting carbon dioxide. The train operations themselves account for the smallest share of emissions. Most is generated by rail replacement services deployed during service disruptions. So higher punctuality is closely correlated to our environmental focus.

1,000,000

members of our customer loyalty programme, SJ Prio.

60

– the rating in the 2013 Customer Satisfaction survey, below SJ's target of 63.

Q1

First anniversary for SJ 3000

In February, the last of the 20 sets ordered entered service. The trains, which add 5,000 new seats to the SJ fleet, have been introduced into service with great success.

Improved commuting service in West Sweden

SJ, Västtrafik and Värmlandstrafik together produced a new timetable with improvements to the afternoon commuting service to and from Gothenburg, Trollhättan and Karlstad.

Journeys booked directly from customer's mobile

75 percent of SJ's ticket sales are via digital channels. In March SJ updated its Min resa (My journey) app to enable customers to buy tickets straight from their mobile.

Changes in SJ's executive management

Thomas Silbersky was recruited as new Vice President Marketing and Sales. Helga Baagøe was appointed as new Vice President Corporate Communications. Erica Kronhöffer was recruited as Vice President Quality, Environment and Sustainability, a new position in the Group.

Q2

New long-term strategy for SJ

In June, SJ's Board of Directors adopted a new long-term strategy to deal with changes in the market and customer demands. Under the strategy, an improvement programme was produced, aimed at cutting SJ's costs by SEK 1 billion over a three-year period.

SJ spending billions on modernising trains

SJ took a decision to upgrade its SJ 2000 trains. It is estimated that the process, which will include both technology and comfort, will cost in all SEK 3.5 billion. On the technology side, equipment valued at SEK 1.4 billion was procured in the fourth quarter.

Negative earnings in associated companies

The negative earnings of Botnietåg AB and impairment losses on SJ's participations in the company were charged to quarterly earnings in the amount of SEK 26 million.

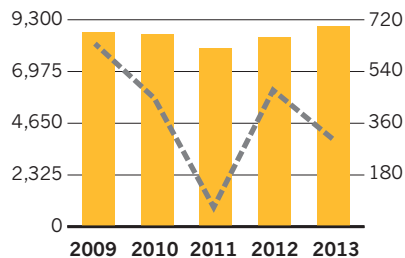
Expansion of operations by subsidiary Stockholmståg KB

In May, Stockholmståg KB gained 500 employees when it took over operations of the stations.



Private car: 7 METRES for one gram of carbon dioxide.

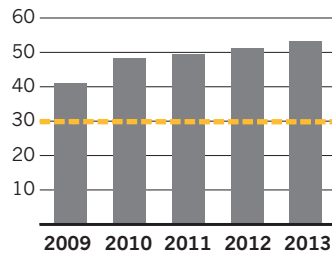
Net turnover and operating profit, SEK m.



If non-recurring items are taken into account, the underlying profit has increased.

■ Net turnover ■ Operating profit

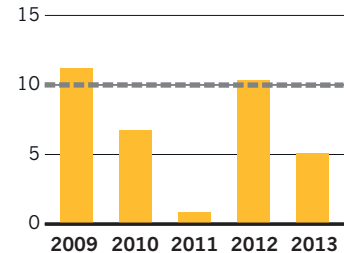
Equity/assets ratio, %



An equity/assets ratio of 53.3 percent indicates that the target of 30 percent was achieved.

■ Target 30

Return on equity, %



The 2013 result, 5.1 percent, does not measure up to our owner's requirement.

■ Target 10

SJ is investing in new family carriages with the focus on children.



6%

increase in Group turnover.

448

million SEK was invested in intangible non-current assets and property, plant and equipment.

Q3

Sharper competition in the 2014 train timetable

On 20 September, Trafikverket presented its 2014 train time-table, effective 15 December 2013. Sharper competition, above all on the Stockholm–Gothenburg route, was the most significant change.

Improved customer experience from several mobile innovations

During the autumn, SJ launched several improvements in its mobile services. With new functions, it became possible to store tickets in a Passbook, book return journeys and forward e-tickets. At the same time, the structure of information on sj.se was simplified to make it easier for site visitors to find what they want.

Comeback for SJ on West Coast Line

As of 15 December, SJ is again operating the Gothenburg–Halmstad–Helsingborg–Lund–Malmö line, with seven trains a day in each direction.

SJ and industry agree on limit on delays

In September, a new Swedish industry-wide standard was introduced, in which punctuality is measured as scheduled time plus 5 minutes for all passenger services. As a result, the margin for SJ's long-distance services was adjusted from 15 to 5 minutes.

Q4

Profits affected by stake in Botnietåg

SJ's profits were affected by its stake in Botnietåg AB, in which the Group has a 40 percent shareholding, through the negative impact of estimated costs for future losses and SJ's share of the 2013 loss.

Free wi-fi on SJ trains

SJ introduced free wi-fi on its fast trains. All fast trains were upgraded to 4G. In the next stage, SJ's double-deckers will be similarly re-equipped.

SJ investing SEK 150 million in family- and child-friendly facilities

Work started on converting 20 carriages into family carriages. The project involved a brand-new bistro, four-place seating and a play area.

New sustainability targets were adopted by SJ Board

Three new sustainability targets were adopted. The targets were 95 percent punctuality, supplier and partnership assessments performed and SJ Volunteer, a programme offering employees the chance to engage in voluntary work during working hours.

New Chief Financial Officer

Carina Wång took up a position as the Group's new Chief Financial Officer, joining SJ's Executive Management.



Focus on dialogue and leadership will make SJ stronger

Much of my first year as CEO at SJ has been about listening to and talking with customers, employees and partners.

WE KNOW THAT 2014 will be a tough year for SJ. For the first time, we will face real competition in rail services, and indeed on our most profitable route. We are well prepared for what lies ahead. Competition will make SJ a better company. One that does everything a little more simply, more quickly and in a more customer-responsive way.

Our financial results for 2013 show a higher turnover but a slightly lower profit than in 2012. However, if we discount non-recurring items, the underlying profit for 2013 was higher than in 2012. The introduction of our new SJ 3000 fast trains is a matter of some pride to us. Our passengers are content and the 5,000 additional seats have enabled us once again to operate on the West Coast Line. Unfortunately, the increase in services has not yet delivered the desired effect, but this is a long-term venture.

Investing in what customers want

To meet the challenge of the new competition, we have to both slow down and speed up. In June, our Board of Directors agreed SJ's new long-term strategy. We have to cut our costs permanently and at the same time invest in what our passengers want. In the autumn, we rolled out

an improvement programme intended to trim our cost base and increase responsiveness to customers. The programme runs for three years and aims to lower SJ's costs by SEK 1 billion. We have to stop offering what there is no demand for. Today, seven out of ten customers buy their rails tickets via digital channels or from ticket machines. Against that background, we decided to close down 18 travel centres and one of our customer service centres. At the same time, we are speeding up investment where our customers are – online.

New investments

To ensure that we can offer the most comfortable journeys on the intercity routes for a very long time to come, we are investing SEK 3.5 billion in extensively upgrading our SJ 2000 trains. The programme is one of SJ's biggest of modern times. Using new technology, we can cut energy consumption and improve reliability, and in turn punctuality. The upgrade also includes a major investment in increased comfort. Through active and close dialogue with our customers, we have enhanced design, functionality and services in the new carriages.

“Everyone must know where we’re heading.”

Everyone must be involved and engaged

In my first year as CEO, I have established within the Company an intensified focus on two issues: leadership and sustainability. I have met, in person, more than a thousand employees at major dialogue meetings. To me, a customer-responsive organisation is the opposite of a hierarchical one. If we are to deliver the best customer experience, we need committed employees who are passionate about their job. Everyone must know where we are heading. We must get closer to our customers, and be quicker on our feet. During these dialogue meetings, I have been reassured to see the enthusiasm, knowledge and desire for improvement that exists at SJ.

There are always things that can be done better, but surveys involving interviews with 35,000 SJ passengers show how much our train crews are appreciated. Our crews are rated highly, and especially highly in the case of customer care on SJ’s fast trains.

Focus on sustainability

Nearly half our passengers state that they choose us for the sake of the environment, and SJ has won five awards for its green brand. But it is not enough to be green, SJ has to be a sustainable business and that means running the business responsibly and with the whole picture in view. Sustainability issues must be integral to everything we do. They must be broken down so that everyone – employees, owners and customers – can see a common thread running through every part of the organisation.

Just over a year ago, we adopted a balanced scorecard system. Unfortunately, we did not achieve all our aims during 2013, including our targets for Customer Satisfaction Index, punctuality and sick leave. These target levels remain in place, and we are taking fresh action and identifying robust measures to attain them.

Cooperation for better punctuality

We are an important part of life to many people. If everyday life is to work, trains must be on time. Punctuality is always an area we need to focus on. SJ is participating in an industry-wide project entitled “Together for trains on time”. The target is to achieve 95 percent punctuality by 2020. Even at this stage, our own work on punctuality has been approved by Riksrevisionen (the Swedish National Audit Office). According to the authority’s audit, our trains can travel 3.5 times further than the average without faults that cause service disruptions. That conclusion is satisfying, but it’s not enough. We are continuing to work on the one-fifth share of the overall punctuality problem that is attributable to SJ.

I am convinced that the industry will develop and grow stronger during 2014. More people will be attracted to the railways, more will opt for the train as a means of transport. We will be able to gain market shares from car, bus and air travel. We already have 20 new SJ 3000s on the tracks and new, smart digital solutions for our customers are in the pipeline. And more solutions are on the way: modernised SJ 2000s and new flexible services that simplify and enhance the travel experience. With an ever-improving offering, clearly defined targets and committed employees, I look to the future with confidence.



Crister Fritzon
Chief Executive Officer, SJ



Biogas car: 125 metres for one gram of carbon dioxide.

Sustainability is the key to long-term profitability

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



WE MUST GET AWAY from a world where the talk is of derailed trains, redundancies and inadequate infrastructure, and instead put across a picture of safe, eco-friendly and cost-efficient travel – in which our passengers arrive on time and enjoy good service. Better punctuality is critical. To our customers, it is not enough for us as an industry to say that by 2020 we will achieve 95 percent punctuality. Punctuality itself is an industry-wide issue that has to be resolved by every operator in the railway sector working together.

To the general public, SJ is still more or less synonymous with rail travel. We must join together and take our share of total responsibility for the industry as a whole, if it is to work for passengers. We must work alongside other rail operators. We must engage in discussion and everyone must set aside management time to identify areas of co-operation. We have to be more open to outside influence in our thinking. Who is responsible for a delay is not the passengers' concern. We must work together in finding solutions to create a system that is as seamless as possible.

Challenges ahead

SJ has big challenges ahead. I am not talking just about the competition here. It is really nothing new to us. It will become more real when our competitors seek access to the same tracks on the most profitable routes. The biggest challenge is that we will be dealing with a totally new society. For the company to be attractive to employees and customers, we have to think and work along new lines. When I meet people they rarely ask me about SJ's return-on-capital requirement. They are interested in SJ's values. To become a business to be reckoned with far into the future, sustainability must be integrated into every part of the Company.

In many ways, SJ enjoys a natural advantage when it comes to the environment. SJ journeys have worn the Bra Miljöval (Good Environmental Choice) ecolabel for 20 years. Naturally, rail travel is an important part of the solution in a sector where carbon dioxide emissions just keep on increasing. A higher share for rail transport would help Sweden to meet its climate target. Many people choose the train because it is good for the environment.

But we cannot let it go at that. Because if we do not deliver what customers want, in addition to eco-friendly travel, they will not choose us again.

Our most effective contribution to sustainability is to improve punctuality so that more people opt for the train. We have to arrive on time, and we have to be profitable. A long-term sustainable business not only shoulders a responsibility for the environment but also social and financial responsibilities. It is not enough to sell organic coffee in the bistro – much more is necessary. SJ must be a good member of the community. It is about culture and approach. What are our customers' expectations? How should we operate in society? How do we get there? Sustainability issues must be integrated into targets, organisational planning and reporting. We must have a system that holds up, from vision to targets and internal processes. Sustainable travel.

New long-term objectives

A workgroup consisting of representatives of the Board and executive management has formulated three long-term objectives: 95 percent punctuality, supplier and partnership assessments performed and "SJ Volunteer", a programme offering employees the chance to engage in voluntary work during working hours. These long-term objectives have been linked to the Company's balanced scorecard and are to be followed up every month. One of our strengths is that our owner does not measure our performance by financial targets alone, but also by non-financial targets. A focus on sustainability is the key to creating long-term profitability.

Now, attention is to concentrate on industry-wide cooperation, sustainability thinking and focus on the customer. Our passengers will see a more punctual SJ, which is safe and eco-friendly and offers value for money – whether they are travelling to a business meeting in the city or collecting their children from nursery.

Jan Sundling
Chairman, SJ

An open and constructive dialogue

If we are to be able to live up to the demands and expectations that SJ faces, we have to understand which issues are important to our stakeholders. The dialogue that we maintain with our stakeholders provides us with precious knowledge that helps us to constantly develop our offering and our operations.

SJ HAS HIGH expectations of itself – expectations that extend beyond the actual journey. External stakeholders and our employees alike take it for granted that SJ should fulfil its social, environmental and financial responsibilities. Our multifaceted stakeholder structure and ability to maintain dialogue with all stakeholders play an important role in our operations. For example, to our customers punctuality is important, while to our owners the focus is on sustainable enterprise as a whole.

Open dialogue

SJ carries out various surveys and conducts dialogue with internal and external stakeholders to gain a better insight into and to be able to act on the expectations placed on us, and to understand and manage opportunities and risks. Our dialogue is based on our own stakeholder model, in which stakeholders are selected on the basis of how much they are affected by, or affect, SJ – positively or negatively. Through the dialogue, we glean comments and needs relating to how SJ conducts or should conduct and develop its business. The stakeholder dialogue is also a way of finding out more about what our stakeholders know about our offering, how to develop our products and how to become a better employer.

Materiality analysis of priority areas of sustainability

Our materiality analysis provides a framework for identifying and prioritising the areas in which SJ's impact is more evident. The analysis also serves to reveal the areas that can significantly influence judgements and decisions by the stakeholders. The matrix alongside indicates the areas in which importance to external stakeholders and SJ as an enterprise is highest. The assessment is founded on an analysis based on the guidelines in ISO 26000, the standard defining social responsibility, and on stakeholder dialogues and risk analyses.

Importance to external stakeholders

Importance to external stakeholders	VERY IMPORTANT	Environmental performance Social engagement	Customer satisfaction Punctuality Safety Digital presence Service information
	IMPORTANT	Management system Availability	Profitability Social responsibility Good occupational health and safety Skills development and diversity Transparency and corporate governance
		IMPORTANT	VERY IMPORTANT

Importance to Company

CUSTOMERS/PASSENGERS

The relationship we have with our customers is extremely important. Our services make it possible for our customers to live, work and study in different geographical locations.

Channels of dialogue

Communication via sales organisation, Customer Service, train crews, social media.

Tools for follow-up

Customer Satisfaction Index & Service Index (monthly).

ASSOCIATIONS /ORGANISATIONS

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

Channels of dialogue

Cooperation projects, training and information exchanges, for example for rural areas, commuters and people with functional impairments.

Tools for follow-up

Customer Satisfaction Index (monthly).

TRAFIKVERKET

SJ and Trafikverket work together to ensure that Sweden's railway structure is used in the best way possible. An industry-wide project – "Together for trains on time" (TTT) – is focusing on improving punctuality.

Channels of dialogue

Strategic, tactical and operational meetings. SJ maintains contact with Trafikverket at all levels.

Tools for follow-up

Punctuality statistics (weekly).

REGIONAL PUBLIC TRANSPORT AUTHORITIES

SJ's services are part of Sweden's regional transport programmes. SJ also operates services on behalf of regional public transport authorities.

Channels of dialogue

Personal contacts and industry forum.

Tools for follow-up

Contract follow-up, meetings and dialogue (ongoing).

MEDIA

SJ aims to be as open and transparent as possible, to operate proactively and to participate in the debate across society. The media serve an important function in the distribution of news and information.

Channels of dialogue

Interviews, press conferences and social media.

Tools for follow-up

Media coverage (ongoing).

LEGISLATORS

Decisions on regulations, the infrastructure, taxes and other charges affect the competitiveness of the railways in general and SJ in particular. SJ often participates in consultation when political and government agency decisions are being prepared.

Channels of dialogue

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

Tools for follow-up

Market analysis (ongoing).

OWNER

Our owner, the Swedish State, defines the targets for SJ's operations. As a target, value creation demands a long-term approach, efficiency, profitability and the potential for development via sustainable enterprise.

Channels of dialogue

Ongoing dialogue with the Ministry of Finance, Board meetings, AGM.

Tools for follow-up

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

EMPLOYEES

Committed employees are vital to customer satisfaction and responsible service delivery. SJ makes every effort to provide a secure and stimulating workplace.

Channels of dialogue

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

Tools for follow-up

Leadership index (annual), Performance Index (annual), sick leave (monthly).

PARTNERS/SUPPLIERS

Traffic safety and the quality of our services is dependent on processes employed by our partners. In turn SJ provides value, for example in the form of jobs for our partners.

Channels of dialogue

Dialogues, tenders and negotiations, verification of services performed. We work closely with our suppliers in maintenance, servicing and cleaning.

Tools for follow-up

Supplier and partnership assessments (annual) and audits.

Responsibility on several levels

SJ's overall objective is to be a sustainable rail operator in Sweden. Our biggest contribution to a more sustainable society is to get more people to travel with us.

SJ's VISION IS "To get everyone on board". We aim to be an attractive and reliable travel option capable of competing with the car, air travel and other rail operators. To ensure that customers will want to choose SJ, we must be a responsible rail operator and maintain consistently high quality in our service delivery – quite simply, we have to keep our promises. Operating profitably is also a prerequisite for being a sustainable enterprise.

SJ's most important work in sustainability is to get more people to travel by SJ, instead of by car or air. That way, both we and our customers are working together for a sustainable future.

SJ and sustainability

SJ agrees with the Brundtland Report's international definition of sustainable devel-

opment: "To meet the needs of the present without compromising the means for future generations to meet their own needs."

In a sustainable society, financial responsibility goes hand in hand with social and environmental responsibility. By running its business responsibly, in the broader sense, SJ stimulates competitiveness, efficiency and profitability, which in turn also leads to long-term, sustainable value creation for our stakeholders too.

Sustainability is not just being green

If we ask our customers what is most important to them, many answer "punctuality". So a sustainable journey is also one that is punctual, value-for-money and safe. It is also a given that travelling with SJ is environmentally sustainable.

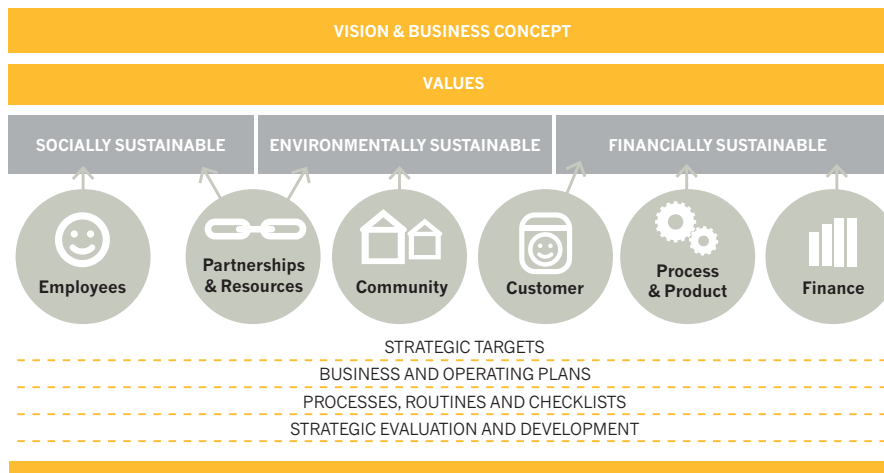
GRI

As a framework for sustainability reporting, SJ has since 2007 been using the third generation of the Global Reporting Initiative's (GRI) G3 guidelines. (www.globalreporting.org).

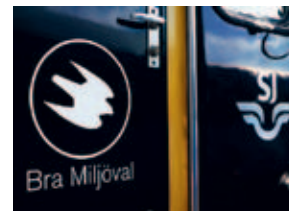
For 2013, SJ has chosen to apply level B+ and is carrying out a self-assessment on compliance with GRI's G3 guidelines.

Deloitte has conducted a review of SJ's sustainability report and has approved SJ's self-assessment.





20
years
since SJ started
offering eco-certified
(Bra Miljöval) rail travel.



Our overall objective, of being a sustainable rail operator in Sweden, can be broken down into four main elements:

- Travelling by SJ must be safe and secure.
- SJ must ensure a fundamental quality of delivery in which high priority is given to the focus on punctuality.
- SJ should be the customer's first choice.
- SJ must satisfy its owner's financial and non-financial requirements.

A long-term, systematic focus

SJ has long worked actively on environmental issues as part of its work on sustainability in general. Twenty years have passed since 1994, when we were first to offer eco-certified travel by SJ electric trains throughout Sweden (for more information, see page 28). SJ has been awarded several commendations in recent years confirming the strength of our brand in the environment and sustainability. SJ AB's management system has ISO 9001, ISO 14001 and OHSAS 18001 certification. This demonstrates that we have clearly defined processes and are also continuously introducing improvements in quality, environmental and occupational health and safety.

Six criteria for sustainable enterprise

Sustainable enterprise is an integral part of SJ's business model and we take a holistic approach to management of the business. SJ's vision, business concept and values underpin a socially, environmentally and financially sustainable enterprise, in that we survey and monitor our operations

against six criteria, Employees, Partnerships & Resources, Community, Customer, Process & Product and Finance.

Strategic targets broken down into plans

Long-term strategic targets have been established for each criterion. In turn, these targets have been translated into detailed business and operational plans with a level of ambition in line with the long-term strategy.

Integration into day-to-day activities

SJ's ambition is that our processes, routines and checklists should ensure that we operate as efficiently as practicable. Important organisational areas such as quality, the environment, occupational health and safety and traffic safety are to be an integral part of day-to-day work.

Strategic evaluation and development

For our annual evaluation and development of SJ's management system, we use the European EFQM model. The model enables us structurally and systematically to measure where SJ is, relative to its vision and the targets set.







The EFQM model is an integral part of our strategic and business planning process. In addition, by choosing a widely-established model we can compare our performance with those of other companies. The aim is to serve as a model in sustainable and customer-oriented business development to other businesses and organisations in Sweden.

Responsible governance

On the basis of our stakeholders' expectations and SJ's own circumstances, we analyse and control our business using a balanced scorecard. In 2013, SJ continued to develop its operations by linking its social, environmental and financial perspectives together more clearly.

Our owner has required all State-owned enterprises to draw up proposals for sustainability targets, adapted to the particular nature of each company. The targets must encapsulate the company's activities

and be measurable and sufficiently challenging. SJ's targets were formulated by a workgroup comprising three representatives of the Board and two of the Company. In the autumn, the Board adopted SJ's three new targets for long-term sustainability. The targets were 95 percent punctuality, supplier and partnership assessments performed and SJ Volunteer, a programme offering employees the chance to engage in voluntary work during working hours.

SJ AB's BALANCED SCORECARD		OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014	SEE PAGE
Employees						
	Leadership Index, annual ¹	–	–	65	67	34
	Performance Index, annual ¹	–	–	76	77	34
	Sick leave	4.3	4.3	5.6	4.8	36
Partnerships & Resources						
	Supplier and partnership assessments performed ²	–	–	–	20	43
Community						
	Brand Index, VMI ³	46	50	51	–	18
	Environmental Index	67	70	68	70	31
	SJ Volunteer ³	–	–	–	–	12
	Number of serious injury victims	0	0	1	0	33
	Traffic Safety Index	–	–	–	97	33
	EFQM points	390	500	460	500	11
Customer						
	Customer Satisfaction Index, CSI	60	63	60	63	18
Process & Product						
	Punctuality, Long-Distance, 15 min, % ⁴	91	95	90	–	20
	Punctuality, Long-Distance, 5 min, %	81	–	78	88	20
	Punctuality, Regional, 5 min, %	90	95	89	90	20
	Load factor, %	55	54	51	51	–
	Regularity, %	96	98	97	98	20
Finance⁵						
	Operating profit, SEK m.	467	–	298	New targets will be adopted at the AGM in April.	62
	Sales, SEK m.	8,664	–	9,160		62
	Equity/assets ratio, %	51.1	30	53.3		40
	Return on equity, %	10.3	10	5.1		40

For definitions, see pages 114–117.

¹ The employee survey will result in new measurements during 2013.

As a result, the outcomes and targets for 2012 and 2013 are not comparable with the outcome for 2013.

² Of high- and medium-risk suppliers identified.

³ New measurement in preparation, target to be established in 2014.

⁴ Measurement to terminate in 2014, see page 20.

⁵ Refers to the SJ Group.



Participation and commitment

The long-term objectives in the Company-wide business plan are translated into operating targets and activities for the organisation – from staffs, divisions and units to staging stations and employees. Work on breaking the targets down into specifics started in 2013 and will continue in the years ahead.

Ongoing follow-up

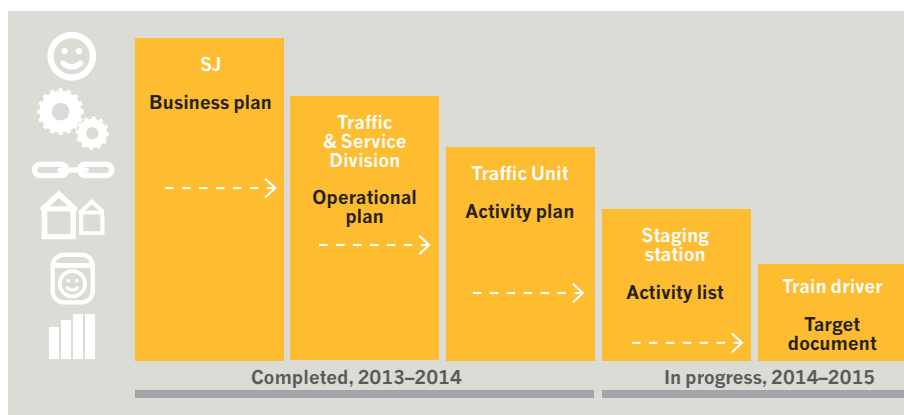
The targets are followed up yearly or monthly. This makes the balanced scorecard an important tool for constant improvement in a number of business-critical target categories. By regularly checking our performance, we equip ourselves better for correcting negative deviations before they can have major consequences – and instead steer the right course.

Openness and participation

The intention of breaking targets down into specifics is to develop openness and participation in the Company, so that all employees can see and influence how the business – and their own work input – is contributing to SJ's overall targets.

Punctuality in train drivers' target documents

For example, SJ's overall punctuality targets will be broken down into an activity in our train drivers' target documents, stating specific actions needed to achieve the overall target.



The long-term targets in the Company-wide business plan are broken down into operational targets and activities for all parts of the organisation. The example illustrated is from the Traffic & Service Division.

All areas on the balanced scorecard are taken into account for targets and activities throughout the organisation.



SJ's strategy is long-termism and competitiveness

We are taking a proactive approach to achieving our targets. In 2013, we launched a programme of improvements to develop our customer offering and at the same time cut our costs.

THE AIM OF OUR NEW STRATEGY, established in 2013, is to enable SJ to remain the first choice for our passengers over the next 20 years. SJ's purpose is to be a sustainable and market leading rail operator in Sweden. This of course also includes meeting the owner's return-on-capital requirement. According to the plan presented during the year, SJ has to make savings of SEK 1 billion in three years. We will find these by improving efficiency and delivery quality, and by cutting costs. This will mean guaranteeing fundamental quality and raising the standard of the functions that customers value most highly – punctuality, information and customer care on board. Renovation of our SJ 2000 trains is one of our biggest investments of modern times. Several billions are being invested in an extensive programme of upgrading (for more, see pages 22–23).

An expanding market

To the industry, society's increasingly keen focus on sustainability issues is a positive factor that places the train ahead of other modes of transport with a heavier environmental footprint. With growing competition on the tracks, passengers will gain more choices, which again makes the industry more attractive. The volume of the market for rail travel in Sweden has nearly doubled over the past 20 years. Until now, the increase has been driven above all by shorter journey times, closer attention to the environment by customers and the generally lower cost of rail travel relative to other modes of transport. Rail travel is expected to go on expanding by 2 percent annually until 2030, according to Trafikverket's calculations. New operators on the inter-city routes

will account for the major share of this growth. With the considerable rise in number of departures on these services, more people are expected to opt for the train, rather than the car or air travel. In other markets and on other routes, too, rail travel will grow in the future, because of both population and economic growth.

Punctuality still at centre stage

SJ's most important sustainability issue is its ongoing focus on punctuality. The more punctual we are, the more people will choose not to fly, or to leave their car behind. Our focus on punctuality is also given high priority long term – both internally at the Company and in our interaction with Trafikverket and other rail operators. Working with the industry to improve punctuality to 95 percent, SJ has adopted a new measure of punctuality, which is the scheduled time of arrival plus a maximum of five minutes.

New opportunities

We are now equipping ourselves to meet the future and the competition. Under the pressure of deregulation, we and other existing operators are becoming faster, smarter and more efficient. We will make our offering more attractive than those of competing operators, to ensure that SJ remains the customer's first choice, and the leading operator in the market. In the long term, the Group also has opportunities to grow, for example, via international expansion by running services in and to Europe. SJ faces major changes in a market of new opportunities. We have a plan, a set of powerful tools and carefully calculated targets with which to meet the future.

A step closer to our customers

At SJ, we strive to deliver punctual and comfortable train journeys. Maintaining a focus on our passengers' needs, we constantly review processes and routines in order to make their journey even simpler.

40,000

ticket purchases monthly on SJ's mobile site.

1/2 million

unique visitors to SJ website on average per month.

More and more customers are electing to visit SJ digitally. Nearly six million passengers visited SJ via its digital channels in December 2013.

Most visitors – just over 4 million – went to SJ's website sj.se.

mobil.sj.se had 1 million, 100 percent higher than in 2012, while the "Min resa" app received just over half a million visitors.

THE FOCUS OF SJ's WORK on quality is to improve the travel experience for our customers. The way we deliver affects people daily, and it is important to be responsive to both criticism and praise. Over the year, we introduced several changes, having listened to our customers.

Better on-board service

This year, SJ launched several innovations to facilitate and enhance the travel experience. New family carriages in our InterCity fleet are part of SJ's programme to make rail travel more attractive to families with young children. In addition to a new bistro section, the carriages also feature a play area for children, microwave oven, more spacious luggage areas and four-place seating.

Another popular facility for our customers is access to free wi-fi on board, and since its introduction, the number of Internet users has nearly quadrupled. Every day, we manage nearly 25,000 connections via the new portal, ombord.sj.se, and are continuing to create even better capacity. Given that more and more passengers want to work, or watch films and TV while they are travelling, this area of development is vital. Over the year, all SJ fast trains were upgraded to considerably faster on-board Internet service. At the same time, mobile operators are installing

4G capacity along important route sections. In 2014, the next step will be to upgrade our double-decker trains to 4G too; as a result, nearly a hundred trains will be equipped for the new technology.

Advanced services via new channels

Our ambition is that our passengers should be able to carry out more of their most common SJ tasks wherever they are. Against that background, we have now made it possible to buy tickets via SJ's mobile app. In addition, travellers with iPhones became able to store tickets in the Passbook app, which serves as an electronic assistant. The current journey is automatically displayed around departure, giving the customer information on departure time, platform and any changes.

Our traffic information service by text also became available on several routes, with information on disruptions and delays displayed directly on the customer's mobile.

