

A woman with blonde hair and glasses, wearing a dark rail uniform with a red patterned scarf and a white shirt with a rolled-up sleeve, is smiling. She is in a train carriage with other passengers visible in the background.

Rail passenger numbers rising A win-win situation



Summary of SJ's 2015 Annual and Sustainability Report



This is a summary of SJ's 2015 Annual and Sustainability Report, and comprises selected parts of the Report. While every care has been taken in the translation of this Report, readers are reminded that the original and complete Annual and Sustainability Report 2015, signed by the SJ Board, is in Swedish.

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About SJ

SJ is a train operator that is wholly owned by the Swedish state. Some 5,000 employees work to provide efficient, climate-smart travel services. SJ AB has 440 daily departures and serves 160 stations from Narvik in Norway to Copenhagen in Denmark. The Group's train-operating subsidiaries are also responsible for a large number of additional departures. SJ's objective is to be a sustainable and market-leading train operator in Sweden.

Vision:

SJ – to rely on and look forward to.

Business mission:

SJ shall offer the market's most customer-oriented and sustainable travel, both independently and in collaboration with others. This means that we are to be the leaders when it comes to fulfilling the customer needs – while ensuring that social, environmental and economic responsibility are all reflected in our entire organisation.

Core values:

Reliable, Simple, Caring and Joyful.

SJ's business models

Customers and passengers

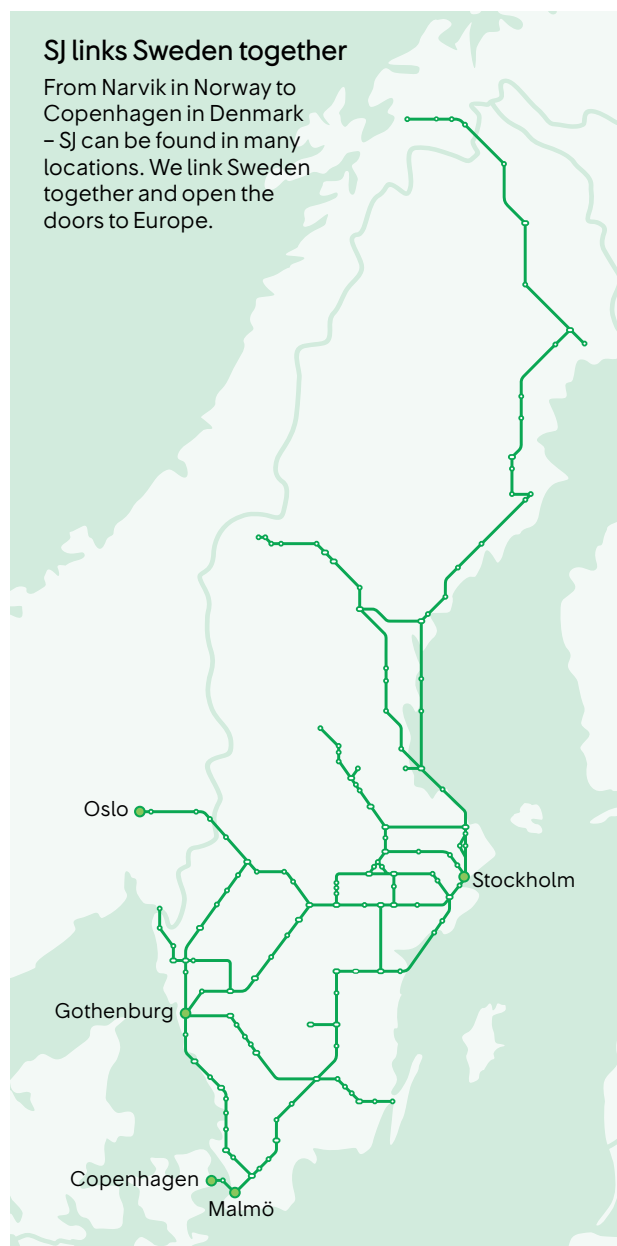
Own rail services under
SJ's brand

Regional public transport
procurements
Three contract types

A shared production model

SJ links Sweden together

From Narvik in Norway to
Copenhagen in Denmark
– SJ can be found in many
locations. We link Sweden
together and open the
doors to Europe.



2015 in figures

Our customers and passengers

No. of journeys
under SJ's brand

25.2 ↑
million (24.6)

No. of members
of SJ Prio

1.04 ↑
million (0.9)

Unique visitors
to www.sj.se

18.6 ↑
million (16.6)

Customer Satisfaction Index

SJ AB

66 ↑
(63)

Stockholmståg

66 ↓
(72)

SJ Götalandståg

92 ↓
(94)

Safety and punctuality

Traffic-safety index
SJ AB, SJ Norrlandståg
and SJ Götalandståg

96.4 ↓
(96.7)

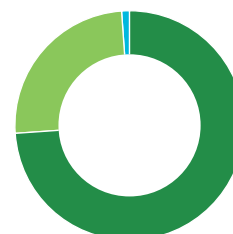
Punctuality for SJ AB's
long-distance trains

82 ↑
% (81)

Punctuality for SJ AB's
regional trains

89 →
% (89)

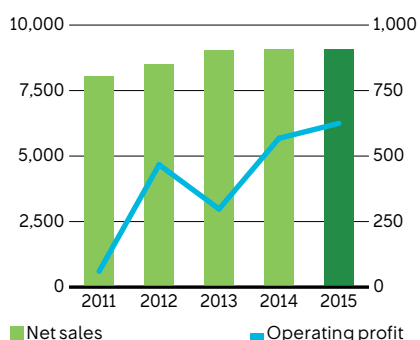
CO₂ emissions SJ AB and SJ Norrlandståg 2015



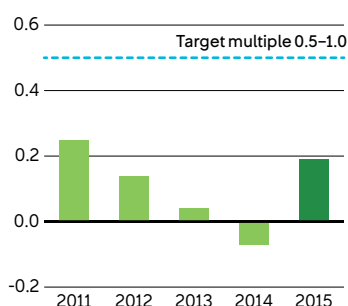
Electric power, 1%
Replacement services, 74%
Refrigerant leakage, 25%

SJ purchases 100-percent renewable wind and hydroelectric power to operate its trains, which results in extremely low GHG emissions. The lowest share of emissions arises from train operation, while the largest share results from replacement services in terms of buses and taxis, which are utilised in the case of service disruptions. Therefore, increased punctuality is closely linked to reduced environmental impact.

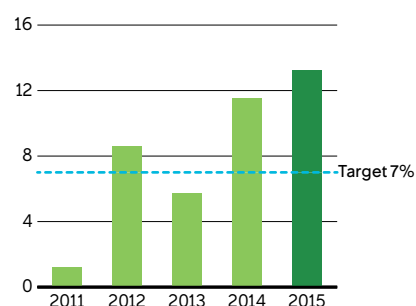
Net sales and operating profit, SEK million



Net debt/equity ratio, multiple



Return on operating capital, %



Key figures	2011	2012	2013	2014	2015
Net sales, SEK million	8,038	8,504	9,023	9,065	9,052
Operating profit, SEK million	60	467	298	568	625
Operating margin, %	0.7	5.4	3.3	6.2	6.9
Profit for the period, SEK million	36	471	220	460	471
Return on operating capital, %	1.2	8.6	5.7	11.5	13.2
Net debt/equity ratio, multiple	0.25	0.14	0.04	-0.07	0.19
Investments in tangible and intangible assets, SEK million	869	1,116	448	828	525
Average No. of full-time equivalents	4,041	4,299	4,953	4,541	4,232

For definitions, refer to pages 67-68.

SEK 525 million

invested by SJ in 2015,
primarily in trains and IT systems

SEK 1,930 million

distributed by SJ
to the owner in 2015



7 keys to und

1 We operate in an open and competitive market.

Sweden has a fully liberalised rail market and, since 2015, SJ has faced competition in all our market segments. This is positive for customers, and for our own and the industry's development.

2 About 14 percent of punctuality issues are attributable to our own actions. We also work proactively with the remaining percentage.

Creating punctuality is complex and involves numerous parties. We have worked intensively with areas we can impact directly, and are continuing our internal efforts as well as collaborating with others in the industry to improve the overall situation.

3 We have two main business models based on one core production model.

We offer commercial transport services under SJ's brand and regional public transport which is procured by regional public transport authorities (PTAs) across Sweden.

4 We conduct operations under commercial terms and use a balanced scorecard.

We use six control areas to ensure sustainable value creation from social, environmental and economical perspectives. As the market leading train operating company we take responsibility for developing sustainable travel for the future.



Understanding SJ

5 Our strategy has three horizons.
We are working to establish a sustainable and competitive cost base, to secure sustainable profitability throughout operations and to position the Group for strategic growth.

6 We are developing our services to meet the needs of customers and passengers.

First and foremost, customers and passengers value punctuality and safety. Other priorities include the environment, price value and comfort. In parallel, we are developing our services so that the customer experience of SJ is reliable, simple, caring and joyful.

7 We believe that SJ is no more than the sum of its employees.
SJ is defined by its employees. The commitment and performance of employees is decisive in terms of reliable operations and satisfied customers.

The railway – a system that requires collaboration

Arriving on time is critical for passengers and decisive for confidence in the railway system as a whole. Creating punctuality requires good planning and high delivery precision, with numerous elements that have to intermesh. Therefore, SJ applies an overall approach with the aim of actively influencing conditions outside of its own operations.



Definition and target

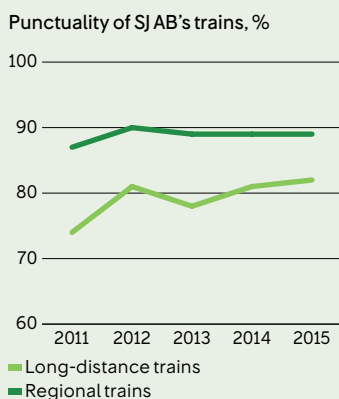
Punctuality comes immediately after safety as one of SJ's key targets. By 2020, SJ's long-distance and regional trains should have a punctuality of 95 percent for arrival within five minutes of the scheduled arrival time. Our punctuality tar-

get is the same as those agreed by the industry and toward which we are all working. The punctuality target is ambitious, particularly given the many factors that impact the outcome and which lie outside of SJ's direct control. Therefore, to reach this target, we collaborate with all other parties with a capacity to influence punctuality. The parties also

Creating the prerequisites for punctuality

SJ has implemented numerous measures to limit the risk of delays. To enable on-time train departures, we work intensively to ensure trains leave the depot as planned and that they are cleaned and food delivered on schedule. During the journey, the train drivers can ring colleagues, who are experts on different rolling stock classes, to obtain advice with the aim of correcting minor faults themselves. We close train doors 30 seconds before scheduled departure to ensure departure punctuality.

In 2015, about 14 percent of the disruptions to SJ AB's trains were down to us. Among disruption causes that are outside of our direct responsibility, the causes noted were primarily linked to infrastructure and external factors, such as extreme weather conditions or wildlife on the tracks. Within the collaboration framework for the railway system's actors, ongoing evaluation and adaptation of operations is carried out to increase punctuality.



A train is counted as on time if it arrives within a five-minute margin of error of the scheduled time.



Infrastructure

The condition of railway embankments, rail tracks and signalling systems determine the performance of the railway system. In 2015, slightly more than one third of disruptions for SJ AB's trains were caused by infrastructure.

Infrastructure standard per traffic day

During a traffic day, infrastructure accessibility can be impacted by acute or prolonged repair or maintenance work among other things. If the Swedish Transport Administration suspects damage to any installation, an inspection may be required.

Activities to improve punctuality

- Assist the Swedish Transport Administration by providing information, train drivers' observations, of where the maintenance need is greatest to efficiently raise the standard of infrastructure, for example, as regards contact wires, points and signals.
- Create the prerequisites in our timetable to allow the Swedish Transport Administration to plan and carry out railway maintenance.

work together to manage disruptions as efficiently as possible. Improving punctuality and providing information about disruptions are decisive to the credibility of the railway system and, accordingly, to SJ's credibility.

Responsibility and collaboration to increase punctuality

As the leading operator in the Swedish rail market, SJ has possibilities for influencing the prerequisites for punctuality. We consider our responsibility for punctuality to extend across the entire value chain. If lightning knocks out a switching station and impacts the power supply to trains – outside of SJ's control – we work together with the other parties involved to minimise the impact for passengers. We also

work together to prevent recurrence of the incident or, alternatively, minimise the consequences.

Many of the stakeholders in the rail sector are, like SJ, dependent on political decisions. Since 2013, under the TTT (Together for Trains on Time) industry initiative, SJ has worked proactively, primarily with the Swedish Transport Administration, but also with other organisations to improve punctuality. Under TTT, we work to improve the functionality of the entire railway system to, thereby, increase punctuality and improve traffic information in the case of disruptions. The shared target is to reach 95 percent punctuality by 2020 and customer satisfaction of 80 percent with regard to traffic information and management when disruptions occur.



Trains and personnel

Standards for rolling stock, planning and personnel are examples of how we impact punctuality. In 2015, about 14 percent of the disruptions to SJ AB's trains were down to us.

Activities to improve punctuality

- Ensure that trains are ready to depart at scheduled times (cleaned, provisioned and, when needed, been to the depot).
- Preventive train maintenance to reduce rolling stock faults.



External events

Just like extreme weather, accidents – involving wildlife and people – lead to delays. In 2015, slightly more than one third of disruptions for SJ AB's trains were caused by external events.

Activities to improve punctuality

- Reschedule traffic quickly and efficiently in the event of service disruptions.
- Guarding against the consequences of external events.



Traffic planning and traffic management

The railway system's capacity and operators' scheduling sets the framework. Daily adjustment of traffic is based on available capacity in real-time operations and on priority rules.

Activities to improve punctuality

- Increase the ability to quickly manage disruptions.
- Improve traffic information through faster and more accurate forecasts.



SJ's stakeholder dialogue

Customers/passengers

Relationships with customers and passengers are crucial in determining SJ's success and growth.

Dialogues: Continuous dialogues via SJ's sales organisation, customer service, on-board personnel and social media. Other dialogues comprise various customer and test panels whereby customers and passengers give their opinions.

Follow-up: The Customer Satisfaction Index including, among other items, the service index (on a quarterly basis).

Media

SJ wishes to be perceived in the way in which it acts, namely as a transparent, open and proactive force in public debate. Our relationship with the media plays an important role here.

Dialogues: Interviews, press conferences and social media.

Follow-up: Media monitoring and analysis (ongoing).

Owner

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

Dialogues: Ongoing dialogues with the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation, Board meetings and annual general meetings (AGMs).

Follow-up: Interim reports, annual and sustainability reports, corporate governance reports, presentations and other reports (ongoing).

Regional PTAs

SJ operates rail services under contract to regional public transport authorities (PTAs) and SJ's rail services form part of the regional public transportation programme.

Dialogues: Personal contacts and industry forum.

Follow-up: Follow-up of agreements, meetings and dialogues (ongoing).

Suppliers/partners

SJ works together with various suppliers and partners to be able to deliver and develop a travel experience that customers and passengers appreciate.

Dialogues: Ongoing dialogues, offers and negotiations as well as follow up of services.

Follow-up: Supplier and partnership assessments (quarterly), ongoing follow-up of agreements and audits.

The Swedish Transport Administration

The Swedish Transport Administration is the foremost supplier and collaboration partner for conducting efficient rail traffic. Collaboration with the Swedish Transport Administration includes strategic work with train scheduling and planned work on the railway, as well as operational work regarding traffic conditions.

Dialogues: Strategic, tactical and operational meetings. SJ maintains contact with the Swedish Transport Administration at all levels.

Follow-up: Punctuality statistics (weekly).

Associations/organisations

SJ collaborates with associations and organisations to develop the railway and, together, to create tomorrow's sustainable travel.

Dialogues: Exchange of information, training and collaboration – for example, for the countryside, commuters and people with disabilities.

Follow-up: Customer Satisfaction Index (quarterly).

Legislators

Decisions on new legislation, infrastructure, taxes and fees impact the railway and SJ's competitiveness. SJ often participates as a referral body for investigations and when new legislation is being prepared.

Dialogues: Regular meetings with regional and local representatives as well as other decision makers.

Follow-up: Ongoing analysis of the operating environment.



Employees

SJ is defined by its employees. The commitment and performance of employees is decisive in terms of reliable operations and satisfied customers. SJ strives to offer a safe and stimulating workplace.

Dialogues: Employee surveys, development dialogues, workplace meetings and other internal channels. Dialogues with the employees' union representatives.

Follow-up: Leadership index (yearly), performance index (yearly), performance contracts, absence due to illness (monthly), service index (monthly).

How our business works

SJ shall offer the market's most customer-oriented and sustainable travel, both independently and in cooperation with others. We are to be the leader when it comes to fulfilling the customer needs – while ensuring that social, environmental and economic responsibility are all reflected in our entire organisation. This should lead to an SJ to rely on and look forward to.

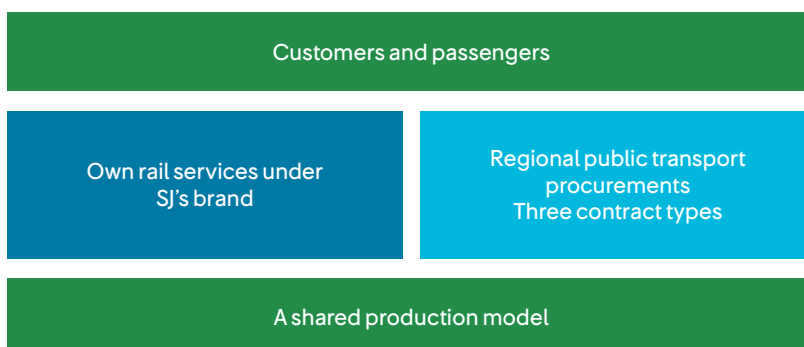
With the people of Sweden as our owners and as the market leading train operating company, it is natural for us to take an active responsibility for developing sustainable travel for tomorrow. The government's ownership policy clearly states that the owner expects all state-owned enterprises to act as role models in terms of sustainable business. SJ has not been given a defined societal assignment from its owner, the Swedish state, and is primarily subject to a required rate of return.

SJ's vision, mission and core values support the ongoing development of our business, in which sustainability efforts are fully integrated. We conduct operations under commercial terms, and apply a balanced scorecard approach with

six control areas to ensure sustainable operations. Read more on page 14.

SJ operates two types of rail services: commercial services and services subject to public tender with regional public transport authorities (PTAs). Commercial services that are operated under SJ's own brand are financed exclusively by ticket sales. Rail services procured by regional PTAs comprises traffic that cannot be operated profitably under commercial terms, but which is deemed critical for society to function and which is, therefore, partly tax financed. Tendered services are often operated under the PTA's own brand, for example, Västtågen, Öresundståg and Tåg i Bergslagen.

SJ's business models



Customers and passengers

SJ has three customer categories: private individuals, companies and regional public transport authorities (PTAs). The customer, the one paying for the journey, is not always the same as the passenger. Therefore, we differentiate between customers and passengers. Their shared expectations of a safe, punctual, simple and fairly priced journey with good comfort must be met in such a manner as to encourage more to choose to travel by train and to choose SJ.

Private customers pay for their own journeys and mainly travel as part of their daily commute or as leisure travel. SJ also has corporate customers from both the private and the public sector and about 10,000 corporate agreements under the SJ Biz concept.

The third customer category is PTAs, which are controlled by county council and regional politicians. PTAs are responsible for the respective region's public transportation programme and procure public transport subject to competitive tender. In this case, passengers are the customer's customer and passenger satisfaction with the service delivered is extremely important for the PTA.



Own rail services under SJ's brand

In 2015, 25.2 million journeys were completed with the services we operate under our own brand as part of the SJ High-Speed Rolling Stock, SJ InterCity, SJ Regional and SJ Night Train concepts. The high-speed train is SJ's premium product with the shortest journey times, high levels of comfort, and always provides Wi-Fi, a bistro and first class. SJ InterCity operates partly on the same routes with stops at more stations and offers a lower price. SJ Regional offers simple, shorter journeys and the concept has been designed to meet the needs of commuters. SJ Night Trains, which are operated by the subsidiary SJ Norrlandståg, allow passengers to sleep in couchettes, sleeping cars or private first class compartments.

A simpler and clearer customer offering that reflects SJ's core values and vision is being developed ahead of its launch in 2016. The new concept aims to create packaged services that are easy to understand, book and purchase.

Our customers are increasingly inclined to purchase tickets through SJ's digital channels and have high expectations of their functionality and content. The website www.sj.se and SJ's app have increasing roles to play in the actual offering and are being relaunched in new versions at the start of 2016.

Dynamic pricing, which aims to optimise revenue by adapting pricing to supply and demand, comprises a core component of SJ's revenue model for its own rail services. Dynamic pricing enables high load factors measured over



a 24-hour period and over seasonal variations. This is positive for customers, the environment and the utilisation of track capacity. In 2015, dynamic pricing was expanded to include the most flexible tickets, refundable tickets.

Each line is a separate business

All lines and tendered contracts must contribute to reaching SJ's goals. Each line and contract has a business manager with responsibility for profitability and other targets. SJ makes ongoing changes to its offering, operations and pricing to meet customers' expectations and the adopted targets.



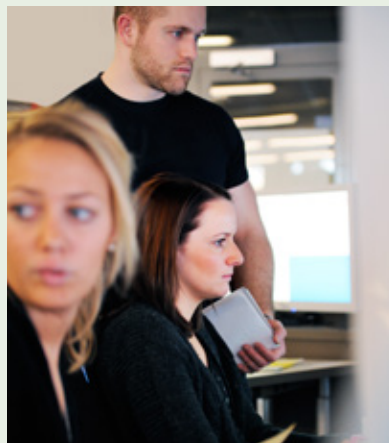
Regional public transport procurements

Tendered services comprise a key component of SJ's strategy and we operate services through our subsidiaries: Stockholmståg, SJ Götalandståg and SJ Norrlandståg as well as the part-owned Botniatåg. In 2015, 124 million journeys were completed with our wholly owned subsidiaries.

The Swedish market for tendered rail services, excluding metro and tramway/light rail services, amounts to slightly more than SEK 6,500 million per annum. In 2015, the SJ Group had sales of about SEK 3,000 million attributable to tendered services via our subsidiaries. Despite its market share in Sweden, in terms of size, SJ is one of the smallest operators competing for the contracts.

SJ's production model

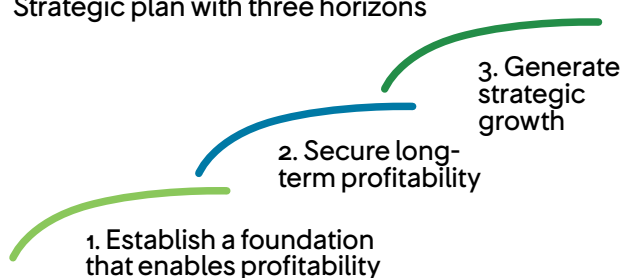
We have one shared production model for rail services. We use this as a base on which we build various train products, which may need supplementary production arrangements. This model means we have long-term planning in place for, among other things, the number of train sets and other rolling stock that we need. Support for major decisions is secured with the parties involved for several years forward; which means we can operate cost-efficient rail services.



A sustainable cost base to allow taking

SJ's strategic plan sets out what we should do to meet passengers' requirements and to be a sustainable train operator, which takes social, environmental and financial responsibility. The strategy aims to meet increased competition in both commercial and tendered services through competitive cost levels and investment in offensive offerings.

Strategic plan with three horizons



SJ's work with change is being pursued on three horizons and, to some extent, these efforts are ongoing in parallel. The first horizon is based on establishing a sustainably competitive cost base, the second on securing long-term profitability and the third on generating strategic growth. In common for all three horizons is a shared focus on customers and core operations. For example, this means that all three are imbued with a focus on areas such as punctuality and an enhanced passenger experience. We create customer value using a holistic approach and ensure that all our train lines support our goals.

1. Establishing a basis that allows profitability

To a great extent, the establishment of a sustainable foundation for SJ to develop profitably in the short and long term is a matter of having a cost base that is sustainable in the long term. In 2013, the target was set to reduce SJ's cost base by about SEK 1 billion, measured over the full year, by 2017. In practice, this means, firstly direct measures to lower costs and, secondly investments aimed at lowering running costs and raising productivity, over time.

A competitive unit cost is a prerequisite for long-term profitability. In turn, a precondition for this is efficient, robust production with standardised processes.

Above all else, passengers value arriving at their destination safely and on time. Punctuality and regularity, that trains are not cancelled, are therefore crucial in terms of the first strategic horizon to ensuring that more people choose to travel with SJ.

2. Secure long-term profitability

SJ should be the first choice for customers and passengers. Accordingly, a key element of SJ's growth strategy is to increase travel in those markets where we already operate through active marketing and by developing new products and services. Each line is operated as a separate business to reach the goal of long-term profitability. We work actively to realise the respective line's full potential, in terms of both the number of passengers and earnings.

Healthy profitability creates space for offensive investments, which concurrently enable an enhanced customer experience and increased cost-efficiency. To reach these goals, SJ is also working with standardising and simplifying various offerings, primarily new, defined train concepts, investments in new or refurbished rolling stock, a standardised fleet and simpler ticket solutions.

3. Generate strategic growth

Continued growth requires the continuous development of attractive travel options, and the consolidation of SJ's position as the preferred choice for everyone who wants to travel by train.

Promoting increased travel by train is a key part of the strategy to expand the business and generate strategic growth. SJ continually evaluates methods for growing the business by analysing new and existing lines, both national and international.

the offensive

Examples

SJ's digital strategy

Our website www.sj.se is the single most important channel for retailing tickets for our trains and for information about departures, traffic conditions and detailed information about the journey with SJ. At the start of 2014, we decided to close the majority of our ticket offices, since these only contributed 4 percent of sales. Instead, we started a partnership with Pressbyrån and 7-Eleven, which now sell our tickets.

In 2015, the low demand for tickets from our train hosts on board our trains contributed to us withdrawing this service. Only 0.6 percent of ticket sales in 2015 were by train hosts.

In 2015, work started on our new website www.sj.se. This is being launched in spring 2016 and is responsive to ensure good functionality irrespective of whether a computer, tablet or mobile phone is used to access the site. A new app to facilitate easy ticket purchases and provide information is also being launched in 2016.

Consolidation of the IT environment

Extensive efforts are ongoing with developing and consolidating SJ's IT environment with two objectives: to lower IT costs and to enable faster and more efficient tailoring to customers. The digital channels will facilitate customers' contact with us and provide

better support for our personnel. In time, more efficient work methods will result in substantial cost savings.