Easier to navigate on sj.se

In addition, we improved our website sj.se during 2013 following comments that the site was difficult to navigate. That meant changes being made to the structure of information on sj.se during the spring and summer. The simplifications are designed to make it easier for users



EVEN MORE ROUTES IN POPULAR BUDGET PRICE CALENDAR

The calendar shows the lowest-price journey options from our regular selection on SJ's 30 most popular routes for 90 days ahead. During the year, the offering was expanded by the addition of six new routes.

New routes:

Östersund–Stockholm
Umeå–Stockholm
Gothenburg–Malmö
Stockholm–Herrljunga
Linköping–Malmö
Stockholm–Åre

The routes were chosen following a Facebook vote in which SJ passengers were asked to pick the three routes they thought should be added. Passengers were offered twelve options, but when visitors to the Facebook page started making their own suggestions for the routes they wanted, Åre quickly emerged as clear favourite. In line with our aspiration to heed our customers' wishes, we added Åre to the other three that were to be selected.

25,000 tickets are sold via the budget price calendar every month. In 2013, around a million budget tickets were sold via the budget price calendar and SJ's other sales channels.

to obtain the information and functions they need. Today, nearly seven out of ten rail tickets are sold via SJ's digital channels or ticket machines. This means that it is essential for website visitors to be able to navigate without difficulty and make their purchases. In 2013, SJ was also nominated in the category of Sweden's best travel sites in Internet-world's annual Top 100 list of Sweden's best websites.

Investment in Mälardalen

SJ's investment in service on the Mälardalen Line is in full swing and August saw the addition of two new departures from Stockholm with connections to the Bergslags commuter service. SJ's train timetable for 2014 reintroduced an early direct departure for Västerås commuters to Stockholm, easing the pressure of travel for those needing to be at work early. In addition, the number of seats on popular departures was increased.

Back on the West Coast Line

With the change of timetable in December 2013, SJ is back serving the Gothenburg–Halmstad–Helsingborg–Lund–Malmö route, with seven trains a day in each direction. After a break of several years, SJ is delighted to be able once again to offer customers in western and southern Sweden rail services to and from work and during leisure hours. We now also offer more departures today, and this has helped to increase passenger numbers from the level of two years ago.

More generous travel guarantee

This year, the rules for SJ's travel guarantee were made more generous by removing the limitation on liability that formerly applied in the event of force majeure.

Customers' opinions helping SJ to move forward

SJ is a service business and the relationship we have with our customers is essential to our success. We advanced in several quality surveys in 2013, showing that we have taken a step in the right direction.

IF SJ IS TO REMAIN market leader in the future, we must continue to create benefit for our customers. We listen to their opinions to follow up on the results of our work on quality. Extensive in-house surveys and follow-ups on external surveys give us insight into how everything from on-board service to SJ as a business is perceived by the customer.

SJ advances in industry survey

The Swedish Quality Index is an annual survey into how the public views the brands of Swedish enterprises. In the transport sector, SJ obtained 60.5 on a scale of 0 to 100, in which 60 is the limit for satisfactory. The year's increase means that after four years SJ has a rating of just over satisfactory. The result is the outcome of an intensive focus on customer improvement measures, combined with greater awareness among the public that responsibility on the tracks is shared.

SJ's Brand Index a challenge

Our brand is ranked low in the annual external Anseendebarmetern (Trust Barometer) survey, in which 15,000 people were asked for their views on the SJ brand. Our own benchmark in the criterion Community, Brand Index,

also shows a low figure, confirming that we still have a great deal of work left to do. Developing trust and respect is our most important issue. Punctuality has a major effect on the brand and so work on improving it is crucial.

SJ's existing Brand Index concentrates mainly on approval and trust. With that in view, a Key Driver Analysis was carried out in the autumn to gather more information about what perceptions and needs drive people to opt for or reject travelling with SJ, and to determine what our strengths and weaknesses are. Understanding of the factors at play is vital in a competitive market. In the next stage, the analysis serves as the basis of further development of the VMI and as a point of departure for the work on producing a new brand platform for SJ.

Customer's travel experience analysed

SJ passengers are often given the opportunity of answering questions about how they feel about their journey. One strategic key figure that is calculated continuously during the year is the Customer Satisfaction Index (CSI). It tells us what is important to our customers and the extent to which we are living up to their expectations. Their replies indicate that

ACTIVITIES IN 2014

- Devise a new measurement for the Brand Index and a new brand platform, both with a clear link to our business strategy.
- Launch an enhanced travel time guarantee for commuters and introduce a travel time guarantee for combined journeys.
- Develop service information and improve information to passengers in the event of service disruptions.

COMMUNITY / CUSTOMER	OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014
Brand Index, VMI*	46	50	51	–
Customer Satisfaction Index, CSI	60	63	60	63

*New measurement in preparation, target to be established in 2014.



we are doing our job responsibly and well, and are steadily improving. But we are by no means resting on our laurels.

SJ customers on our fast train routes are generally more satisfied than those on regional routes, particularly in the Mälardalen region. Particular initiatives have therefore been prioritised for Mälardalen, for more see page 17.

Better service

We also monitor a service index that measures the passenger's experience of service,

information, accessibility and on-board customer care. The upward trend that we see is satisfying; passenger ratings for SJ crews are increasingly positive. In the 2011-2012 period, the service index result improved by up to six points and this level was maintained in 2013. The customer care rating for fast trains in particular stands out, rising from 78 to 82, a highly satisfactory outcome. A stronger focus on customer care and the introduction of service managers on board SJ fast trains are major factors behind the improved results.

24,000

followers on Twitter.



25,000

likes on Facebook.



Punctuality – a vital factor

Our customers must arrive on time. This is a major area of focus at SJ and one that is essential to trust in the railways. Against that background, we strive unceasingly and resolutely to raise punctuality.

EXAMPLES OF ACTIVITIES IN 2014

- Increase efficiency at depots through further development of the lean concept.
- Develop mobile IT support for drivers and crews.
- Work on departure punctuality and initial quality (right rolling stock in right order).
- Better integration between rolling stock management at traffic management level, depot rolling stock management and workshop management.

+5min

STRICTER OVERALL PUNCTUALITY LIMIT

In the past, punctuality was measured as the scheduled time plus 15 minutes for long-distance services and the scheduled time plus 5 minutes for regional services.

In September 2013, Sweden's railway industry agreed that scheduled time plus 5 minutes should apply to all passenger services.

PUNCTUALITY FOR SJ long-distance services was until the end of September 2013 measured as the scheduled time plus 15 minutes, while SJ regional services were measured as scheduled time plus 5 minutes. In September, a new Swedish industry-wide standard was introduced, in which punctuality is measured as scheduled time plus 5 minutes for all passenger services. As a result, SJ reports punctuality by both measures for 2013 (see table).

We have elected to monitor en-route punctuality, that is, punctuality at every passenger interchange on a route. Another measure we use is regularity, that is the percentage of services started that have arrived at the destination stations on schedule. Our punctuality figures indicate that we are far from our targets on certain routes. Peak hours, when tracks are being used intensively, are particularly challenging.

Our work on the problems of punctuality for which SJ is responsible has borne fruit, and of the causes of the delays affecting our customers during the year roughly one fifth were attributable to SJ. But the demands we make of ourselves are higher than that. We remain intensely focused on improving punctuality.

“Together for trains on time”

To achieve a high level of punctuality, those involved must work together effectively. SJ collaborates with Trafikverket and other operators to solve and prevent problems because the limited capacity of the track has to be shared by several rail operators. We also supervise and try, to the extent possible, to deal with faults and shortcomings. In 2013, a joint venture “Together for trains on time” (TTT) was established between the operators in the rail industry. The collaboration aims to focus on the function of the railway system as a whole, from improved punctuality to better service information. The overall target is 95 percent punctuality by 2020. The programme is monitored and evaluated regularly and the results reported annually at a conference. The focus during the first meeting was to reach a consensus on targets and indicators, and to establish a model for work going forward.

Causes of disruption

Many disruptions to rail services originate from the infrastructure, for example, problems with tracks, electricity supply and signals. Other factors affecting punctuality are accidents on the line and problems for which

PROCESS & PRODUCT	OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014
Punctuality, Long-Distance, 15 min, % ¹	91	95	90	–
Punctuality, Long-Distance, 5 min, %	81	–	78	88
Punctuality, Regional, 5 min, %	90	95	89	90
Regularity, % ²	96	98	97	98

¹ Measurement to terminate in 2014.

² Method for calculation of regularity adjusted due to system update; the method used 2013 shows lower reliability than before.



we rail operators are responsible, such as faults in rolling stock.

All internal processes audited

By analysing our internal processes and work flows affecting punctuality, we can define shortcomings and apply the right remedies. Working practices in all parts of the organisation, from IT support and bistro routines to service information and repairs, must flow as smoothly and efficiently as possible to enable trains to depart and arrive on time. The clarity and structure of the routines for service disruptions are also reviewed to enable actions to be taken and rail replacement services to be arranged for the

maximum benefit of customers. For services to operate smoothly it is also important for trains to run on time, so the drivers must keep to their “channels” as much as possible. This means arriving neither too early nor too late at stations and keeping to their timetables out on the track too.

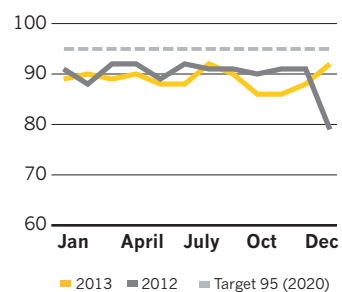
More detailed reporting on the SJ website

In 2013, SJ expanded its reporting on punctuality on the SJ website. To make the statistics more transparent and available, punctuality is now reported weekly and per route for long-distance and regional services.

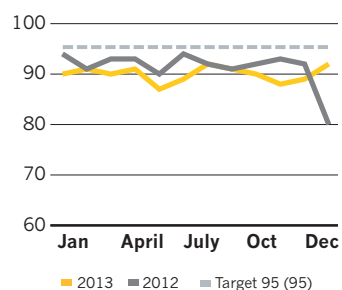
REPORTING ON PUNCTUALITY

Our reporting on punctuality and regularity refers to our commercial services. Data on punctuality and regularity for SJ's procured services are reported to whoever commissions the service concerned.

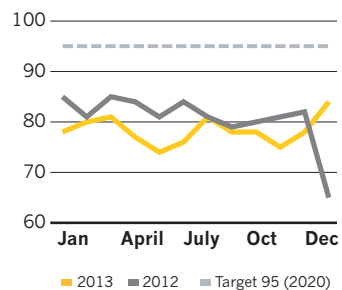
Punctuality Regional services, +5 min, %



Punctuality, Long-distance services, +15 min, %



Punctuality, Long-distance, +5 min, %



Our trains are investments in the journeys of the future

In recent years, SJ has invested heavily in upgrading and technological development to enable it to continue delivering a modern, efficient travel option in the future.

With our new SJ 3000s on the tracks and upgrading of our SJ 2000s on the way, SJ's fast train fleet offers comfortable journeys and shorter journey times.

SJ 2000

When our first fast train, the SJ 2000, was launched 20 years ago, it was a major innovation in Sweden's rail industry. Featuring high comfort, foldable seats and a tilting mechanism, the SJ 2000 offered an attractive, modern travel option, uniquely adapted to Swedish conditions. Because we want the SJ 2000 to remain exactly that, we have decided on an extensive programme to upgrade all 36 train sets, at a cost of several billion kronor. In addition to modernisation and better comfort, the investment will bring higher reliability, in turn enabling SJ to deliver better punctuality and, long term, more sustainable travel. Our customers have very much been involved in the transformation. Via customer surveys, in-depth interviews and web-based questionnaires, they communicated their views on design and function aspects of the updated carriages.



SJ 2000



SJ 3000



InterCity, Regional and Night Train
(locomotive and carriages)

SJ 3000

SJ's new SJ 3000 fast train entered service in February 2012 and in February 2013, after one year in operation, it was confirmed that services had got off to a highly successful start. SJ celebrated both the first anniversary and completion of the SEK 2 billion investment programme, with the last of the 20 train sets being placed in service. Trial operations were extensive, with the result that very few service-halting malfunctions occurred once the trains entered passenger service. The SJ 3000 is one of the most eco-friendly trains in Sweden and is well-adapted to the needs of customers with functional impairments. 25–40 percent of the materials used in the trains have been recycled and 98 percent of the train as a whole is recyclable. A energy-efficient design with low air resistance reduces energy consumption and while braking the train can return more than 12 percent of the energy it uses to the national grid.



Double-decker



Regina



Regional train (X12)

Many of our customers travel with us every day. Our aim is to offer value-for-money and comfortable journeys over both short and long distances.

SJ InterCity

By InterCity, passengers can make long-distance train journeys comfortably and efficiently, but often at lower cost and with slightly longer journey times than by SJ's fast train services. The routes are served mostly by classic locomotive and carriage sets. An extensive upgrade of our InterCity trains was completed in 2012, making travel more comfortable in the trains. SJ offers more seats and more attractive non-sleeper carriages with more baggage space. In 2013, the level of service and comfort was further improved. SJ has invested SEK 150 million in 20 new family carriages in the InterCity fleet. Our new family carriage, which features a brand-new bistro, four-place seating and a play area, was launched in the autumn. The carriages will enter service during the year ahead, as they roll out from the workshop. Once all 20 carriages have been placed in service, SJ will be able to offer family seats on all InterCity routes in Sweden.

SJ Regional – four different types of train

Regional services are operated using four different types of train – double-deckers, Regina, the X12 regional train and the classic locomotive and carriage set. The double-deckers have seats on two levels, are fast and brake gently. The trains are specially designed for regional travel with many halts along the way. Some of SJ's regional services are also operated with a small number of Regina trains, while a higher proportion employ the locomotive and carriage combination. Many of the carriages have recently been refurbished to a higher standard on-board. In 2012–2013, SJ upgraded a number of its older X12 regional trains. The trains acquired new comfortable seating with a new fabric covering, as well as a power socket, jacket/coat hook and mesh pocket for every seat. They are also better designed for the functionally impaired, being equipped with a wheelchair ramp, wheelchair spaces and a brand-new toilet for users with disabilities.

SJ 2000

261 million kilometres and half a billion journeys since 1990.



The SJ 2000's distinctive feature is its **tilting mechanism** which not only provides a more comfortable travelling experience, but also enables the train to take bends faster than other types of train.



On-board the SJ 2000, passengers enjoy excellent facilities for working during their journey. **Power sockets** are provided at every seat **and free wi-fi** is available.



- More or less **every Swede** has at some time travelled on an SJ 2000. The total number of train journeys **works out at roughly half a billion**.

- SJ 2000s have travelled **a total of 261 million kilometres**.

- The X 2000 (as the train was called previously) made its debut on **4 September 1990** between **Stockholm** and **Gothenburg**.

- Technically, the train's top speed is **210 kph**, but its record, established during trials, is 276 kph.

- We are **now** improving the technical facilities for using **mobile phones** and **the Internet on-board**.

200 kph • More comfortable • Faster • Free wi-fi

SJ 3000

New, modern train adds 5,000 new seats to our fleet.

- One of the most eco-friendly trains in Sweden – ISO 14025 environmentally accredited and certified.
- 20 SJ 3000s are in service, each capable of carrying 245 passengers – in all, the SJ 3000 has added **5,000 new seats** to the SJ fleet.
- The SJ 3000 was designed for travelling **long distance routes with several stops.**
- Every train **travelled** 25,000 km malfunction-free before it was brought into service.
- The wide walkways and spacious vestibules aid access **for customers with functional impairments.**



A **wheelchair lift** at platform level makes for easy boarding.



The seats offer **plenty of legroom** and each has its own reading lamp and power socket.



Equipped with SJ's new information concept, **SJ On-Board**, providing information on departure and arrival times and more.

200 kph • SJ On-Board • Bistro • Free wi-fi

SJ InterCity

Classic locomotives with modern carriages.

- **Classic carriages** that have been in service since the 1980s.
- Extensive upgrade **created more homogeneous fleet** and **1,460 more seats**.
- New **family carriage with play area**, in the form of a double-decker.
- AC power supply.
- New facilities in the bistro, including **hot dog grill** and convection oven for **freshly baked buns**.
- Spacious toilet adapted for **wheelchair users**. Baby changing table.



Our investment in young families includes a **new family carriage** with bistro, four-place seating and a play area.



By InterCity, you can travel **comfortably and efficiently**, but often at lower cost than by SJ's fast train services.



Several trains have been **extensively upgraded** in recent years, and the level of comfort has been raised.

160 kph • SEK 150 million invested • Play area • Bistro



SJ Regional

Many daily and weekly commuters use regional services between home and the workplace.

- More departures with **better commuter times**.
- Approximately half of journeys by SJ Regional are **between home and the workplace**.
- Four **different types of train** in service.
- Fast, gently braking **double-deckers** with **free wi-fi**.
- **Newly refurbished carriages** with power sockets and comfortable seats.



In regional services, **frequent departures** and halts at smaller localities, too, are important factors in satisfying passengers' needs for train travel to and from work and school.

On the double-deckers, customers have access to **the Internet**, as well as **power sockets**.

200 kph • Double-decker • More departures • Free wi-fi

Green travel – good business

A train journey between Gothenburg and Stockholm produces an emission of approximately 1 gram of carbon dioxide, equivalent to the emission from 0.5 ml of petrol. Travelling by train in itself produces minimal emissions. But we are continuing our efforts to further reduce our environmental impact.

OUR CUSTOMERS CAN CALCULATE AND COMPARE THEIR EMISSIONS USING THE SJ ENVIRONMENTAL CALCULATOR

Our website features the SJ Environmental Calculator (Miljökalkyl), which calculates and compares emissions from any particular journey by rail, car, bus or air. The results are displayed via tables and graphs.

The same tool is used for the ongoing environmental statistics provided to SJ's corporate customers for their own environmental purposes, for example monitoring environmental targets for their employees' business travel.

For more about the SJ Environmental Calculator, go to www.sj.se/miljokalkyl.

A journey from Stockholm to Gothenburg by SJ 2000 produces carbon dioxide emissions equivalent to those of half a millilitre of petrol (0.5 ml).

Eco-certified travel for 20 years

SJ has a strong brand in the environment and sustainability. In October 2014, it will be 20 years since SJ AB was the first company to have its journeys accredited with the Swedish Society for Nature Conservation's Bra Miljöval (Good Environmental Choice) eco-label. The criteria applied comprise strict requirements for energy-efficient travel, with low environmental impact and low emissions.

SJ has received commendations for several years in a row for our sustainability brand; we have been named as the industry's number one in the Sustainable Brand Index and recognised as Sweden's Greenest Brand. This is cause for pride, but it also carries obligations. We have high expectations to live up to.

Several reasons for minimal emissions

Society needs a range of different transport modes, but the differences in levels of emissions of climate-impacting dioxide are considerable. Consumption of electricity by trains is low because the friction between wheel and rail is less than between a car tyre and asphalt. In addition, not only does SJ carry high numbers of passengers, it also procures 100 percent renewable electricity from hydropower and wind power sources, resulting in minimal carbon dioxide emissions.

Lower emissions from business travel

Many businesses wishing to reduce their emissions from business travel do so by in-

creasingly choosing SJ as a travel option. Free electricity and Internet connections on board all our fast trains enable travelling time to be used efficiently, for example for working.

Stockholm–Gothenburg:

1 gram of carbon dioxide

An SJ 2000 journey from Stockholm to Gothenburg produces an emission of approximately one gram of carbon dioxide. This is equivalent to the emissions from combustion of 0.5 ml of petrol. To arrive at the same volume of emissions as produced by a journey by air over the same distance, it would take 74,000 train journeys of this length. Compared to a car journey, the trip could be made 47,000 times by train.

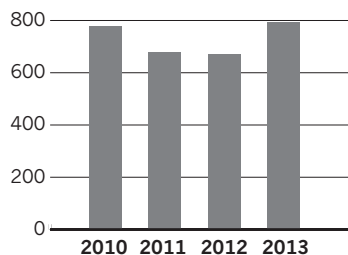
The electricity purchased to power all SJ's trains accounts for less than one percent of the total carbon dioxide emissions from SJ's operations. Replacement buses and taxis organised in the event of service disruptions account for the major share of our carbon dioxide emissions. As a result, the focus is on streamlining and optimising these replacement services, for example by using taxis rather than operating a half-empty bus if only a handful of customers need transport. We also try as far as possible to plan replacement services, for example during engineering works, in order to be able to set appropriate and rigorous environmental requirements. Energy efficiency on board also makes a difference, and new SJ trains are equipped with





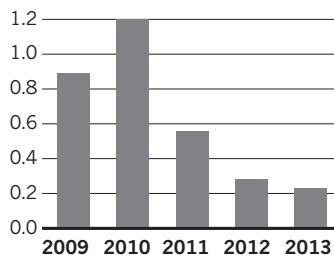
ECO-DRIVING IS:

- Not driving faster than is necessary to keep to the timetable.
- Using the gradient of the track and coasting on downward inclines.
- Using regenerative electric braking instead of mechanical braking.
- Braking gently without jolting at stations.

Electricity consumption,
Group (GWh)

2010, 2011, 2012: SJ AB, SJ Norrlandståg AB and Stockholmståg KB.

2013: SJ AB, SJ Norrlandståg AB, Stockholmståg KB and SJ Götalandståg AB.

g CO₂/person/km*

*Only SJ AB.

low-energy LED lighting and a function that lowers the temperature and cuts out the ventilation when a train is out of service. In addition, SJ's modern trains consume just under half as much energy as their predecessors, despite higher speeds and shorter journey times.

Successful introduction of eco-driving

Many factors affect energy consumption by SJ's trains, including weather conditions, driving style and track conditions. SJ's eco-driving initiative is a way of using energy more efficiently, enabling the driver to select optimal speed and braking through a combination of technology and knowledge. Rail is already the most energy-efficient mode of transport, and SJ estimates a further reduction of at least 10 percent in energy consumption is possible if drivers use the eco-driving technique. Eco-driving means a gentler style of driving and greater use of electric braking which at the same time returns electricity to the rail system's electrical system – electricity that can be used by a different train on the same section of track. Less use of mechanical braking also reduces wear and tear on the train. Furthermore, it provides a more comfortable ride for passengers, with fewer sudden braking and accelerating actions.

All 600 SJ train drivers received instruction in eco-driving in spring 2013. They can also

use a mobile app for guidance on how their train can be driven most efficiently.

During 2014, we are continuing to further develop, monitor and evaluate the eco-driving programme. For example, in the eco-driving app a function is to be developed that provides the driver with recommendations as to the best ways of recovering kinetic energy while coasting.

High marks for environmental awareness

Our Environmental Index is gauged continuously as part of our on-board survey, providing an indication of our customers' perception of how environmentally aware SJ is as an enterprise. The Environmental Index rose during the year, probably for several reasons. Fundamentally, there is a basic perception that rail is in itself an eco-friendly way of travelling. In addition, a new vice president for sustainability recruited during the spring focused more on SJ's advantages in the area of sustainability. The extensive publicity on SJ's eco-driving programme was also highly positive, and SJ's participation in the Way out West festival in August, in which the environment and sustainability were a constant theme, also attracted favourable coverage.

EXAMPLES OF ACTIVITIES IN 2014:

- Members of the SJ Prio customer loyalty programme will notice a more concentrated focus on the environment and sustainability in communications.
- In the spring, SJ's "Passenger's Green Travel Guide" will be published, containing tips from our passengers on their best "green" destinations around Sweden.
- SJ's participation in the Way out West festival will again be themed "Sustainability". An exhibition entitled "Install Hope" will show SJ's film about eco-driving, at Landvetter Airport and other locations.

COMMUNITY	OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014
Environmental Index	67	70	68	70



Safety – our top priority

SJ works constantly to improve safety and security for our customers and employees. To us, safety comes first – we always put people first and the clock second.

RAILWAYS ARE A COMPLEX business. With hundreds of thousands of passengers and employees involved in and around the train journey itself, every day, risks are present that have to be managed. Our routines ensure that all incidents are identified, logged, assessed and remedied. SJ has for many years maintained a consistently high level of safety, and it is very rare for passengers or employees to suffer serious injury.

In 2013, no rail accident occurred in which any SJ passenger was seriously injured through a cause attributable to SJ. Unfortunately, a train driver was seriously injured in a shunting mishap at Uddevalla in the autumn.

Rail travel still safe

During the year, the rail industry faced a number of challenges when several goods trains were derailed, causing major traffic problems. Sweden's railway system needs to be upgraded, but despite the incidents all the statistics indicate that rail is much safer than car or bus travel.

SJ is licensed to operate passenger services in Sweden, Norway and Denmark. The licences run for five years at a time and were renewed in 2013. During the licensing process, the supervisory authorities in each country verify the

Company's management, organisation, control of safety and ability to operate services reliably.

Training and consensus

SJ's own safety culture is also important. It is based on a consensus in our attitudes, that risks are highlighted and shortcomings remedied. In addition, our traffic safety work has to be proactive and must be developed in pace with technology and other factors. All employees with safety duties, including train drivers and crews, undergo thorough safety training as part of their professional training, as well as regular in-service training.

Dialogue in the industry

A large part of SJ's work in traffic safety revolves around technology, operations and maintenance of our rolling stock to ensure that it meets current safety requirements, is correctly maintained and is not affected by serious safety failures while in service. Maintenance is largely contracted out and the supplier's obligations are governed via agreements with SJ.

We then follow up the agreements at joint meetings, delivery inspections and reviews.



Dialogue with other operators in the industry is vital to our work in safety. SJ is a leading partner in a collaboration within the Association of Swedish Train Operating Companies, in which we, other train operators and Trafikverket discuss regulatory matters, risks and other issues. In 2013, a new forum was established by Trafikverket, focusing specifically on shared risks. The forum dealt with incidents that had occurred, including derailments and serious near-accidents.

New Traffic Safety Index benchmark

As of 2014, SJ has introduced a Traffic Safety Index to gauge the outcome of its work in safety, in addition to standard statistics. The index is based on an assessment of all incidents that have occurred (risk scenario and actual result), relative to our service production volume (number of train kilometres). The Traffic Safety Index will serve as a measurement on the balanced scorecard and will be assigned a target level in the business plan.

EXAMPLES OF ACTIVITIES IN 2014

- Monitor changes in the Traffic Safety Index and carry out relevant analyses.
- Take stock of and modernise operational traffic safety regulations.
- Establish routines for when and how SJ should conduct independent assessments of changes potentially affecting traffic safety.

COMMUNITY	OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014
Number of serious injury victims	0	0	1	0
Traffic Safety Index*	–	–	–	97

*New benchmark 2014.

Dialogue and engagement boost competitiveness

SJ strives to be a modern company with clearly defined values. This means providing our employees with the right conditions for doing a good job.



SJ's STRENGTHS lie to a high degree with our employees. In 2013, seven dialogue meetings were held, providing a forum for nearly 120 participants and 15 moderators to listen to and learn from one another. The aim was to create a shared picture of what we stand for today and what form the SJ of the future should take. During the meetings, 114 suggestions for improvements were tabled, 20 of which were implemented in 2013. Further suggestions for improvements are in progress.

Five principles of leadership

SJ employees and managers also formulated five new principles of leadership during discussions about what type of leadership SJ needs. The principles are based on SJ's core values and serve as universal guidelines for our

actions. Keywords in the principles are "inspirational", "courageous", "customer-led", "professional" and "caring". The principles will be followed up mainly via our employee survey and performance reviews.

New employee survey

In September, SJ carried out its new employee survey measuring the Performance Index, Leadership Index and Health Index. The focus has shifted from employee satisfaction to performance – that is, the conditions that our employees feel they need to be able to do their job well, and how they themselves as employees contribute.

Good result on Performance Index

The index figure for the year, 75.7, indicates that the conditions for performance are largely in place. On the basis of the results, managers and employees alike have worked on improving the factors that stand in the way of good performances, and on developing what is already satisfactory. This will enable the overall performance of the Company to be improved and, in turn, the customer's perception of SJ.

Leadership Index generating new activities

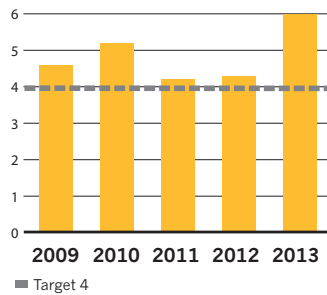
The Leadership Index gauges how employees rate the way their manager contributes to the conditions for their performance. The figures for the year indicate a style of

EMPLOYEES	OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014
Leadership Index*	–	–	65	67
Performance Index*	–	–	76	77

*The Employee Survey measures data in a new way in 2013. As a result, the outcome for 2012 and the target for 2013 are not comparable with the outcome for 2013.

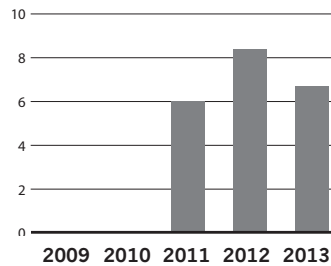


Sickness absence, %



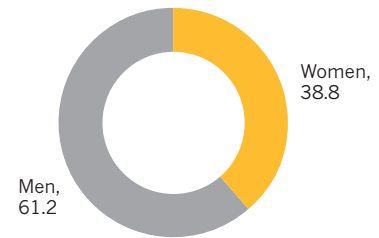
In late 2013, an increase in sickness absence in the Group was recorded.

Employee turnover, %



Employee turnover fell to 6.7 percent from 8.4 percent in the preceding year.

Gender analysis, %



	Number of men	Number of women
Board of Directors	6	4
CEO and Management	6	5
Supervisors	44	34
Managers	113	89
Other employees (FTEs, Group)	2,869	1,793

leadership that makes a great contribution to the ability of employees to perform. On the basis of the results of the survey, a number of concrete activities are developed, and then followed up. For example, the performance appraisal format was improved when a need emerged for improving the quality of the feedback provided.

More willingness to report

Reports of both industrial accidents and near-accidents increased in 2013, compared to 2012. In 2013, 293 (182) industrial accidents were reported, along with 567 (351) near-accidents at SJ AB. The increase follows partly from a trend in the willingness to report that has emerged, where even minor near-accidents are increasingly being reported. The majority of accidents occurred during on-board service and the general trend noted was an increase attributable to falls, physical overload and threatening customers. Of the near-accident reports, threatening customers accounted for a third, but the trend is downward, relative to 2012.

Free healthcare advice

Despite maintaining a focus on reducing sickness absence, SJ noted an increase mostly in the first three quarters. This trend was also reflected in society at large. The increase was evident in both short- and long-term sickness absence and above all among train crews.

When an SJ employee falls ill, we have a simple, clearly-defined rehabilitation process based on early action by

both employee and manager. A number of actions were initiated during the year to cut down sickness absence. All employees have access to free healthcare advice from the Company healthcare service when registering ill or registering illness of their child. In addition, training is provided for managers responsible for rehabilitation. To underpin a plan for returning to work, all sickness cases are followed up on within a month. Training in practical ergonomics for train crews and talks on sleep and recuperation are other activities that have taken place at staging stations and in other parts of the organisation.

Initiatives in preventive healthcare

Our focus on fitness activities and well-being are important in promoting health and preventing ill-health. During the year, SJ's "health inspirers" inspired, informed and initiated local health promotion activities, including exercise sessions, talks and fitness studios at the workplace. Many of our employees took part on behalf of the Company in relay races including Bellmanstafetten, Blodomloppet and Stafettvasan. Other health-promotion activities included a web-based food and exercise guide, massage, a photography competition and our in-house Health Blog aimed at spreading inspiration and distributing information about SJ's health-promotion activities. SJ's employee survey also measured health, well-being and other factors via a Health Index based on twelve separate questions. The 2013 Health Index result was 68.7 (60), where a result above 60 should be regarded as satisfactory.