Improved train maintenance

SJ works continuously with improving train maintenance to both increase punctuality and to lower costs. In spring 2015, new agreements for in-service maintenance were signed. We now have improved pre-conditions for deeper collaboration with suppliers and greater flexibility, which should result in higher quality and availability for our trains in parallel with lower costs.

Examples



In-depth customer dialogues

In 2015, we conducted in-depth dialogues with customers and passengers. The dialogues are important for ensuring our priorities and investments are aligned with their wishes and expectations. Customer dialogues provide us with insights that contribute to making SJ more attractive to travel with.



Strategic investments in high-speed trains

One of SJ's major investments in recent years has been the upgrade of Sweden's fastest train, the X2000. A SEK 3.5 billion investment in improving technology and comfort in all train sets has been decided. The investment will also extend the trains' economic lifespan.

The modernisation will continue through the 2016–2019 period and the refurbished trains will gradually enter service. We will also upgrade our other rolling stock classes on an ongoing basis, to improve reliability and thereby create the prerequisites for increased punctuality.

Examples

Procurement of passenger services becoming a reality abroad

A process is ongoing in Norway to change regulations with the aim, among other things, of enabling competitive procurements of passenger services. SJ is monitoring the process to identify any business opportunities that emerge.



High-speed lines create new travel patterns

Discussions regarding the routes and financing of the high-speed lines in Sweden are of substantial interest for SJ. Significantly shorter journey times will result in a substantial increase in travel when greater proximity between destinations creates new travel patterns.

If the high-speed lines are to be a success, it is crucial that they are designed and operated correctly, which is something SJ actively promotes through dialogue with the National Negotiation on Housing and Infrastructure, the Swedish Transport Administration and other parties. For commercial operators, good forward planning in terms of capacity allocation is also important to allow the major investments in rolling stock that will be required.

Target areas for long-term value creation

SJ manages the business using a value creating holistic approach and follows up operations with the help of a balanced scorecard. SJ has identified six control areas: Employees, Partnerships and Resources, Society, Customers, Processes and Finance. Long-term, strategic targets are in place for each control area.

The scorecard measures and controls our operations

Based on expectations from the Group's stakeholders and SJ's own ambitions and conditions, SJ uses the balanced scorecard approach to measure and manage its performance.

Sustainability is a natural and integral part of SJ's business model. The social, environmental and economic sustainability of operations is assured, based on the Group's vision, mission, targets and core values. SJ's mission is to offer the market's most customer-oriented and sustainable travel, both independently and in cooperation with others. This means that SJ is to be the leader when it comes to fulfilling the customers' needs – while ensuring that social, environmental and economic responsibility are all reflected in our entire organisation.

Both financial and non-financial targets are monitored annually, quarterly and monthly. This makes the scorecard a valuable tool for continuous improvements in a number of business-critical areas. Continuous measurement of the organisation's performance increases the ability to avert negative trends before they have any major impact, and ensures that SJ is moving toward its desired goals.

SJ's owner, the Swedish state, requires all state-owned companies to define corporate sustainability objectives. The objectives should be relevant to the company's operations, measurable and sufficiently ambitious. SJ has three long-term sustainability targets: a punctuality rate of 95 percent, the proportion of completed supplier and part-

nership assessments, and SJ Volunteer, a programme that allows employees to engage in voluntary work during working hours. The targets were developed by a working group comprising representatives from both the Board and the Executive Management.

The achievement of non-financial targets for 2015 varied and some examples of underachievement are related to absence due to illness, punctuality and SJ Volunteer.

Codes of conduct clarify

SJ's operations are already subject to governance based on the policies adopted by the Board. In 2014, these requirements were formalised through the introduction of both an internal code of conduct, and an external code of conduct for suppliers. The Group also has a whistle-blower system, whereby employees can report serious irregularities and deviations from the codes of conduct. In 2015, three cases were dealt with under the whistle-blower system.

SJ has been using an integrated and certified management system for many years in relation to quality management (ISO 9001), the environment (ISO 14001) and occupational health and safety (OHSAS 18001). The management system is externally audited, and SJ also uses the EFQM model (European Foundation for Quality Management) to evaluate and monitor the efficiency of the management system. The model is based on, and aimed at, creating value for all of our key stakeholders. Read more on governance at SJ in the Corporate Governance Report on pages 23–29.

From vision to tangible work

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



SJ's scorecard

	Out- come 2014	Target 2015	Out- come 2015	Target 2016	
Employee					
Absence due to illness, %	6.2	5.6	6.5	5.6	F
Leadership index (SJ AB), full year	66	69	68	71	
Performance index (SJ AB), full year	75	78	75	79	F
Partnership & Resources					
Supplier and partnership assessments performed, %	20	40	40	60	G
Society					
Traffic-safety index (SJ AB, SJ Norrlandståg, SJ Götalandståg)	96.7	97	96.4 ²	97.1	A
Brand index ¹ (SJ AB), BI	40	43	49	55	D
Environmental index (SJ AB)	71	72	73	74	E
SJ Volunteer ³ (SJ AB), No. of hours	n/a	1,300	256	1,500	D
EFQM points, full year	440	550	560	550	
Customer					
Customer Satisfaction Index, CSI, SJ AB ⁴	63	65	66	69	C
Customer Satisfaction Index, CSI, Stockholmståg ⁵	72	70	66	70	C
Customer Satisfaction Index, SJ Götalandståg ⁵ , commuter trains	94	93	92	92	C
Customer Satisfaction Index, SJ Götalandståg ⁵ , regional trains	94	93	92	92	C
Process					
Punctuality long-distance trains, SJ AB, 5 min, %	81	90	82	86	B
Punctuality regional trains, SJ AB, 5 min, %	89	95	89	91	B
Punctuality commuter trains, Stockholmståg, 3 min, %	92	93	91	93	B
Punctuality commuter trains, SJ Götalandståg ⁵ , 3 min, %	94	94	92	94	B
Punctuality regional trains, SJ Götalandståg ⁵ , 5 min, %	91	93	90	93	B
Load factor ⁶ , SJ AB, %	51	51	50	49	B
Regularity, SJ AB, %	97	98	98	98	B
Finance					
Net debt/equity ratio, multiple	-0.07	0.5–1.0	0.19	0.5–1.0	
Return on operating capital, %	11.5	7	13.2	7	
Dividend, share of profit for the period, %	50 ⁷	30–50	40 ⁸	30–50	

1) The definition was changed as of August 2014 and based on our new core values. The measurement method has been further refined since July 2015.

2) The measurement method was calibrated in 2016, which impacts the result for 2015 but not for 2014.

3) Launched in the second quarter of 2015.

4) New measurement method from September 2014.

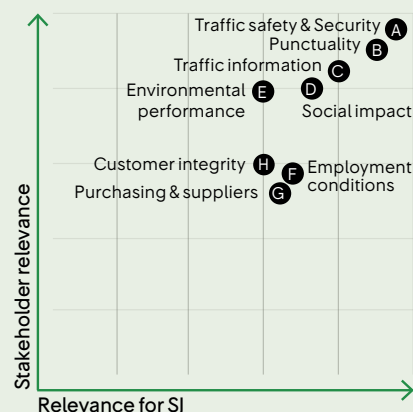
5) Own measurement method, not comparable with the outcome for SJ AB.

6) New definition from 2015, not comparable with the outcome for 2014.

7) In addition, an extraordinary dividend of SEK 1,700 million.

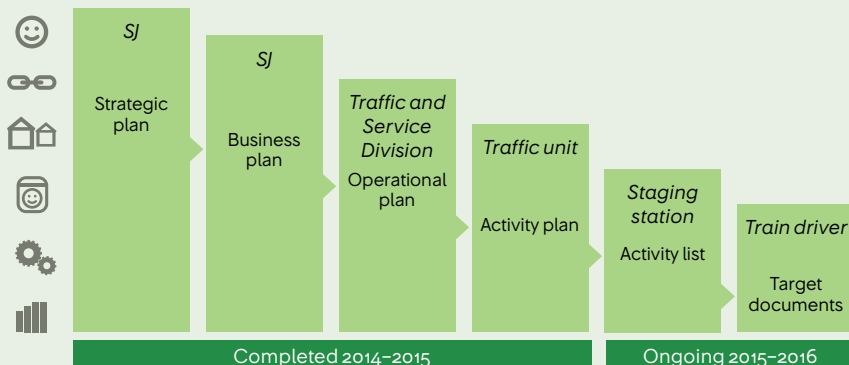
8) According to the Board's proposal.

SJ's materiality analysis related to the scorecard



H The scorecard currently has no key figure linked to customer integrity.

The economic effects of SJ's operations are found in the Societal impact area in the above materiality analysis and are reported under the Finance control area.



Management in practice

The long-term performance indicators in SJ's business plan are translated into operational targets and activities for all parts of operations. These clarify for the individual employee how each individual can impact and contribute to the company's shared targets. This is one example from the Traffic and Service Division.

Directors' Report

The Board of Directors and Chief Executive Officer of SJ AB (corporate registration number 556196-1599) hereby present SJ's annual accounts and consolidated financial statements for the 2015 financial year.

All amounts are in SEK million, unless otherwise indicated. Rounding differences may occur.

Key figures

	2015	2014	2013	2012	2011
Net sales, SEK million	9,052	9,065	9,023	8,504	8,038
Operating profit, SEK million	625	568	298	467	60
Operating margin, %	6.9	6.2	3.3	5.4	0.7
Profit for the period, SEK million	471	460	220	471	36
Return on operating capital, %	13.2	11.5	5.7	8.6	1.2
Net debt/equity ratio, multiple	0.19	-0.07	0.04	0.14	0.25
Investments in tangible and intangible assets, SEK million	525	828	448	1,116	869
Cash flow for the period, SEK million	-248	265	-240	272	1

For definitions, refer to page 67–68.

Significant events in 2015

- At the end of December, SJ AB took over the Group's claims annuities. At the same time, the Group changed its method for measuring these annuities. The changed assumptions had a negative effect of SEK 17 million on earnings for both the Parent Company and the Group (refer to page 44).
- On 12 December, SJ ceased its on-board ticket sales. The buying patterns of customers have changed over the years and only 0.6 percent purchased their tickets on board before ticket sales were discontinued. The current trend is that SJ's customers prefer to buy their tickets digitally via SJ's app or on www.sj.se, from one of SJ's 600 agents across Sweden, from ticket machines at many of the stations, at SJ's ticket offices or from SJ's customer service.
- Confidence in SJ was renewed when the company secured the contract to operate commuter trains in the Gothenburg area, and regional trains in western Sweden under the name of Västtågen. The rail services are managed and operated by SJ's subsidiary SJ Götalandståg. SJ's new contract with Västtrafik became effective on 13 December 2015, and extends until December 2024. The new contract generated both increased income and expenses in December 2015, with a marginal impact on earnings.
- In mid-November 2015, it was announced that SJ had secured the Tåg i Bergslagen contract, following a competitive tender process. The ten-year contract will commence in December 2016 and is expected to generate approximately SEK 2,000 million over the contract period. The Tåg i Bergslagen system links the four counties of Bergslagen with the following rail lines: Mora – Borlänge, Borlänge – Västerås, Gävle – Mjölby, Örebro – Laxå, Gävle – Hallsberg and Ludvika – Västerås. With three million journeys per year, train operations play a vital role in everyday life.
- Following a competitive tender process, SJ secured the contract for the regional train services with Kinnekulle-tågen on the Mariestad – Lidköping – Gothenburg and Örebro – Mariestad – Lidköping – Herrljunga routes. The new contract will take effect in June 2016 and the ser-

vices will be operated by the subsidiary SJ Götalandståg. The contract is for 8.5 years with an option to extend for an additional three years, and is expected to generate about SEK 510 million over the contract period.

- In early December, the Stockholm County Council Traffic Committee decided to award MTR the contract to operate commuter rail services in the Stockholm region from December 2016 and for a period of at least 10 years onward. On 18 December, SJ requested a review of the decision to test whether the contract had been awarded on fair grounds and in line with current law. If the decision is upheld, SJ's subsidiary Stockholmståg will hand over the operation of commuter rail services and the business will be transferred before the end of 2016.
- In autumn 2014, the Division for State-Owned Enterprises together with SJ's Board and Executive Management initiated a review of the company's capital structure on the basis of SJ's financial targets, as well as the company's own strategic plans and risk. The findings were presented to SJ's Board during spring 2015 and confirmed that SJ was over-capitalised. It was recommended that SJ issue an extraordinary dividend. An Extraordinary General Meeting (EGM) on 25 September 2015 therefore resolved on an extraordinary dividend of SEK 1,700 million. The dividend was paid on 30 September.
- In January 2013, the Swedish Competition Authority lodged a claim that SJ be ordered to pay a procurement fine for the company's alleged breach of the Public Procurement Act within the Water, Energy, Transport and Postal Services Sectors (LUF). SJ contested the claim. On 10 January 2014, the Administrative Court in Stockholm rejected the Swedish Competition Authority's claim. In the grounds for its ruling, the Administrative Court stated that SJ's operations do not fall within the scope of LUF and as such, the Act is not applicable to SJ's procurements. The Swedish Competition Authority appealed the Court's decision to the Administrative Court of Appeal. In early June 2015, the Administrative Court of Appeal in Stockholm ruled that SJ does not fall within the scope of LUF in regard to purchasing. Of particular importance is the Administrative Court of Appeal's statement that SJ competes with other train operators whose operations are subject to the same terms as SJ, since the procurement rules are not intended to apply to competing companies in a fully liberalised market. The Swedish Competition Authority subsequently appealed the decisions of both the Administrative Court and the Administrative Court of Appeal that SJ is not subject to LUF, and has applied for permission to appeal to the Supreme Administrative Court.
- In September 2015, Nordiska investeringsbanken (NIB) and SJ AB entered into a ten-year loan agreement for SEK 770 million for the technical upgrade of SJ's X 2000 trains. The loan will be used to modernise all 36 of SJ's X 2000 trains, which will continue until 2019. The investment will result in higher productivity and service quality – shorter journey times, and improved safety and energy efficiency.
- On 1 May 2015, SJ introduced changes to its compensation for train delays in accordance with EU standards. The aim was to make the regulations easier to understand and that customers would receive their compensation faster. Delays caused by parties other than train operators, or that are consequential delays, were already covered by the EU regulation. A new law will come into effect on 1 April 2016. The Act on Public Passengers Rights entails more far-reaching responsibility for the transporter than the current EU regulation on rail passengers' rights, and includes

transportation services for distances of less than 150 km. The Act includes provisions on passengers' entitlement to compensation for delays of more than 20 minutes, which may have an adverse financial effect on the Group.