EMPLOYEES	OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014
Sick leave	4.3	4.3	5.6	4.8

An equal opportunities workplace

SJ strives to be an equal opportunities workplace, at which all employees are treated equally, irrespective of gender, religion, functional impairment, sexual orientation



Sustainability thinking in move to new head office

When SJ moved its head office to new premises in May, sustainability issues were taken into account in everything from low-energy white goods to cycle garages to make it easier for employees to cycle to work. Just as in its other offices and on SJ trains, the coffee served from all machines is made from beans labelled with the KRAV ecolabel and the Fairtrade label.

or ethnicity. An equal opportunities policy has been adopted in support of this aim. All cases of discrimination, harassment, bullying or victimisation at SJ are to be reported to the HR department. These issues are also included in the annual employee survey. If necessary, employees can call the Company healthcare service for support. At SJ, one case of discrimination occurred in 2013 (two cases in 2012) concerning alleged discrimination on the basis of ethnicity. The case was referred to the Union of Service and Communication Employees (SEKO). Negotiations

regarding the dispute took place at local and central level but the parties failed to agree on whether the discrimination had occurred.

SJ gaining popularity among engineers

SJ took a major step up in the Universum Swedish Student Survey, in which 20,000 students were asked to rank the companies that they regarded as most attractive among possible future employers. Among engineering undergraduates, SJ rose from 89th place last year to 75th this year in the list of attractive employers.

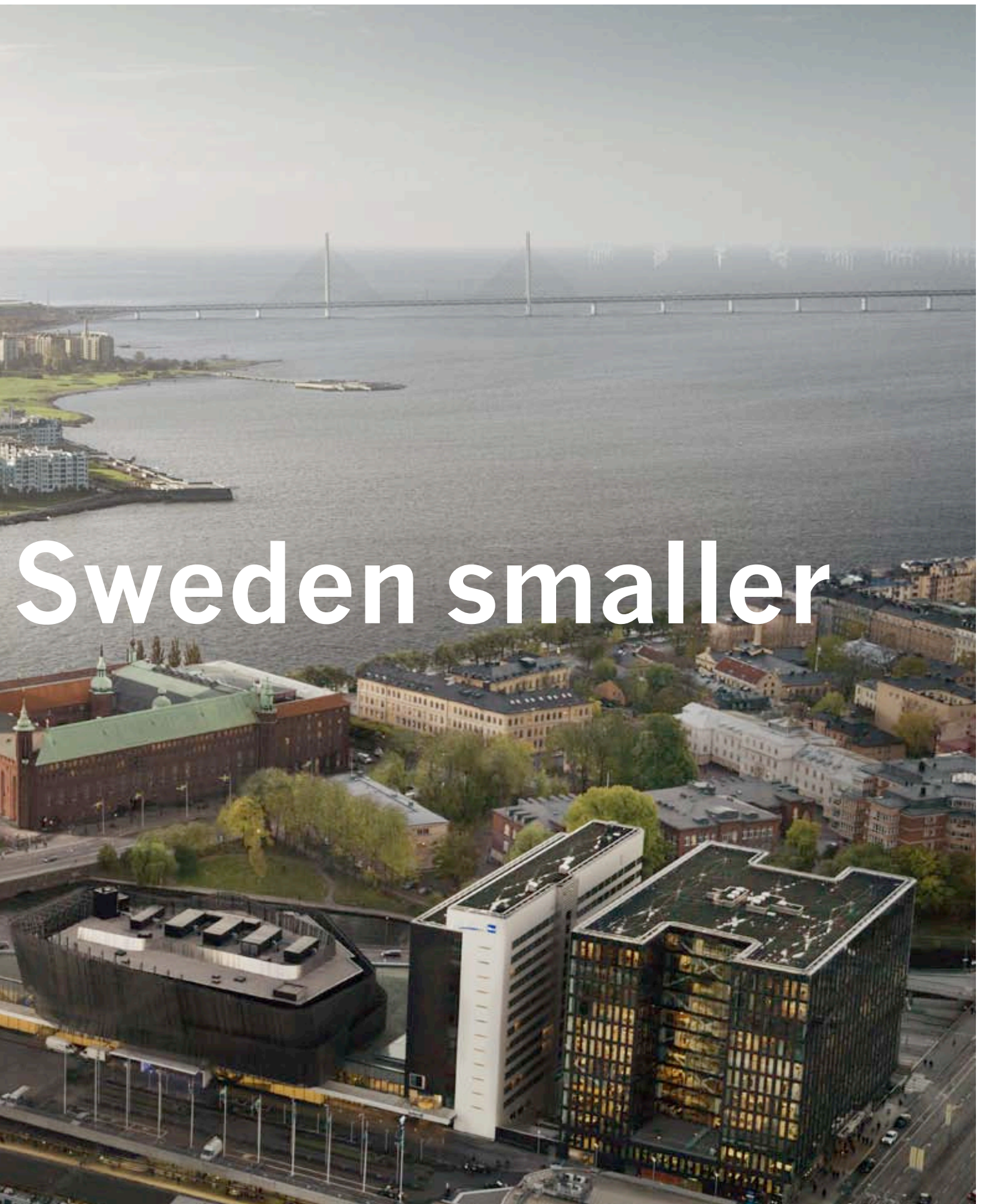
EXAMPLES OF ACTIVITIES IN 2014:

- Coaching in leadership and mentoring programmes for implementing SJ's new principles of leadership.
- SJ dialogue meetings continue as support to our programme of change.
- Targeted activities in, for example, ergonomics, timetabling, collective bargaining agreements and management support to reduce sickness leave.

SJ has a vital function to fulfil. We link cities and regions together. This enables people to live and work or study in different locations, and to travel in a simple and sustainable way. SJ's flexible pricing structure gives our passengers wide-ranging options and spreads travelling through the day, which enables more people to travel with us.

An aerial photograph of a city harbor, likely Copenhagen. In the background, a tall, modern skyscraper with a distinctive twisted design stands out against a hazy sky. The city is densely packed with various buildings, including residential blocks and commercial structures. In the foreground, a large body of water (the harbor) is visible, with several ferries and boats docked at a quay. To the right, a prominent church with a tall, ornate spire and a golden dome is situated on a small island or peninsula. A busy highway with multiple lanes and overpasses runs along the bottom of the frame, with cars and trucks visible. The overall scene captures a blend of modern urban development and traditional architecture along a waterfront.

Our prices make



Sweden smaller

Photomontage from one of SJ's advertising campaigns in 2013.

Our responsibility: to create value

Robust finances are essential to our ability to meet the growing competition and retain our position in the market.

OUR OWNER, THE SWEDISH STATE, defines overall objectives for SJ's operations. The objective – value creation – makes demands in terms of long-termism, efficiency, profitability, potential for development and environmental and social responsibility. SJ's responsibility to generate a financial return is linked to the owner's financial targets – an equity/assets ratio of no less than 30 percent and a return on equity of no less than 10 percent. In 2013, we and our owner together developed new financial targets in line with our strategy for the future. The targets will be submitted to the 2014 AGM for approval.

Profitability and long-termism

To be able to guarantee satisfactory service delivery and benefit society, SJ must be profitable. This means that long-term profitability is central both to our owner's demands and SJ's business plan. Thorough, long-term rolling-stock planning ensures that every krona invested is used sustainably. SJ has invested in its trains' long-term sustainability and will continue doing so (for more, go to pages 22–23).

FINANCIAL	OUTCOME 2012	TARGET 2013	OUTCOME 2013
Operating profit, SEK m.	467	–	298
Sales, SEK m.	8,664	–	9,160
Equity/assets ratio, %	51.1	30	53.3
Return on equity, %	10.3	10	5.1

Efficiency and high quality

We are striving to raise efficiency in all areas. This means, for example, keeping vehicles more frequently in service, or ready for service when needed. We are also planning crew management more efficiently. Our efficiency requires stable working procedures, in which resources are employed to optimal effect and high quality of service delivery to customers is maintained.

Develop competitiveness

We aspire to be a modern and attractive travel provider. Operating profitably will enable us to modernise our rolling stock fleet, be at the leading edge of service and information provision and invest in our employees. The reorganisation to take place in 2014 aims to develop our competitiveness via a more cost-efficient organisation, faster decision paths and simpler processes. This will create the conditions for achieving our goals.

Wide-ranging improvement programme

The cost streamlining initiative is part of the improvement programme we have in progress. In addition to lowering our costs by SEK 1 billion in the next few years, we intend streamlining every aspect of SJ's operations to increase punctuality and quality in our service delivery and offer our customers a more attractive travel option. SJ will be the first choice for inland travel in Sweden in the future.



The national role of the train

In a situation where climate-smart rail services have a greater role to play than perhaps ever before, the Swedish rail system faces major challenges.

MORE PASSENGERS on the trains, increased competition, new modes of customer communication and demands for more infrastructure investments – expectations of the rail market may be summarised as bringing both challenges and opportunities. This, in a situation where climate-smart rail travel has a greater role to play than perhaps ever before.

National plan for transport system

One important issue for the transport industry going forward is how to reduce climate emissions. This in turn will be crucial to socio-economic growth and a long-term sustainable transport system. In spring 2014, the government will decide on Trafikverket's proposed national plan for the transport system in the 2014-2025 period. The plan will determine where national resources will be allocated for the maximum possible benefit. The rail system today has major shortcomings following many years of neglected maintenance, and the deficiencies have become increasingly obvious in recent years. Against that background, Trafikverket has initiated an extensive programme to raise standards in the railway system and make it more robust.

Major challenges ahead for rail travel

SJ is positively disposed to the clear focus that Trafikverket's proposed national plan continues to concentrate on maintenance and operations. We largely share Trafikver-

ket's analysis that the existing infrastructure should first be updated, but despite an increased appropriation in the new plan it will take time before customers will notice the improvements. According to Trafikverket, it will take between seven and ten years to upgrade the quality and robustness of the system. During that period, rail services will be exposed to further challenges, in the form of service disruptions owing to neglected maintenance, together with service problems during scheduled maintenance.

Capacity of rail system needs to be expanded

The national plan is on the right track. However, if the railways are to play a part in sustainable and sustained social development, the capacity of the rail network will need to be considerably expanded in the long run to meet the considerable rise in demand for passenger and goods transport, if long-term growth is not to be held back. The railway system must also become more competitive if we are to achieve Sweden's climate objectives and play our part in cutting climate emissions. This will be achieved via better punctuality and shorter journey times. Against that background, we look forward to a holistic approach being taken, not just to how the railway infrastructure is to be developed to meet current demands and needs, but also to prepare the railway system for the future.

Our suppliers and partners

A number of suppliers and partners are vital to ensuring that SJ's operations flow smoothly. Other areas of cooperation are important in terms of sharing experiences, identifying synergies and developing the industry.

BY COOPERATING WITH others, we can develop our own efficiency and ability to maintain high quality in service delivery. Through dialogue with partners and suppliers, we strive to raise standards in punctuality, availability and service. Together, we focus at all times on bringing about small improvements.

An important role for partners in our core business

Trafikverket is our most important partner. It is the government agency responsible for the infrastructure and long-term-planning of the railways. This means responsibilities for construction, operation and maintenance in and around the railway system. Trafikverket is also responsible for service information at stations and on platforms. In addition, it allocates train paths, that is, the track sections and times that SJ and all other operators are allowed to use.

Jernhusen owns and manages the largest railway stations in Sweden, as well as offices, maintenance depots and goods terminals around the country. The regular maintenance that is continuously performed on all SJ rolling stock is delivered mainly by EuroMaint and Bombardier. We also procure upgrading and re-equipment services for our rolling stock from Alstom and Motala Verkstad.

Stable sales systems important

Our digital sales channels, sj.se and our app, are important media to ourselves and our customers and so it is important for these systems to be stable. SJ's subsidiary Linkon manages reservation and distribution of tickets. Evry is responsible for operating and monitoring Linkon's and SJ's IT systems. CGI administers our systems and develops and operates our on-board computer platform.

In 2013, SJ was hit by serious IT problems on several occasions. The disruptions mainly affected our sales and communication and led to major financial losses. In addition to ensuring that we have the right agreement with the right supplier, we are therefore reviewing the potential risks that exist and what resources we need to develop or build up, in order to be able to maintain our operations even when a supplier fails. A crisis strategy has been developed and essential measures taken to ensure that SJ

has the capacity, if required, to keep operations going for a week even in extreme circumstances.

Industry-wide collaboration

In addition to cooperating with suppliers who are important to our own service delivery, SJ takes part in several forums to assist in developing the industry. SJ works with a number of partners whose operations have a considerable effect on the industry and the future of the railways.

The Association of Swedish Train Operating Companies represents the train operators who are active in Sweden. Its purpose is to promote the common interests of the commercial railbound transport sector. SJ's CEO Crister Fritzson has been Chairman of the organisation since spring 2013. Crister Fritzson also serves on the Board of CER (the Community of European Railway and Infrastructure Companies).

The rail operators and Trafikverket are engaged in a joint project "Together for trains on time". The aim of the project is to achieve 95 percent punctuality by 2020. The cooperation centres on essential investments in and maintenance of the tracks, together with upgrading of rolling stock, carriages and locomotives, regulatory quality fees, research and renewal and more coordinated and efficient traffic management.

SJ works with other organisations on issues concerning accessibility for passengers with functional impairments. Through the agency of our disability council, we work closely with eight disability organisations selected by the HSO, the coordinating body for Sweden's disability organisations. SJ's disability council meets four times a year, discussing everything from incidents that have occurred to plans for future rolling stock orders. The organisations that SJ works with contribute knowledge and experience that we otherwise would not have access to.

Shared agendas

In our endeavour to be a sustainable, modern and attractive travel enterprise, we also reach out to other organisations who operate in the same spirit. Examples of SJ's partners in collaboration include the Swedish Football



Jernhusen, through whose stations thousands of passengers pass every day, is an important partner in enabling SJ to deliver a positive travel experience.

SJ is a proud partner of the foundation Min Stora Dag (My Big Day), which helps seriously ill children make their dreams come true.



Bombardier and Euromaint ensure reliability and durability of our trains.

Association, Min Stora Dag and the Way out West music festival. We also organise special customer offers such as mountain hiking with the Swedish Tourist Association, football trains and special trains for mass runs such as the Stockholm Marathon.

Environmental requirements important to sustainable service delivery

It is not just our own environmental efforts that are important, what our suppliers do also has a major role. For that reason, we set environmental requirements for selected suppliers who are important to sustainable service delivery. We strive to influence their environmental activities in a direction that we believe in, for example, the use of approved chemicals or replacement of environmentally hazardous products by more desirable alternatives.

Every year, we conduct a thorough environmental audit in which sub-contractors have to account for their use of chemicals, waste management and in-house environmental activities. These environmental reports are followed up via regular reviews.

New targets underpinning a sustainable business

A new benchmark has been developed for the balanced scorecard: supplier and partnership assessments performed. This involves us streamlining our purchasing process in 2014 via new technical facilities and guidelines to ensure that our suppliers satisfy the requirements set initially during procurement.

EXAMPLES OF ACTIVITIES IN 2014

- Active participation in industry-wide project "Together for trains on time".
- Dialogue with Trafikverket on process for capacity allocation to assure a more robust and more transparent train timetable.
- Formulate and implement of Code of Conduct for suppliers, categorise suppliers and define limits in the supply chain.

PARTNERSHIPS & RESOURCES	OUTCOME 2012	TARGET 2013	OUTCOME 2013	TARGET 2014
Supplier and partnership assessments performed, %*	-	-	-	20

*Of high- and medium-risk suppliers identified. *New benchmark 2014.



SJ 2000: Stockholm–Göteborg on one gram of carbon dioxide.

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Directors' report

The Board of Directors and Chief Executive Officer of SJ AB (corporate identity number 556196-1599) present herewith SJ's annual accounts and consolidated accounts for the 2013 financial year. Unless otherwise indicated, all amounts are in SEK million (SEK m.).

SIGNIFICANT EVENTS IN 2013

- In February, the last of the 20 SJ 3000 sets ordered entered service, adding 5,000 seats to the SJ fleet.
- In June, SJ's Board of Directors adopted a new long-term strategy for the next 20 years to deal with changes in the market and customer demands. An improvement programme was subsequently formulated, aimed at cutting SJ's costs by SEK 1 billion over a three-year period.
- SJ also took a decision to upgrade both technology and comfort of its SJ 2000 trains, at a cost estimated at approximately SEK 3.5 billion.
- As of September, a new industry-wide standard was introduced, in which punctuality is measured as scheduled time plus 5 minutes for all passenger services. As a result, the margin for SJ' Long-Distance services was adjusted from 15 to 5 minutes, while the scheduled time plus 5 minutes measure was already being used by SJ Regional.
- The 2014 train timetable was presented by Trafikverket in September, indicating future competition in 2015, above all on the Stockholm–Gothenburg route.
- In December, Riksrevisionen (the Swedish National Audit Office) presented its major audit report on punctuality on the railways. One of its conclusions was that SJ trains can travel 3.5 times further than the average for the railway industry, without service-disrupting faults.

SJ – OPERATIONS AND STRUCTURE

SJ AB is a travel enterprise that is 100-percent owned by the Swedish State. SJ's core operations consist of train services. The company operates primarily in the markets for regional and long-distance travel (within Sweden and to Copenhagen and Oslo) and above all in two categories: SJ services and contract services. The Group's train services are conducted mainly via the Parent Company, but also in subsidiaries SJ Götalandståg AB, Stockholmståg KB and SJ Norrlandståg AB. Other subsidiaries are engaged in activities closely related to the train services operated.

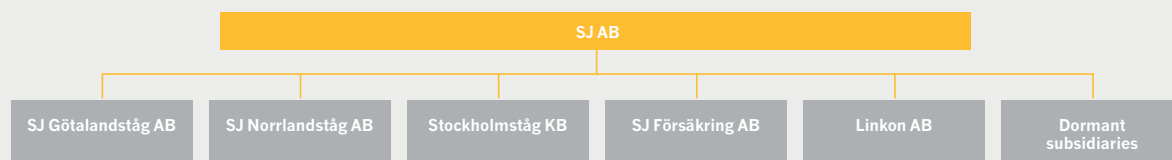
The rail market

Train services in Sweden have undergone step-by-step deregulation and today SJ operates in a totally competitive market. The EU Commission's proposals for a fourth railway package, comprising six legislative acts, were presented on 30 January 2013. The aims of the proposals include making further progress towards a European railway market, with common standards and greater competition among railway operators. Since Sweden has already deregulated its rail market, the impact of the proposals on Swedish legislation will be limited, but the deregulation may lead to higher mobility on the part of competing companies in Europe. On the other hand, the proposals are regarded as offering wider opportunities for Swedish railway companies wishing to operate passenger services in other Member States. For SJ's part, the proposals may in the long term impact above all on distribution and ticket sales, access to transport data and passengers' rights. The proposal for a national system is seen as positive from a customer's viewpoint. However, the proposal must not be allowed to impinge on the right of operators to use their own individual systems.

Trafikverket's proposals for road and rail investments for the 2014–2025 period – the National Plan – were presented to the Swedish government in 2013. SEK 522 billion, including SEK 281 billion for new projects, was allocated for the period as a whole. In its appropriation directions to Trafikverket in December 2013, the government raised the level of funding for operations and maintenance in 2014 by a further nearly SEK 600 million.

Rail travel increasing

Statistics supplied by Transport Analysis for the first nine months of the year point to an actual increase in the volume of rail travel. However, for 2013 as a whole, travel via SJ's own services declined by 4 percent. This was partly the result of changes in the pattern of travel, in which the volume SJ services declined in favour of contract services. In addition, competition on SJ's popular



routes, Stockholm-Gothenburg and Stockholm-Malmö, was substantial.

The railway system also suffered a number of major disruptions caused by storms, as well as two serious derailments, which also affected SJ passengers. As far as services in Norrland are concerned, a fall in leisure travel was recorded, especially later in the period.

2014 timetable

Since the introduction of the 2014 timetable, SJ has once again been operating on the Gothenburg-Malmö route, with seven trains a day in each direction. In addition, a new direct departure to Stockholm has been introduced for passengers from Västerås. The new agreement on the night service to and from Upper Norrland also came into force in 2013. The service now runs on the new Ådalen Line, which reduces the distance travelled by 200 kilometres. More rail operators than before have applied to run services, while the railway system is in need of upgrading. As a result, certain sections are running at full capacity, which entails a risk of simply negative impact on punctuality.

FINANCIAL OVERVIEW

- Operating income totalled SEK 9,160 million (8,664), a rise of 6 percent as a result of expanded operations by the Group.
- Operating expenses amounted to SEK 8,732 million (8,188). The increase was mainly attributable to expanded operations by the Group.
- Operating profit totalled SEK 298 million (467). The decline was attributable to non-recurring items. The operating margin was 3.3 percent (5.4).
- The Group's profit before tax amounted to SEK 288 million (498).
- Profit for the year totalled SEK 220 million (471).
- On 31 December 2013, the Group's net liability was SEK 216 million (693).
- The cash flow for the period was SEK -240 million (272).

Income

Group income increased partly because subsidiary SJ Götalandståg AB's operations were consolidated for the whole of 2013 (operations began in May 2012) and partly because Stockholmståg KB expanded operations by increasing services to Uppsala. Despite a lower volume of travel, SJ's income from train services rose by 2 percent as a result of an increase in yield. The increase was for the most part attributable to the introduction of the SJ 3000 on the highest-selling InterCity routes. In a change of consumer habits, more tickets are being bought nearer and nearer departure. Under SJ's pricing structure, this generates a higher yield, increasing revenue from SJ services. Overall, the volume of regional services declined, but that trend is offset by a higher yield as a result of indexing.

Costs

Expansion of operations in subsidiaries SJ Götalandståg AB and Stockholmståg KB resulted in an increase in the cost

base. Maintenance costs rose with the entry of the SJ 3000 into the train fleet and with the expiry of the warranty period for SJ's double-decker trains. However, costs were lowered through a general policy of restraint, above all in the area of personnel. The increase in depreciation costs is made up of depreciation on SJ 3000 trains, upgraded passenger carriages and overhauls of SJ 2000 and double-decker trains. SJ's profits were affected by its stake in Botnietåg AB, in which the Group has a 40 percent shareholding. This was due in part to estimated costs of future losses, SEK 84 million, and in part to SJ's share, SEK 46 million, of the 2013 loss.

Operating profit/loss

The primary factor in the decline in operating profit is that in 2012 the Parent Company received a penalty payment of SEK 156 million in connection with delays in delivery of SJ 3000s. In 2013, SJ AB's share of future losses by the associated company Botnietåg was charged to earnings in the amount of SEK -130 million. Excluding these items, the underlying operating profit improved by SEK 117 million, or 38 percent. A strong underlying operating profit was largely attributable to the increase recorded in the Group's contract services. Furthermore, a policy of general restraint in costs made a positive contribution to operating profit.

Financial items, profit and tax

Net financial items amounted to SEK -10 million (31). The deterioration is largely explained by the fact that the return from interest rate management was very high in the year before. SJ's conservative risk profile produced a relatively low value increase in 2013.

Tax on profit for the year totalled SEK -68 million (-27). The effective tax rate for the Group was 23.6 percent (5). The deviation from the anticipated tax rate arose last year partly because of a change in the corporation tax rate from 26.3 percent to 22 percent and partly because of a change in assumption for temporary differences in non-current assets. The deviation for the year relates to temporary differences not recognised previously.

Cash flow

Cash and cash equivalents on 31 December totalled SEK 80 million (320). Cash flow from operating activities totalled SEK 1,039 million (1,229). The cash flow from investing activities amounted to SEK million -943 (-671), of which investments in non-current assets accounted for SEK -448 million (-1,116) and the increase in short-term investments in bonds during the period for SEK -423 million (142). The cash flow from financing activities totalled SEK -336 million (286).

Financing

Net debt was lower as a result of a continuingly strong cash flow from operating activities and a lower level of investment. The Group's interest-bearing liabilities, SEK 1,911 million (2,091), consisted mainly of payment commitments for SJ's financial lease contracts and loans raised. The average maturity for outstanding liabilities was 41 months (51). The average fixed-interest period was 13

(14) months. The average interest rate in 2013 was 2.47 percent (2.51).

SIGNIFICANT RISKS AND UNCERTAINTIES

Risk is a natural aspect of all business activities, but at the same time presents opportunities. By maintaining good knowledge of risks and having routines in place to minimise them, negative financial consequences can be limited and best use made of the opportunities that arise. SJ works actively on risk management in all divisions and Group staffs. The framework is formed by the Company-wide strategic risks identified in the strategic plan. The risks identified are then used as a basis for risk management in the business plan and budget process. Each division devises activities to provide the means for managing strategic risks identified. In addition, business area and project-specific risks and activities are also identified. Reports on monitoring of activities, any changes in the risk situation and newly emerging risks are presented quarterly to a risk management group. From this information, that group draws up a regular risk report to the management group and Board. Primary responsibility for SJ's risk management rests with the Board, although much of the work is conducted locally in the organisation.

EXTERNAL RISKS

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

Shared responsibility for the travel process

Sweden's railway infrastructure is under extremely severe pressure, particularly around Sweden's big city regions during peak hours. The infrastructure is owned and managed by Trafikverket, while SJ and other train operators are responsible for their own rolling stock, as well as for service and information on board the trains. This shared responsibility for the travel process is a risk, inasmuch as decisions and priorities are not uniform throughout the process.

Neglected maintenance of infrastructure

The infrastructure restricts expansion of cargo and passenger services, and maintenance has for many years been drastically neglected, which may lead to service disruptions. This took concrete form during the derailments in the last quarter, when a number of track sections were closed off, affecting all train operators and their customers. Our most recent winters have demonstrated the vulnerability of the railway system, in that inadequate snow clearance, as well as frozen points, falling overhead contact lines etc. have led to train cancellations and delays.

Service disruptions

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

COMMERCIAL RISKS

Commercial risks are those linked to SJ's strategic decisions, the Company's business model and how SJ competes in the market. They are in large part closely linked to external risks.

Competition

Greater competition from other train operators from autumn 2014 will pose a higher commercial risk to SJ, in the form of loss of train paths, stronger price competition and loss of customers. The increase in competition will also create congestion on the already hard-pressed railway system, which may result in poorer punctuality and conflicts of priorities. This may in turn lead to more customers choosing other modes of transport, such as air travel or the car. To meet the competition that lies ahead, the organisation will be adjusted to meet the new situation in 2014. The possibility that key people will move to other employers or a competitor may impair profitability over a period.

Suppliers

SJ is reliant on certain strategic suppliers if it is to meet customers' demands for punctuality, service, on-board cleanliness and more. What is in many cases a high degree of specialisation in terms of knowledge and equipment, makes it difficult to expose suppliers to competition or replace them in a short time. SJ works with suppliers to achieve high quality, and incentive agreements linked to quality parameters are in place and monitored continuously. With a view to raising quality, SJ will carry out supplier and partnership assessments from the viewpoint of sustainability.

OPERATING RISKS

Operating risks relate to how the organisation is managed, resources and delivery of our products, and our service. The category also encompasses administrative risks. Shortcomings may include various procedures not being followed, which in turn may lead to necessary feedback not being communicated.

Threats to and violence against employees

Employees who work on board trains and in travel centres risk being subjected to threats and violence in their day-to-day work. SJ takes a preventive approach to the problem, in dialogue with government agencies, the police and other operators. In-house, SJ provides training in employee safety and continues with the introduction of personal alarms in its subsidiaries. The process at SJ AB was carried out in 2012. In cases where employees have been exposed to threats and violence, there are guidelines for victim care, as well as a plan to enable the employee to return to work.

Resources

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

SJ may also be affected by financial damage/loss in event of lack of availability of vehicles, or if vehicles do not meet customer expectations. In recent years, SJ has engaged in

major refurbishment of its vehicle fleet in order to better respond to current and future requirements from the market. This programme will continue in the years ahead.

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

IT environment

Greater use of IT at SJ and increasingly integrated IT systems in our customer offering and production mean that SJ is more exposed to failures in, and any threats to, IT systems. The IT systems used must operate in real time, which means that any downtime immediately causes disruption. Customer contact is mostly via the self-service digital channels and have to work to prevent the possibility that the customer chooses a different travel option.

FINANCIAL RISKS

The Group's financial operations and management of financial risks are centralised within SJ's Treasury function. Financial policy serves as a framework for all finance-related activities in the SJ Group. SJ's financial risks and risk management are described in Note 20.

SJ'S SUSTAINABILITY WORK

SJ believes a proactive approach to sustainability will help to fulfil our vision of "To get everyone on board". SJ aims to be an attractive and reliable travel option capable of competing with the car, air travel and other rail operators. To ensure that customers will want to choose SJ, we must be a responsible rail operator and maintain consistently high quality in our service delivery – quite simply, we have to keep what we promise. Operating profitably is also a pre-requisite for operating a long-term sustainable enterprise.

Sustainable enterprise is an integral part of SJ's business model and our business is operated using a holistic approach. SJ's vision, business concept and values underpin a social, environmental and financial enterprise, by surveying and monitoring our operations against the criteria of Employees, Partnerships, Community, Customer, Process & Product and Finance. Long-term strategic targets have been established for each criterion. In turn, these targets have been translated into detailed business and operational plans with a level of ambition in line with SJ's long-term strategy. In 2013, the Board established three long-term objectives (for 2020) in line with our owner's requirements. The targets refer to 95 percent punctuality, supplier and partnership assessments performed and SJ Volunteer, a programme offering employees the chance to engage in voluntary work during working hours.

The targets were adopted by the SJ Board on 19 December. A clear connection is made between SJ's long-term objectives and the targets in the three-year business plan.

Work on sustainability is also aided by policies in the following eight areas, occupational health and safety, ethics, procurement, IT, equal opportunity, quality, the environment and traffic safety. SJ's ethical policy sets out guidelines for operating in a way that sets an example vis-à-vis customers, suppliers and the world outside.

Environmental and occupational health and safety management

SJ operates an integrated management system that has received ISO 14001:2004 (environmental), ISO 9001: 2008 (quality) and OHSAS 18001:2007 (occupational health and safety) accreditation. SJ is not engaged in any activities subject to compulsory licensing and monitors current environmental legislation on an ongoing basis. The focus of SJ's environmental work is classifiable into four areas: energy efficiency in train services, emissions into the air from rail replacement services, purchasing of goods and services and training & information. Regular on-board surveys and questionnaires are conducted to sound out customers and employees for their views on SJ and the environment.

The efforts of our employees, individually and in groups, are critically important in deciding how our goals for efficiency, quality and service are to be achieved. The Company's success therefore depends totally on the competence, motivation and commitment of our employees. As a means to this end, SJ takes on board the views of our employees via annual employee surveys and what are known as dialogue meetings. SJ also invests in fitness. Health inspirers are active in the workplace, an online health blog is maintained and guidance on diet and exercise is provided.

SJ's equal opportunities policy is based on ensuring that all employees have equal rights and opportunities. In addition, SJ strives for diversity and equal opportunity, and against discrimination and degrading treatment. SJ's business plan includes three overall targets for occupational health and safety: reduced sick leave, improved Performance Index and improved Leadership Index. Activities to achieve these targets aim at ensuring long-term sustainable development at SJ, taking due account of the personal development and good health of its employees.

SJ's sustainability report was prepared in accordance with the third generation of the Global Reporting Initiative (GRI). SJ again chose to apply level B+. SJ's work in sustainability is conducted in line with the international principles of the Global Compact.

PROPOSALS FOR PRINCIPLES FOR REMUNERATION FOR SENIOR EXECUTIVES

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

Principles for remuneration

In recruiting to the Company's management, the guidelines

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

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

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

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

The period of notice for members of the executive management may be up to six months if employment is terminated by the executive. If employment is terminated by the Company, the executive may also be entitled to a termination benefit corresponding to no more than 18 monthly salary payments. Termination benefit shall be paid monthly and shall consist of a fixed monthly salary without employment benefits. Termination benefit will in no circumstances be paid for longer than up to the age of 65 years. The executive may be entitled to company car benefits, sickness and health benefits, travel insurance etc., in line with generally accepted practice in the market. For more details of remuneration to senior executives, see Note 5.

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

In its proposal for appropriation of profit, the Board recommends that at the 2014 AGM, the shareholder should resolve that in respect of the 2013 financial year SJ AB should pay a dividend of SEK 18.25 per share, representing a total dividend of SEK 73 million.

SJ's financial position

The owner's financial targets for SJ AB are an equity/assets ratio of no less than 30 percent and a return on equity of no less than 10 percent. In the 2013 financial year, only the equity/assets ratio target was met: the Parent Company's equity/assets ratio was 52.3 percent before, and 51.5 percent after, payment of the proposed dividend. The proposed dividend represents 1.5 percent of equity for both Parent Company and Group. The Parent Company's equity includes SEK 0 million in accumulated changes in value, via other comprehensive income, for financial instruments

measured at fair value in accordance with the Swedish Annual Accounts Act, Section 4, subsection 14a. The Group's equity includes SEK 5 million in accumulated changes in value for financial instruments measured at fair value in accordance with IAS 39, section 9.

Basis of Board's decision

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

APPROPRIATION OF PROFIT

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

Retained earnings	4,007,959,543
Profit for the year	204,500,207
Total	4,212,459,750

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

Dividend	73,000,000
To be carried forward	4,139,459,750
Total	4,212,459,750

EVENTS AFTER THE FINANCIAL YEAR-END

In January 2014, the Administrative Court rejected the Swedish Competition Authority's claims for procurement damages. In the grounds for its ruling, the Court states that SJ's operations are not subject to the Act on Procurement in the Water, Energy, Transport and Postal Services Sectors, LUF (SFS 2007:1092) and that the Act thus does not apply to procurement by SJ. SJ cannot, therefore, be liable for payment of procurement damages. The Authority appealed against the decision on 31 January. For the Administrative Court of Appeal to hear the case, it must grant leave to appeal.

On 16 January 2014, SJ AB and ABB signed an agreement valued at SEK 1.4 billion regarding ABB's share of the planned upgrading of the SJ 2000 fleet. On 1 January 2014, SJ AB's new organisation was presented. On 21 January 2014, SJ announced redundancies affecting 400 employees in administration and sales. The redundancies are attributable in part to the closure of 18 travel centres, including one in Denmark, and also to the closure of a Contact Center.

Corporate governance report

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

Principles of corporate governance

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

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

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

Application of the Code

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

Rule 1.1

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

Rule 2

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

Rule 10.2

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

Rule 6.1

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

Rule 4.3

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

Rule 8.2

The board is to evaluate the work of the chief executive officer at least once a year. The work of the chief executive officer is being evaluated in March 2014.

OWNER

The owner's financial targets for SJ AB are an equity/assets ratio of no less than 30 percent and a return on equity of no less than 10 percent. The owner defines the objectives of the business via the Company's articles of association. In 2013, SJ's owner, the Chair and the Chief Executive Officer met six times. Areas discussed during the year's dialogue with the owner include evaluation of the work of the Board of Directors and its composition, SJ's relationships with strategic suppliers, cooperation with Trafikverket and the appointment of a Chief Executive Officer. In addition to these meetings, the Company maintains regular dialogue with the owner regarding the work of the Board. The owner exercises its rights as shareholder at the AGM.

ANNUAL GENERAL MEETING

According to the State's ownership policy, the AGM is to be held before 30 April each year. However, the AGM may be held after that date, but no later than 30 June in any year, if justified by particular reasons. In addition to the AGM, extraordinary general meetings (EGM) may be held. The AGM is normally held in Stockholm. SJ publishes details of time

and place for the meeting on its website. Notice convening the meeting will be published four to six weeks before it is due to be held.

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

Annual General Meeting 2013

The 2013 AGM was held in Stockholm on 26 April. The meeting was open to the public and those in attendance were invited to put questions to the management. The owner was represented by Magnus Skåninger.

The Annual General Meeting voted on the following resolutions:

- Re-election of Jan Sundling as Chair of the Board.
- Re-election of Siv Svensson, Eivor Andersson, Lena Olving, Gunilla Wikman and Michael Thorén.
- Election of Mikael Staffas to the Board of Directors for the first time.
- Remuneration to the Chair of the Board was set at SEK 400,000 annually (400,000). The fees to the other Board members were set at SEK 150,000 each (150,000).
- Remuneration to the chair of the audit committee was set at SEK 55,000 annually (55,000). The fees to the other members of the committee were set at SEK 43,000 each (43,000).
- No fee is payable to any Board member who is employed in the Government Offices, and neither is a fee paid to employee representatives.
- Resolution that SJ is to apply the guidelines on conditions of employment for senior executives at State-owned enterprises, as proposed by the Board.
- Adoption of income statement and balance sheet for the Parent Company and the Group.
- Resolution on dividend totalling SEK 157 million.
- Granting of discharge from liability for the Board of Directors and the Chief Executive Officer.

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

Extraordinary General Meeting

No Extraordinary General Meeting was held in 2013.

Annual General Meeting 2014

The 2014 AGM will be held in Stockholm on 28 April 2014. Invitations to attend the AGM will be distributed in March.

APPOINTMENT OF THE BOARD OF DIRECTORS

The nomination process for members of the Boards of State-owned enterprises is managed and coordinated by the State-Owned Enterprise Department at the Ministry of

Finance. A working party analyses the skills/competence requirements, based on the composition of the particular board and the respective company's operations and situation. Nomination and appointment of new members take place following a continuous dialogue between the department concerned and the chair of the board. The work of creating a structured and standardised nomination process is intended to ensure an effective supply of skills and competence to the boards of the companies. The board must have a high level of expertise that is well-adapted to the Company's business, situation and future challenges. In order to be eligible for a seat on the board, a high level of general competency is required in any of day-to-day business operations, business development, specific sector, financial matters or other relevant areas. The Ministry of Finance's proposals for board members are presented in the notice convening the AGM and on the Company's website in good time ahead of the AGM. Board members are appointed for one year at a time.

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

BOARD OF DIRECTORS

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

Board structure

To the extent it is appointed by the Annual General Meeting, the Board shall consist of no less than three and no more than eight members plus deputies. The Board has overall responsibility for the Company's administration and management. According to the State's ownership policy, the composition of the Board shall be such that the Board always has the industry knowledge and or other expertise that is relevant to the Company. Appointments to the Board of Directors shall also be made in such a way that a balance is achieved in terms of expertise, background, age and gender. Since the AGM held in April 2013, SJ's Board of Directors has comprised seven members elected by the AGM. Of the Board members, four are women.

Three members of the Board are employee representatives appointed by the employee organisations. None of the Board members serve in the Company's executive management. All Board members are independent of the Company and executive management. See also pages 57 and 58.

The Chief Executive Officer and the Chief Financial Officer take part in meetings of the Board. Other members of

the executive management participate in these meetings as necessary. SJ's Vice President Legal Affairs serves as Secretary to the Board of Directors.

THE WORK OF THE BOARD OF DIRECTORS

Tasks and allocation of work of the Board of Directors

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

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

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

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

Work of the Board of Directors in 2013

In 2013, ten Board meetings were held. The Board regularly performed standard follow-ups of both economic developments and social and environmental issues arising in op-

erations. This was done in the form of monthly reporting of strategic key figures for Customer Satisfaction Index, CSI (NKI), Sickness Absence, Employee Satisfaction Index (NMI) and measures of financial return. This information also enabled the Board to continuously monitor SJ's performance in terms of sustainable development.

In February 2014, the Board met the Company's auditors, without the executive management being present, in line with the requirements of the Code. In addition to ongoing follow-up of significant key figures in Responsible Business, the Board also addressed and decided on the following issues in 2013:

- Adoption of business plan 2014–2016
- Efficiency enhancement programme
- Upgrading of SJ 2000 fleet
- Tendering for contract services
- Procurement of auditing services
- Adoption of financial policy
- Change in governance of subsidiaries
- Strategic direction
- Measures to improve punctuality
- Service and rolling stock strategy

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

Evaluation of the work of the Board and the CEO

The Board evaluates the work of the Board and the CEO through a systematic and structured process once a year. The Chair of the Board is responsible for ensuring that the work of the Board is evaluated annually. In this evaluation, which is carried out by an external party, the performance of the Board as a group and its individual members are assessed. The results of the evaluation are reported to the

BOARD OF DIRECTORS, BOARD FUNCTION AND ATTENDANCE

Name	Board function	Board Meetings	Audit committee	Remuneration committee
Jan Sundling	Chairman of the Board, Chairman of the Remuneration committee	9/10		2/2
Siv Svensson	Non-executive director, Chair of the Audit committee	10/10	7/7	
Eivor Andersson	Non-executive director	10/10	3/7	2/2
Mikael Staffas ¹	Non-executive director	8/10		1/2
Lena Olving	Non-executive director	8/10		1/2
Gunilla Wikman	Non-executive director	10/10	3/7	
Michael Thorén	Non-executive director	9/10	6/7	2/2
Erik Johannesson	Employee representative	8/10		
Per Hammarqvist	Employee representative	8/10		
Thomas Winäs	Employee representative	8/10		

¹ Mikael Staffas was elected as a non-executive director on SJ AB's Board of Directors on 26 April 2013, after which eight Board meetings were held.

Ministry of Finance. The purpose of the evaluation is to continuously improve the efficiency of the work of the Board and to serve as the basis of the work of appointing new members. The evaluation for 2013 was reported to the Board meeting held on 18 March 2014

THE WORK OF THE BOARD OF DIRECTORS IN COMMITTEES

Audit committee

Composition

The audit committee comprised four Board members. Siv Svensson served as chair of the audit committee during 2013. Parts of the meetings of the audit committee are also attended by the CFO and the head of the internal audit function, as well as the Company's external auditors. The audit committee serves the Board as a drafting body, whose proposals are always submitted to the Board for decision.

Responsibilities

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

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

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

Remuneration committee

Composition

SJ's remuneration committee consists of three Board members and the Chair of the Board. During the year, two minuted meetings were held and continuous discussions took place between the members of the committee.

Responsibilities

The remuneration committee serves the Board as a drafting body, whose proposals are submitted to the Board for decision, unless in any particular case the Board has delegated decision-making authority to the committee. The tasks of the remuneration committee include the following:

- To ensure implementation of and compliance with the guidelines approved by the AGM concerning conditions of employment for senior executives.

- To present to the 2013 AGM proposals for principles of remuneration and other conditions of employment for the CEO and other senior executives.
- To draft the Board's proposals for updated guidelines, should the need arise.
- To prepare day-to-day issues regarding remuneration and other conditions of employment for the CEO, for decision by the Board, and to serve as a verification body regarding the CEO's proposals for remuneration and other conditions of employment for other senior executives, in all cases subject to the Company's annual pay review.

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

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

MANAGEMENT

SJ's CEO is responsible for day-to-day management in accordance with the Swedish Companies Act and instructions from the Board of Directors. The management group consists of the CEO and ten other members appointed by the CEO following consultation with the Board. SJ's management group consists of Crister Fritzson, Chief Executive Officer, Carina Wång, Vice President & Chief Financial Officer, Helga Baagøe, Vice President Communication, Thomas Silbersky, Vice President Marketing and Sales, Madeleine Raakas, Director of Traffic and Service, Caroline Åstrand, Vice President Product Division (effective 1 January 2014), Jens Wigen, Vice President Planning, Björn Rosell, Vice President IT, Claes Broström, Vice President Fleet Management, Erica Kronhöffer, Vice President Quality, Environment and Sustainability and Peter Blomqvist, Vice President HR. The executive management meets on a regular basis and its work is overseen by the CEO, who takes decisions concerning SJ AB and the Group in consultation with the management group.

The decisions of the CEO and executive management are subject to the guidelines and directives approved by the Board. Over the year, work was completed on SJ's long-term strategic plan and establishing a structured process for control of the business. What is known as a balanced scorecard is used to drive SJ's business in a long-term sustainable direction based on the criteria of Employees, Partnerships & Resources, Community, Customer, Process & Product and Finance.

Guidelines on conditions of employment for senior executives

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

AUDITORS

The responsibility for choice of auditors at State-owned

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

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

Auditing in 2013

At the 2013 AGM, accountancy firm Deloitte AB, represented by Authorised Public Accountant Hans Warén, was elected as the Company's auditor until the 2014 AGM. The auditors reported on their audit of the year-accounts to the full Board of Directors at the Board meeting held on 13 February 2014. Regarding the 2013 financial year, the audit committee and auditors discussed the Company's year-end accounts, reporting, administration and risk management. The auditors met the Board, without the presence of the management group, on one occasion. In addition, the auditors maintained continuous contact and held meetings with the Board's audit committee. Fees and reimbursement of expenses to the auditors are paid on an open account basis and are detailed in Note 8 to the financial statements.

Auditors are to be elected at each AGM, in accordance with the new main rule of the Swedish Companies Act and the State's current ownership policy.

INTERNAL CONTROL

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control of the Company. The following is an account of how internal control of financial reporting is performed. External financial reporting at SJ comprises interim reports, year-end report and the major share of the annual report. The Board has overall responsibility for internal control at SJ. The work of the audit committee represents part of this control function by the Board. External and internal auditors made observations at every meeting of the audit committee in 2013, for example, regarding SJ's year-end accounts and the September interim report. During the work of planning the annual audit, discussions take place between the external and internal audit functions concerning SJ's risk situation.

At companies in which the State has an ownership interest, the board of directors and management are responsible for ensuring that the company is managed in an exem-

plary fashion within the limits established by legislation and in accordance with the long-term interests of the owners. With regard to issues concerning finance, the environment, employees, diversity and social sustainability, all companies have a major responsibility, not least State-owned companies. The government has therefore stated that the boards of directors should actively follow the progress of and report on the companies' initiatives in these areas. SJ has adopted general policies in all important areas, including occupational health and safety, ethics, environment, equal opportunities, ethnic diversity, quality, IT, procurement and traffic safety. In December, the Board adopted three long-term sustainability targets: 95 percent punctuality, supplier and partnership assessments performed and SJ Volunteer.

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

Reporting

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

Risk assessment

Structured risk assessment makes it possible to identify the significant risks that affect internal control in relation to financial reporting and to identify where these risks arise. SJ's Executive Management engages systematically in risk assessment to identify the Company's areas of risk and to undertake measures accordingly. Such risk assessments are focused in the areas that are expected to significantly affect the Company's results and financial position. In preparation for the work of the Board, the audit committee evaluates the risk assessments performed at SJ. SJ's management group uses an established risk assessment process. The process involves all divisions and staffs, ensuring support and heightened awareness in the organisation and more efficient collation of risks. Risk management aims to limit undesired effects that could compromise the company's financial position, earnings or market position. In the process, executive management is required to monitor changes in risk assessments quarterly in order to decide whether there is any need to take action or whether new areas of risks are to be assessed.

In addition, Business Control analyses risks and oppor-

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

Internal audit

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

Control activities

Control activities are designed to manage significant risks relating to financial reporting and important accounting issues that are identified during the risk assessment process. The objective is to prevent or enable early detection of errors in financial reporting, thereby minimising any adverse impact. The Finance department is responsible for analysis of the financial outcome and for preparing financial reports. One example of control activities are Business Reviews, which are administered by Business Control. At review meetings, the managers represented in the management group report on their operation and planning to the CEO and CFO.

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

- Rules of Procedure for the Board
- Rules of Procedure for audit and remuneration committees
- Board of Directors' Instruction to the Chief Executive Officer
- Rules on attestation intended as guidance to all involved in managing financial transactions and to ensure effective control of financial transactions to prevent intentional or unintentional errors
- Policies on ethics, contact-promotion actions and business entertainment
- Financial policy. The Group's Finance department operates in line with financial limits adopted by the Board as regards financial risk management. The financial policy is to be reviewed annually and submitted for approval by the Board. The aim of the policy is to limit the financial risks arising in connection with investments and currency exposure.

- Work procedures and instructions for internal control activities, day-to-day reporting and year-end accounts are thoroughly documented at detailed level.

Information and communication

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

Follow-up

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



Jan Sundling



Eivor Andersson



Michael Thorén



Erik Johannesson



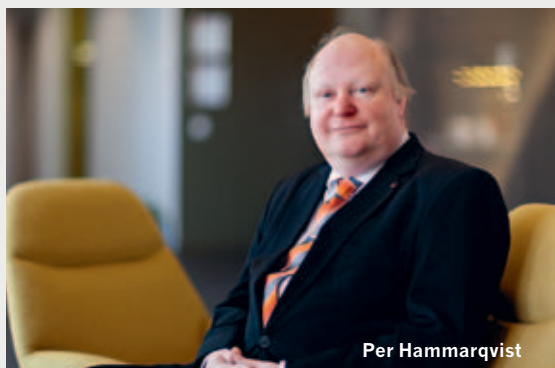
Siv Svensson



Thomas Winäs



Mikael Staffas



Per Hammarqvist



Lena Olving



Gunilla Wikman

SJ AB – Board of Directors

JAN SUNDLING

YEAR OF BIRTH 1947.

B. Sc. in Nautical Science, Higher Business Administration programme at the Frans Schartau Business Institute.

CHAIR, SJ AB since 2011. Consulting and Board duties. Chairman, Swedish Maritime Association and Jan Sundling i Ytterkvarn AB; non-executive director, Corem Property Group AB and Aditro Logistics AB.

SIV SVENSSON

YEAR OF BIRTH 1957.

Degree in International Economics.

Non-executive director, SJ AB since 2012. Formerly CEO, Sefina Finance AB, before that 25 years in the Nordea Group, including as Senior Vice-President and Director of Regional Banking. Non-executive director, Swedbank and Karolinska Hospital.

MIKAEL STAFFAS

YEAR OF BIRTH 1965.

M. Sc. in Engineering and MBA.

Non-executive director, SJ AB since 2013. CFO, Boliden. Formerly CFO, Södra Skogsägarna and partner at McKinsey.

MICHAEL THORÉN

YEAR OF BIRTH 1969.

Master of Business Administration.

Non-executive director, SJ AB since 2012. Deputy Director, Ministry of Finance. Non-executive director, Infranord AB, AB Svenska Spel and Samhall AB.

EIVOR ANDERSSON

YEAR OF BIRTH 1961.

Degree in Marketing.

Non-executive director, SJ AB since 2005. Consultant. Formerly CEO, Ving Sverige AB/Thomas Cook Sweden and MyTravel Sweden AB. Non-executive director, SkiStar AB, eTRAVELi AB, Inflight Service AB, F12 Gruppen AB and Gotlandsbåten AB.

LENA OLVING

YEAR OF BIRTH 1956.

M. Sc. in Engineering.

Non-executive director, SJ AB since 2011. President and CEO, Micronic Mydata AB (publ). Non-executive director, Novozymes A/S (Denmark).

GUNILLA WIKMAN

YEAR OF BIRTH 1959.

Master of Business Administration.

Non-executive director, SJ AB since 2011. Consultant, Carrara Communication and Ekmand & Partners. Formerly Head of Group Communications, SEB and before that at Riksbanken (Central Bank of Sweden). Board duties at HMS Networks, AMF Fonder, Oatley AB and Flyinge AB. Deputy Chairman, Swedish Equestrian Federation.

PER HAMMARQVIST

YEAR OF BIRTH 1958.

Traffic planner.

Non-executive director, SJ AB since 2011. Chairman, SACO (the Swedish Confederation of Professional Associations), at SJ. Chairman, Transport & Rail Section of SACO, at SJ.

HANS PILGAARD

YEAR OF BIRTH 1963.

Train driver.

Non-executive director, SJ AB since 2012. Chairman, ST-spårtrafik at SJ AB. Member of the departmental board of ST-spårtrafik.

ERIK JOHANNESSON

YEAR OF BIRTH 1957.

Train driver.

Non-executive director, SJ AB since 2005. Chairman, Union of Service and Communication Employees (SEKO), Negotiation Council at SJ, non-executive director SEKO Western Region.

SJ AB – Management

CRISTER FRITZSON
YEAR OF BIRTH 1961.
CEO.

Degree in Marketing.
 Year of hire 2012.
 Non-executive director,
 Systembolaget AB, Chairman,
 Association of Swedish
 Train Operating Companies.

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

Degree in Social Work.
 Year of hire 1982.
 Non-executive director,
 Railbound Transport Board, Almega.

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

Mechanical engineer/Degree in
 Marketing.
 Year of hire 2006.

BJÖRN ROSELL
YEAR OF BIRTH 1962.
VICE PRESIDENT IT.

M. Sc. in Engineering, M. Sc. in Econom-
 ics and Master of Business Administra-
 tion. Year of hire 2012.
 Non-executive director, Årsta
 Runstens Sportryttare.

MADELEINE RAUKAS
YEAR OF BIRTH 1967.
VICE PRESIDENT TRAFFIC
AND SERVICE.

B. A. Stockholm University.
 Year of hire 2012.
 Non-executive director, Association
 of Swedish Train Operating Companies,
 Tåg i Mälardalen AB, Sveriges
 Kommunikationer AB,
 Botnietåg AB.

JENS WIGEN
YEAR OF BIRTH 1955.
VICE PRESIDENT PLANNING.

B. A.
 Year of hire 2012.

CARINA WÄNG
YEAR OF BIRTH 1966.
VICE PRESIDENT AND CHIEF
FINANCIAL OFFICER.

Master of Business Administration.
 Year of hire 2013.

HELGA BAAGØE
YEAR OF BIRTH 1963.
VICE PRESIDENT COMMUNICATION.

University Degree in
 Communications.
 Year of hire 2013.
 Non-executive director,
 Radiotjänst i Kiruna AB.

ERICA KRONHÖFFER
YEAR OF BIRTH 1971.
VICE PRESIDENT
QUALITY & ENVIRONMENT.

LL. B.
 Year of hire 2013.

THOMAS SILBERSKY
YEAR OF BIRTH 1965.
VICE PRESIDENT MARKETING
AND SALES.

Master of Business Administration,
 Stockholm School of Economics.
 Year of hire 2013.
 Non-executive director, Gordin
 Promotion and
 Living Management.

CAROLINE ÅSTRAND
YEAR OF BIRTH 1970.
VICE PRESIDENT PRODUCT.

Master of Business Administration.
 Year of hire 2010.
 Member of SJ's Executive Management
 since 1 January 2014.



Five-year summary

GROUP	2013	2012	2011	2010	2009
Statement of comprehensive income, summary, SEK million					
Operating income	9,160	8,664	8,097	8,717	8,790
– net turnover	9,023	8,504	8,038	8,627	8,741
Operating expenses	-8,732	-8,188	-8,034	-8,270	-8,163
Result from interests in associated companies	-130	-9	-3	-8	2
Operating profit	298	467	60	439	629
Profit before tax	288	498	38	406	622
Tax for the period	-68	-27	-2	-112	-162
Profit for the year	220	471	36	294	460
Earnings per share (basic and diluted), SEK	55	118	9	73	115
Statement of changes in financial position, summary, SEK million					
Non-current assets					
Property, plant and equipment	6,356	6,830	6,440	6,258	6,220
Intangible assets	308	294	314	312	360
Financial assets	567	482	474	436	514
Current assets					
Inventories	7	6	6	5	5
Current receivables	719	853	709	1,003	591
Short-term deposits	1,203	780	921	1,044	2,315
Cash and cash equivalents	80	320	48	47	485
Available-for-sale non-current assets	72	–	–	171	–
Total assets	9,312	9,565	8,913	9,276	10,490
Equity	4,961	4,886	4,419	4,486	4,306
– holdings without controlling influence	–	–	–	–	–
Interest-bearing liabilities	1,911	2,091	2,365	2,505	4,108
Non-interest-bearing liabilities	1,813	1,963	1,565	1,721	1,661
Provisions	360	429	396	394	369
Deferred tax liabilities	267	195	167	170	46
Total equity and liabilities	9,312	9,565	8,913	9,276	10,490
Statement of cash flows, summary, SEK million					
Cash flow from operating activities	1,039	1,229	778	787	1,329
Cash flow from investing activities	-943	-671	-504	447	-1,304
Cash flow from financing activities	-336	-286	-272	-1,672	-24
Changes in cash and cash equivalents	-240	272	1	-438	1
Investments	448	1,116	869	858	595
– affecting cash flow	448	803	869	858	595
Margins					
Operating margin, %	3.3	5.4	0.7	5.0	7.2
Profit margin, %	3.1	5.7	0.5	4.7	7.1
Measures of return on capital					
Return on capital employed, %	4.9	8.0	1.7	6.2	9.6
Return on equity, %	5.1	10.3	0.8	6.7	11.2
Capital structure at year-end					
Equity, SEK million	4,961	4,886	4,419	4,486	4,306
Capital employed, SEK million	6,978	7,111	7,093	7,302	8,591
Net interest-bearing debt, SEK million	216	693	1,106	1,144	942
Gearing ratio, multiple	0.4	0.4	0.5	0.6	1.0
Equity/assets ratio, %	53.3	51.1	49.6	48.4	41.0
Average number of employees	4,953	4,299	4,041	4,262	4,439

Statement of comprehensive income

For definitions, see page 114.

GROUP

SEK million	Note	2013	2012
Net turnover	2	9,023	8,504
Other operating income	4	137	159
Total operating income	1	9,160	8,664
Personnel expenses	5	-2,910	-2,691
Depreciation and impairment	1, 6	-847	-748
Other expenses	3, 7, 8	-4,975	-4,750
Total expenses		-8,732	-8,188
Result from interests in associated companies	15	-130	-9
Operating profit	1	298	467
Interest income and similar profit/loss items	1, 10	47	96
Interest expense and similar profit/loss items	1, 10	-57	-65
Profit before tax		288	498
Tax for the period	1, 11	-68	-27
Profit for the year	1	220	471
Other comprehensive income			
<i>Components that will be reclassified to profit/loss</i>			
Cash flow hedges	10	16	5
Available-for-sale financial assets	10	-1	5
Deferred tax	11	-3	-2
Other comprehensive income for the year		12	9
Comprehensive income for the year		231	480
Income for the year attributable to:			
Parent Company's shareholder ¹		220	471
Comprehensive income for the year attributable to:			
Parent Company's shareholder		231	480
Earnings per share (basic and diluted), SEK		55	118
Number of shares at year-end, thousands		4,000	4,000
Average number of shares during year, thousands		4,000	4,000

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

Statement of comprehensive income, cont.

COMMENTS ON STATEMENT OF COMPREHENSIVE INCOME

Operating income

Operating income in 2013 rose by 6 percent.

The increase arose partly because subsidiary SJ Göta-landståg AB's operations were consolidated for the whole of 2013 (operations began in May 2012) and partly because Stockholmståg KB expanded its operations by increasing services to Uppsala.

Income from SJ's train services increased by 2 percent in January–December 2013, compared with the same period in 2012. During the year, the volume of travel fell slightly, above all in the last quarter. The decline was attributable to a number of major disruptions, including a derailment at Stockholm Södra and storms that hit several parts of the country in October–December. The derailment, which occurred in November, seriously affected revenue from SJ's own services throughout the Group as a result of reduced availability on the tracks.

The lower volume of travel was fully offset by an increase in yield. The increase in yield was for the most part attributable to the introduction of the SJ 3000 on the highest-selling InterCity routes. In addition, a change in consumer habits in ticket buying, with tickets being bought nearer and nearer to departure – generating a higher yield under SJ's pricing structure – boosted revenue from SJ's own services. In all, the number of seats was increased by 2 percent. The increase was created above all by an increase in the number of seats on the routes affected by the entry of the SJ 3000 into service. Another factor was the use of six-carriage SJ 2000 sets on the main lines.

Effective December 2012, SJ has been operating commuter services to and from Uppsala on behalf of SL, in parallel with SJ's regional services. In the January–December period, 10 percent of passengers opted for commuter rather than regional services. Overall, the volume of SJ Regional declined, but that trend is offset by a higher yield as a result of indexing. At SJ Regional, the volume of travel declined, above all on the Uppsala–Stockholm, Gävle–Linköping and Gothenburg–Örebro–Stockholm routes. Revenue on the Sala–Västerås–Eskilstuna–Norrköping feeder line increased following termination of services on the Sala–Uppsala route. Revenue from the Karlstad–Gothenburg route, where capacity was increased from five to seven train sets, rose by 11 percent overall.

Operating expenses

The total cost outcome for the Group in 2013 was higher than in the preceding year, mainly as a result of changes in the Group's operations.

The operations at SJ Göta-landståg AB and expansion at Stockholmståg KB led to growth in the cost base. The new fast SJ 3000 trains constitute a larger depreciation base, and consequently depreciation costs have risen. Maintenance costs during the period were higher than in the corresponding period in 2012, with the entry of the SJ 3000 into the train fleet and expiry of the warranty period for SJ's double-decker trains. The increase in the Group's depreciation costs is made up of depreciation on the SJ 3000 trains received, upgraded passenger carriages and overhauls of SJ 2000 and double-decker trains.

Furthermore, actions taken have lowered costs at SJ AB, primarily employee costs. SJ's interest in the associated company Botniatåg AB adversely affected the Group's profit. SJ's share of Botniatåg AB's loss for 2013 was SEK 46 million (5); in addition, SJ's share of the costs of future contractual service commitments was estimated at SEK 84 million (0).

Operating profit

The Group's operating profit totalled SEK 298 million (467). The primary factor in the decline in operating profit is that in September 2012 the Parent Company received a penalty payment of SEK 156 million in connection with delays in delivery of SJ 3000s. In 2013, SJ AB's share of future losses by the associated company Botniatåg was charged to earnings in the amount of SEK -130 million. Excluding these items, the underlying operating profit improved by SEK 117 million, or 38 percent. The improvement is due to the increase in the Group's contract services, such as the commuter services operated on behalf of Västtrafik and the Uppsala services operated on behalf of SL. Furthermore, a policy of general restraint in costs made a positive contribution. The operating margin was 3.3 percent (5.4).

Group's net financial items, profit and tax

The Group's profit before tax amounted to SEK 288 million (498). Tax on profit for the year totalled SEK -68 million (-27). The effective tax rate for the Group was 23.6 percent (5). The deviation from the anticipated tax rate arose last year partly because of the change in corporation tax from 26.3 percent to 22 percent and partly because of a change in assumption for temporary differences in non-current assets. The deviation for the year relates to temporary differences not recognised previously.

Statement of changes in financial position

GROUP

SEK million	Note	2013	2012
ASSETS			
Non-current assets			
Buildings	12	33	36
Rolling stock	12	5,787	6,333
Plant and machinery	12	81	82
Construction in progress	12	455	379
Intangible assets	13	308	294
Interests in associated companies	15	11	11
Securities held as non-current assets		0	0
Non-current receivables	16	556	470
Total non-current assets		7,231	7,606
Current assets			
Inventories		7	6
Trade receivables	17	228	348
Receivables from associated companies		5	5
Other receivables	18	255	298
Prepaid expenses and accrued income	19	231	201
Short-term deposits	20	1,203	780
Cash and cash equivalents	20	80	320
Available-for-sale non-current assets	12	72	–
Total current assets		2,081	1,959
TOTAL ASSETS	1	9,312	9,565

Total assets

The Group's total assets amounted to SEK 9,312 million (9,565) at year-end.

Non-current assets

The Group's property, plant and equipment mostly consist of rolling stock. SJ's fleet of rolling stock is made up of SJ 3000s, SJ 2000s, double-decker trains, locomotives and passenger carriages. The value of these assets is calculated at SEK 6,037 million (6,463). The change for the year consists primarily of depreciation/amortisation for the year. The biggest single in-

vestment was made in the SJ 3000s, a total investment in 20 train sets amounting to SEK 2,256 million. SJ took possession of the last of the sets in February 2013, and all 20 are owned by the Company. In November, the first of SJ's new bistro carriages, including a play area, entered service. Initially, the carriages will be used in InterCity trains, and a total of 20 carriages will be converted.