- In 2014, SJ contested the Stockholm County Council's decision on public service obligations in the Stockholm – Mälaren Region in the Administrative Court of Stockholm. SJ claims that decisions leading to the displacement of commercial services by publicly funded, subsidised public transport are in breach of the Public Transport Act. In December, the Administrative Court ruled in favour of the Stockholm County Council's decision. SJ applied for permission to appeal to the Administrative Court of Appeal, which was granted. However, on 9 March 2016, the Administrative Court of Appeal announced its decision to also dismiss SJ's appeal.

Significant events after the end of the year

On 17 December, the Riksdag adopted a new law requiring ID checks for passengers travelling to Sweden. According to the government's ordinance, ID documents are to be checked before arriving in Sweden from Denmark, and any passengers without valid ID documents will be denied entry. SJ decided not to operate services between Sweden and Denmark (in both directions) from 4 January 2016, when the ordinance came into effect, due to the amount of time required to check ID documents at Copenhagen Central Station (Hovedbanegård). SJ and Banedanmark have now developed a joint solution to enable ID checks and on 1 March 2016, SJ resumed its services on that route.

In a decision handed down on 23 March 2015, the Administrative Court upheld the Swedish Work Environment Authority's request that a fine be imposed for alleged deficiencies in the depot area at Hagalund, and ordered SJ to pay a fine of SEK 0.6 million to the Swedish government. SJ applied for permission to appeal the decision, but neither the Administrative Court of Appeal nor the Supreme Administrative Court granted permission to appeal. The Administrative Court's decision therefore stands, and SJ will pay a fine of SEK 0.6 million.

Expected future development

Continued growth requires the continuous development of attractive travel options, and the consolidation of SJ's position as the preferred choice for everyone who wants to travel by train.

Promoting increased travel by train is a key part of the strategy to expand the business and generate strategic growth. SJ continually evaluates methods for growing the business by analysing new and existing lines, both domestic and international.

SJ's operations and market

SJ AB is a train operator that is 100-percent owned by the Swedish state, and based in Stockholm. SJ's core business is rail services and the company mainly operates in the markets for regional and long-distance travel within Sweden, as well as to Copenhagen and Oslo. The operations are divided into two categories: own rail services and tendered (publicly funded) public transport. The Group's rail services are conducted by the Parent Company and by the subsidiaries SJ Götalandståg, Stockholmståg and SJ Norrlandståg. Other subsidiaries have limited activities that are closely related to rail services.

The rail market

Domestic travel is showing a positive trend in Sweden, driven by a growing population and economic growth. In 2015, SJ estimates that total travel (measured in passenger

kilometres) by rail, air and road increased two percent year-on-year. Lower retail prices and more choice contributed to the increase. In 2015, travel with SJ AB (measured in passenger kilometres) increased one percent year-on-year.

EU regulations provide a framework for Swedish legislation, and the European Commission's proposed Fourth Railway Package is aimed at taking further steps toward a single European railway area, with shared standards and increased competition between railway companies.

The Fourth Railway Package includes proposals for open access to the rail markets of all member states, and a requirement for a competitive tender process when the public sector engages operators to manage publicly funded public transport by rail. Work on the EU's Fourth Railway Package continued in 2015 but was hindered by opposition to a competitive single market by some of the EU's largest member states.

Sweden and the UK are the EU member states that have made most progress in terms of liberalisation and a competitive market. The Swedish rail market is fully competitive. The EU's vision of a single rail market creates a need for regulations that are more focused on functional requirements than detailed technical specifications. Sweden and SJ are driving efforts to adapt the regulatory trend to market structures. In the short term, however, various regulations within EU allow players from the rest of the world to operate trains in Sweden, while SJ and other Swedish train operators are currently unable to do the same in other countries.

There is a growing interest in Swedish train and rail market. This is partly the result of a long-term national strategy linked to environmental and climate objectives, whereby Sweden aims to become one of the world's first fossil-free welfare nations. The interest in rail is also due to the growing awareness amongst politicians and the public of the vast infrastructure needs that exist. Local and regional commuting has increased and rail services in some areas are moving toward their maximum capacity.

At the end of 2015, the final report of the government-commissioned inquiry into the organisation of the Swedish railway sector was presented. The aim of the inquiry was to recommend improvements that would best meet future demands for an efficient and sustainable transport system. The next step will be to circulate the final report for comments.

The mandate of the National Negotiation on Housing and Infrastructure includes the identification of suitable routes and financing principles for high-speed lines between Stockholm and Malmö, and Stockholm and Gothenburg. Most of the strategic decisions that aim to create the pre-conditions for development and operation will be made during 2016 and 2017. The entire high-speed railway system is scheduled for completion by 2035.

The severe winters of 2009–2011 drew public attention to Sweden's neglected railways. Over the next few years, a great deal of track maintenance will be carried out, which will also result in disruptions. The situation is already acute on the Southern and East Coast main lines. The situation is worsening on the Western main line. Measures have partly been adopted with a view to improving the infrastructure over the long term. In the short term, however, the coming investments in track renovation and maintenance will increase journey times due to single-track sections and lower speeds.

Significant risks

Risk is inherent in all business activities, but also entails opportunities. By having good knowledge of risks and activities in place to minimise them, their negative impact can be limited and opportunities can be leveraged effectively. SJ defines risk as an event that could affect SJ's ability to achieve its goals.

The process begins by identifying operational, business and market risks. The sustainability perspective is included in the broad approach applied. The process involves all divisions, staff units and subsidiaries, which enables consultation, raised awareness in the organisation, and more effective risk identification. The aim of risk management is to limit the undesirable effects that could affect the company's goals or market position.

The risk process entails that the Executive Management monitors changes in the risk assessments on a quarterly basis to decide whether there is any need to take action, or whether new risk areas should be assessed. The risks are prioritised on the basis of likelihood and consequences, and linked to activities designed to manage the risks. As of 2014, the risks have been grouped according to SJ's six scorecard areas. Due to their financial impact, all identified risks can be classified as Financial but the starting point for the new identification process has been to assign the risks to the scorecard area in which their potential impact is greatest, based on the risk description.

In 2014, a review of the Group's risk management process was initiated, with the aim of further strengthening the process and the organisation in terms of risk prevention. A security manager was recruited in 2014, with overall responsibility for safety (except for traffic safety, where this role is already well-defined). In 2015, the Group's risk management was further structured and systemised. A Risk Policy was also adopted by the Board. There is also a Risk Council with representatives from all divisions, staff units and subsidiaries. The role of the Risk Council is to coordinate the organisation's support for risk management and to work both proactively, by identifying and minimising risks and monitoring their impact reduction, and preventively, by ensuring that past events do not recur. The Risk Council is responsible for, and presents, risk reports to the Executive Management, which in turn determines risk reporting to the Board.

SJ's sustainability activities

Based on expectations from the Group's stakeholders and SJ's own ambitions and prerequisites, SJ applies a balanced scorecard approach to measure and manage its perfor-

mance. Sustainability is a natural and integral part of SJ's business model. Social, environmental and economic sustainability is secured, based on the Group's vision, mission, targets and core values. SJ's mission is to offer the market's most customer-oriented and sustainable travel, both independently and in cooperation with others. This means that SJ is to be the leader when it comes to fulfilling the customers' needs – while ensuring that social, environmental and economic responsibility are all reflected in our entire organisation.

Both financial and non-financial targets are monitored annually, quarterly and monthly. This makes the scorecard a valuable tool for continuous improvements in a number of business-critical areas. Continuous measurement of the organisation's performance increases the ability to avert negative trends before they have any major impact, and ensures that SJ is moving toward its desired goals.

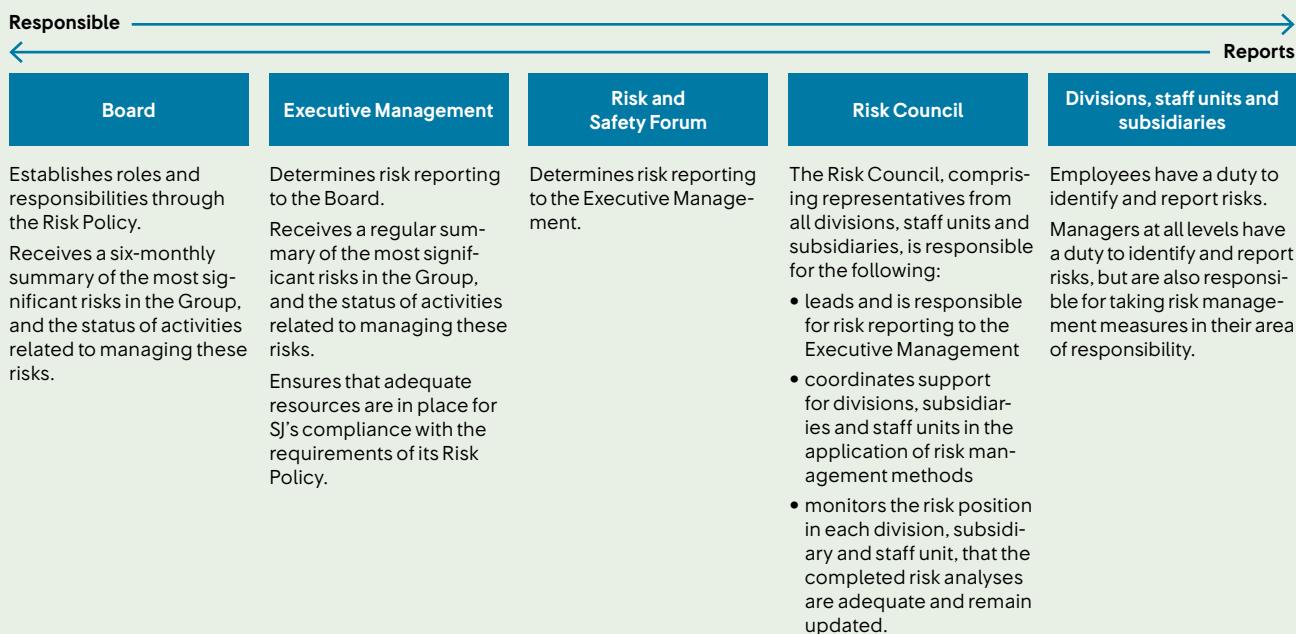
Achievement of the non-financial targets for 2015 varies and some examples of underachievement are related to absence due to illness, punctuality and SJ Volunteer.

SJ's owner, the Swedish state, requires all state-owned companies to define corporate sustainability objectives. The objectives should be relevant to the company's operations, measurable and sufficiently ambitious. SJ has three long-term sustainability targets: a punctuality rate of 95 percent, the proportion of completed supplier and partnership assessments, and SJ Volunteer, a programme that allows employees to engage in voluntary work during working hours. The targets were developed by a working group comprising representatives from both the Board and the Executive Management.

SJ's sustainability activities are conducted in accordance with the international principles of the Global Compact. Sustainability activities in 2015 have been reported in accordance with the G4 Guidelines of the Global Reporting Initiative (GRI), under the Core option.