A positive cash flow was invested in bonds, which explains the decline in cash and cash equivalents and the rise in short-term deposits in 2013.

Statement of changes in financial position, cont.

GROUP

SEK million	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Share capital		400	400
Other contributed capital		4,519	4,519
Reserves		5	-9
Retained earnings		38	-26
Total equity attributable to owner of Parent Company¹	21	4,961	4,886
Total equity		4,961	4,886
Non-current liabilities			
Provisions	23	194	211
Interest-bearing liabilities	20, 22	1,125	1,907
Non-interest-bearing liabilities	20	19	19
Deferred tax liability	11	267	195
Current liabilities			
Provisions	23	166	217
Interest-bearing liabilities	22	787	184
Trade payables	20	504	687
Accrued expenses and deferred income	24	940	1,016
Liabilities to associated companies		10	16
Income tax liability		8	10
Other current liabilities		332	215
Total liabilities		4,352	4,679
TOTAL EQUITY AND LIABILITIES		9,312	9,565
Pledged assets	26	1,251	1,316
Contingent liabilities	27	74	145

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

COMMENTS ON STATEMENT OF CHANGES IN FINANCIAL POSITION

Equity

The Group's equity totalled SEK 4,961 million (4,886). The Group's equity/assets ratio was 53.3 percent (51.1).

Liabilities

On 31 December 2013, the net liability in the SJ Group was SEK 216 million (693). The Group's interest-bearing liabilities consisted primarily of payment commitments for SJ's financial lease contracts, and amounted to SEK 1,911 million (2,091). Of these interest-bearing liabilities, SEK 1,125 million

(1,907) are long term and SEK 787 million (184) short term, i.e. the portion of the liability that falls due for payment within one year. In June, long-term liabilities were reclassified as current liabilities, reflecting the fact that leases of SJ's double-decker trains amounting to approximately SEK 650 million will be redeemed in June 2014.

Statement of cash flows

GROUP

SEK million	Note	2013	2012
OPERATING ACTIVITIES			
Profit before tax		288	498
Adjustments for non-cash items			
– Depreciation and impairment	6	847	748
– Changes in provisions		-69	32
– Capital gain		4	-2
– Other changes		-33	-152
– Result from interests in associated companies		130	9
Cash flow from operating activities before changes in working capital		1,167	1,132
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventories		-2	0
Increase (-) / Decrease (+) in operating receivables		135	-144
Increase (+) / Decrease (-) in operating liabilities		-262	240
Cash flow from operating activities		1,039	1,229
Investing activities	12, 13, 25		
Acquisition of property, plant and equipment		-316	-720
Acquisition of intangible assets		-132	-83
Disposal of property, plant and equipment		8	7
Other long-term interest-bearing receivables*		-78	-16
Change in short-term deposits		-423	142
Cash flow from investing activities		-943	-671
Cash flow from financing activities		96	558
Financing activities			
Amortisation of lease liability		-179	-1,070
Borrowings		0	796
Dividend		-157	-12
Cash flow from financing activities		-336	-286
Cash flow for the year		-240	272
Cash and cash equivalents at start of year		320	48
Cash and cash equivalents at year-end	20	80	320

Interest received by the Group totalled SEK 47 million (96), as against interest paid of SEK 57 million (65).

COMMENTS ON STATEMENT OF CASH FLOWS FOR THE GROUP

The factors affecting cash flow from operating activities are a surplus on operations, a reduction in current receivables and a decrease in current liabilities. Adjusted for items not affecting cash flow, such as depreciation and amortisation totalling SEK million 847 (748), reserve for losses in the associated company Botnietåg AB amounting to SEK 130 million (9) and other items totalling SEK -98 million (-122), the cash flow from operating activities before changes in working capital totalled SEK 1,167 million (1,132). The fall in current receivables is due in large part to lower trade receivables and settlement of the insurance claim in connection with the accident at Kimstad in 2010. The reduction in current liabilities is largely attributable to a lower trade payable and lower accrued expenses. Cash flow from operating activities totalled SEK 1,039 million (1,229).

Investments in non-current assets amounted to SEK 448 million (1,116), including SEK 282 million (1,019) in rolling

stock, primarily the SJ 2000s. In the preceding year, investments from cash flow in rolling stock totalled SEK 803 million. The difference consisted of a penalty payment of SEK 156 million from Bombardier and previously unpaid invoices totalling SEK 157 million for SJ 3000s. The change in intangible assets amounted to SEK 132 million (83), resulting from investments in a sales and distribution platform for subsidiary Linkon AB and investments in a new rolling stock system for SJ AB. The increase in short-term investments in bonds during the period totalled SEK -423 million (142). The cash flow from investing activities totalled SEK -943 million (-671). The cash flow from financing activities, SEK -336 million (-286), is made up of payment of dividend to shareholders, SEK -157 million (-12), and impairment charges, SEK -179 million (-1,070). Cash and cash equivalents on 31 December totalled SEK 80 million (320). The accumulated cash flow totalled SEK -240 million (272).

* Other long-term interest-bearing receivables from financing activities were reclassified as Investing activities in Q3 2013. The reclassification also extended over earlier periods.

Statement of changes in equity

SEK million	Note	Attributable to shareholders in Parent Company					
		Share capital	Other capital contributed	Reserves Cash flow hedges	Reserves Available-for-sale financial assets	Retained earnings	Total equity
01/01/2012	21	400	4,519	-19	4	-486	4,419
Profit for the year						471	471
Other comprehensive income				4	4	1	9
Comprehensive income				4	4	472	480
Dividend to shareholder						-12	-12
31/12/2012	21	400	4,519	-15	8	-26	4,886
Profit for the year						220	220
Other comprehensive income				13	-1	1	13
Comprehensive income				13	-1	221	232
Dividend to shareholder						-157	-157
31/12/2013	21	400	4,519	-2	7	38	4,961

COMMENTS ON GROUP'S EQUITY

The Group's equity totalled SEK 4,961 million (4,886). The equity/assets ratio was 53.3 percent (51.1). The change in the Group's equity is attributable in the main to profit for the year of SEK 220 million (471) after tax. Retained earnings, including profit for the year, comprises change in unrealised cash

flow hedges including deferred tax of SEK 13 million (4) and available-for-sale financial assets including deferred tax of SEK -1 million (4). Net profit for the year was also charged with a dividend of SEK 157 million (12) to the shareholder, as approved by decision of the 2013 AGM.

FINANCIAL POSITION

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

	2013	2012	2011	2010	2009
Return on equity (Group) %	5.1	10.3	0.8	6.7	9.6
Target	10.0	10.0	10.0	10.0	10.0
Equity/assets ratio (Group) %	53.3	51.1	49.6	48.4	41.0
Target	30	30	30	30	30
Dividend, SEK m.	73	157	12	90	153

The owner's financial targets for SJ are an equity/assets ratio of no less than 30 percent and a return on equity averaging no less than 10 percent after tax over a business cycle. SJ's regular dividend shall amount to one-third of the profit for the

year, provided that the equity/asset ratio target is achieved after dividend. In 2013, SJ achieved one of its financial targets, the equity/assets ratio.

Income statement

PARENT COMPANY

SEK million	Note	2013	2012
Net turnover	2	6,125	6,001
Other operating income	4	157	184
Total operating income	1	6,283	6,185
Personnel expenses	5	-1,821	-1,845
Depreciation and impairment	1, 6	-813	-722
Other expenses	7, 8	-3,315	-3,161
Total operating expenses		-5,950	-5,727
Operating profit	1	333	457
Income from subsidiaries	9	89	3
Result from interests in associated companies	15	-130	-14
Interest income and similar profit/loss items	1, 10	40	88
Interest expense and similar profit/loss items	1, 10	-60	-69
Profit before tax		272	466
Tax for the period	1, 11	-68	-24
PROFIT FOR THE YEAR	1	205	443

Statement of comprehensive income

PARENT COMPANY

SEK million	Note	2013	2012
Profit for the year	1	205	443
<i>Components that will be reclassified to profit/loss</i>			
Cash flow hedges	10	16	5
Available-for-sale financial assets	10	0	2
Deferred tax	11	-3	-3
Other comprehensive income for the year	21	12	5
Comprehensive income for the year		217	447

Balance sheet

PARENT COMPANY

SEK million

Note

2013

2012

ASSETS**Non-current assets****Property, plant and equipment**

Buildings	12	33	36
Rolling stock	12	5,859	6,329
Plant and machinery	12	80	79
Construction in progress	12	455	379
Total property, plant and equipment		6,426	6,822

Intangible assets

Capitalised development costs	13	170	149
Brand	13	0	0
Total intangible assets		170	149

Financial assets

Interests in Group companies	14	206	206
Interests in associated companies	15	2	2
Securities held as non-current assets		0	0
Non-current receivables	16	332	323
Total financial non-current assets		541	532
Total non-current assets		7,136	7,504

Current assets**Receivables**

Inventories		7	6
Trade receivables	17	152	159
Receivables from Group companies		370	381
Receivables from associated companies		2	3
Other receivables	18	121	249
Prepaid expenses and accrued income	19	127	115
Total receivables		779	913

Short-term deposits

Miscellaneous short-term deposits	20	1,203	725
Total short-term deposits		1,203	725

Cash in hand and on deposit

20	80	320
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Total current assets		2,063	1,957
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TOTAL ASSETS	1	9,199	9,461
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Balance sheet (cont.)

PARENT COMPANY

SEK million	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		400	400
Statutory reserve		200	200
Unrestricted equity			
Fair value reserve		-1	-14
Retained earnings		4,009	3,724
Profit for the year		205	443
Total equity	21	4,812	4,753
Liabilities			
Provisions			
Non-current provisions	23	128	132
Current provisions	23	82	141
Deferred tax liability	11	252	181
Total provisions	1	463	454
Non-current liabilities			
Interest-bearing liabilities	20	1,125	1,907
Other non-current liabilities	20	19	19
Total non-current liabilities		1,144	1,926
Current liabilities			
Interest-bearing liabilities	22	787	184
Trade payables		362	531
Liabilities to Group companies		646	615
Liabilities to associated companies		4	16
Other liabilities		205	115
Accrued expenses and deferred income	24	778	867
Total current liabilities	1	2,781	2,328
TOTAL EQUITY AND LIABILITIES		9,199	9,461
Pledged assets	26	1,251	1,316
Contingent liabilities	27	304	366

Statement of cash flows

PARENT COMPANY

SEK million

Note

2013

2012

OPERATING ACTIVITIES

Profit before tax		272	466
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Adjustments for non-cash items

– Depreciation and impairment	6	813	722
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– Changes in provisions		-62	9
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– Capital gain		4	-2
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– Other changes		-31	-160
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– Result from interests in associated companies	15	130	14
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Cash flow from operating activities

before changes in working capital		1,126	1,049
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Cash flow from changes in working capital

Increase (-) / Decrease (+) in inventories		-2	0
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Increase (-) / Decrease (+) in operating receivables		134	-163
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Increase (+) / Decrease (-) in operating liabilities		-265	-637
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Cash flow from operating activities		994	250
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Investing activities

12, 13, 25

Acquisition of property, plant and equipment		-315	-716
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Disposal of property, plant and equipment		3	6
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Acquisition of intangible assets		-108	-30
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Acquisition of shares and participations		0	0
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Other long-term interest-bearing receivables*		0	-13
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Change in short-term deposits (91–360 days)		-478	139
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Cash flow from investing activities		-897	-614
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Cash flow from financing activities

97

-364

Financing activities

Amortisation of lease liability		-179	-149
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Borrowings		–	796
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Dividend		-157	-12
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Cash flow from financing activities		-336	635
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Cash flow for the year

-240

272

Cash and cash equivalents at start of year

320

48

Cash and cash equivalents at year-end

20

80

320

* Other long-term interest-bearing receivables from financing activities were reclassified as Investing activities in Q3 2013. The reclassification also extended over earlier periods.

Interest received by the Group totalled SEK 40 million (88), as against interest paid of SEK 60 million (69).

Statement of changes in equity

PARENT COMPANY	Restricted equity		Unrestricted equity				Total equity
	Share capital	Statutory reserve	Fair value reserve		Retained earnings	Profit for the year	
			Cash flow hedges	Available-for-sale financial assets			
SEK million							
01/01/2012	400	200	-19	2	3,731	4	4,317
Profit for the year						443	443
Other comprehensive income			4	1			5
Comprehensive income			4	1	0	443	447
Appropriation of profits					4	-4	0
Dividend to shareholder					-12		-12
31/12/2012	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
Dividend to shareholder					-157		-157
31/12/2013	400	200	-3	3	4,009	205	4,812

SJ AB's equity totalled SEK 4,812 million (4,753). The equity/assets ratio was 52.3 percent (51.2). The change in the Group's equity is attributable in the main to profit for the year of SEK 205 million (443) after tax.

Retained earnings, including profit for the year, comprises change in unrealised cash flow hedges including deferred tax

of SEK 13 million (4) and available-for-sale financial assets including deferred tax of SEK 0 million (1). Net profit for the year is also charged with a dividend of SEK 157 million (12) to the shareholder, as approved by decision of the 2013 AGM.

Accounting policies

GENERAL INFORMATION

The SJ Group operates passenger services and other compatible activities, directly and indirectly, via subsidiaries and associated companies. The accounts for the SJ Group for the financial year ending on 31 December 2013 were approved on 18 March 2014 by the Board of Directors and the Chief Executive Officer for publication and will be submitted to the Annual General Meeting (AGM) on 28 April 2014 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 annual accounts for the Group and Parent Company are set out below.

The presentation of the Group's and Parent Company's income statement and balance sheet, and the terminology used, differs in that the Group uses the presentation and terminology set forth in IAS 1, whereas the Parent Company uses the presentation and terminology set forth in RR 32:06 and the references to the Swedish Annual Accounts Act contained therein.

Conformity with regulations and standards

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

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

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

BASIS OF RECOGNITION

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

CHANGES IN ACCOUNTING POLICIES

SINCE 1 JANUARY 2013

IAS 1 Presentation of Financial Statements

New heading: Statement of Profit or Loss and Other Comprehensive Income Classification into two categories; components that are not reclassified and components that are reclassified to reflect specific conditions. Income tax is to be separated out and recognised in the category concerned. The only income components that SJ has to report are those that will be reclassified to profit/loss when specific conditions have been fulfilled.

IFRS 7 Financial Instruments: Disclosures

The effect of the amendments is to increase disclosure requirements in the case of offsetting financial assets and liabilities, net amounts stated in the statement of financial position and amounts that fall within framework agreements but are not offset.

IFRS 13, Fair Value Measurement

The standard represents a framework for measuring fair value when required by other standards. It applies to both financial and non-financial items. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (IFRS 13.9). The new standard has not affected SJ's financial statements to any significant extent, other than the increased disclosure requirements for fair value.

IAS 19, Employee Benefits

– defined-benefit pension plans

The amendments do not affect SJ, which operates defined-contribution pension plans, only affecting companies operating defined-benefit pension plans.

NEW ACCOUNTING POLICIES

The following section provides information on the new and amended accounting standards that apply from the beginning of 2014 and onwards and that are thought may affect SJ. SJ has not elected for early adoption of these standards.

IFRS 9 Financial Instruments: Recognition and Measurement

IFRS 9 Financial Instruments, issued in November 2009, introduced new requirements for classification and valuation of financial assets. In October 2010, IFRS 9 was amended through the introduction of requirements for classification and valuation of financial liabilities, and derecognition. In December 2011, IFRS 7 was amended, introducing increased disclosure requirements in the period in which IFRS 9 is applied for the first time. In November 2013, IASB issued IFRS 9 Hedge Accounting. In addition, the point in time for mandatory application of IFRS 9 was removed from the standard (formerly,

1 January 2015), and consequently this date is at present unknown.

In the view of executive management, application of IFRS 9 may affect the amounts recognised in the financial statements as regards the Group's assets and liabilities. Executive management has not yet conducted a detailed analysis of the implications of IFRS 9 and therefore cannot quantify its effects.

IFRS 12 Disclosure of Interests in Other Entities.

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

IMPORTANT ACCOUNTING ISSUES AND ESTIMATES AND ASSUMPTIONS

Assessments of important accounting issues

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

Leases

Leases are classified either as financial leases or operating leases. Leases in which the bulk of the risks and rewards of ownership is transferred to the lessee are classified as financial leases. An operating lease is a lease other than a financial lease. Around 25 percent of SJ AB's rolling stock fleet (the double-decker trains) is leased via financial lease contracts and is therefore recognised in both income statement and balance sheet. When estimating the economic life of the rolling stock, it is apparent that the economic life exceeds the term of the leases. SJ AB intends to assume ownership of this rolling stock on expiry of the leases. As a result, depreciation is applied over the expected useful life.

Financial leases

Significant assets acquired through finance leases are recognised in the Group and Parent Company accounts as non-current assets once the contract has been signed and the equipment has been delivered. Financial lease liabilities are measured at the present value of minimum lease fees payable to the lessor during the term of the lease, plus any sum guaranteed by the lessee or party related to the lessee. The lease term is the period for which SJ AB has contracted

to lease the asset. Under financial leases, an asset is depreciated over the course of its estimated useful life. Future commitments to the lessor are recognised as a liability in the balance sheet. Payment of lease fees is divided into financial expense and debt amortisation.

Operating leases

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

Financial instruments

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

Penalty payments

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

Uncertainty in estimates and assumptions

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

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

ACCOUNTING POLICIES FOR THE GROUP

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

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

Purchase method

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

Subsidiaries

The subsidiaries that are included in the consolidated accounts are the companies in which SJ AB has a controlling interest, that is to say those in which it has the right to determine the subsidiary's financial and operational strategies.

Associated companies

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

Parent Company

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

Accounting for Group contributions

Since the 2012 financial year, the Parent Company has been accounting for Group contributions in accordance with the alternative rule, with Group contributions paid and received being reported as an appropriation. The rule has been applied with a view to standardising future reporting of Group contributions, as the K3 rule allows reporting of Group contributions as an appropriation.

Elimination of intra-Group transactions

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

Internal pricing

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

INCOME RECOGNITION

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

Income/Net turnover

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

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

Other operating income

What is not net turnover is classified as other operating income. This consists for the most part of capital gain on the sale of property, plant and equipment and payments of insurance claims, damages and compensation for disruptions.

The capital gain is recognised on delivery of the equipment, while other payments are normally recognised when the insurance company or equivalent has approved a request for payment or on payment thereof.

SEGMENT REPORTING

Segment reporting is based on the executive management's perspective. An operating segment is a business unit that engages in business activities from which it may earn income and in which it may incur expenses (including income and expenses relating to transactions with other components of the same company) and whose operating results are regularly reviewed by the company's management and board of directors as a basis for decisions on resource allocation. This means that separate financial information must be available for segments that are reported externally.

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

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

DEPRECIATION AND AMORTISATION

Depreciation and amortisation are measured using the straight-line method according to systematic plans for the useful life of the assets, which are tested on an ongoing basis, starting in the month after the asset has been used for the first time. The depreciation period for intangible assets is normally 3 years (software), but depreciation periods of 5 and 7 years are also used, as this period of depreciation best reflects their useful life.

High-value components and additional investments are depreciated over the remaining useful life of the main unit. Repairs of high-value components are expensed as they arise. Trains constitute the major part of SJ AB's property, plant and equipment and are divided into two main components: chassis and interiors. The depreciation periods for these components differ.

The schedules are as follows:

Capitalised development expenses	3–7 years
Rolling stock – chassis	20–25 years
Rolling stock – interiors	7–13 years
Infotainment, handheld computers, china	3 years
Buildings - workshops	20 years
Building equipment	5–10 years
Company cars	5 years
Plant and machinery	5–10 years

Improvements in leased premises according to length of lease.

Impairment of assets

At each balance sheet date, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication of impairment, that is, whether their value has declined. If this is the case, the recoverable amount is calculated. The recoverable amount consists of the net realisable value or value in use, whichever is higher. Value in use is measured as the present value of expected future cash flows until the end of the useful life of an asset or other cash-generating unit. An impairment loss is recognised when the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement. Testing for impairment is based on the business and strategic plan adopted by the Board. Important estimates and assumptions are taken into account as discounting factors, as well as the growth and price factor.

BORROWING COSTS

Borrowing costs that are directly attributable to purchase,

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

INCOME TAX

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

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

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

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

EARNINGS PER SHARE

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

PROPERTY, PLANT AND EQUIPMENT

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

Building

The cost of the building, a workshop for maintaining the double-decker trains, corresponds to the present value of minimum leasing costs over the lease term. Commitments for restoration expenses are included in the acquisition cost.

Rolling stock, plant and machinery

The cost of rolling stock is the purchase price plus expenditure directly related to the asset in order to bring it

to a location and to such a condition that it can be used in accordance with the purpose of its acquisition. Such expenditure relates primarily to project planning expenditure and interest expenses during the construction period. Additional expenses, for example for refurbishment of train interiors, are capitalised.

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

Construction in progress

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

INTANGIBLE ASSETS

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

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

Capitalised development expenses

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

INVENTORIES

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

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

FINANCIAL INSTRUMENTS

Recognition and measurement

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

attributable transaction expenses, other than financial assets recognised at fair value via profit/loss.

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

Fair value

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

Amortised cost

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

Effective interest method

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

Derecognition from the balance sheet

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

Classification

The Group classifies financial assets in three categories:

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

The Group classifies all financial liabilities as:

- financial liabilities measured at amortised cost

This classification depends on the purpose for which the instruments were acquired. All of SJ's financial instru-

ments are reported, classified by category, measurement policy and measurement method (level), in Note 20.

Financial assets measured at fair value via profit/loss

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

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

Investments held until maturity

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

Loan receivables and trade receivables

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

Available-for-sale financial assets

This category includes investments not identified as being held for trading, and financial instruments not classified in any other category. Settlement-date accounting is used for available-for-sale financial assets. Value changes are recognised in other comprehensive income.

Financial liabilities measured at amortised cost

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

HEDGE ACCOUNTING

Cash flow hedging

SJ uses hedging instruments to secure future cash flows, for instance to cover investments made in foreign currencies. Such hedges are recognised in the balance sheet at fair value. Under rules on cash flow hedging, any changes

in value in currency forward contracts are recognised in other comprehensive income and aggregated in the hedging reserve in equity. When the hedged amount falls due for payment, the value in the hedging reserve is transferred to the asset via other comprehensive income.

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

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

CREDIT LOSSES

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

FINANCIAL ASSETS

Securities held as non-current assets, shares and participations

Securities held as non-current assets are measured at fair value. Changes in value are recognised via profit/loss. These holdings consist mainly of shares in unlisted companies, over which the Group does not exercise any significant influence.

Non-current receivables

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

TRADE RECEIVABLES

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

ACCRUED INCOME

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

SHORT-TERM DEPOSITS

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

Parent Company

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

CASH AND CASH EQUIVALENTS

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

Parent Company

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

AVAILABLE-FOR-SALE NON-CURRENT ASSETS

Non-current assets are reported as available for sale if the carrying amounts will be recovered largely through sale rather than through continuous use, as provided for in IFRS 5. This requirement is satisfied only 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 previous carrying amount or fair value, whichever is the lower, after deduction of selling costs.

Parent Company

The Parent Company reports available-for-sale non-current assets as part of the total of its property, plant and equipment.

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

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

LEASING

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

Financial leases

Significant assets acquired through financial leases are

recognised in the consolidated accounts and Parent Company accounts as non-current assets once the contract has been signed and the equipment has been delivered.

The leased asset and the leased liability are valued at the beginning of the lease term at either the fair value of the asset or liability or the current value of the minimum lease fees, whichever is the lower. The latter are fees that are payable to the lessor during the term of the lease, plus any sum guaranteed by the lessee or party related to the lessee. The lease term is the period for which SJ AB has contracted to lease the asset. Under financial leases, an asset is depreciated over the course of its estimated useful life.

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

Operating leases

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

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

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

PROVISIONS

Provisions are liabilities that are uncertain with regard to amount by which, or the time when, they will be settled. A provision is recognised in the Group statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably calculated. Material provisions are measured at present value when the effect of the calculation is significant. Any unwinding of the present value calculation is recognised as a financial expense. Provisions are reviewed at each balance sheet date and reversed if no longer needed.

Accident annuities

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

Restructuring

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

Pensions

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

Customer loyalty programme

Revenue relating to SJ Prio is recognised on the basis of IFRIC 13, Customer Loyalty Programmes. The initial sale is therefore divided according to the component method, whereby a portion of the revenue is reserved as a payment obligation for the future bonus commitment. The customer loyalty programme provides rewards in the form of points when the member buys from SJ and selected partners. The points can then be redeemed, for example, as payment for travel and hotel accommodation. Membership is free and is available on three levels, white, grey and black, of which black is the highest. The programme promotes and rewards loyalty. The more that customers travel with SJ, the more offers and benefits they receive.

EQUITY

Equity includes share capital, other contributed capital, reserves and retained earnings. For further information see Note 21. Changes in equity are classified as "owner-related" and "non-owner-related" changes, of which the latter corresponds to recognised comprehensive income in the statement of comprehensive income. Classification into unrestricted and restricted equity is not performed in the Group.

Parent Company

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

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

CONTINGENT LIABILITIES

Contingent liabilities are current commitments relating to events that have occurred and that have not been recognised as a liability or provision. This is because it is unlikely that funds will have to be paid to settle them or because their size cannot be determined with adequate certainty.

STATEMENT OF CASH FLOWS

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

- changes for the period in inventories, trade receivables and trade payables, 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 effects relate to investing or financing activities.

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

RELATED PARTY DISCLOSURES.

SJ-related companies are defined as State-owned enterprises, operating with commercial mandates, over which the State has a controlling interest. Related parties also include the Parent Company, subsidiaries, associates, Trafikverket and other parts of the Swedish State. Related individuals are defined as members of the Board of Directors, senior executives and the immediate family members of such persons. SJ discloses related party transactions, with the exception of non-material transactions with government agencies or companies.

EVENTS AFTER THE FINANCIAL YEAR-END

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

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

Notes

NOTE 1: SEGMENT REPORTING

2013	SJ AB	Stockholmståg KB	Other	Elim.	Total
Income from external customers	6,167	2,015	979	–	9,160
Income from internal transactions	116	0	263	-379	0
Total income	6,283	2,015	1,242	-379	9,160
Depreciation and impairment	-813	-1	-33	–	-847
Operating profit/loss	333	106	-11	-130	298
Result from interests in associated companies	-130	–	–	–	-130
Financial income	40	2	9	-4	47
Financial expenses	-60	0	-1	4	-57
Tax	-68	0	-2	2	-68
Profit/loss for the year	205	108	-6	-87	220
Investments	423	1	25	–	448
Total assets	9,199	419	907	-1,214	9,312
Provisions, incl. deferred tax	463	3	149	13	628
Non-interest-bearing liabilities	1,466	227	330	-211	1,813
Interest-bearing liabilities	2,458	81	178	-806	1,911
Total liabilities	4,387	311	657	-1,004	4,352
2012	SJ AB	Stockholmståg KB	Other	Elim.	Total
Income from external customers	6,073	1,735	856	–	8,664
Income from internal transactions	112	0	289	-401	–
Total income	6,185	1,735	1,145	-401	8,664
Depreciation and impairment	-722	-1	-24	–	-748
Operating profit/loss	457	78	-60	-9	467
Result from interests in associated companies	-14	–	–	5	-9
Financial income	88	3	10	-5	96
Financial expenses	-69	0	-2	5	-65
Tax	-24	0	17	-21	-27
Profit/loss for the year	443	81	-48	-5	471
Major items not affecting cash flow, penalty payment	-156	–	–	–	-156
Investments	1,059	2	55	–	1,116
Total assets	9,461	372	927	-1,196	9,565
Provisions, incl. deferred tax	454	4	131	13	602
Non-interest-bearing liabilities	1,674	216	371	-275	1,986
Interest-bearing liabilities	2,581	70	164	-724	2,091
Total liabilities	4,709	291	665	-986	4,679

The accounting principles used in segment accounting was the same as applied in preparation of the consolidated accounts. The Group's operating segments comprise SJ AB, Stockholmståg KB and Other Subsidiaries. The major share of income is made up of ticket sales and contract revenue. The operating segments have

been identified in accordance with the structure of the financial information reported to the Board of Directors and management. Operations are essentially conducted in Sweden. No individual external customers contribute more than 10 percent of total turnover.

NOTE 2: NET TURNOVER

	Group		Parent Company	
	2013	2012	2013	2012
Income from train services	8,297	7,829	5,607	5,515
Income from bistro services	204	174	188	158
Rolling stock leased out	39	38	39	38
Commission	90	87	90	87
Other	395	376	201	203
Total net sales	9,023	8,504	6,125	6,001

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

The increase in net turnover is attributable to expansion of operations at the subsidiaries Stockholmståg KB and SJ Götalandståg AB.

NOTE 3: RELATED PARTY TRANSACTIONS

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

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

in which the State has a controlling interest, and public service corporations. Purchases of products and services from Trafikverket SEK 661 million (546) and from Jernhusen AB SEK 204 million (199) dominate. For more information on remuneration to senior executives, see Note 5.

NOTE 4: OTHER OPERATING INCOME

	Group		Parent Company	
	2013	2012	2013	2012
Capital gains/losses on non-current assets	-4	2	-4	2
Damages and compensation for disruptions	128	1	149	26
Other	13	156	12	156
Total other operating income	137	159	157	184

Other operating income in 2013 consists of damages and compensation for disruptions, mainly in connection with the accident at Kimstad in 2010, as well as insurance claim payments received in

2013. In the corresponding period last year, SJ received a financial penalty of SEK 156 million for delays in deliveries of SJ 3000s.

NOTE 5: PERSONNEL

Personnel expenses: salaries, other remuneration and social security expenses, SEK m	Group		Parent Company	
	2013	2012	2013	2012
Salaries and other remuneration:				
Board of Directors	-1	-1	-1	-1
CEO and senior executives	-29	-30	-22	-21
Other employees	-1,968	-1,776	-1,200	-1,222
Total salaries and other remuneration:	-1,998	-1,807	-1,223	-1,244
Social security expenses	-832	-745	-526	-498
of which, pensions for Board of Directors, CEO and senior executives, including special payroll tax	-11	-12	-8	-9
of which, pension expenses, other employees, including special payroll tax	-232	-197	-158	-121
Other personnel-related expenses	-80	-140	-72	-103
Total personnel costs	-2,910	-2,691	-1,821	-1,845

The ITP 2 Plan's defined-benefit retirement and family pension (or family pension) commitments on behalf of salaried employees in Sweden is secured via an insurance policy with Alecta. According to a statement by UFR (the Swedish Financial Reporting Board), UFR

3 Classification of ITP plans financed via insurance with Alecta, this is classed as a defined-benefit plan covering several employers. For the 2013 financial year, the Company did not have access to information enabling it to account for its proportional share of the

NOTE 5, cont.

commitments, assets under management and costs of the plan, and as result it was not possible to account for the plan as a defined-benefit plan. The ITP 2 pension plan, which is secured via insurance with Alecta, is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated individually, taking into account salary, pension entitlement already earned, and anticipated remaining period of service.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance commitments measured according to Alecta's actuarial methods and assumptions, which do not correspond to those of 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, action shall be taken in order to create the conditions to enable the collective consolidation level to return to within the normal

range. In the event of a low consolidation level, one potential action would be to increase the agreed price for contracting new, or extending existing, benefits. In the event of a high consolidation level, one potential action could be to introduce premium reductions. At the end of 2013, Alecta's collective consolidation level was provisionally calculated at 148 percent (130). The Group's pension premium charges (excluding special payroll tax) for 2013 totalled SEK 177 million (162), of which SEK 95 million (89) consisted of defined-benefit premiums and SEK 82 (73) million defined-contribution premiums.