SJ has been using an integrated and certified management system for many years in relation to quality management (ISO 9001), the environment (ISO 14001) and occupational health and safety (OHSAS 18001). The management system is externally audited, and SJ also uses the EFQM model (European Foundation of Quality Management) to evaluate and monitor

Risk management roles



A selection of identified risks reported to the Board¹⁾

Target area	Risk	Potential effect	Activity
Employee	Absence due to illness	That SJ's absence due to illness continues to rise, resulting in increased costs and poor health.	Breaking the former negative trend and stabilising absence due to illness is one of SJ's most prioritised issues. In 2015, SJ replaced its occupational health services provider and intensified the company's focus on preventive measures.
Partnership & Resources	Railway infrastructure deficiencies in the short term.	Poorer punctuality, production losses, reduced availability and thus lower income. May involve track shutdowns and re-planning, plus increased costs in the form of costs of non-quality (CNQ), and so forth.	Continued industry cooperation with, for example, the Swedish Transport Administration. A new element in the TRAV Agreement (agreement between the Swedish Transport Administration and railway operators) is the ability for train operators to seek compensation for the cost of replacement services during service disruptions, where the cause is attributable to the Swedish Transport Administration's infrastructure or operations management.
Society	No risks in the control area of Society were reported to the Board.		
Customer	No risks in the control area of Customers were reported to the Board.		
Process	The conditions for long-distance routes are deteriorating due to reduced access to track capacity as regional rail systems grow. Unclear boundaries between commercial and tendered services.	SJ is losing long-distance routes, journey times are increasing and punctuality is declining, resulting in less profitable commercial services. Also an opportunity, since SJ participates in public tenders of regional rail services.	SJ will establish a working party to prepare for the Swedish Government Official Report (SOU 2015:110) A new railway system – beyond the railway junction (En annan tågordning – bortom järnvägs-knuten) and development areas in the TTT project, Together for Trains on Time (Tillsammans för Tåg i Tid).
Finance	The new ERTMS signalling system is not yet fully developed.	Vehicles must be taken out of service for modification to meet the new requirements. Makes it difficult to meet service objectives and punctuality targets, which affects our customers.	In August 2015, the Swedish Transport Administration recommended that continued deployment of the ERTMS in Sweden be postponed. Denmark is now ahead of Sweden and will replace all signalling equipment between 2016 and 2022, and the ERTMS will be deployed on the Øresund Link in 2019. The ERTMS is still under development, and SJ began developing and testing the technology in a pilot project in autumn 2015. The aim of the project is to reduce risks, and to separate the technical development of the ERTMS from other vehicle modifications. Reliable and available ERTMS equipment is business-critical, and will not be installed in any vehicle group until the technology is fully developed. SJ's project to install the ERTMS has commenced.

¹⁾ Financial risks are excluded, since these are managed within the framework of the financial policy established by the Board. Financial risks are reported to the Board on a quarterly basis.

the efficiency of the management system. The model is based on, and aimed at, creating value for all of our key stakeholders.

SJ's operations are already governed by the policies adopted by the Board. In 2014, these requirements were formalised through the introduction of both an internal code of conduct, and an external code of conduct for suppliers. The Group also has a whistle-blower system, whereby employees can report serious irregularities and deviations from, for example, the codes of conduct. The system ensures the anonymity of the whistle-blower, and reports are handled by a group consisting of the Heads of Legal Affairs, Security and Crisis management, Internal Audit and Sustainability. In 2015, the Group dealt with three cases.

Occupational health and safety management

Systematic occupational health and safety (OHS) management, to create a safe and secure workplace, is essential for protecting employees. SJ works actively with safety, especially aboard trains, in depots and in its ticket offices. Employees receive training in personal safety and customer psychology and everyone who works on trains has a personal alarm. SJ has procedures in place for taking care of employees who have been subjected to threats or violence, including a return-to-work plan.

Healthy employees who are given the right conditions to serve customers create value for both SJ and society. SJ therefore prevents absence due to illness and illness through targeted initiatives in ergonomics, activities with health inspirers, wellness areas with relaxation rooms and fitness equipment, and health and wellness contributions.

In 2015, absence due to illness in the SJ Group was 6.5 percent (6.2), for which long-term absence due to illness accounted for 3.5 percent (3.3). The focused and long-term efforts with rehabilitation plans in close collaboration with occupational healthcare services are continuing. SJ is focused on the identification of employees at risk of long-term absence due to illness, obtaining prompt work capacity assessments and on interventions that enable these employees to return to work. When working with absence due to illness and rehabilitation, various system tools are used to enable faster recognition of early signs and to help managers work systematically with prevention. In 2016, these efforts will be intensified with the support of, for example, rehabilitation coordinators.

If customers are to perceive SJ as caring and joyful, these values should permeate their first contact with the company. SJ works for diversity and equal opportunity, and against discrimination or humiliation, in order to attract employ-

ees with different backgrounds and experiences. SJ's internal code of conduct and equal opportunity plan provide the basis for this work. Employees' views of whether they have equal rights and opportunities is monitored in the annual employee survey. The analysis of the results makes it possible to take action if the internal code of conduct has been breached.

Proposed remuneration policies for senior executives

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

Remuneration policies

When recruiting to the Executive Management, the guidelines for terms of employment for senior executives in state-owned companies, which was adopted by the government on 20 April 2009, is applied. The guidelines entail that total remuneration to senior executives must be reasonable, characterised by moderation and well-balanced. It should also be competitive, capped, appropriate, ethically sound and promote a positive company culture. Remuneration should not be higher relative to similar companies, but characterised by moderation. Remuneration is to be cost-efficiently composed and based on the following components: fixed salary, pension and other benefits. The fixed salary is to reflect the demands of the position in terms of expertise, responsibility, complexity and the manner in which it contributes to achieving the business objectives. The fixed salary is to be individually differentiated.

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

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

Appropriation of profits

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

Due to the Board's proposed distribution of profits, the Board of Directors of SJ AB, corp. reg. no. 556196-1599, hereby presents the following statement pursuant to the Swedish Companies Act, Chapter 18, Section 4. The proposed dividend is based on the 2015 Annual Report. The proposed appropriation of profits, income statement and balance sheet for the Parent Company, and the income statement and the statement of comprehensive income and statement of financial position for the Group, will be presented to the Annual General Meeting (AGM) for approval on 21 April 2016.

In its proposed appropriation of profits, the Board recommends that shareholders at the 2016 AGM resolve that SJ AB pay a dividend of SEK 47.05 per share for the 2015 financial year, representing a total dividend of SEK 188 million. The Board also proposes that shareholders at the AGM adopt the payment date of 10 May 2016.

Unappropriated funds at the AGM's disposal:

Retained earnings	SEK 2,539,477,387
Profit for the year	SEK 550,724,809
Total	SEK 3,090,202,196

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

Dividend to shareholders (SEK 47.05 per share)	SEK 188,200,000
To be carried forward	SEK 2,902,002,196
Total	SEK 3,090,202,196

The owner's financial targets for SJ AB are a minimum return on operating capital of 7 percent, on average, and a long-term net debt/equity ratio of 0.5–1.0 (multiple). In addition, long-term dividends should be within the range of 30–50 percent of profit for the period. SJ AB achieved its return on operating capital target, but the net debt/equity ratio was lower than the defined target interval.

The SJ Group's position at the end of 2015 with respect to the key figures described above is presented in the following table and after the proposed dividend – all else being equal.

Key figures in relation to the proposed dividend

	31 Dec 2015	Ex-dividend 31 Dec 2015
Net debt/equity ratio, multiple	0.19	0.25
Net debt, SEK million	751	939
Return on working capital, %	13.2	13.2
Equity/assets ratio, %	47.7	46.4
Available unrestricted equity in SJ AB, SEK	3,090,202,196	2,902,002,196

The proposed dividend represents 5.1 percent of equity in the Parent Company, and 4.9 percent of equity in the Group. The proposed dividend entails no change to return on operating capital, but the net debt/equity ratio will be changed from a multiple of 0.19 to 0.25. Due to the dividend, the owner's net debt/equity ratio target was not achieved, since SJ still has lower short-term indebtedness. The equity/assets ratio is considered satisfactory, given that the operations remain profitable. The liquidity of the Parent Company and the Group is expected to remain strong. The proposed appropriation of profits to the shareholders will reduce the Parent Company's equity/assets ratio from 47.7 percent to 46.4 percent after the proposed dividend.

Reasons for the Board's decision

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

The nature and scope of the business do not entail any greater risks than are normally present in the industry.

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

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

Multi-year summary

Group	2015	2014	2013	2012	2011
Condensed statement of comprehensive income, SEK million					
Operating income	9,070	9,208	9,160	8,664	8,097
– of which net sales	9,052	9,065	9,023	8,504	8,038
Operating expenses	-8,464	-8,666	-8,732	-8,188	-8,034
Result from participations in associated companies	19	26	-130	-9	-3
Operating profit	625	568	298	467	60
Profit before tax	602	578	288	498	38
Tax for the period	-131	-118	-68	-27	-2
Profit for the period	471	460	220	471	36
Earnings per share (basic and diluted), SEK	118	115	55	118	9
Condensed consolidated statement of changes in financial position, SEK million					
Non-current assets					
Tangible assets	5,916	6,250	6,356	6,830	6,440
Intangible assets	278	236	308	294	314
Financial assets	123	596	567	482	474
Current assets					
Inventories	7	8	7	6	6
Current receivables	661	615	719	853	709
Short-term investments	718	760	1,203	780	921
Cash and cash equivalents	97	345	80	320	48
Available-for-sale non-current assets	65	60	72	–	–
Total assets	7,864	8,870	9,312	9,565	8,913
Equity, SEK million¹	3,876	5,335	4,961	4,886	4,419
Interest-bearing liabilities	1,478	1,124	1,911	2,091	2,365
Non-interest-bearing liabilities	1,740	1,655	1,813	1,963	1,565
Provisions	315	380	360	429	396
Deferred tax liabilities	455	377	267	195	167
Total equity and liabilities	7,864	8,870	9,312	9,565	8,913
Condensed statement of cash flow, SEK million					
Cash flow from operating activities	1,335	1,267	1,039	1,229	778
Cash flow from investing activities	-6	-143	-943	-671	-504
Cash flow from financing activities	-1,577	-860	-336	-286	-272
Cash flow for the period	-248	265	-240	272	1
Investments	525	828	448	1,116	869
– of which affect cash flow	525	828	448	803	869
Margins					
Operating margin, %	6.9	6.2	3.3	5.4	0.7
Profit margin, %	6.6	6.3	3.1	5.7	0.5
Financial targets					
Return on operating capital, %	13.2	11.5	5.7	8.6	1.2
Net debt/equity ratio, multiple	0.19	-0.07	0.04	0.14	0.25
The Board's proposed dividend in line with the appropriation of profits, SEK million	188	230	73	157	12
Dividends paid, SEK million	1,930 ²	73	157	12	90
Capital structure at the end of the period					
Return on equity, %	9.7	9.1	5.1	10.3	0.8
Capital employed, SEK million	5,413	6,574	6,978	7,111	7,093
Net interest-bearing debt, SEK million	751	-396	216	693	1,106
Equity/assets ratio, %	49.3	60.1	53.3	51.1	49.6
Other					
Average number of employees	4,232	4,541	4,953	4,299	4,041

¹) There are no non-controlling interests.

²) EGM resolution on 25 September 2015 to distribute SEK 1,700 million.

For definitions, refer to pages 67–68.

Corporate Governance Report

SJ AB is 100-percent owned by the Swedish state, and managed by the Ministry of Enterprise and Innovation. The owner's overall objective for SJ AB and the Group's companies is to create value, which calls for long-term profitability, efficiency, development capacity and environmental and social responsibility.

Corporate Governance Principles

SJ's corporate governance is primarily based on:

External regulatory frameworks, such as:

- Accounting legislation and recommendations.
- The Swedish state's ownership policy.
- The Swedish Corporate Governance Code (the Code).

Internal regulations and documents, such as:

- The Articles of Association.
- The Board's Rules of Procedure, CEO instructions and instructions for corporate sustainability reporting, including financial reporting.
- Internal guidelines and policies to guide the Group's operations and employees, such as SJ's internal code of conduct and policies for risk, purchasing, occupational health and safety, traffic safety and finance.

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

Application of the Code

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

Rule 1.4

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

Rule 2

The establishment of a nomination committee ahead of the election and remuneration of Board members and auditors. The Board of SJ has decided to replace the rules regarding a nomination committee under Rule 2 with the owner's nomination process, which is described in more detail in the state's ownership policy.

Governance

The owner's long-term financial targets for SJ are a minimum return on operating capital of 7 percent, on average, and a long-term net debt/equity ratio of 0.5–1.0 (multiple). Long-term dividends should be within the range of 30–50 percent of profit for the year. The owner defines the company's business objectives in the Articles of Association. In 2015, meetings were held between the owner, SJ's Chairman and the CEO. Items addressed included an evaluation of the Board's performance and composition, the Rights of Public Transport Passengers

Act, the Act on Identity Checks and SJ's capital structure. In addition to these meetings, the company maintains an ongoing dialogue with the owner regarding the Board's work. The owner exercises its rights as a shareholder at the AGM.

General Meetings

Under the state's ownership policy, the AGM is to be held prior to 30 April each year. Under special circumstances, the Meeting may be held later, but not later than 30 June. Extraordinary General Meetings (EGM) may be held in addition to the AGM. The AGM is normally held in Stockholm. SJ announces where and when the AGM will be held on its website.

2015 Annual General Meeting

The 2015 AGM for SJ AB was held on 29 April 2015 in Stockholm. The Meeting was open to the public, and those in attendance were invited to present questions to the management. The owner was represented by Anna Magnusson.

In accordance with the owner's proposal for the period until the next AGM, the AGM resolved on: Re-election of Jan Sundling as Chairman of the Board. Re-election of the Board members Siv Svensson, Mikael Staffas, Gunilla Wikman, Michael Thorén, Ulrika Dellby and Mikael Stöhr.

For 2015, remuneration of the Board's Chairman was set at SEK 400,000 (400,000), while a fee of SEK 150,000 (150,000) will be paid to each of the other Board members. Remuneration of the Board's Audit Committee Chairman was set at SEK 55,000 (55,000) per year, and SEK 43,000 (43,000) for other Committee members. Fees are not paid to Board members employed by the Swedish Government Offices, nor to employee representatives. A decision was made to adopt the Board's proposal that SJ apply the guidelines for the terms of employment for senior executives in state-owned companies.

The AGM resolved to adopt the income statement and balance sheet for the company and the Group, and to approve the Board's proposed dividend of SEK 230 million. The dividend was paid on 12 May 2015. The AGM discharged the Board and the CEO from liability. The minutes in Swedish of the AGM are available on SJ's website.

2015 Extraordinary General Meeting

An EGM of SJ AB was held on 25 September 2015. The EGM resolved to adopt the Board's proposal to pay an extraordinary dividend of SEK 1,700 million. The dividend was paid on 30 September 2015. The minutes in Swedish of the EGM are available on SJ's website.

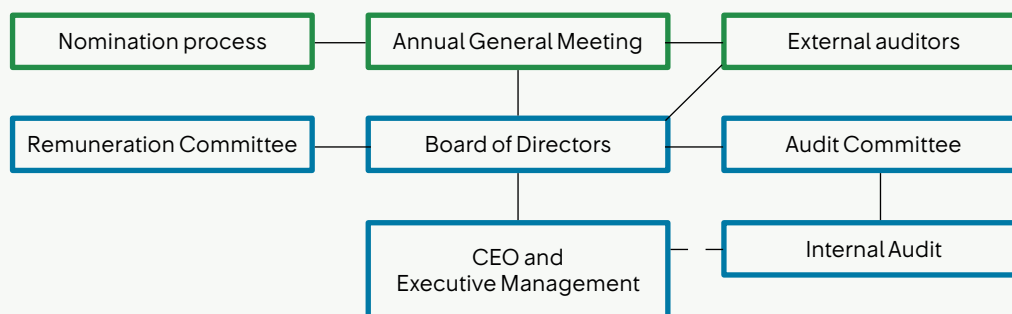
2016 Annual General Meeting

The 2016 AGM will be held on 21 April 2016 in Stockholm. Notice of the AGM was sent out in March.

Board of Directors

Under the Swedish Companies Act, SJ's Board of Directors is responsible for the company's organisation and for administration of the company's affairs. The state's ownership policy specifies that in companies in which the state has an ownership interest, the Board is responsible for ensuring that the companies are managed in an exemplary fashion within the framework of applicable legislation, the company's Articles of Association, and the owner's instructions and ownership policy. Furthermore, the Board of a state-owned company is to ensure that the company acts in an exemplary manner in regard to corporate sustainability, in such areas as the environment, ethics, working conditions, human rights, equal opportunity and diversity.

SJ AB, corporate governance



Appointment of the Board

The nomination process for Board members of state-owned companies is led and coordinated by the Division for State-Owned Enterprises under the Ministry of Enterprise and Innovation. A working party analyses the qualification requirements, based on the composition of the boards and each company's operations and circumstances. The nomination and appointment of new Board members is preceded by regular dialogue between the responsible Ministry and the Chairman. The work of creating a structured and consistent nomination process aims to ensure an effective succession process for the companies' boards. The Board is to have a high level of expertise that is well-suited to the company's operations, circumstances and future challenges. To qualify for a seat on the Board, a high level of general expertise is required in the current business operations, business development, industry knowledge, financial issues or other relevant areas. The Ministry of Enterprise and Innovation's proposal on Board members is presented in the notice convening the AGM and on the company's website well in advance of the AGM. Board members are appointed for one year at a time. Further provisions regarding Board nominations are set out in the state's ownership policy.

Composition of the Board

The company's AGM-appointed Board members are to comprise not less than three and not more than eight members, without deputies. The Board has overall responsibility for the management and administration of the company. According to the state's ownership policy, the Board's composition should be such that the Board always possesses industry knowledge or other expertise relevant to the company. The composition of the Board should also ensure a balance of expertise, experience, age and gender. The Board of SJ comprised seven elected members since the AGM in April 2015. Of the Board's members, three (43 percent) are women and four (57 percent) men. The employee organisations have appointed three employee representatives to the Board. None of the Board members are included in the Executive Management. All Board members are independent in relation to the company and the Executive Management. Refer also to the information on page 27. The CEO and CFO participate at Board meetings. Other members of the Executive Management participate at some meetings as required. SJ's General Counsel is the secretary of the Board.

The Board's work

The Board has adopted Rules of Procedure stipulating how responsibilities should be divided between the Board, committees and the CEO. The Rules of Procedure are determined annually and, in addition to mandatory items under the Swedish Companies Act, regulate the Chairman's duties, information to the Board, the form of Board meetings and evaluations of the performance of the CEO and the Board. The Rules of Procedure stipulate that the following matters are to be on the

agenda each year: Approval of the budget, presentation of external financial statements, the strategic plan, SJ's risk management and the adoption of policies. The Board also resolves on matters of principle or major financial significance.

The Board's work in 2015

In 2015, 12 Board meetings were held including one by correspondence regarding notice of the EGM, and two by telephone. The Board conducted ongoing and customary follow-ups of both financial and non-financial outcomes, including a monthly presentation of the strategic key figures in SJ's scorecard. Based on this information, the Board was also able to continuously evaluate SJ's corporate sustainability performance. In February 2016, the Board met the company's auditors without the attendance of any members of the Executive Management, in accordance with the provisions of the Code.

The Chairman leads the Board's work and is responsible for ensuring that other Board members receive adequate information. The Board has established an Audit Committee and a Remuneration Committee, and determined the rules of procedure for the committees. When required, the Board may also establish other committees to prepare items in more specific areas. The committees prepare items for decision by the Board. For specific matters, the Board may delegate decision-making rights to the respective committee. Other members of SJ's Executive Management also participated at the Board meeting in June. Issues of strategic significance were discussed.

Evaluation of the work of the Board and the CEO

The Chairman of the Board is responsible for ensuring that a systematic and structured process is used to evaluate the performance of the CEO and the Board once each year. The evaluation is conducted by a third party and assesses the Board members as both a group and as individuals. The Chairman, the Board members and the CEO answer questions in a web-based evaluation. In 2015, the evaluation also included interviews with the Board members and the CEO. The results are summarised, analysed and compared with the preceding year's results, with a particular focus on defined areas of development. The 2015 evaluation was presented at the Board meeting in February 2016. The results of the evaluation are submitted to the Ministry of Enterprise and Innovation, after which a follow-up meeting is held with the Chairman of the Board. The aim of the evaluation is to continuously improve the efficiency of Board work, and to provide a basis for the appointment of new members.

The Board's work in committees

Audit Committee

The duties of the Audit Committee include:

- Preparation of the Board's work with the monitoring and quality-assurance of the company's financial reporting and internal controls.

- Discussing important issues related to annual and interim reports prior to deliberation by the Board.
- Assisting the Board in matters related to financial risk and reporting.
- Meeting external auditors to remain continuously informed about the planning, focus and scope of the audit.
- Assisting the owner in the appointment of auditors.
- Evaluating the performance of the external auditors.

In 2015, Siv Svensson was Chairman of the Audit Committee, which consisted of three Board members. SJ's CFO presents reports to the Audit Committee. The Head of Internal Audit and the external auditors also participate at some of the Committee's meetings. Eight meetings were held during the year. SJ's auditors presented significant accounting and auditing issues, and matters related to internal control and processes during the year. The Committee's Chairman submitted regular reports on the Committee's work to the Board.

Remuneration Committee

The duties of the Remuneration Committee include:

- Ensuring the implementation of, and compliance with, the AGM-adopted guidelines for terms of employment for senior executives.
- Preparing the Board's proposed policies on remuneration and other terms of employment for the CEO and other senior executives for the AGM.
- Preparing the Board's proposal on updated guidelines, should the need arise. Preparing items on an ongoing basis regarding remuneration and other terms of employment for the CEO for decision by the Board, and serving as a consultative body in terms of the CEO's proposal on remuneration and other terms of employment for other senior executives, including all annual salary reviews.

SJ's Remuneration Committee comprises two Board members plus the Chairman of the Board, Jan Sundling, who is also Chairman of the Committee. Two minuted meetings were held during the year, including one by telephone.

Board fees and fees for work on Board committees

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

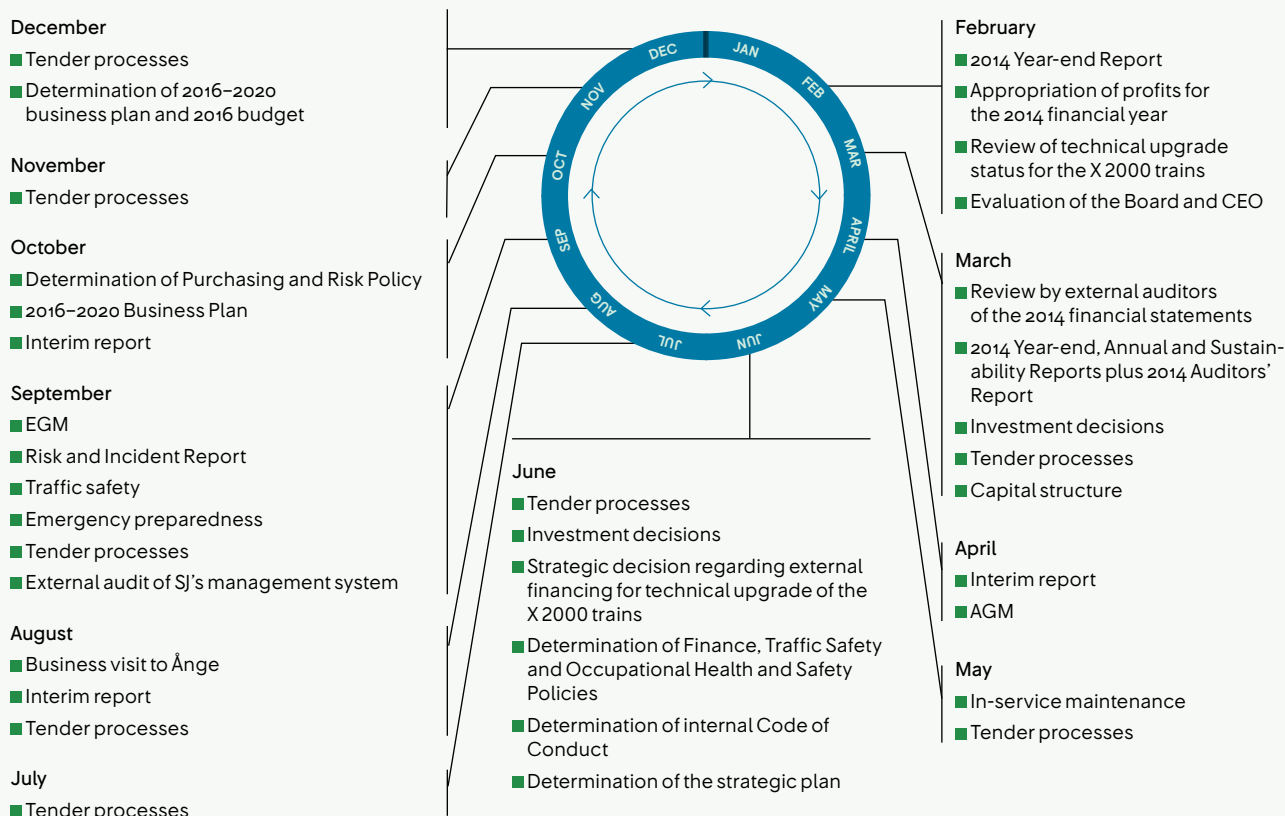
Auditors

The owner is responsible for the election of auditors for state-owned companies. The role of the auditors is to perform an independent review of the management performed by the Board and the CEO, and of the company's financial statements and accounts. The actual tendering process is conducted by the Board's Audit Committee. A final decision is made by the owner at the AGM. Should a re-election of auditors be considered, the auditors' performance is always evaluated. The notice convening the AGM includes a proposal for the appointment of auditors, and information about any conditions that may be relevant when assessing the experience and independence of the proposed auditors. This information also includes the scope of the non-audit services that the proposed auditors have provided the company over the past years and, if re-elected, the year in which the auditors were appointed and how long the auditors have performed the assignment. The proposed auditors are to attend the AGM in order to present themselves and answer questions from the owner.

2015 Audit

At the 2015 AGM, accountancy firm Deloitte AB, represented by Authorised Public Accountant Hans Warén, was appointed Auditor-in-Charge until the 2016 AGM. The auditors presented

The Board's work in 2015



Board of Directors, Board function and attendance

Name	Board function	Board Meetings	Audit Committee	Remuneration Committee
Jan Sundling	Chairman of the Board, Chairman of Remuneration Committee	12/12	–	2/2
Siv Svensson	Board member, Chairman of Audit Committee	10/12	8/8	–
Mikael Staffas	Board member	12/12	7/8	–
Ulrika Dellby ¹	Board member	12/12	–	1/1
Mikael Stöhr	Board member	10/12	–	–
Gunilla Wikman	Board member	11/12	7/8	–
Michael Thorén ²	Board member	12/12	2/3	2/2
Lena Olving ³	Board member	3/3	–	1/1
Erik Johannesson	Employee representative	12/12	–	–
Per Hammarqvist	Employee representative	9/12	–	–
Hans Pilgaard	Employee representative	8/12	–	–

1) Ulrika Delby was appointed member of the Remuneration Committee at a statutory Board meeting on 29 April 2015. One Committee meeting was held after this date.

2) Michael Thorén resigned from the Audit Committee on 29 April 2015. Three meetings had been held before this date.