The SPV (the National Government Employee Pensions Board) plans, mainly in the form of the PA 91 and PA 03 plans, both defined-benefit pension plans and defined-contribution plans, are accounted for as defined-contribution plans.

Average number of employees	Group 2013						Parent Company 2013					
	Total	Men %	Women %	Total	Men %	Women %	Total	Men %	Women %	Total	Men %	Women %
Sweden	4,945	61	39	4,292	60	40	2,990	59	41	2,986	58	42
Nordic region	8	48	52	7	36	64	–	–	–	–	–	–
Total	4,953	61	39	4,299	60	40	2,990	59	41	2,986	58	42

Distribution, senior executives	Group 2013						Parent Company 2013					
	Total	Men %	Women %	Total	Men %	Women %	Total	Men %	Women %	Total	Men %	Women %
Board members	16	62	38	12	50	50	7	43	57	7	43	57
Other executive management, including CEO	16	69	31	16	75	25	10	60	40	8	63	38
Total	32	66	34	28	64	36	17	53	47	15	72	28

2013

Remuneration to Board of Directors and senior executives in the Group 2013, SEK th.

		Board fee	Committee fee	Total
Chair	Jan Sundling	400	14	415
Non-executive director	Lena Olving	150	14	164
Non-executive director	Eivor Andersson	150	25	175
Non-executive director ¹	Lars-Olof Gustavsson	50	0	50
Non-executive director ²	Mikael Staffas	100	0	100
Non-executive director	Gunilla Wikman	150	29	179
Non-executive director	Siv Svensson	150	55	205
Non-executive director	Michael Thorén	0	0	0
Total		1,150	137	1,288

NOTE 5, cont.

2013

Remuneration, excluding social security contributions and payroll tax, to senior executives in the Group in 2013, SEK th.		Basic salary	benefits	Total	Pension expense	Period of notice from employer + number of months' severance pay	Severance pay and termination cost
CEO, 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 Human Resources	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 and 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 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
Vice President and Chief Financial Officer ⁹	Carina Wång	380	6	386	152	538	6+12
Vice President Planning & Traffic Management	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
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 Resigned as non-executive director on 26 April 2013.

2 New non-executive director from 26 April 2013.

3 Salary audit was completed in 2014 and is not included in the table above.

4 Resigned from position on 30 October 2013.

5 Took up the appointment of Vice President Communication on 3 June 2013.

6 Took up the appointment of Vice President Marketing & Sales on 1 August 2013.

7 Took up the appointment of Vice President Quality, Environment & Sustainability on 8 April 2013.

8 Resigned from position of Vice President Marketing, Communication & Sales on 1 May 2013.

Basic salary, benefits and pension expense recognised until end of April.

9 Took up the appointment of Vice President & Chief Financial Officer on 30 October 2013.

10 Resigned from position on 15 April 2013 Basic salary, benefits and pension expense recognised until end of April.

NOTE 5, cont.

2012

Remuneration to Board of Directors and senior executives in the Group 2012, SEK th.

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

2012

Remuneration, excluding social security contributions and payroll tax, to senior executives in the Group in 2012, SEK th.

		Basic salary	benefits	Total	Pension expense	Period of notice from employer + number of months' severance pay	Severance pay and termination cost
CEO, SJ AB ⁴	Jan Forsberg	1,338	55	1,393	1,495	2,888	12+12
CEO, SJ AB ⁵	Jan Olson	1,448	61	1,509	380	1,889	–
Vice President Business Development ⁵	Jan Olson	642	34	676	264	940	6+18
CEO, SJ AB ⁶	Crister Fritzson	531	0	531	97	628	6+18
Vice President Legal Affairs ⁷	Magnus Westerlind	928	32	960	256	1,216	12+4
Vice President Legal Affairs ⁸	Robert Westerdahl	268	0	268	29	297	3+0
Vice President Human Resources	Peter Blomqvist	1,411	97	1,508	637	2,145	6+18
Vice President Business & Service ⁹	Madeleine Raukas	1,402	0	1,402	335	1,737	6+12
Vice President and Chief Financial Officer	Britta Dalunde	1,860	44	1,904	557	2,461	6+12
Vice President Traffic Safety ¹⁰	Lars Svensson	905	5	910	381	1,291	–
Director Traffic Safety ¹¹	Peter Sjöquist	246	–	246	25	271	2+0
Vice President Marketing, Communication & Sales	Elisabeth Lindgren	1,832	112	1,944	506	2,450	6+12
Vice President Traffic & Service ¹²	Håkan Ahl	587	22	609	198	807	6+6
Vice President Planning & Traffic Management ¹³	Jens Wigen	1,600	14	1,614	399	2,013	6+12
Vice President Sales ¹⁴	Nina Hornewall	1,730	64	1,794	418	2,212	6+18
Vice President Fleet Management	Claes Broström	1,955	87	2,042	594	2,636	6+12
Vice President IT ¹⁵	Björn Rosell	1,452	62	1,514	347	1,861	6+12
CEO SJ Norrlandståg AB	Björn Nilsson	1,562	6	1,568	465	2,033	6+12
CEO SJ Event AB ¹⁶	Michael Wikström	988	70	1,058	231	1,289	6+18
CEO SJ Service Academy AB	Olle Lundström	1,490	74	1,564	469	2,033	6+12
CEO Linkon AB	Christer Jernberg	1,227	100	1,327	390	1,717	6+18
CEO Stockholmståg KB	Kjell Färnström	1,652	93	1,745	771	2,516	6+12
CEO SJ Försäkring AB	Carl Dahlberg	681	5	686	181	867	6+12
CEO SJ Götalandståg AB ¹⁷	Jan Jansson	648	0	648	191	839	6+12
CEO SJ Götalandståg AB ¹⁸	Lena Källström	194	–	194	22	216	3+0
Total		28,577	1,037	29,614	9,638	39,252	10,004

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

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

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

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

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

6 Took up the appointment of CEO in November.

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

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

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

10 Retired in August 2012.

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

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

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

14 Resigned from position in October 2012.

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

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

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

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

NOTE 5, cont.

Changes in executive management and other senior executives

In April, Erica Kronhöffer took up the appointment of Vice President Quality, Environment & Sustainability. Elisabeth Lindgren, Vice President Marketing, Communication & Sales, resigned from her position in May and was succeeded by Vice President Communication Helga Baagøe in June and Vice President Marketing & Sales Thomas Silbersky in August. Vice President & Chief Financial Officer Britta Dalunde resigned from her position in October and was succeeded by Vice President & Chief Financial Officer Carina Wång.

Remuneration to senior executives*Senior executives*

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

Guidelines and decision-making procedures

During the year, the Company observed the principles regarding remuneration and other terms and conditions of employment for senior executives that were approved at the 2013 Annual General Meeting (AGM). These principles are based on the guidelines issued by the government on 20 April 2009 concerning terms and conditions of employment for senior executives at State-owned enterprises. Decisions as to terms and conditions of employment for the CEO are drafted by the remuneration committee and subject to approval by the Board. Decisions as to terms and conditions of employment for other senior executives are subject to approval by the CEO, following a standard review procedure by the Company's remuneration committee. The results of agreements reached are reported to the Board. Before any decision is taken with regard to individual remuneration, documentation in writing, showing the total costs to the Company, is produced as a basis for decision. The Board verifies that the remuneration items comply with these guidelines by comparing remuneration items for executives at a similar level in other State-owned and private enterprises in Sweden that are comparable for size, complexity and turnover. At the Annual General Meeting, the Board shall present for approval proposals for principles regarding remuneration and other terms and conditions of employment for the CEO and senior executives. The remit of the remuneration committee is to draft the Board's proposals for principles governing salaries and other remuneration.

The members of the Remuneration Committee are Jan Sundling, Lena Olving, Michael Thorén and Mikael Staffas.

Remuneration*Board of Directors*

According to decision by SJ AB's 2013 AGM, annual fees shall be paid to the members of the Board of Directors, in the amounts of SEK 400,000 to the Chairman and SEK 150,000 each to the other members, as elected at the AGM. In addition, annual fees shall be paid to the members of the Board's audit committee, in the amounts of SEK 55,000 to the Chairman and SEK 43,000 per person to the other members. No separate fee is payable for other Board committee work. No fee is payable to any member who is employed in the Government Offices. No commitments regarding pension benefits have been entered into on behalf of external Board members. However, a fee was paid to the Chair of the Board, who was employed to a limited extent as a special advisor in the Government Offices until April 2013.

Executive Management

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

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

Pensions

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

Termination and severance pay

In the event that the Company terminates the employment contract, the notice periods and severance pay amounts are as shown in the table. If the employee takes up new employment or receives income from other business activities, the salary paid during the notice period and the severance pay shall be reduced by an amount corresponding to the income or other benefit received during the period concerned.

NOTE 6: DEPRECIATION, AMORTISATION AND IMPAIRMENTS

	Group		Parent Company	
	2013	2012	2013	2012
Depreciation of property, plant and equipment	-722	-634	-720	-627
Amortisation of intangible assets	-106	-103	-86	-90
Impairments and reversal of previous impairments	-19	-11	-7	-5
Total	-847	-748	-813	-722

NOTE 7: OTHER EXPENSES

	Group		Parent Company	
	2013	2012	2013	2012
Train maintenance and upkeep	-1,490	-1,424	-894	-923
Cost of electricity for operating trains	-461	-463	-275	-289
Infrastructure charges	-456	-372	-325	-268
Other production-related expenses	-1,266	-1,373	-528	-532
Indirect expenses	-1,301	-1,118	-1,293	-1,149
Total	-4,975	-4,750	-3,315	-3,161

NOTE 8: FEES AND REIMBURSEMENT OF EXPENSES TO AUDITORS

	Group		Parent Company	
	2013	2012	2013	2012
Ernst & Young AB				
Audit assignment	-	-4	-1	-3
Auditing other than audit assignment	-1	0	0	-
Tax advice	0	0	0	0
Other services:	0	-1	0	-1
Deloitte AB				
Audit assignment	-2	-	-1	-
Riksrevisionen (the Swedish National Audit Office)				
Audit assignment	0	0	0	0
Total	-3	-5	-2	-4

Audit assignment consists of examination of the annual accounts and accounting records and the administration by the Board and the CEO. During an audit it may emerge that a more in-depth examination is required, in which case the associated costs will be reported as Auditing in addition to audit assignment. Consultation on

tax issues and assistance with tax returns are accounted for under Tax advice. Other services include, for example, advice on interpretation of IFRS and other accounting rules. In 2013, Deloitte AB took over auditing duties for the Group. As of the 2013 financial year, Riksrevisionen (the Swedish National Audit Office) does not audit SJ.

NOTE 9: INCOME FROM SUBSIDIARIES

	Parent Company	
	2013	2012
Group contributions received	76	30
Group contributions paid	-68	-97
Dividend	81	70
Total	89	3

NOTE 10: INTEREST INCOME, INCOME EXPENSES AND SIMILAR EXPENSES

	Group		Parent Company	
	2013	2012	2013	2012
Interest income and similar income				
Interest income, current receivables	38	74	30	73
Interest income, non-current receivables	9	18	9	11
Other interest income	-	4	-	3
Interest income, Group companies	-	-	1	1
Total	47	96	40	88

NOTE 10, cont.

	Group	Parent Company		
Interest expenses and similar expenses	2013	2012	2013	2012
Interest expenses, leasing	-38	-62	-38	-62
Charge to reflect risk ¹	-	-4	-	-4
Net interest, hedging instruments	-13	-2	-13	-2
Exchange differences	1	7	1	7
Other financial expenses ²	-6	-4	-6	-3
Interest expenses, Group companies	-	-	-3	-4
Total	-57	-65	-60	-69

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

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

2013

Group - Classification of net financial items	Financial income	Financial costs	Surplus/deficit Profit/loss	Net financial items	Surplus/deficit Other comprehensive income
Financial assets measured at fair value via profit/loss					
Bonds	32	-	-3	29	-
Loan receivables and trade receivables					
Cash in hand and on deposit	1	-	-	1	-
Receivables	1	-	-	1	-
Available-for-sale financial assets					
Short-term deposits	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 Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 16 million (15) before tax. SEK -13 million has been taken to net interest and SEK 0 million to non-current assets

2 Administrative expenses and charges related to leases totalled SEK -2 million (-10) in 2013.

2012

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

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

NOTE 11: TAX

	Group		Parent Company	
	2013	2012	2013	2012
Deferred tax expense	-68	-27	-68	-24
Total	-68	-27	-68	-24

Deferred tax expense includes tax effects of changes during the year in loss carry-forwards and temporary differences. During the year, the Parent Company received Group contributions of SEK 76 million (30) and provided Group contributions of SEK 68 million (97).

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

	Group		Parent Company	
	2013	2012	2013	2012
Deferred tax on available-for-sale financial assets	0	-1	0	-1
Deferred tax on cash flow hedges	-3	-1	-3	-2
Total	-3	-2	-3	-3

	Group		Parent Company	
	2013	2012	2013	2012
Deferred tax assets and liabilities				
Deferred tax assets relating to:				
Loss carry-forwards	0	10	0	10
Temporary differences, restructuring reserve	-	0	-	0
Temporary differences, financial instruments cash flow hedges	0	4	0	4
Temporary differences, other reserves	7	6	7	6
Deferred tax receivables	7	20	7	20
Deferred tax liabilities relating to:				
Temporary differences in leasehold improvements	-3	-3	-3	-3
Temporary differences, financial leasing	-262	-188	-262	-188
Temporary differences not recognised previously	-	-10	-	-10
Temporary differences, other reserves	-9	-14	5	-
Deferred tax liabilities	-274	-215	-259	-201
Recognised deferred tax asset/liability, net	-267	-195	-252	-181

Cumulative loss carry-forwards were SEK 1 million (44) in the Group and SEK 1 million (44) in the Parent Company. Loss carry-forwards are perpetual and do not have a maturity date.

Recognition of deferred tax is reviewed every year during preparation of the financial statements. This review assesses the extent to which it is probable that the deferred tax assets can be utilised via future taxable income. In 2005, a deferred tax asset was capitalised for the first time in the accounts, in accordance with applicable accounting rules. Based on profits over the 2004–2013 period, SJ re-

mains of the view that its business has achieved a stable capacity to generate future profits, thus enabling the utilisation of loss carry-forwards and tax-deductible temporary differences.

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

Group	2013		2012	
Reconciliation of recognised tax and effective tax rate	Tax	Tax rate, %	Tax	Tax rate, %
Profit before tax	288		498	-
Tax according to nominal rate	-63	-22	-131	-26
Change in treatment for temporary differences in leased assets	-	-	64	13
Effect of change in tax rate	-	-	38	8
Non-deductible expenses	-2	-1	1	0
Effect of change in previous years' tax returns	-1	0	1	0
Temporary difference not recognised previously	29	10	-	-
Impairment losses on participations	-29	-10	-	-
Other differences	-2	-1	-	-
Tax affecting profit for the year, recognised in Statement of comprehensive income	-68	-24	-27	-5

NOTE 11, cont.

Parent Company	2013		2012	
	Tax	Tax rate, %	Tax	Tax rate, %
Reconciliation of recognised tax and effective tax rate				
Profit before tax	272	–	466	–
Tax according to nominal rate	-60	-22	-123	-26
Dividend from limited partnership	18	7	18	4
Non-deductible expenses	-1	0	1	0
Tax attributable to surplus/deficit in limited partnership	-24	-9	-16	-3
Effect of change in previous years' tax returns	-1	0	1	0
Change in treatment for temporary differences in leased assets	–	–	64	14
Temporary difference not recognised previously	29	11	–	–
Impairment losses on participations	-29	-11	-5	-1
Effect of change in tax rate	–	–	35	8
Other differences	1	0	–	–
Tax expense recognised in income statement	-68	-24	-24	-5

Amortisation payments for financially leased assets are tax-deductible, while depreciation and impairment losses are not.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

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 property, plant and equipment
Cost at start of year	59	9,193	276	3,564	13,033	196	379	13,667
Investments	–	43	9	–	52	24	240	316
Revisions	–	-105	–	–	-105	–	–	-105
Sales/disposals	–	-78	–	-1	-79	-5	–	-84
Reclassifications	–	161	1	–	162	2	-164	0
Accumulated cost at year-end	59	9,214	286	3,563	13,063	217	455	13,794
Accumulated depreciation at start of year	-23	-4,434	-93	-543	-5,070	-108	0	-5,201
Depreciation for the year	-3	-544	-25	-124	-693	-27	–	-723
Revisions	–	33	–	–	33	–	–	33
Sales/disposals	–	68	–	–	68	5	–	73
Reclassifications	–	–	–	–	0	–	–	0
Accumulated depreciation at year-end	-26	-4,877	-118	-667	-5,662	-130	0	-5,818
Accumulated impairment losses at start of year	–	-49	-6	-1,575	-1,630	-6	–	-1,636
Impairments and reversals for the year	–	16	–	–	16	–	–	16
Accumulated impairment losses at year-end	–	-33	-6	-1,575	-1,614	-6	–	-1,620
Carrying amount at year-end	33	4,304	162	1,321	5,787	81	455	6,356

The major reclassification from construction in progress to own rolling stock arises from the change in status of SJ 3000 trains, which SJ took possession of during the year. Impairment losses for the year consist of both a reversal of an earlier impairment loss on the train damaged in the accident at Kimstad, the train having been restored to service, and an impairment loss on interiors in connection with refurbishment of a number of SJ 2000s.

Certain components in the SJ rolling stock fleet have a useful life that is shorter than the overall useful life of the individual vehicle concerned and are therefore replaced at regular intervals during pe-

riodic maintenance ("overhauls"). Such components are accounted for separately and depreciated as distinct units over the said shorter service life (component depreciation method).

In December, the Board approved a decision to sell, in the next few years, two X31 trains sets and 13 Rc3 locomotives, which had been classified as non-current assets for sale and measured at the lower of either market value or fair value.

Re-classifications for the year consist of a re-classification in accordance with IFRS 5 Non-current Assets Held for Sale.

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 property, plant and equipment
Cost at start of year	59	9,185	276	3,564	13,025	164	379	13,627
Investments	–	42	9	–	51	24	240	315
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	-70	–	-1	-71	-5	–	-76
Reclassifications	–	161	1	–	162	2	-164	0
Accumulated cost at year-end	59	9,318	286	3,563	13,167	185	455	13,866
Accumulated depreciation at start of year	-23	-4,431	-93	-543	-5,067	-85	0	-5,175
Depreciation for the year	-3	-543	-25	-124	-692	-25	–	-720
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	65	–	–	65	5	–	70
Reclassifications	–	–	–	–	0	–	–	0
Accumulated depreciation at year-end	-26	-4,909	-118	-667	-5,694	-105	0	-5,825
Accumulated impairment losses at start of year	–	-49	-6	-1,575	-1,630	–	–	-1,630
Impairments and reversals for the year	–	16	–	–	16	–	–	16
Accumulated impairment losses at year-end	–	-33	-6	-1,575	-1,614	–	–	-1,614
Carrying amount at year-end	33	4,376	162	1,321	5,859	80	455	6,426

Group 2012	Leased building	Own rolling stock	Own investments in leased rolling stock	Leased rolling stock	Total rolling stock	Total machinery and equipment	Construction in progress	Total property, plant and equipment
Cost at start of year	59	5,564	604	4,416	10,584	133	1,885	12,661
Investments	–	815	10	0	825	11	197	1,033
Revisions	–	0	–	–	0	–	–	0
Sales/disposals	–	-27	0	–	-27	–	–	-27
Reclassifications	–	2,841	-338	-852	1,651	52	-1,703	0
Accumulated cost at year-end	59	9,193	276	3,564	13,033	196	379	13,667
Accumulated depreciation at start of year	-20	-3,303	-317	-869	-4,489	-80	–	-4,589
Depreciation for the year	-3	-409	-40	-154	-603	-28	–	-634
Revisions	–	–	-2	1	-1	–	–	-1
Sales/disposals	–	23	–	–	23	–	–	23
Reclassifications	–	-745	266	479	0	–	–	0
Accumulated depreciation at year-end	-23	-4,434	-93	-543	-5,070	-108	–	-5,201
Accumulated impairment losses at start of year	–	-50	-6	-1,575	-1,631	0	–	-1,631
Impairment losses for the year	–	1	–	–	1	-6	–	-5
Accumulated impairment losses at year-end	–	-49	-6	-1,575	-1,630	-6	–	-1,636
Carrying amount at year-end	36	4,710	177	1,446	6,333	82	379	6,830

NOTE 12, cont.

Parent Company 2012	Leased building	Own rolling stock	Own investments in leased rolling stock	Leased rolling stock	Total rolling stock	Total machinery and equipment	Construction in progress	Total property, plant and equipment
Cost at start of year	59	5,557	604	4,416	10,577	104	1,883	12,623
Investments	–	812	10	0	822	10	197	1,029
Revisions	–	0	–	–	0	–	–	0
Sales/disposals	–	-25	0	–	-25	–	–	-25
Reclassifications	–	2,841	-338	-852	1,651	50	-1,701	0
Accumulated cost at year-end	59	9,185	276	3,564	13,025	164	379	13,627
Accumulated depreciation at start of year	-20	-3,300	-319	-868	-4,487	-63	–	-4,570
Depreciation for the year	-3	-408	-40	-154	-602	-22	–	-627
Revisions	–	–	–	–	0	–	–	0
Sales/disposals	–	22	–	–	22	–	–	22
Reclassifications	–	-745	266	479	0	–	–	0
Accumulated depreciation at year-end	-23	-4,431	-93	-543	-5,067	-85	0	-5,175
Accumulated impairment losses at start of year	–	-50	-6	-1,575	-1,631	–	–	-1,631
Impairment losses for the year	–	1	–	–	1	–	–	1
Accumulated impairment losses at year-end	–	-49	-6	-1,575	-1,630	–	–	-1,630
Carrying amount at year-end	36	4,705	177	1,446	6,328	79	379	6,822

Impairments for 2011 relate to an accident in Malmö, in which an impairment loss of SEK 19 million was applied in respect of the rolling stock, which was then sold. An impairment loss of SEK 9 million was also applied to SJ 2000s in connection with the removal and replacement of pairs of trailing wheels.

NOTE 13: INTANGIBLE NON-CURRENT ASSETS

Group	2013		2012	
	Brand	Other	Total	Total
Cost at start of year	240	799	1,039	956
Investments	–	132	132	83
Accumulated cost at year-end	240	931	1,171	1,039
Accumulated depreciation at start of year	-240	-505	-745	-642
Depreciation and impairment losses for the year	–	-118	-118	-103
Accumulated depreciation at year-end	-240	-623	-863	-745
Carrying amount at year-end	–	308	308	294

Parent Company	2013		2012	
	Brand	Other	Total	Total
Cost at start of year	240	452	692	663
Investments	–	108	108	30
Other	–	–	0	-1
Accumulated cost at year-end	240	560	800	692
Accumulated depreciation at start of year	-240	-303	-543	-453
Depreciation and impairment losses for the year	–	-87	-87	-90
Accumulated depreciation at year-end	-240	-390	-630	-543
Carrying amount at year-end	–	170	170	149

Intangible assets are classified into Brand and Other intangible assets that consist of development of various IT systems. Of these, the SJ brand and the SJ Prio loyalty programme have been written off in full.

NOTE 14: INTERESTS IN GROUP COMPANIES

Parent Company	2013	2012
Carrying amount at start of year	206	206
Acquisition	–	–
Carrying amount at year-end	206	206

Schedule of shares and participations in Group companies	Corp. Id. No.	Reg'd office	No. of shares	Participation, % ²	Carrying amount 2013	Carrying amount 2012
SJ Event AB	556577-3008	Stockholm	1,000	100	0	0
Linkon AB	556577-2984	Stockholm	501,000	100	50	50
SJ Försäkring AB	516401-8458	Stockholm	30,000	100	54	54
SJ Invest AB	556022-1755	Stockholm	700,000	100	87	87
SJ Götalandståg AB	556083-2098	Stockholm	5,000	100	1	1
SJ Adventure AB	556064-8692	Stockholm	5,000	100	10	10
Entertainment AB	556034-4235	Malmö	1,605	100	0	0
SJ Norrlandståg AB	556196-5418	Stockholm	1,000	100	1	1
SJ Service Academy AB	556596-9630	Stockholm	1,000	100	0	0
Stockholmståg KB ¹	969704-4239	Stockholm	1,000	100	0	0
SJ Danmark A/S	33,372,477	Copenhagen	500	100	3	3
Total					206	206

1 SJ AB is a full partner, and SJ Invest AB a general partner, in Stockholmståg KB. Participations are shared in the Group by SJ AB, 68%, and SJ Invest AB, 32%.

2 The share of equity capital corresponds to the share of voting rights.

NOTE 15: INTERESTS IN ASSOCIATED COMPANIES

	Group		Parent Company	
	2013	2012	2013	2012
Accumulated costs at start of year	20	20	16	16
Purchases	–	–	–	0
Sales	–	–	–	0
Accumulated costs at year-end	20	20	16	16
Accumulated shares in profits at start of year	-6	3	–	–
Share of associated companies' profit for the year	–	-9	0	0
Accumulated shares in profits at year-end	-6	-6	–	–
Accumulated impairment losses at start of year	-3	-3	-14	-5
Impairment losses for the year	–	–	–	-9
Accumulated impairment losses at year-end	-3	-3	-14	-14
Carrying amount at year-end	11	11	2	2

Schedule of Group's and Parent Company's participations in associated companies and carrying amount	Corp. Id. No.	Reg'd office	No. of shares	Share %	Group		Parent Company	
					2013	2012	2013	2012
Amadeus Sweden AB	556277-9461	Stockholm	13,050	22	9	9	1	1
Sveriges Kommunikationer AB	556005-5955	Stockholm	150	50	1	1	1	1
Kust till Kust AB	556481-7822	Karlskrona	60	25	0	0	0	0
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
Botnietåg AB	556801-1828	Stockholm	100,000	40	0	0	0	0
Total participations in associated companies					11	11	2	2

Schedule of assets, liabilities, provisions, profit and income of associated companies	Corp. Id. No.	Reg'd office	2013				2012			
			Assets	Liabilities	Profit/loss	Income	Assets	Liabilities	Profit/loss	Income
Amadeus Sweden AB	556277-9461	Stockholm	79	18	1	6	85	25	1	7
Sveriges Kommunikationer AB	556005-5955	Stockholm	5	2	-1	-	4	0	0	-
Kust till Kust AB	556481-7822	Karlskrona	0	0	0	0	0	0	0	0
Trafik i Mälardalen AB	556083-1959	Stockholm	5	3	2	6	3	3	0	7
Fly Rail AB	556773-5252	Stockholm	0	0	0	-	0	0	-8	1
Botniatåg AB	556801-1828	Stockholm	67	-268	-321	127	67	56	-4	92
Total participations in associated companies			156	-245	-319	139	159	84	-11	107

Share of result from associated companies	Group		Parent Company	
	2013	2012	2013	2012
Share of result for the year from associated companies	-46	-14	-46	-14
Reserve for future losses in associated companies	-84	-	-84	-
Total	-130	-14	-130	-14

NOTE 16: NON-CURRENT RECEIVABLES

	Group		2012		Parent Company		2012	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bank deposits	556	556	470	470	332	332	323	323
Total	556	556	470	470	332	332	323	323

Non-current receivables relate to deposits of SEK 332 million (323) in respect of financial leases with Nordea Finans Sverige AB.

The deposits are in part tied up in long-term investments, with a term to maturity of up to 1.5 years, which are measured at market value.

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

The market value of the investments totalled 224 million (147) on the balance-sheet date.

NOTE 17: ACCOUNTS RECEIVABLE - TRADE

SJ's trade receivables are made up of a large number of small outstanding amounts from private individuals, as well as receivables from companies in various sectors. With the aim of reducing the risk of bad debt losses, the credit information necessary is obtained from external sources, in line with SJ's credit policy. Credit losses in

the SJ Group amounted to SEK -3 million (-13). The decrease is attributable to a lower level of credit card fraud. Losses as a proportion of SJ's net sales totalled 0.03 percent (0.2).

Bad debts on the balance-sheet date totalled SEK 9 million (7).

Maturity structure – trade accounts receivable	Group		Parent Company	
	2013	2012	2013	2012
< 30 days	220	353	140	161
30-60 days	-9	-6	-7	0
60-90 days	-5	1	-4	-2
> 90 days	22	-1	21	-
Settlement accounts	-	-	2	-
Total	228	348	152	159

Of whom	Group	
	2013	2012
Bad debts		
Bad debts at start of year	7	4
Provision for anticipated losses	5	15
Receivables collected	-	-
Confirmed losses	-3	-12
Bad debts at year-end	9	7

NOTE 18: OTHER RECEIVABLES

	Group		Parent Company	
	2013	2012	2013	2012
VAT and other tax assets	129	160	95	131
Insurance claim	–	23	–	23
Unrealised exchange gain	1	19	1	19
Damage, rolling stock	25	76	25	76
External receivable	86	10	–	–
Reinsurance	5	–	–	–
Recourse	9	10	–	–
Total	255	298	121	249

The external receivable is represented to an overwhelming extent by a share in travel agency receivables claimed by Linkon AB.

NOTE 19: PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2013	2012	2013	2012
Prepaid rolling stock expenses	12	4	12	4
Prepaid lease expenses	78	43	39	39
Prepaid maintenance expenses	20	0	0	0
Station fees	8	8	7	7
Other prepaid expenses	59	100	48	50
Accrued interest income	17	11	13	7
Other accrued income	37	35	8	8
Total	231	201	127	115

Other prepaid expenses consist in large part of prepaid IT licences.

NOTE 20: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**Management of financial risks**

SJ's financial policy is established by SJ AB's Board of Directors and mandates the Treasury function to manage the Group's financial risks.

Market risk

Market risk is a company's exposure to fluctuations on financial markets. This risk consists of currency risks, interest rate risks and other price risks. SJ's business is capital-intensive and items of its property, plant and equipment are debt-financed, via bank loans or leases.

Currency risk

SJ's currency risk consists exclusively of transaction exposure, that is, payments in foreign currencies resulting from investments and purchases or sales of goods and/or services.

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

SJ's finance policy states that SJ's net exposure in foreign currency held for other than hedging purposes may not exceed the equivalent of SEK 100 million.

Major investments are continuously hedged using currency forwards via the currency market.

The value of SJ's currency forwards changes constantly, as exchange rates rise and fall. When foreign currency transactions are entered into, their purpose is to secure payment flows.

When hedge accounting is used and hedge accounting is applied, value changes are recognised in other comprehensive income.

On the balance sheet date, SJ had outstanding currency derivatives, relating to major investments, to a nominal value of SEK 0 million (0). The fair value of these positions was SEK 0 million (0). In addition, SJ held currency derivatives to a nominal value of SEK

183 million (153) for the purpose of financial hedging in foreign currencies. The fair value of these positions was SEK 3 million (19).

Interest rate risk

The Group's finance costs and yield on cash and cash equivalents are influenced by changes in market interest rates.

SJ's borrowings consist mainly of non-current financial leases at floating rates of interest.

However, the Company's finance policy stipulates that the average fixed-interest term in its debt portfolio shall be in the range of 1-2 years.

Interest rate swaps are used to manage interest rate exposure and achieve the desired fixed-interest period. The swaps convert floating interest rates into fixed rates for parts of the debt portfolio.

The average fixed-interest term for the Group's interest-bearing borrowings was 1.1 years (1.2) on the balance-sheet date.

The value of the interest rate swaps held by SJ to extend the average fixed-interest term is affected instantly by changes in market interest rates.

The market value of SJ's outstanding interest rate derivative instruments at year-end was SEK -8 million (-24), and has been taken to other comprehensive income.

Other price risks

Other price risks refers to the risk that the fair value of a financial instrument could be affected by factors other than currency and interest rate fluctuations. SJ is exposed to other price risks in the valuation of its bond portfolio, in that an issuer's credit risk premium and the general trend of market credit spreads could change. SJ

NOTE 20, cont.

only holds bonds with a high rating, which means a lower credit risk premium and less extreme fluctuations.