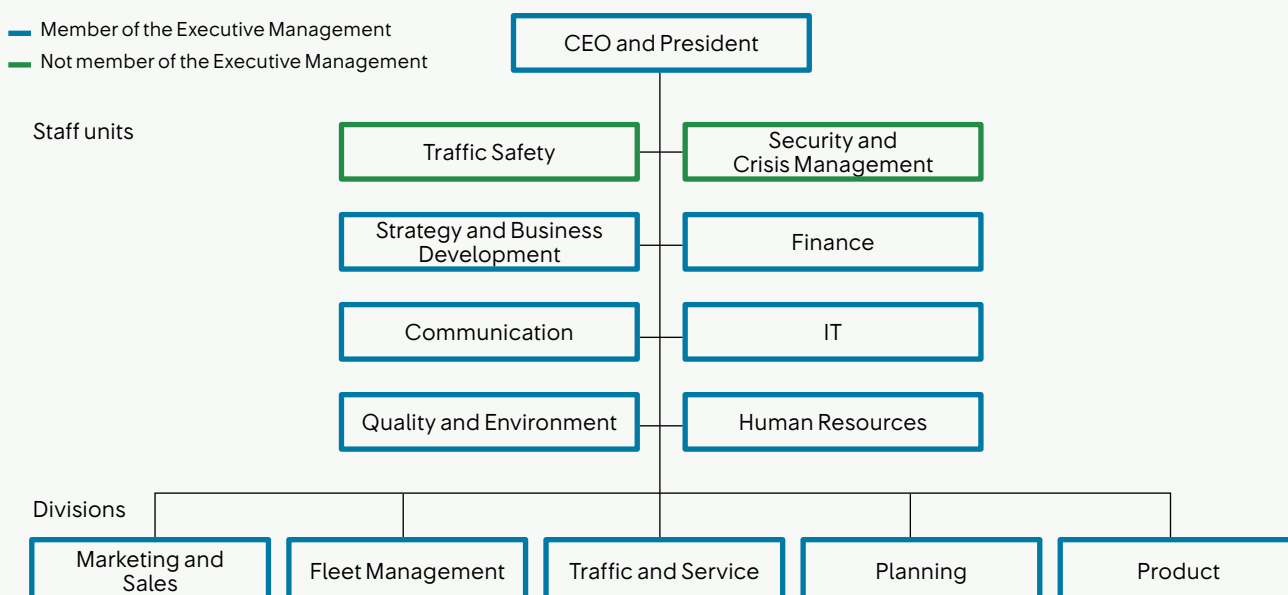
3) Lena Olving resigned from the Board of SJ AB on 29 April 2015.

their audit of the financial statements for 2015 to the entire Board at the Board meeting on 9 February 2016. For the 2015 financial year, the Audit Committee and auditors discussed the company's financial statements, accounting, administration and risk management. The auditors met the Board, without the presence of the Executive Management, on one occasion. In addition, the auditors maintained regular contact and meetings with the Board's Audit Committee. Fees to auditors and the reimbursement of their expenses are paid on an open account basis and presented in the Annual Report, Note 8. Auditors are to be appointed at each AGM, in accordance with the currently applicable main rule of the Swedish Companies Act and the state's currently applicable ownership policy. Executive Management SJ's CEO and President is responsible for the daily administration of the company in accordance with the Swedish Companies Act and the Board's instructions. In addition to the CEO, the Executive Management consists of 11 members, who are appointed by the CEO following consultation with the Board.

Helga Baagøe was a member of SJ's Executive Management until February 2015, in the role of Senior Vice President Communication. When she left SJ, Monica Berglund was appointed Acting Senior Vice President Communication. Malou Sjörin, the newly appointed Senior Vice President Communication, has been a member of SJ's Executive Management since January 2016. Lena Herrmann, Senior Vice President Strategy and Business Development, has been a member of SJ's Executive Management since September 2015. Björn Rosell was a member of SJ's Executive Management until November 2015, in the role of Senior Vice President IT. When he left SJ, Senior Vice President Strategy and Business Development, Lena Herrmann, was appointed Acting Senior Vice President IT.

Executive Management meets regularly. The work is led by the CEO who makes decisions related to SJ AB and the Group in consultation with the Executive Management. The decisions of the CEO and the Executive Management are based on the guidelines and instructions adopted by the Board.

SJ's organisation



Board of Directors



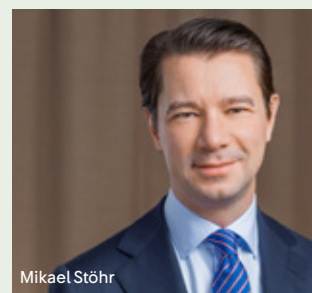
Jan Sundling



Ulrika Dellby



Mikael Staffas



Mikael Stöhr



Siv Svensson



Michael Thorén



Gunilla Wikman



Per Hammarqvist



Erik Johannesson



Hans Pilgaard

Jan Sundling

Born 1947
B.Sc. in Nautical Science
Higher Business Administration
programme
Chairman of the Board of SJ AB
since 2011.
Consultant and Board duties.
Chairman of the Board of
the Swedish Maritime Associ-
ation, the Swedish Institute for
Quality (SIQ) and Jan Sundling
i Ytterkvarn AB.
Board member of Corem Prop-
erty Group AB and Aditro
Logistics AB.
Independent in relation to the
company and the Executive
Management.

Ulrika Dellby

Born 1966
M.Sc. in Economics
Board member of SJ AB since
2014.
Partner at Fagerberg & Dellby.
Board member of Lifco AB,
Cybercom Group AB and BIG
BAG Group AB. Vice Chairman
of Fastighetsaktiebolaget
Norrporten.
Independent in relation to the
company and the Executive
Management.

Mikael Staffas

Born 1965
M.Sc. in Engineering and MBA
Board member of SJ AB since
2013.
President of Boliden Mines.
Independent in relation to the
company and the Executive
Management.

Mikael Stöhr

Born 1970
Degrees in law and economics
Board member of SJ AB since
2014.
CEO and President of Coor
Service Management AB.
Independent in relation to the
company and the Executive
Management.

Siv Svensson

Born 1957
M.Sc. in Economics
Board member of SJ AB since
2012.
Board member of Swedbank,
Karolinska Sjukhuset, Allba
AB, Inlandsinnovation AB and
Forum Syd.
Independent in relation to the
company and the Executive
Management.

Michael Thorén

Born 1969
M.Sc. in Economics
Board member of SJ AB
since 2012.
Deputy Director of the Ministry
of Enterprise and Innovation.
Board member of Orio AB,
Metria AB and Svevia AB.
Independent in relation to the
company and the Executive
Management.

Gunilla Wikman

Born 1959
M.Sc. in Economics
Board member of SJ AB
since 2011.
Consultant at Carrara
Communication.
Board assignments for AMF
Fonder, Oatly AB and Hoist
Finance AB.
Independent in relation to the
company and the Executive
Management.

Per Hammarqvist

Born 1958
Traffic Planner
Board member of SJ AB
since 2011.
Chairman of the SACO
Section at SJ.
Chairman of the Transport &
Rail Section of SACO at SJ.

Erik Johannesson

Born 1957
Train driver
Board member of SJ AB
since 2005.
Chairman of the Negotiation
Council of SEKO (Union of
Service and Communication
Employees) at SJ, Board mem-
ber of SEKO Western Region.

Hans Pilgaard

Born 1963
Train driver
Board member of SJ AB since
2012.
Chairman of ST-spårtrafik at SJ
AB. Member of the departmen-
tal board of ST-spårtrafik.

Executive Management



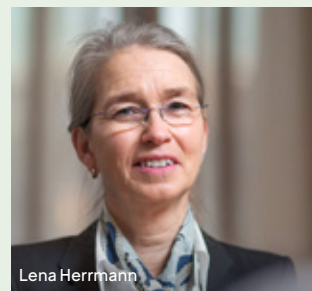
Crister Fritzson



Peter Blomqvist



Claes Broström



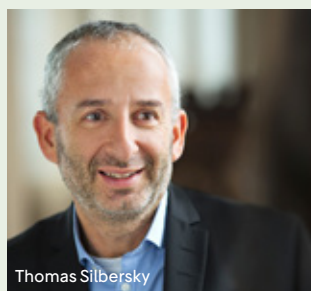
Lena Herrmann



Erica Kronhoffer



Madeleine Raukas



Thomas Silbersky



Malou Sjörin



Jens Wigen



Carina Wång



Caroline Åstrand

Crister Fritzson

Born 1961
Chief Executive Officer / President
 MBA
 Board member of Systembolaget AB, Trafik i Mälardalen AB, Net Insight AB, Samtrafiken i Sverige AB, Almega Tjänsteförbunden and Linkon AB.
 Chairman of the Association of Swedish Train Operating Companies
Employed in 2012

Peter Blomqvist

Born 1954
Senior Vice President Human Resources
 B.Sc. in Sociology
 Board member of the Employers' Organisation for the Swedish Service Sector – Railbound Transport Board, Almega
Employed in 1982

Claes Broström

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

Lena Herrmann

Born 1962
Senior Vice President Strategy and Business Development, Acting Senior Vice President IT
 M.Sc. in Engineering
 Board member of Eskilstuna-Kuriren AB, Chairman of MTD KB and MTD AB
Employed in 2015

Erica Kronhoffer

Born 1971
Senior Vice President Quality, Environment and Sustainability
 Master of Laws
 Board member of CSR Sweden
Employed in 2013

Madeleine Raukas

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

Thomas Silbersky

Born 1965
Senior Vice President Marketing and Sales
 MBA
 Board member of Linkon AB, Silbersky Economic AB, Paygoo AB, Gordin Promotion AB, and Living Management AB
Employed in 2013

Malou Sjörin

Born 1972
Senior Vice President Communication
 M.Sc. in Economics
Employed in 2016

Jens Wigen

Born 1955
Senior Vice President Planning
 BA
Employed in 2012

Carina Wång

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

Caroline Åstrand

Born 1970
Senior Vice President Product
 M.Sc. in Economics
 Board member of Trafik i Mälardalen AB, Botniatåg AB and Vänertåg AB
Employed in 2010

Guidelines for terms of employment for senior executives

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

The Board's internal control report

Under the Swedish Companies Act and the Swedish Corporate Governance Code, the Board is responsible for the company's internal control. Internal control over financial reporting is performed as follows. SJ's external financial reporting comprises interim reports, the year-end report and most of the annual report. The Audit Committee's work represents some of this Board control. In 2015, external and/or internal auditors presented their findings at all Audit Committee meetings.

Risk assessment

A structured risk assessment enables identification of the material risks with significance for internal control over financial reporting, and identification of where these risks can be found. SJ's Executive Management works systematically with risk assessments in order to identify and take action in the company's risk areas. The risk assessments are concentrated to the risk areas that are expected to have a material effect on the company's earnings and financial position. SJ's Executive Management has an established process in place for risk assessment. The process involves all divisions, staff units and subsidiaries, which enables consultation and greater awareness throughout the organisation, and more effective risk identification. The aim of risk management is to limit undesirable effects that could affect the company's financial position, earnings or market position and goals. The process entails that the Executive Management monitors changes in the risk assessments on a quarterly basis to decide whether there is any need to take action, or whether new risk areas should be assessed. The Board is informed about ongoing risk management every six months. Read more on pages 17–19.

Internal audit

SJ has an internal audit function that reports directly to the Board's Audit Committee. Internal Audit performs independent and objective auditing assignments, which lead to action and improvement programmes. During the year, Internal Audit conducted 35 audits in such areas as technology projects, Human Resources and IT. SJ's Internal Audit conducts an annual independent risk analysis. The results provide a basis for the function's annual audit plan, which is subject to adoption by the Board. In conjunction with planning the annual audit, the external and internal audit functions discuss SJ's risk profile.

Control environment

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

- Rules of procedure for the Board.
- Rules of procedure for the Audit Committee and Remuneration Committee.
- The Board's instructions to the CEO.
- Authorisation rules aimed at guiding all those involved in the management of financial transactions, and ensuring effective control of financial transactions to prevent intentional or unintentional errors.
- Established policies for areas of significance, including SJ's internal code of conduct.

- Working procedures and instructions for internal control activities, current accounts and financial statements are well-documented at a detailed level.

Control activities

The company's control activities are designed for the systematic management of significant risks related to financial reporting, including key accounting issues identified during the risk assessment. The aim of control activities is to prevent or enable early detection of errors in financial reporting, and thereby minimise the consequences. Finance is responsible for analysis of the financial results and compilation of the financial statements. One example of control activities is the Group's strategic budgeting and forecasting meetings, which are managed by the controller function. At these meetings, members of the Executive Management and the presidents of subsidiaries present their operations and planning for the CEO and CFO.

Information and communication

Effective information and communication channels enable reporting and feedback from the operations to the Board and the Executive Management. It is important that the right people receive the information that is required to understand the meaning of given internal policies and guidelines, and the consequences of deviations. SJ works continuously to improve its internal communication and to explain the decision-making process clearly, in order to increase the reliability and efficiency of the company's financial reporting. The company's decision-making processes, authorities and areas of responsibility are documented, and available on SJ's intranet. SJ conducts meetings that enable dialogue between managers and employees. Great emphasis is placed on regular workplace meetings, where the company's overall issues are naturally linked to the responsibilities of each individual employee. Six dialogue meetings, comprising a shared meeting place for the entire company, were held during the year. Employee surveys are also conducted, providing opportunities for feedback on answers received, for both the Executive Management and individual employees.