SJ's holdings of bonds with a maturity of more than 1 year amounted to SEK 1,256 million (871) on the balance-sheet date.

Credit and counterparty risk

Credit and counterparty risk is the risk of a transaction counterparty being unable to fulfil its undertakings, thereby causing SJ a financial loss.

SJ is exposed to this risk above all when investing surplus cash in financial assets, but also in financial derivatives contracts, in guarantees and in extending credit to commercial customers.

Financial credit risk

SJ's finance policy regulates how liquidity is to be invested. Counterparties in short-term investment must have a credit rating of K-1 or higher.

Ratings are not required for central government, municipalities, county councils and State-owned enterprises.

Long-term investments of maturities of up to 5 years may be made in banks with a rating of not lower than A.

To limit concentration risk, restrictions apply in respect of amount per counterparty.

On the balance sheet date for 2013, counterparty exposure in investments totalled SEK 1,506 million (1,246). The total risk exposure is shown in the table Classification of financial instruments

Of the total counterparty exposure, financial assets measured at fair value amounted to SEK 1,426 million (871).

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

erarchy level 2. All valuations on hierarchy level 2 are based on generally recognised valuation models using market data as input data.

Financing risk and liquidity risk

Financing and liquidity risk arises in relation to rescheduling of loans, meeting payment commitments, limited opportunities for financing and major price changes taking place.

SJ's main sources of finance consist of cash flow from operating activities and borrowings.

Interest-bearing borrowings consist of non-current financial leases with Nordea Finans Sverige AB at floating interest rates.

In addition, SJ has a lease on a maintenance workshop from Jernhusen. In view of the long fixed-interest period, this is accounted for as a fixed-rate financial lease. Financing and liquidity risks are managed within the framework of the finance policy.

To ensure that the Group has liquidity available at any given time, the finance policy states that SJ must at any one time be able to access a liquidity reserve amounting to not less than SEK 500 million. It must be possible to access this reserve within three business days. The reserve includes cash, market-listed financial investments that can be sold within three business days, and unutilised but confirmed credits.

On the balance sheet date, sources of finance available to the business within three days totalled SEK 1,283 million (1,045).

At the same point in time, SJ also had unutilised credit facilities totalling SEK 100 million (100).

SJ limits its financing risk by managing the terms to maturity of its loans to ensure that the loan portfolio has an appropriate structure over time.

Terms to maturity of outstanding financial liabilities

Financial liabilities measured at amortised cost	Group 2013			Group 2012		
	Interest	Amortisation	Cash flow	Interest	Amortisation	Cash flow
Within 1 year	36	786	822	49	183	232
1-2 years	19	415	434	42	786	827
2-3 years	19	40	59	21	415	436
3-4 years	19	41	60	22	40	62
4-5 years	20	41	61	23	41	64
5 years or more	63	585	648	86	626	712
Total	176	1,908	2,084	243	2,091	2,333
Less current portion	-36	-786	-822	-49	-183	-232
Total non-current portion	140	1,122	1,262	193	1,908	2,101

Financial derivative instruments

Group / Parent Company	2013		2012	
	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps	1,050	-8	950	-24
Currency forwards, positive	182	3	163	19
Currency forwards, negative	-	-	-	-
Total	1,233	-5	1,113	-5

The total market value of derivative instruments held for hedging purposes, including financial hedging, totalled SEK -5 million (-5) at

year-end 2013. Of these, the market value of derivatives qualifying for hedge accounting totalled SEK -8 million (-24).

NOTE 20, cont.

Group / Parent Company	2013		2012	
	Interest rate swaps	Currency forward contracts	Interest rate swaps	Currency forward contracts
Maturity structure of derivatives				
Within 1 year	550	183	–	153
1-2 years	300	–	550	–
2-3 years	–	–	300	–
3-4 years	100	–	–	–
4-5 years	–	–	100	–
5 years or more	100	–	–	–
Total	1,050	183	950	153

Sensitivity analysis

SJ's borrowings consist mainly of bank loans and non-current financial leases at floating rates of interest based on 3- or 6-month STIBOR.

In order to manage the interest rate exposure and achieve the desired fixed-interest period, derivative instruments such as interest rate swaps are used to convert a floating rate to a fixed rate. SJ's interest-bearing borrowings amount to SEK 1,908 million. Since SJ has purchased interest rate swaps for a total nominal amount of SEK 1,050 million, SJ's direct transaction exposure at a change in interest rates of +1% equates to an annual loss of approximately SEK -9 million. SJ's interest rate swaps totalling SEK 1,050 million have an average term to maturity of 1.6 years, rep-

resenting an instant value increase of approximately SEK +17 million in response to a movement of +1% in the interest rate curve. When hedge accounting is applied, the value change affects other comprehensive income.

Of SJ's available liquidity totalling SEK 1,283 million, SEK 1,083 million is invested in instruments with a term to maturity of less than 1 year, or in FRNs.

A 1% increase in interest rates would cause SJ's direct transaction exposure to total around SEK -1 million annually.

A +1% shift in the interest rate curve would cause the value of SJ's fixed-interest bond portfolio to fall instantly by about SEK -6 million.

Sensitivity analysis**Change in interest rates, +1 %, all interest rates (SEK m)**

	Volume	Changes in value	Impact on income over a year
Interest-bearing borrowings	1,908	–	-19
Interest hedging instruments	1,050	17	10
Transaction exposure in debt portfolio	858	17	-9
Short-term investments and FRNs	-1,083	–	11
Total transaction exposure	-225	–	2
Fixed-interest bond portfolio		-6	

With a net debt of SEK 216 million on 31 December 2012, a 1% change in market interest rates generates annual exposure of SEK 2 million (7) in the long term. With SEK 10 million (7) in foreign currency-denominated assets at year-end for purposes other than

hedging, a 10% change in the value of the Swedish krona against other currencies would have an impact of SEK -1 million on profit or loss.

Classification of financial instruments

Classification of financial instruments				2013		2012		
Group	Category	Valuation	Note	Carrying amount	Fair value	Carrying amount	Fair value	
Non-current assets								
Securities held as non-current assets	Financial assets measured at fair value via profit/loss	Fair value		0	0	0	0	
Bank deposits	Held until maturity	Amortised cost	20	188	188	179	179	
Other non-current receivables	Available-for-sale financial assets	Fair value		368	368	291	291	
Total financial non-current assets				16	556	556	470	470
Current assets								
Trade receivables and other receivables	Loan receivables and trade receivables	Amortised cost	17, 18	483	483	646	646	
Short-term deposits								
Commercial paper	Available-for-sale financial assets	Fair value	20	0	0	55	55	
Bonds	Financial assets measured at fair value via profit/loss	Fair value	20	1,203	1,203	725	725	
Total current assets					1,686	1,686	780	780

NOTE 20, cont.

Group	Category	Valuation	Note	2013		2012	
				Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents							
Cash in hand and on deposit	Loan receivables and trade receivables	Amortised cost	20	80	80	320	320
Total cash and cash equivalents				80	80	320	320
Derivatives							
Interest rate swaps	Derivatives identified as hedging instruments	Fair value	20	-8	-8	-24	-24
Currency forwards	Derivatives identified as hedging instruments	Fair value	20	-	-	-	-
Currency forwards	Financial hedge held for resale	Fair value	20	3	3	19	19
Total derivatives				-5	-5	-5	-5
Financial liabilities							
Lease liabilities	Financial liabilities measured at amortised cost	Amortised cost	22	1,154	1,154	1,298	1,298
Bank loans	Financial liabilities measured at amortised cost	Amortised cost	22	760	760	793	793
Trade payables and other liabilities	Financial liabilities measured at amortised cost	Amortised cost	20	504	504	687	687
Other liabilities	Financial liabilities measured at amortised cost	Amortised cost	22	333	333	215	215
Total financial liabilities				2,751	2,751	2,993	2,993
Hierarchy level for financial instruments measured at fair value					2013	2012	
Hierarchy 1					0	0	
Hierarchy 2					1,566	1,066	
Total financial instruments measured at fair value					1,566	1,066	

Non-current assets

Securities held as non-current assets consist of shares in other companies. Fair value refers to the share of the Company's book equity that the holding represents.

Other non-current receivables include long-term deposits that serve as security for lease financing of double-decker trains, totaling SEK 332 million (323). The deposits are in part tied up in long-term investments, with a term to maturity of up to 1.5 years. SJ Försäkring AB has made long-term investments to guarantee actuarial commitments. The investments are measured at market value (see Note 16) at SEK 224 million (147).

Current assets

Trade receivables are carried to the extent that they are expected to result in full payment. The total amount has been adjusted for anticipated credit losses.

Short-term deposits included in the category of current assets are investments with a term to maturity of more than three months.

Bonds are held in order to increase the return on SJ's financial assets. Bond holdings are classified as being held for trading and their fair value is measured regularly via income.

Cash and cash equivalents

Cash and bank balances comprise balances in SEK and foreign currency. The fair value of these assets is the amount receivable by SJ on the balance sheet date. Commercial paper is classified as cash and cash equivalents, if the term is less than three months.

Derivatives

Derivatives refer to derivatives outstanding on the balance-sheet date and were valued at SEK -5 million (-5). SJ has ISDA agreements with all its derivative counterparties. The offsettable amount is SEK 1 million.

Financial liabilities

Financial liabilities measured at amortised cost comprise lease liabilities, bank loans, trade payables and other liabilities.

SJ's credit terms for bank and lease loans are regarded as being in line with the market, and since the liabilities carry floating-rate STIBOR-based interest rates, SJ considers that overall the amortised cost is essentially an accurate reflection of the fair value.

Trade payables and other current liabilities are carried to the extent that the amounts are expected to be settled.

Fixed-interest and borrowing

On 31 December 2013, the average interest rate on total long-term interest-bearing liabilities outstanding was 1.6 percent (1.9) excluding, and 2.5 percent (2.5) including, interest-rate derivatives.

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

The Group's total granted loan commitments at the balance sheet date had an average term of 3.4 years (4.3).

NOTE 21: EQUITY**GROUP****Share capital**

Under SJ AB's Articles of Association, the share capital shall be no less than SEK 400 million and no more than SEK 1,600 million. All the shares are fully paid up. No shares are held by the Company itself or its subsidiaries. There are no A shares, B shares or preference shares in SJ AB.

The number of shares is 4,000,000 and the quota value is SEK 100 per share.

Reserves

For certain derivatives, interest-rate swaps and currency forwards, hedge accounting is applied, which means that any change in value is taken to equity in the balance sheet via other comprehensive income. Derivatives on the balance-sheet date totalled SEK -8 million.

Cash-flow hedging and Available-for-sale financial assets

Any change in value of derivatives, that is to say gains and losses attributable to non-settled cash flow hedges, is recognised against reserves within equity in order to be later taken to the income statement as a hedged transaction. The change in the value of available-for-sale financial assets is recognised in other comprehensive income.

Deferred tax on cash-flow hedges and available-for-sale financial assets

Deferred tax is recognised in other comprehensive income.

Retained earnings including profit for the year

Profit brought forward consists of profit for the year, non-distributed profit in associated companies and the part of untaxed reserves that constitutes equity.

Owner's objectives and continuity

SJ regularly evaluates the Company's capital structure on the basis of the directives approved by the AGM.

In order to maintain a stable financial situation, the equity/assets ratio shall be no less than 30 percent.

SJ's operations should generate a return on equity of no less than 10 percent over a business cycle.

Regular dividend to the owner shall amount to one-third of the profit for the year, provided that the equity/assets ratio exceeds 30 percent. SJ applies a weighted return on capital requirement in assessing major investments and projects.

Group	2013	2012
Financial liabilities (interest-bearing)	2,055	2,263
Financial assets (interest-bearing)	-1,839	-1,570
Net liability	216	693
Total equity	4,949	4,895
Cash flow hedges and available-for-sale financial assets	12	-9
Adjusted equity	4,961	4,886
Debt/equity ratio	0.4	0.4

In 2013 SJ's equity/assets ratio rose from 50.1% to 53.3%.

PARENT COMPANY**Restricted and unrestricted reserves**

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

The amount available for distribution is subject to both a specified limit and a principle of prudence. The specified limit means that no dividend is paid unless there is full cover for restricted

equity immediately after the dividend is paid. In addition, under the principle of prudence, dividend may only be paid if justifiable in view of the risks represented by the nature and scale of the operation to the equity of the Parent Company and Group.

The restricted equity consists of share capital of SEK 400 million (400) and a statutory reserve of SEK 200 million (200).

Schedule of reserves, other comprehensive income Group, SEK m.	2013 Cash flow hedges	2012 Cash flow hedges	2013 Available-for-sale financial assets	2012 Available-for-sale financial assets
Opening balance for the year	-16	-19	8	4
Change in value of available-for-sale assets	0	-	-1	5
Change in value of cash flow hedges	3	-21	-	-
To income statement	13	2	-	-
To balance sheet	0	24	-	-
Tax effect	-4	-2	0	-1
Closing balance for the year	-4	-16	7	8

NOTE 22: INTEREST-BEARING LIABILITIES

SJ's borrowing consists of bank loans and financial lease contracts. The financial lease contracts run until 2014-2015 and do not include any covenants - that is, any financial credit terms.

SJ has a lease on a workshop for the maintenance of double-decker trains. The lease runs until 31 December 2024 and is classified as a financial lease. An annual amortisation expense for the financial lease liability of SEK 3 million is recognised.

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 trains have been used as security for the loans. SJ rents workshop premises in Olskroken, Hagalund and

Västerås, which are sub-let to SJ's maintenance suppliers. The total annual rent payable under the leases is SEK 44 million.

SJ has financial leases dating from earlier with Nordea Finans Sverige AB (Nordea Finans) for 42 double-decker trains. The leases run until 2014-2015.

The total finance lease liability pertaining to the double-deckers amounted to SEK 1,120 million (1,262) on the balance-sheet date. The long-term portion is SEK 374 million (1,120), while the current portion, which falls due for payment within a year, is SEK 746 million (142).

Group	2013	2012
Future minimum lease payments	1,167	1,333
Interest	-15	-35
Present value of future minimum lease payments	1,152	1,298

Group	2013		2012	
Maturity structure of leases	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	754	748	164	162
Total current lease liabilities	754	748	164	162
In more than 1 year but less than 5 years	392	385	1,144	1,113
More than 5 years	21	19	25	23
Total non-current lease liabilities	413	404	1,169	1,136
Total lease liabilities	1,167	1,152	1,333	1,298

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

Bank loans, maturity structure	2013 Amortisation	2012 Amortisation
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	569	606
Total long-term bank loans	719	756

Operating leases

Group	2013			2012		
Future payment commitments in nominal values	Rolling stock	Premises	Total	Rolling stock	Premises	Total
Within 1 year	499	472	971	484	312	796
1-2 years	480	312	791	473	280	753
2-3 years	298	159	457	473	237	710
3-4 years	116	25	141	291	138	429
4-5 years	114	23	137	110	30	139
5 years or more	0	17	17	108	66	174
Total	1,507	1,008	2,514	1,939	1,064	3,002

The Group's operating leases relate for the most part to rolling stock and commercial premises. The contract period varies from 0 to 5 years.

The lease contracts are based on standard market terms. In 2013, rental payments of SEK 802 million (737) were made.

NOTE 23: PROVISIONS

Group

	Accident annuities		Re-structuring		Insurance contracts		Loyalty programme		Other		Total	
Provisions	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Provision at start of year	172	164	55	5	71	80	93	99	38	48	428	396
Provisions	2	10	–	70	44	29	27	25	118	164	191	297
Estimated interest rate	2	4	–	–	–	–	–	–	0	–	2	4
Dissolved/ utilised	-32	-6	-41	-20	-26	-38	-24	-31	-139	-174	-260	-269
Total	144	172	14	55	89	71	96	93	17	38	360	428

Distribution in balance sheet

Non-current provisions	137	165	3	5	16	17	38	17	0	0	194	211
Current provisions	7	7	11	28	73	54	58	76	17	37	166	217
Total	144	172	14	33	89	71	96	93	17	38	360	428

Parent Company

	Accident annuities		Re-structuring		Loyalty programme		Other		Total	
Provisions	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Provision at start of year	114	115	33	5	93	99	33	44	273	264
Provisions	1	–	–	48	27	25	116	162	144	235
Estimated interest rate	2	4	–	–	0	–	0	–	2	4
Dissolved/ utilised	-23	-5	-28	-20	-24	-31	-136	-174	-210	-230
Total	95	114	6	33	96	93	13	33	210	273

Distribution in balance sheet

Non-current provisions	90	109	0	5	38	17	0	0	128	132
Current provisions	5	5	6	28	58	76	13	32	82	141
Total	95	114	6	33	96	93	13	32	210	273

Accident annuities

Accident annuities relate to compensation paid to just over 60 people injured mainly before SJ converted to a limited liability company. Accident annuities are life-long, but at the age of 65 the annuity is normally reduced by half, or if the individual is very young at the time of the injury the annuity is reduced by around one third. All accident annuities are uprated annually in line with the change in Sweden's price base amount. The payments to annuity holders are expected to continue for a further just over 50 years.

Calculation of the reserve is based on assumptions of life expectancy, discount rate and the index by which the index-linked annuities have been uprated. The discount rate used is based on the yield curve.

Insurance contracts

When SJ was converted to a limited liability company, a lump-sum premium was paid to SJ Försäkring AB to cover the commitment for compensation of injuries, settlement of which had not been completed at the time of conversion. These cases are known as run-off injuries.

Loyalty programme

SJ Prio, SJ's customer loyalty programme, was launched in 2007. Today, SJ Prio has around 1,045,000 members, of whom 138,000 signed up in 2013.

Other

The provision in 2013 consisted of the travel time guarantee and policyholder's excess.

NOTE 24: ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2013	2012	2013	2012
Personnel-related expenses	241	228	173	172
Electricity and infrastructure charges	112	107	83	82
Rolling-stock related expenses	167	261	162	250
Other accrued expenses	150	119	90	62
Prepaid annual season and other tickets	245	264	245	264
Other deferred income	25	37	25	37
Total	940	1,016	778	867

NOTE 25: INVESTING ACTIVITIES

During the year, property, plant and equipment and intangible assets totalling SEK 448 million in the Group and totalling 423 in the Parent Company were acquired. The investments in property, plant and equipment pertained to the last SJ 3000 train set taken over

by SJ in the first quarter of 2013. The investments in intangible assets consisted of a new rolling stock management system for SJ and Linkon AB's sales and distribution platform.

Investments	Investments				Statement of cash flows			
	2013	Group 2012	Parent Company 2013	Parent Company 2012	2013	Group 2012	Parent Company 2013	Parent Company 2012
Investments in property, plant and equipment and intangible assets								
Investments in intangible assets	132	83	108	30	132	83	108	30
Other investments in property, plant and equipment	316	1,033	315	1,029	316	720	315	716
Total investments in property, plant and equipment and intangible assets	448	1,116	423	1,059	448	803	423	746
Financial investments								
Acquisition of shares and participations	-	-	-	-	-	-	-	-
Total financial investments	-	-	-	-	-	-	-	-
Total investments	448	1,116	423	1,059	448	803	423	746

Sales – cash flow	Group		Parent Company	
	2013	2012	2013	2012
Sale of property, plant and equipment				
Sale of rolling stock/components	8	7	3	6
Total sales of property, plant and equipment	8	7	3	6
Total sales	8	7	8	6

NOTE 26: PLEDGED ASSETS

	Group		Parent Company	
	2013	2012	2013	2012
Security for loans raised	919	993	919	993
Deposits	332	323	332	323
Total	1,251	1,316	1,251	1,316

Deposits consist of cash and cash equivalents and serve as security in financing double-decker trains. The assets are held via financial leases, see Note 22. The financial lease liabilities are secured via an arrangement whereby the leased trains revert to the lessor in the

event of non-payment. In connection with loans raised from Nordea and Nordiska Investeringsbanken in October 2012, nine SJ 3000 trains with a book value of SEK 919 million (993) were placed as security for loans raised in 2012 totalling SEK 800 million.

NOTE 27: CONTINGENT LIABILITIES

	Group		Parent Company	
	2013	2012	2013	2012
Contingent liabilities	74	145	304	366
Total	74	145	304	366

As full partner, the Parent Company also has a commitment totalling SEK 230 million (221) in relation to Stockholmståg KB. Net profit for the year for Stockholmståg KB is included in the Group's income.

The investment commitments relating to the SJ 3000s amount to SEK 31 million (126).

NOTE 28: EVENTS AFTER THE FINANCIAL YEAR-END

On 16 January 2014, SJ AB and ABB signed an agreement valued at SEK 1.4 billion regarding ABB's share of the planned upgrading of the SJ 2000 fleet. On 21 January 2014, SJ announced redundancies affecting 400 employees in administration and sales. On the administration side, 237 permanent employees were served with notices of redundancy, mainly at the headquarters in Stockholm, but also in Gothenburg, Malmö and Krylbo. SJ also gave notice of the closure of 18 travel centres, including one in Denmark, affecting 68 permanent employees, and also the closure of a Contact Center in Tranås, affecting 95 permanent employees. The aim is to equip the Company for the new competitive situation and adapt the organisation to changes in the buying behaviour of its customers.

On 14 January, the Administrative Court in Stockholm rejected the Swedish Competition Authority's claims for procurement damages. In the grounds for its ruling, the Court states that SJ's operations are not subject to the Act on Procurement in the Water, Energy, Transport and Postal Services Sectors, LUF (SFS 2007:1092) and that the Act thus does not apply to procurement by SJ. SJ would therefore not be liable for payment of procurement damages.

The Authority appealed against the decision on 31 January. For the Administrative Court of Appeal to hear the case, it must grant leave to appeal.

Directors' declaration

The undersigned declare that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and in accordance with generally accepted accounting practice; that they provide a true and fair view of the financial position and results

of the Group and the Parent Company; and that Directors' report provides a true and fair view of the Company's operations, financial position and results and describes material risks and uncertainties faced by the companies included in the Group.

Stockholm, 18 March 2014

Jan Sundling
Chair of the Board

Eivor Andersson
Non-Executive Director

Mikael Staffas
Non-Executive Director

Lena Olving
Non-Executive Director

Michael Thorén
Non-Executive Director

Siv Svensson
Non-Executive Director

Gunilla Wikman
Non-Executive Director

Per Hammarqvist
Non-Executive Director

Thomas Winäs
Non-Executive Director

Erik Johannesson
Non-Executive Director

Crister Fritzson
Chief Executive Officer

Our Audit Report was submitted on 18 March 2014

Deloitte AB

Hans Warén
Authorised Public Accountant

Auditors' report

To the Annual General Meeting of SJ AB, corp. id no. 556196-1599

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

We have conducted an audit of the annual report and consolidated accounts for SJ AB for 2013, but not the corporate governance report on pages 50–55. The annual report and the consolidated accounts are included on pages 45–102 of the printed version of this document.

Respective responsibilities of the Board of Directors and the CEO with regard to the annual report and the consolidated accounts

The Board of Directors and the CEO are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated accounts that provide a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act; they are also responsible for the internal systems of control that the Board of Directors and CEO deem to be necessary in order to prepare an annual report and consolidated accounts that are free of material misstatement, whether caused by irregularity or error.

Responsibilities of the Auditor

Our responsibility is to express our opinion on the annual report and consolidated accounts on the basis of our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. Those standards require that we observe the requirements of professional ethics and those we plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated accounts are free from material misstatement.

An audit includes obtaining, by variety of measures, accounting evidence supporting the amounts and disclosures in the annual report and consolidated accounts. The auditor decides which actions should be taken, for example by determining the risks of material misstatements in the annual report and the consolidated accounts, whether caused by irregularity or error. In determining risks in this way, the auditor considers which aspects of internal systems of control are relevant to how the company prepares

the annual report and the consolidated accounts to provide a true and fair view, in order to devise audit measures that are fit-for-purpose with regard to the circumstances, but not in order to state an opinion as to the efficacy of the company's internal systems of control. An audit also includes an assessment of the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the CEO in the accounts, as well as an assessment of the overall presentation of the annual report and the consolidated accounts.

We believe that the accounting evidence we have obtained provides an adequate and appropriate basis for our opinions.

Opinions

In our view, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position on 31 December 2013 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the group's financial position on 31 December 2013 and of its financial results and cash flows for the year in accordance with International Financial Reporting Standards, as endorsed by the European Union, and the Swedish Annual Accounts Act. Our opinions do not refer to the corporate governance report on pages 50–55. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend to the Annual General Meeting that the income statement and balance sheet of the parent company and the group be adopted.

The audit of the annual report for the financial year 1 January 2012 – 31 December 2012 was conducted by a different auditor, who submitted an audit report dated 21 March 2013 with unamended opinions in its Report on the Annual Report.

REPORT ON OTHER REQUIREMENTS UNDER LEGISLATION AND OTHER REGULATIONS

In addition to our audit of the annual report and the consolidated accounts, we have also audited the proposed treatment of the company's profit or loss and the administration of the affairs of SJ AB by the Board and the CEO in the year 2013. We also conducted a statutory review of the Corporate Governance Report.

Respective responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed treatment of the company's profit or loss, and the Board and CEO are responsible for administration under the Swedish Annual Accounts Act. It is also responsible for ensuring that the corporate governance report on pages 50–55 has been prepared in accordance with the "Government's Ownership Policy and Guidelines for State-owned Enterprises".

Responsibilities of the Auditor

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

As a basis for our opinion on the Board's proposed arrangements for the company's profit or loss, we have examined the Board's reasoned statement, as well as documents, on a test basis, in support of this statement, in order to be able to determine whether the proposed arrangements are consistent with the Swedish Annual Accounts Act.

As a basis for our opinion concerning discharge from liability we examined, in addition to our audit of the annual accounts, significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

We believe that the accounting evidence we have obtained as above provides an adequate and appropriate basis for our opinions.

Furthermore, we have read the corporate governance report and on the basis of this reading and our knowledge of the company consider that we have sufficient grounds for our opinions. This means that our statutory review of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden.

Opinions

We recommend to the annual general meeting of shareholders that the profit be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

A corporate governance report has been prepared and the statutory information therein is consistent with the other parts of the annual report and the consolidated accounts.

Stockholm, 18 March 2014

Deloitte AB

Hans Warén
Authorised Public Accountant

Accounting policies for sustainability reporting

The sustainability report for the SJ Group has been prepared in accordance with SJ's sustainability reporting policies. These policies are based in the Global Reporting Initiative's (GRI) "Sustainability Reporting Guidelines 3.0" (G3). They are also based in large part on the UN's Global Compact and the OECD's Guidelines for Multinational Enterprises.

SJ's sustainability reporting policies are based on the ten reporting principles presented in the GRI's G3 Guidelines. The principles are divided into two categories: four principles to determine the content and six concerning quality.

Contents:

- Materiality
- Stakeholders
- Context
- Completeness

Quality:

- Balance
- Comparability
- Accuracy
- Legality
- Clarity
- Reliability

Content

The content of SJ's work on sustainability and the Company's sustainability reporting are based on the findings from our materiality analysis and related stakeholder dialogue. SJ has a multi-faceted group of stakeholders, in which each of the groups has a different focus. For example, to our customers punctuality and the travel experience are important, while to our owners the key issue is sustainable enterprise as a whole.

Materiality

Our materiality analysis provides a framework for identifying and prioritising the areas in which SJ's impact in sustainability is more evident. The analysis also serves to reveal the areas that can significantly influence judgements and decisions by the stakeholders. The assessment is founded on an analysis based on the guidelines in ISO 26000, the standard defining social responsibility, and on stakeholder dialogues and risk analyses.

Stakeholders

In its sustainability report, SJ is required to state who the Company's stakeholders are and how SJ has satisfied their expectations and interests. SJ caters to a multi-faceted group of stakeholders.

Maintaining strong relationships and engagement with all stakeholders is important in terms of the Company's development and helps us to identify priority sustainability issues. To be able to satisfy stakeholder needs for information and to judge what is important to stakeholders, SJ strives to maintain open and constructive engagement. In turn, this enables the content of the sustainability report to be relevant to SJ's stakeholders. How SJ operates in relation to the environment and its stakeholders shall be based on sound business ethics and care and respect for the individual and the environment. SJ's watchwords – reliable, safe, simple and eco-friendly – combined with its core values – innovation, care and responsibility – represent the foundation for what the Company's stakeholders should expect of SJ.

Context

The purpose of SJ's sustainability report is to describe how these sustainability factors are linked to the Company's long-term strategies, risks and opportunities. Information is to be provided on SJ's performance in a broader sustainability context. SJ is also required to demonstrate a good understanding of sustainable development and provide objective information on and objective measurement of the Company's development.

Completeness

The sustainability report must give stakeholders a comprehensive picture of the impact of the business in terms of sustainability factors. To be comprehensive, the report must encompass all significant units and indicators in accordance with the GRI framework. In SJ's case, this means the inclusion of the relevant parts of SJ AB, Stockholmståg KB, SJ Götalandståg AB and SJ Norrlandståg AB. Work on further integrating these operations is in progress.

Quality

A quality-assured and transparent sustainability report enables SJ's stakeholders to make a reasoned assessment of SJ's operations.

Balance

In the report, balance is achieved through information on both favourable and unfavourable aspects of the Company's operations. The report's credibility is enhanced by also bringing negative issues to the fore and highlighting areas for improvement, in turn enabling work on sustainability to be taken to a higher level. Ultimately, this means

that the interests of SJ's stakeholders are satisfied. SJ is also required to distinguish clearly what are facts and what are SJ's interpretations. The emphasis in the report must be on the aspects that SJ judges to be most material.

Comparability

SJ must present information in a way that enables stakeholders to analyse changes over time and compare them to those of other organisations. SJ is required to maintain consistency in the methods used for calculation and compilation of data and in reporting of methods and assumptions used to prepare information in the sustainability report. It must be possible for SJ's stakeholders to identify and understand without difficulty material changes in terms of the boundary, scope, length of the reporting period or other significant information. Application of GRI's generally accepted G3 guidelines provides comparability with other organisations.

Accuracy

SJ's ambition is that the information disclosed in its sustainability report should be accurate and sufficiently detailed for stakeholders to be able to correctly assess the Company's performance.

Legality

To satisfy the requirement of legality, SJ must maintain consistent and up-to-date reporting. Sustainability information is presented annually in conjunction with the

publication of SJ's Annual Report. On SJ's website, various sustainability-related policies and the GRI index of contents are published, showing SJ's Application Level as G3 with references to where information may be accessed. Information in the sustainability report and on the website is clearly marked with indications as to the time period to which it relates, when the information was last updated and when it will next be updated again.

Clarity

SJ's ambition is that the information disclosed in its sustainability report should be understandable without difficulty, accessible and usable for SJ's stakeholders. To achieve this, SJ uses tables and graphics that clarify and illustrate the information presented.

Reliability

Anyone who reads SJ's sustainability report should be able to trust the information presented. SJ operates routines for gathering, recording, compiling, analysing and disclosing the content and processes used in preparation of the report. This means that the content of the report must be reliable and the report must satisfy the criteria for verification. SJ does not present information that cannot be substantiated by reliable documentation. As a way of increasing trust in the sustainability report, it is reviewed by an external auditor.

Auditor's Review Report on SJ AB's Sustainability Report 2013

To the readers of SJ AB's Sustainability Report

Introduction

We have been engaged by the Board of Directors of SJ AB to review SJ AB's sustainability report for the year 2013. The Company has defined the scope of the sustainability report in the table of contents for the SJ Annual Report and Sustainability Report 2013.

Respective responsibilities of the Board and executive management for the sustainability report

The Board of Directors and the executive management are responsible for ongoing activities regarding the environment, work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the sustainability report in accordance with the relevant criteria, which are presented on pages 105–106 and consist of the parts of Sustainability Reporting Guidelines G3 (published by The Global Reporting Initiative (GRI)) that are relevant to sustainability reporting, as well as the reporting and calculation principles produced by the Company itself.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the sustainability report based on our review. We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A review consists of making enquiries, primarily of persons responsible for the preparation of the sustainability report, and applying analytical

and other review procedures. A review is different and substantially less in scope to an audit conducted in accordance with the IAASB's standards on auditing, quality control and generally accepted auditing standards. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

The criteria on which our review are based are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), that are relevant to the sustainability report, together with the accounting and calculation policies specifically developed and described by the company. These are presented on pages 105–106. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained during our review provides an adequate and appropriate basis for our opinions.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the information in the sustainability report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 18 March 2014

Deloitte AB

Hans Warén
Authorised Public
Accountant

Andreas Drugge
Expert Member,
FAR

GRI Index

As a State-owned enterprise, SJ is required in accordance with government-approved guidelines on external reporting, to produce a sustainability report in line with GRI (Global Reporting Initiative). GRI is a global network that provides a framework of guidelines for sustainability reporting. For 2013, SJ chose to apply level B+ (for more information, see www.globalreporting.org).

DISCLOSURES AND INDICATORS		PAGE	COVERED
1	STRATEGY AND ANALYSIS		
01.01	Statement from the most senior decision-maker of the organisation regarding the relevance of sustainable development to the organisation and its strategy.	ÅHR: 5–6	●
01.02	Description of key impacts, risks, and opportunities.	ÅHR: 5–7, 10–11	●
2	ORGANISATIONAL PROFILE		
02.01	Name of the organisation.	ÅHR: COVER	●
02.02	Primary brands, products and/or services.	ÅHR: 22–27	●
02.03	Operational structure of the organisation (units, business areas, subsidiaries & joint ventures).	ÅHR: 45	●
02.04	Location of organisation's headquarters.	ÅHR: BACK COVER	●
02.05	Countries where the organisation operates (including countries with relevant operations, or that are relevant in terms of the issues affecting sustainability). <i>SJ operates primarily in the Swedish market.</i> <i>Operations are also conducted on a limited scale in Norway and Denmark.</i>		●
02.06	Nature of ownership and legal form.	ÅHR: 45, 50	●
02.07	Markets served. <i>SJ operates primarily in the Swedish market.</i>	ÅHR: 45	●
02.08	Scale of the reporting organisation (including number of employees, net turnover, total capitalisation as represented by liabilities and equity, and scale of products and services).	ÅHR: 1–2, 63	●
02.09	Significant changes during the reporting period regarding size, structure and ownership. <i>No major changes in size, structure or ownership took place in 2013.</i>		●
02.10	Awards received during the reporting period. <i>For the third consecutive year, SJ topped the industry's "Sustainable Brand Index" survey.</i> <i>Over Sweden as a whole, SJ is ranked as the sixth most sustainable brand.</i>	ÅHR: 29	●
3	REPORT PARAMETERS		
	Report profile		
03.01	Reporting period for information provided. <i>The reporting period is the calendar year.</i>	ÅHR: COVER	●
03.02	Date of publication of the most recent report. <i>The most recent sustainability report was presented in conjunction with SJ's Annual Report on 21 March 2013.</i>		●
03.03	Reporting cycle. <i>Sustainability reporting is updated annually.</i>		●
03.04	Contact point for questions regarding the report or its contents. <i>Any questions should be directed to Ulrika Lindell, Finance, on +46 (0)10-751 50 84.</i>		●
	Report scope and boundary		●
03.05	Process for defining report content.	ÅHR: 8, 105–106	●
03.06	Boundary of the report.	ÅHR: 105–107	●
03.07	Specific limitations on the scope or boundary of the report.	ÅHR: 105–106	●
03.08	Principle for reporting of units that can significantly affect comparability between different periods of time and/or organisations.	ÅHR: 105–106	●
03.09	Data measurement techniques and the bases of calculations.	ÅHR: 105–106, 114–117	●

References

ÅHR: ÅHR: SJ Annual Report and Sustainability Report 2013

Coverage

● Covered ▸ Partially covered

DISCLOSURES AND INDICATORS		PAGE	COVERED
03.10	Effect of any re-statements of information provided in earlier reports and explanations for such re-statements.	ÅHR: 105–106	●
03.11	Significant changes from previous reporting periods with regard to boundary, scope and measurement techniques used in reporting.	ÅHR: 105–106	●
4 GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
Governance			
04.01	Governance structure of the organisation.	ÅHR: 50–59	●
04.02	Indication of whether the chair of the highest governance body is also chief executive officer.	ÅHR: 50	●
04.03	Number of independent and/or non-executive members of the highest governance body.	ÅHR: 57	●
04.04	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body or executive management.	ÅHR: 51	●
04.05	Linkage between remuneration to members of governance bodies, senior executives and managers and the organisation's performance.	ÅHR: 48–49, 51, 53	●
04.06	Processes in place for the highest governance body to ensure that conflicts of interest are avoided.	ÅHR: 51–52	●
04.07	Routines and processes for determining the qualifications and expertise of the members of the highest governance body.	ÅHR: 51, 57	●
04.08	Missions, values, code of conduct and principles formulated internally, relevant to sustainability performance, and their implementation status.	ÅHR: 1, 10–13	●
04.09	Procedures of the highest governance body for overseeing the organisation's sustainability performance, as well as risks and opportunities.	ÅHR: 52	●
04.10	Processes for evaluating the highest governance body's own performance, particularly from a sustainability perspective. <i>Producing and publishing a sustainability report that is submitted to independent auditing.</i>	ÅHR: 52–53	●
Undertakings regarding external initiatives			
04.11	Organisation's application of the Precautionary Principle. <i>The Precautionary Principle is described in the Swedish Environmental Code. SJ complies with the provisions of this legislation in selecting materials for new trains and in selecting chemical products in its maintenance workshops etc.</i>		●
04.12	Adoption of externally developed charters, principles or other initiatives.	ÅHR: 10	●
04.13	Memberships of associations and/or national/international advocacy organisations, in which the company is represented in a governance role, participates in projects, provides substantial financing or regards its membership as strategic. <i>Membership of Naturskyddsföreningen (Swedish Society for Nature Conservation) (SSNC) www.naturskyddsforeningen.se, Nätverket för Transporter och Miljön (Network for Transport and Environment) (NTM) www.ntmcalc.se, Näringslivets Miljöchefer (Swedish Association of Environmental Managers) (NMC) www.nmc.a.se, International Union of Railways (UIC) www.uic.asso.fr, TransportForsk AB (TFK) www.tfk.se, Branschföreningen Tågoperatörerna (Association of Swedish Train Operating Companies) www.tagoperatörerna.se, Svenska Lokaltrafikföreningen (Swedish Public Transport Association) (SLTF) (associate member) www.slutf.se, Branschföreningen ALMEGA Spårtrafik (Employer and Trade Organisation for the Swedish Service Sector – Railbound Industries) www.almega.se.</i>		●
Communication with stakeholders			
04.14	List of stakeholder groups with which the organisation maintains contact.	ÅHR: 9	●
04.15	Basis for identification and selection of stakeholders.	ÅHR: 8	●
04.16	Approaches to stakeholder engagement, including frequency and type of contact, stakeholders, by type and stakeholder category.	ÅHR: 9	●
04.17	Key topics and concerns raised through stakeholder engagement, how the company has responded to them and their impact on sustainability reporting.	ÅHR: 8	●

Coverage

● Covered ■ Partially covered

DISCLOSURES AND INDICATORS		PAGE	COVERED															
5	ECONOMIC PERFORMANCE INDICATORS																	
	Economic performance																	
EC1	Organisation's economic value generated and distributed.	ÅHR: 61–71																
EC3	Coverage of the organisation's defined-benefit plan obligations.	ÅHR: 81–84	●															
EC4	Significant financial assistance received from government. <i>SJ does not receive any subsidies.</i>		●															
	Indirect economic impacts																	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	ÅHR: 16–21, 28–43																
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	ÅHR: 16–21, 28–43																
6	ENVIRONMENTAL PERFORMANCE INDICATORS																	
	Materials																	
EN1	Materials used, by weight and volume. <i>The materials used by SJ for train maintenance, on-board catering and train cleaning totalled 1,283 tons (1,375), including 340 tons (415) tons of recyclable materials. These statistics refer only to SJ AB. Consumption of office supplies is not regarded as a major environmental issue. The figure for 2012 has been adjusted to reflect improved input data.</i>		●															
	<table><tr><td>Consumption of materials (tons)</td><td>2013</td><td>2012</td></tr><tr><td>Brake pads and brake linings</td><td>678</td><td>763</td></tr><tr><td>Consumables on-board (cleaning and bistro)</td><td>491</td><td>515</td></tr><tr><td>Chemicals (cleaning and maintenance)</td><td>114</td><td>97</td></tr><tr><td>Total</td><td>1,283</td><td>1,375</td></tr></table>	Consumption of materials (tons)	2013	2012	Brake pads and brake linings	678	763	Consumables on-board (cleaning and bistro)	491	515	Chemicals (cleaning and maintenance)	114	97	Total	1,283	1,375		
Consumption of materials (tons)	2013	2012																
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Consumables on-board (cleaning and bistro)	491	515																
Chemicals (cleaning and maintenance)	114	97																
Total	1,283	1,375																
	Energy																	
EN3	Direct energy consumption by primary energy source. <i>The major share of energy consumption relates to SJ's rail replacement bus services. Energy consumption by rail replacement bus services totalled 15,534 GJ (17,209). The year-on-year reduction was attributable to fewer rail replacement services in 2013.</i>		●															
EN4	Indirect energy consumption by primary energy source. <i>SJ's indirect energy consumption in the form of electricity for electric locomotives amounted to 799 GWh (678). The 2013 figure includes energy consumption totalling 85 GWh by Götalandståg (no figure is available for 2012). Energy consumption by Stockholmståg has been included for both years. SJ purchases 100 percent renewable electricity from hydropower and wind power sources to operate its trains in Sweden, Norway and Denmark.</i>	ÅHR: 28, 31	●															
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. <i>During the year, all SJ train drivers underwent training in the principles of eco-driving.</i>	ÅHR: 30–31																
7	EMISSIONS, EFFLUENTS AND WASTE																	
EN16	Total direct and indirect emissions of greenhouse gases, by weight. <i>Total direct and indirect emissions of carbon dioxide through SJ's activities arise through train operations, rail replacement services and refrigerants. Emissions totalled 1,636 tons (1,737) of CO₂. The main reason for the fall in emissions was a reduction in rail replacement services using buses. Service management also worked actively on processes and training to reduce the volume of rail replacement services and make use of taxis rather than buses when a small number of passengers were involved. Emissions from rail replacement services and electric powered services are produced throughout the Group, while emissions from refrigerants are produced only within SJ AB.</i>	ÅHR: 2, 28, 31	●															
	<table><tr><td>Carbon dioxide emissions, tons</td><td>2013</td><td>2012</td></tr><tr><td>Refrigerant leakage</td><td>290</td><td>114</td></tr><tr><td>Rail replacement services</td><td>1,326</td><td>1,607</td></tr><tr><td>Electric powered services</td><td>19</td><td>16</td></tr><tr><td>Total</td><td>1,636</td><td>1,737</td></tr></table>	Carbon dioxide emissions, tons	2013	2012	Refrigerant leakage	290	114	Rail replacement services	1,326	1,607	Electric powered services	19	16	Total	1,636	1,737		
Carbon dioxide emissions, tons	2013	2012																
Refrigerant leakage	290	114																
Rail replacement services	1,326	1,607																
Electric powered services	19	16																
Total	1,636	1,737																

Coverage

● Covered ▸ Partially covered

DISCLOSURES AND INDICATORS			PAGE	COVERED																				
EN17	<p>Total direct and indirect emissions of greenhouse gases, by weight. <i>Indirect emissions of carbon dioxide, arising through business travel, totalled 73 tons of CO₂ (SJ AB).</i></p> <table><tr><th>Indirect carbon dioxide emissions, tons</th><th>2013</th><th>2012</th></tr><tr><td>Car hire</td><td>7.5</td><td>5.5</td></tr><tr><td>Taxi</td><td>4.7</td><td>28.6</td></tr><tr><td>Air travel</td><td>52.5</td><td>7.1</td></tr><tr><td>Company cars</td><td>8.4</td><td>4.7</td></tr><tr><td>Total</td><td>73.1</td><td>45.9</td></tr></table>	Indirect carbon dioxide emissions, tons	2013	2012	Car hire	7.5	5.5	Taxi	4.7	28.6	Air travel	52.5	7.1	Company cars	8.4	4.7	Total	73.1	45.9	ÅHR: 2, 28, 31	●			
Indirect carbon dioxide emissions, tons	2013	2012																						
Car hire	7.5	5.5																						
Taxi	4.7	28.6																						
Air travel	52.5	7.1																						
Company cars	8.4	4.7																						
Total	73.1	45.9																						
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	ÅHR: 28, 31																						
EN19	<p>Emissions of ozone-depleting substances, by weight. <i>SJ's rolling stock incorporates refrigeration units using refrigerants R134a, R417a and R407c, which are not classified as ozone-depleting. As a result, no emissions of ozone-depleting substances took place in 2013.</i></p>		●																					
EN21	<p>Total water discharge, quality and impact. <i>Every year, SJ follows up the environmental performance of its suppliers. The findings indicate that wastewater is treated in a responsible way. We can therefore state that no water sources are significantly affected by withdrawal of water by the SJ Group.</i></p>		●																					
EN22	<p>Total weight of waste by type and disposal method. <i>On-board waste and waste from brake pads and brake linings are classified as significant waste at SJ. Waste from SJ trains, including brake pads and brake linings totalled 2,464 tons (1,938). When railway carriages are scrapped, approximately 99 percent of the materials by weight can be recycled. However, no carriages were scrapped in 2013. These statistics refer only to SJ AB and SJ Norrlandståg.</i></p> <table><tr><th>Waste from trains, tons</th><th>2013</th><th>2012</th></tr><tr><td>Other waste</td><td>1,867</td><td>1,207</td></tr><tr><td>Newspapers</td><td>80</td><td>192</td></tr><tr><td>Mixed paper</td><td>74</td><td>30</td></tr><tr><td>Corrugated board</td><td>31</td><td>45</td></tr><tr><td>Brake pads and brake linings</td><td>412</td><td>464</td></tr><tr><td>Total</td><td>2,464</td><td>1,938</td></tr></table>	Waste from trains, tons	2013	2012	Other waste	1,867	1,207	Newspapers	80	192	Mixed paper	74	30	Corrugated board	31	45	Brake pads and brake linings	412	464	Total	2,464	1,938		
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EN23	<p>Total number and volume of significant spills. <i>No significant spills took place in 2013.</i></p> <p>Products and Services</p>		●																					
EN26	<p>Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. <i>All travel by SJ electric trains bears the Swedish Society for Nature Conservation's ecolabel Bra Miljöval (Good Environmental Choice). SJ is also expanding its offering of KRAV- (organic) and Fairtrade-certified products that are sold on board its trains. In 2013, 22 percent (23) of these products were eco-labelled (excludes perishable products). SJ applies the EU-wide requirements for noise under the TSI (Technical Specifications for Interoperability) scheme when new vehicles are ordered and older rolling stock is renovated. SJ is also involved in the Charmec research programme, whose aims include lessening the impact of vibration, noise and particle emissions on the environment. The general environmental impact of the railway, for example in terms of noise, impact on the countryside and biodiversity falls within Trafikverket's area of responsibility.</i></p> <p>Compliance</p>	ÅHR: 11, 28, 31																						
EN28	<p>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. <i>SJ was not ordered to pay any fines in 2013.</i></p>		●																					
8 INDICATORS FOR LABOUR PRACTICES AND DECENT WORK																								
Employment																								
LA1	<p>Total workforce by employment type, employment contract and region. <i>At year-end, the SJ Group had 832 hourly-paid employees, 194 part-time employees and 4,946 permanent employees. All, apart from the hourly-paid employees are employed under SJ's "SPÅRA SJ" employment contract. Hourly-paid employees are employed under SJ local hourly pay contracts.</i></p>	ÅHR: 1–2																						

Coverage

● Covered ■ Partially covered

DISCLOSURES AND INDICATORS		PAGE	COVERED
LA2	Total number of employees and rate of employee turnover by age group, gender and region. <i>In 2013, the SJ Group had 5,138 employees (excluding hourly-paid employees), of which 41% were women and 59 percent men. Employee turnover in the Group was 6.7 percent.</i>	ÅHR: 36	
LA3	Benefits provided to full-time employees, but not to temporary or part-time employees. The Förmånståget and Personalkortet employee benefit cards are available to all employees, but SJ's in-house employee benefits are in some cases cut down or subject to certain requirements for hours worked by part-time employees (who do have any obligation to fulfil). These include SJ's Friskvårdsbidrag (fitness allowance) (halved from SEK 1 500 to SEK 750) and Privatreseskortet (Private Travel Card) (for which at least 2 days must have been worked in a period of 6 months). However, discounts and other benefits via Personalkortet are available to all. The benefits apply to everyone in the Group apart those employed at Stockholmståg.		●
Labour/management relations			
LA4	Percentage of workforce covered by collective bargaining agreements. <i>All personnel apart from the CEO and management group are included. Hourly-paid employees are employed under SJ local hourly pay contracts.</i>		●
Occupational health and safety			
LA6	Percentage of total workforce represented in health and safety committees that are involved in monitoring and advising on occupational health and safety programmes. <i>All employees are represented on health and safety committees. SJ engages in health and safety committee work on a major scale at both central and local levels, as well as via OHSAS certification. Others companies in the Group have not been certified.</i>		●
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region. <i>Through a systematic focus on health and safety issues, SJ strives to prevent the occurrence of work-related injuries and accidents in work. All workplaces in the Group have a safety representative, who consults with the employer and employee organisations in producing proposals on health and safety issues. This work is coordinated by health and safety committees. In 2013, a total of 293 accidents and 567 incidents were reported at SJ AB.</i>		
LA9	Health and safety issues covered by formal agreements with trade unions. <i>These are addressed in accordance with legislation, internal instructions and collective bargaining agreements. Random alcohol and drug tests performed on all personnel involved in traffic safety work are governed via collective bargaining agreements, other than at Stockholmståg, which has its own procedures.</i>		●
Training and education			
LA10	Average hours of training per year per employee, and by employee category: <i>Train drivers 128 (77), Train crews 81 (52), Shunting personnel 105 & Customer attendants/cleaning personnel 20, Administrative personnel 9 (9) and Travel sales personnel 11 (13). Training of new recruits is not separated from other training and so year-on-year comparisons are not accurate.</i>		●
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. <i>SJ's employees are covered by readjustment (loss of employment benefit) insurance, which provides financial compensation and advice on termination of employment through lack of work. The readjustment contract offers two types of support from TRR Trygghetsrådet: Career Transition Service, which provides in-person advice and tools to ease the employee's path back into work. Loss of employment benefit, i.e. financial support provided if the employee is more than 40 years of age, has worked for an uninterrupted period of more than five years in a TRR-affiliated company and has had his/her employment terminated through lack of work.</i>		●
LA12	Percentage of employees receiving regular performance and career development reviews. <i>SJ strives to ensure that all employees take part in an annual performance review with his or her immediate manager, which is followed up via employee surveys. In 2013, 62% (70) stated that they had had their performance review (only SJ AB).</i>		●
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	ÅHR: 56–59	●

Coverage

● Covered ► Partially covered

DISCLOSURES AND INDICATORS		PAGE	COVERED
LA14	Ratio of average remuneration of men and women, broken down by employee category. Every three years, SJ conducts a pay survey to examine whether unjustified pay differences between men and women exist in the Company. At SJ, around 80 percent of the Company's total workforce are employed on occupation-based pay rates. In this category, there are no pay differences between men and women, since pay is set on the basis of years in the particular occupation. The pay survey conducted focuses on the employees whose pay is set individually. In 2013, a pay survey was carried out on the basis of 2012 pay rates. The pay differences revealed in certain occupational roles were not clear-cut, to the benefit of either men or women. The in-depth analysis conducted in these cases does not show any evidence that the pay differences revealed were unjustified. SJ is monitoring this issue on an ongoing basis and will carry out a new pay survey for 2013.		
9 HUMAN RIGHTS PERFORMANCE INDICATORS			
HR4	Total number of incidents of discrimination and actions taken. One case of discrimination occurred in 2013.	ÅHR: 37	●
10 SOCIETY PERFORMANCE INDICATORS			
Corruption			
S02	Percentage and total number of business units analysed for risks related to corruption. SJ's ethical policy describes SJ's approach to issues of corruption. SJ combats corruption via internal controls in the form of process descriptions and limitations of authority, powers and right of attestation.		
S04	Actions taken in response to incidents of corruption. No cases of corruption came to the attention of the Company's management in 2013.		●
S05	Public policy positions and participation in public policy development and lobbying. SJ serves in a consultative function when political issues are being addressed. By providing quality services and through communication and marketing activities, SJ aims to promote the SJ brand so that more people chose to travel by train. SJ believes that rail travel represents a sustainable mode of transport for the future and promotes rail travel in the media and to politicians. We endeavour to use our position to communicate where investments are most beneficial to our passengers and the development of society.		
Anti-competitive behaviour			
S07	Total number of legal actions taken against the organisation for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes. On 10 January, the Administrative Court in Stockholm rejected the Swedish Competition Authority's claims for procurement damages. In the grounds for its ruling, the Court states that SJ's operations are not subject to the Act on Procurement in the Water, Energy, Transport and Postal Services Sectors, LUF (SFS 2007:1092) and that the Act thus does not apply to procurement by SJ. SJ would therefore not be liable for payment of procurement damages. The Authority appealed against the decision on 31 January. For the Administrative Court of Appeal to hear the case, it must grant leave to appeal.		●
11 PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS			
Customer Health and Safety			
PR2	Total number of incidents of non-compliance with regulations concerning health and safety impacts of products and services. SJ compensates passengers suffering injury as a result of railway operations, during boarding and alighting SJ trains, in accordance with the Swedish Railway Traffic Act (1985:192). Such compensation is determined in accordance with the provisions of the Swedish law on damages. In the event of a dispute, the matter may be taken to a court of law. No matters were referred to a court of law for review in 2013.		●
Product and Service Labelling			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	ÅHR: 12, 18	●

Coverage

● Covered ■ Partially covered

Definitions and data measurement methods

Accessibility

How well the environment on board and in the immediate vicinity of SJ trains is adapted to the needs of the functionally impaired.

Average number of employees

The number of full-time employees as an average of hours worked during the year.

Bra Miljöval

(Good Environmental Choice)

The Swedish Society for Nature Conservation's (SSNC) environmental approval label. An eco-labelled journey should have little climate impact, be energy-efficient and produce low emissions. One of the conditions is that eco-labelled electricity should be used. Eco-labelling of electricity specifies environmental requirements regarding the means of generation. An annual third-party audit ensures the SJ is satisfying these requirements.

Brand Index (VMI)

A measure indicating how SJ as a business (brand) is perceived by its passengers.

The Brundtland Report

Report produced by the UN Commission on Environment and Development in 1987, under the chairmanship of Gro Harlem Brundtland.

Car hire

SJ has an agreement with a car hire company, under which car hire bookings may be made on the Internet, by telephone or in shops. The statistics in this report only include data on hire cars used by SJ personnel.

Carbon dioxide (CO₂)

Carbon dioxide is produced from the

combustion of fossil fuels (oil, coal, natural gas, petrol, diesel) above all for generating electricity and heating and for transport. Carbon dioxide is the biggest factor in the greenhouse effect, locally (in Sweden) and internationally. The current rise taking place in average temperatures around the world is natural warming aggravated by human activity, which is also the dominant cause of rising temperatures over the past 50 years (source: Swedish Environmental Protection Agency (Naturvårdsverket).

Carbon dioxide emissions (method of measurement)

Carbon dioxide emissions from electric trains in Sweden: Electricity consumption data from Trafikverket (kWh) x standard factor for hydropower, as applied by NTM (0.024 g CO₂/kWh). Carbon dioxide emissions from electric trains abroad: Electricity consumption in country concerned (kWh) x standard factor as applied by NTM (Norway: 0.024 g CO₂/kWh (hydropower), Denmark: 0.024 g CO₂/kWh (wind power). Rail replacement services: Data on carbon dioxide emissions are calculated on the basis of standard factors. In the case of buses, diesel consumption is assumed at 2.64 l/10 km and emissions at 2.54 kg of CO₂/litre (Swedish Petroleum and Biofuel Institute). Emissions by taxis are estimated at an average of 0.172 kg CO₂/km. Data on the number of kilometres driven are obtained from suppliers of rail replacement services. Business travel: Comprises rail travel (negligible emissions), taxis (emission data supplied by taxi service provider), hired cars (emission data supplied by car hire provider), air (number of passenger kilometres supplied by travel agency x standard factor for air travel (0.078 kg CO₂/km)) and com-

pany cars (number of kilometres driven per car x assumption that app. 10 percent is on company business x standard factor fuel as applied by NTM (ethanol: 0.078 kg CO₂/km, diesel: 0.157 kg CO₂/km, hybrid electric: 0.118 kg CO₂/km, biogas 0.094 kg CO₂/km)).

Capital employed

The balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions, including deferred tax liabilities.

Cash and cash equivalents

This is the sum of cash in hand and on deposit, plus interest-bearing deposits with a term to maturity of 90 days or less on the acquisition date.

Contract rail services

Services operated by SJ on behalf of regional transport authorities. Contract services include, for example, the commuter train service in Stockholm, which is operated by our subsidiary Stockholmståg KB on behalf of Stockholm Public Transport (SL).

Customer Satisfaction Index

A measure of how satisfied a passenger is as a customer of SJ, on the basis of his/her overall experiences of travelling by SJ over the past 12 months.

Debt/equity ratio

Interest-bearing liabilities divided by equity.

Earnings per share

Profit for the period divided by the average number of shares outstanding.

EFQM

The European Foundation for Quality Management's model for quality and organisational development.

¹ NTM (Nätverket för Transporter och Miljö – Network for Transport and the Environment, www.ntmcalc.se). Calculations and assumptions performed by SJ on the basis of NTM methodology and data.

Electricity consumption

Includes electricity used in train operations and the marshalling of parked carriages. Power losses from the grid to the trains are not included. Emissions from electric services are calculated on the basis of emissions during generation of hydropower and data from NTM¹. 50 percent of electricity used by SJ bears the Bra Miljöval label, with hydropower accounting for the major share and wind power for a minor amount. The other 50 percent is procured as hydropower. Overall, wind power represents around 1 percent of electricity procured.

Employee turnover

Aggregate personnel turnover, calculated as the average of the number of recruited and departing permanent employees, divided by two and divided by the number of permanent employees.

Environmental Index

Is calculated continuously as part of our on-board survey to obtain an indication of our customers' perception of how environmentally aware SJ is.

Equity/assets ratio

Equity as a proportion of total assets.

Full-time equivalent employees

The number of employees measured by contracted hours and full-time positions. The figure excludes employees on unpaid leave of absence and those on long-term sick leave with sickness benefit until further notice. Fulltime equivalent employees is a measure of time over the "contractual" period. Someone who is employed full-time is a full-time equivalent and someone who is employed on an 80 percent basis is a 0.8 full-time equivalent. The time worked by

hourly-paid employees is recalculated to enable it to be measured on the full-time equivalent basis.

GJ (Gigajoule)

1 billion joules, an energy measurement unit.

Global Compact

Summarises the UN's principles of human rights, labour law, the environment and corruption. The principles are based on the UN Declaration on Human Rights, the ILO Fundamental Conventions on Human Rights at Work, the Rio Declaration and the UN Convention against Corruption.

Global Reporting Initiative (GRI)

GRI is an independent international organisation that issues guidelines on sustainability accounting. (www.globalreporting.org).

GWh (Gigawatt hour)

1 million kilowatt hours, an energy measurement unit.

Income from train services

Income from SJ's own services and contractual services

ISO 14001

An international standard for environmental management systems.

ISO 9001

An international standard for quality management systems.

Load factor

Ratio of passenger kilometres to seat kilometres expressed as a percentage.

Manager

Managers are personnel in an overseeing role who exercise budget and work environment responsibilities.

Net liability

The net sum of interest-bearing provisions and liabilities, less interest-bearing assets.

Number of journeys

Total of one-way journeys with SJ, with or without changes.

OHSAS 18001

An international standard for management systems for occupational health and safety.

On-board Survey

Regular polling of customer opinion on board trains.

Operating margin

Operating profit expressed as a percentage of total sales.

Operating profit/loss

The difference between operating income and operating costs.

Passenger kilometres

The number of trips with SJ AB, multiplied by journey length.

Profit/loss for the year

The Company's profit after tax.

Profit margin

Profit after financial items as a percentage of operating income.

Punctuality

The percentage of trains that arrive at the destination station as per the current timetable. In a new industry-wide standard in operation since the beginning of September 2013, punctuality is defined as the scheduled time + 5 minutes for all passenger services. In the past, SJ measured punctuality for long-distance trains as the scheduled time + 15 minutes.

Rail replacement services (bus and taxi)

Bus and taxi are used for rail replacement services during scheduled engineering works and during unscheduled disruptions of train services. The replacement services are ordered by the rail service management.

Regional Transport Authority (RTA)

RTAs are the organisations responsible for scheduled local and regional passenger services in a county.

Regularity

The percentage of trains leaving from the departure station and arriving at the destination station in accordance with the schedule in force two days before the day of service.

Return on capital employed

Profit after financial items plus financial expenses, calculated on a trailing 12-month basis, as a percentage of average capital employed over the same period.

Return on equity

Net profit for the year, calculated on a trailing 12-month basis and according to the income statement, as a percentage of average equity over the same period.

Seat kilometres

The number of seat kilometres offered for sale, i.e. the number of available seats multiplied by distance travelled.

Service Index

A measure of the passenger's experience of service, information, accessibility and on-board customer care.

Short-term deposits

In the Parent Company balance sheet, short-term deposits are investments with a term to maturity of less than 1 year. In the Group, the term to maturity ranges from 3 months to 1 year. Longer-term bonds held for trading purposes are also included in Short-

term deposits, regardless of their term to maturity.

Sick leave

The number of employees on sick leave, measured as the period of sick leave divided by the number of full-time employees. Until further notice, sickness benefit is not included in the sick leave statistics.

SJ rail services

Rail services operated by SJ on a commercial basis or contract rail services financed wholly or partly by ticket sales. An example of a commercial service is the SJ 2000 service between Stockholm and Gothenburg. An example of a contract rail service is the service operated under contract with Rikstrafiken (the former National Public Transport Agency) to and from Upper Norrland.

SJ Volunteer

A new sustainability target that provides employees with an opportunity to be involved in voluntary work during working hours.

Supervisor

Supervisors are personnel in an overseeing role who do not exercise budget and work environment responsibilities.

Supplier and partnership assessments

A new sustainability measure aimed at ensuring that our suppliers identified as high- and medium-risk meet requirements applied in connection with procurement.

Taxi collaboration

Taxis can be pre-booked either at the time of booking a train ticket or by a member of the train crew. The statistics in this report only include data on taxi journeys by SJ personnel.

Tilting system

Technology enabling the carriages to tilt slightly to the inside of bends so that the train can travel faster without passengers being discomforted. Tilting systems operate on SJ 2000 trains.

Total assets

The total of assets as shown on the balance sheet.

Traffic Safety Index

An index assessing accidents that have occurred, in relation to production volume.

Train kilometres

The sum total of the distance travelled by all trains.

Travel time guarantee

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

Turnover

Total income.

Wi-fi, 4G

A wireless network offering 4th generation broadband communication, providing faster Internet connection than previously.

Yield

Income from SJ rail services divided by SJ passenger volume (measured in passenger kilometres).



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