Monitoring

SJ has formalised processes in place for financial reporting and monitoring. These processes are designed to ensure that the company is moving in the right direction in relation to the targets and guidelines set out by the Board and the Executive Management. The Board determines the reporting requirements that are needed to remain appropriately informed about the financial results, the Group's operational risks, and how these risks and results are affected. The aim of internal reporting is to ensure monitoring and reporting of the operations is appropriate and accurate in relation to the defined business plan and budget. Monthly reports are submitted to the Board, CEO and the Executive Management. SJ's external reporting includes the results and analysis of financial and non-financial key figures and is aimed at providing regular reports on the company's development, including its corporate sustainability performance. The reporting complies with applicable laws and regulations, and the owner's requirements. The Board receives regular reports on how the operations are performing in relation to the business plan, budget and forecasts. The organisation continuously monitors compliance with internal policies, guidelines and manuals, as well as the appropriateness and functionality of established control activities. Finance, for example, continuously monitors VAT management by conducting registry analyses in order to strengthen and improve quality. The organisation of internal control over financial reporting is also evaluated regularly. Every year, the external auditors perform some review of the internal control over financial reporting. Internal Audit follows the audit plan adopted by the Board and reports the findings of its audit to SJ's Audit Committee.

Income statement and statement of comprehensive income

SEK million	Note	2015	2014
Net sales	2	9,052	9,065
Other operating income	4	19	142
Total operating income	1	9,070	9,208
Personnel expenses	5	-2,822	-2,972
Depreciation/amortisation and impairment	1, 6	-814	-885
Other expenses	3, 7, 8	-4,828	-4,809
Total expenses		-8,464	-8,666
Result from participations in associated companies	1, 15	19	26
Operating profit	1	625	568
Financial income	1, 10	2	49
Financial expenses	1, 10	-25	-39
Profit before taxation		602	578
Taxation	1, 11	-131	-118
Net profit	1	471	460
Other comprehensive income			
<i>Components that will be reclassified to profit or loss</i>			
Cash-flow hedges	10	5	-13
Financial assets available-for-sale	10	-5	-4
Deferred tax	11	0	4
Other comprehensive income	21	0	-13
Total comprehensive income		471	447
Net profit attributable to:			
Parent Company shareholders ¹		471	460
Total comprehensive income attributable to:			
Parent Company shareholders ¹		471	447
Earnings per share (basic and diluted), SEK		118	115
Number of shares at year-end, thousands		4,000	4,000
Average number of shares during the year, thousands		4,000	4,000

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

Comments on the income statement and statement of comprehensive income

Income

Consolidated income amounted to SEK 9,070 million (9,208), down SEK 138 million year-on-year. Traffic revenue increased in 2015, while the results for 2014 included other operating income of SEK 128 million related to sales of locomotives, and external income of SEK 42 million related to the former subsidiary Linkon.

In 2015, travel with SJ AB (measured in passenger kilometres) increased one percent year-on-year. This increase was noted throughout 2015, driven primarily by first-class passengers on the Stockholm–Malmö line. However, the increase was slightly offset by the storms that hit Sweden at the end of the year. Available seats was also impacted by the storms, and full-year availability was slightly lower year-on-year. The storms had a negative impact of SEK 17 million on profit.

The full-year load factor increased one percent year-on-year. The Stockholm–Malmö line accounted for most of the increase in load factor due to a higher proportion of business passengers and because SJ AB had captured market shares from air travel compared with 2014.

A lower yield compared with 2014 was attributable to a change in customer purchasing behaviour, whereby more customers are opting for cheaper, non-rebookable tickets with less flexibility over more expensive, rebookable and refundable tickets. An active pricing strategy also contributed to the lower yield.

Expenses

Consolidated expenses amounted to SEK 8,464 million (8,666), down SEK 202 million year-on-year.

In 2014, a restructuring reserve of SEK 92 million was set aside for the implementation of SJ AB's improvement programme. The aim of the improvement programme is to be prepared for future market competition and changing customer requirements. Subsequently, the full-year cost outcome for 2015 was lower year-on-year, mainly related to personnel expenses and indirect costs.

Other expenses increased year-on-year due to revised assumptions for the calculation of annuities in the Group and to raised fees to the Swedish Transport Administration.

In conjunction with the timetable change in December, a new contract became effective for the tendered services operated on behalf of Västtrafik. Attributable costs subsequently increased by an additional SEK 23 million, which was offset by a corresponding increase in earnings.

The Group's maintenance expenses were lower year-on-year – the effect of strategic and preventive efforts, which reduced ongoing maintenance. Reversal of the previously allocated expense reserve also had a positive impact on the year's results.

The comparative figures include the former subsidiary Linkon, which affects comparisons related to employees and operating costs. The lower costs were offset in their entirety by classifying costs for ticket sales from Linkon in 2014 as intra-Group transactions. Since 75 percent of Linkon was divested at the end of 2014, these costs were recognised within the Group as external costs.

The ongoing upgrade of the X 2000 trains has led to an extension of the expected economic lifespan of the vehicles, which had a positive effect of SEK 46 million on depreciation costs during the year.

Operating profit

Consolidated operating profit improved to SEK 625 million (568), mainly due to a lower cost base. The operating margin strengthened to 6.9 percent (6.2). Underlying operating profit amounted to SEK 655 million (503), up SEK 152 million. The change between recognised and underlying operating profit was attributable to:

- SEK 11 million for the reversal of reserve maintenance expenses
- SEK 9 million regarding a supplier reconstruction
- SEK 8 million for wheel audit remuneration
- SEK 7 million pertaining to the adjustment of the restructuring reserve
- SEK 4 million for the reversal of part of the reserve for estimated future contractual service obligations in the associated company Botniatåg
- A SEK 35 million impairment loss due to the change in estimated value in use of ongoing projects
- A SEK 12 million retroactive pension expense
- A SEK 11 million impairment loss on non-current assets, related to refurbished family coaches
- A SEK 10 million negative adjustment of a previously estimated fee

For 2014, the change between recognised and underlying operating profit was attributable to:

- SEK 128 million from capital gains on sale of locomotives
- SEK 28 million following a favourable outcome in the Swedish Arbitral Tribunal related to a dispute with a catering supplier
- SEK 22 million for reversal of part of the reserve for estimated future contractual service obligations in the associated company Botniatåg
- A SEK 92 million expense for the restructuring reserve
- A SEK 28 million impairment loss on non-current assets, related to refurbished family coaches

Financial items

Net financial items amounted to an expense of SEK 23 million (income: 10). Dividends of SEK 1,930 million to the owner led to higher net debt and higher interest expenses, while low interest rates led to higher costs for interest-rate hedging instruments. In addition, widening credit spreads resulted in lower returns in interest rate management.

Consolidated profit and taxation

Consolidated profit before tax amounted to SEK 602 million (578). Tax on profit for the year amounted to a loss of SEK 131 million (loss: 118) and the effective tax rate was 22 percent (20). Profit for the year totalled SEK 471 million (460).

Statement of financial position

SEK million	Note	2015	2014
ASSETS			
Non-current assets			
Property	12	27	30
Rolling stock	12	5,117	5,567
Machinery and equipment	12	54	64
Construction in progress	12	718	589
Intangible assets	13	278	236
Participations in associated companies	15	43	28
Other non-current assets	16	80	568
Total non-current assets		6,317	7,082
Current assets			
Inventories		7	8
Accounts receivable	17	249	211
Receivables from associated companies		6	5
Other receivables	18	208	193
Prepaid expenses and accrued income	19	198	206
Short-term investments	20	718	760
Cash and cash equivalents	20	97	345
Non-current assets held for sale	12	65	60
Total current assets		1,547	1,788
TOTAL ASSETS	1	7,864	8,870

Comments on the statement of financial position

Assets

Tangible assets

The Group's tangible assets amounted to SEK 5,916 million (6,250) and mainly consisted of rolling stock. SJ's train fleet comprises SJ 3000 trains, X 2000 trains, double-deckers trains, locomotives and carriages. Investments for the year amounted to SEK 525 million (828).

SJ's largest investment to date was in the SJ 3000 trains, which gradually entered service throughout 2012. The original investment in 20 SJ 3000 train sets amounted to SEK 2,256 million. In 2013, a decision was made to upgrade the technology and the interiors of SJ's 36 X 2000 train sets. The total investment is an estimated SEK 3.5 billion, of which the technical upgrade is expected to account for SEK 1.4 billion. The upgrade is expected to continue until 2019 and each train set will enter service on completion. During the fourth quarter, the design phase of the new drive and control system continued, and this will give the fleet of X 2000 trains world-class reliability. At 31 December 2015, SEK 363 million (329) had been completed. The tender process for the new interior is under way.

In 2015, the Group's depreciation/amortisation and impairment expenses amounted to SEK 814 million (885). The upgrade of the X 2000 fleet will extend the life of all relevant train sets until 2035, entailing changes in the economic lifespan and therefore a change in the depreciation rate. SJ has extended the depreciation period for

about 80 percent of each chassis until 2035, while the depreciation period for the remaining 20 percent of the chassis has been shortened to 2017. The change in tangible assets for the year was mainly attributable to investments in construction in progress in the X2000 Upgrade Project, and depreciation/amortisation and impairment for the year.

Financial assets

Financial assets amounted to SEK 123 million (596) and comprised participations in associated companies and other non-current assets. Non-current assets consist of interest-bearing securities in the subsidiary SJ Försäkring, of which SEK 79 million (223) is classified as financial assets to guarantee actuarial commitments. The year-on-year change is largely due to the maturity of deposits, of which SEK 339 million pertains to a finance lease for double-deckers, which expired in June, plus sales of interest-bearing securities.

Current assets

During the year, short-term investments declined SEK 42 million due to a divestment of securities to finance the dividend resolved by an EGM on 25 September.

At 31 December, non-current assets held for sale amounted to SEK 65 million (60).

SEK million	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Share capital		400	400
Other contributed capital		2,819	4,519
Other reserves		-8	-9
Retained profit		666	425
Total equity attributable to owner of Parent Company¹		3,876	5,335
Total equity	21	3,876	5,335
Non-current liabilities			
Provisions	23	195	170
Interest-bearing liabilities	20, 22	1,367	709
Non-interest-bearing liabilities	20	1	0
Deferred tax liabilities	11	455	377
Current liabilities			
Provisions	23	120	210
Interest-bearing liabilities	22	111	415
Accounts payable		593	506
Accrued expenses and deferred income	24	836	882
Liabilities to associated companies		72	31
Tax liabilities		90	7
Other current liabilities		148	229
Total liabilities	1	3,988	3,536
TOTAL EQUITY AND LIABILITIES		7,864	8,870
Pledged assets	25	1,772	1,181
Contingent liabilities	26	337	290

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

Comments on the statement of financial position

Equity

At 31 December 2015, the Group's equity amounted to SEK 3,876 million (5,335). The change of SEK 1,459 million was attributable to positive comprehensive income for the year, plus dividend payments of SEK 1,930 million in 2015.

Liabilities

Interest-bearing liabilities

At 31 December 2015, consolidated net debt amounted to SEK 751 million, compared with a net cash position of SEK 396 million at the end of 2014. The Group's interest-bearing liabilities amounted to SEK 1,478 million (1,124), and mainly comprised payment commitments for loans of SEK 800 million raised in 2012 to finance the fleet of SJ 3000 trains, and loans of SEK 770 million raised in September 2015 for the technical upgrade of X 2000 trains. The newly raised loan has a tenor of ten years.

Of the interest-bearing liabilities, SEK 1,367 million (709) was non-current and SEK 111 million (415) current, pertaining to those parts of the liability that mature within one year. On 30 June, the remaining lease value of SEK 383 million, pertaining to the double-deckers, was redeemed. The redemption payment was financed with own funds and, in connection with the redemption, SJ's previously paid deposits of SEK 339 million on the lease loan, including interest, were refunded. The average maturity of outstanding liabilities was 65 months (49), and the increase was attributable to newly raised loans. The average fixed-interest term was 13 months (15).

Cash flow statement

SEK million	Note	2015	2014
OPERATING ACTIVITIES			
Profit before taxation		602	578
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	6	814	885
– Changes in provisions		-64	19
– Capital gain/loss		2	-125
– Other changes		34	-12
– Result from participations in associated companies		-15	-26
Cash flow from operating activities before changes in working capital		1,373	1,320
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventories		1	-1
Increase (-) / Decrease (+) in operating receivables		-42	-9
Increase (+) / Decrease (-) in operating liabilities		2	-43
Cash flow from operating activities		1,335	1,267
Investing activities	12, 13		
Acquisition of tangible assets		-393	-693
Acquisition of intangible assets		-133	-135
Sale of tangible assets		1	146
Sale of shares and participations		0	91
Other long-term interest-bearing receivables ¹		476	-17
Change in short-term investments		42	465
Cash flow from investing activities		-6	-143
Cash flow before financing activities		1,329	1,124
Financing activities			
Amortisation of lease liability		-417	-787
Borrowings		770	-
Dividends		-1,930	-73
Cash flow from financing activities		-1,577	-860
Cash flow for the period		-248	265
Cash and cash equivalents at 1 January		345	80
Cash and cash equivalents at 31 December	20	97	345

¹⁾ Interest income received in the Group was SEK 2 million (41) and interest paid was SEK 9 million (24).

Comments on the cash flow statement

Cash flow from operating activities

Cash flow from operating activities rose SEK 68 million during the year, amounting to SEK 1,335 million (1,267). Cash flow from operating activities before changes in working capital was SEK 1,373 million (1,320).

Cash flow from investing activities

Investments in intangible and tangible assets amounted to an expense of SEK 525 million (expense: 828) of which SEK 335 million (677) pertained to investments in the fleet, primarily to the upgrade and modernisation of X 2000 trains. Other investments in tangible assets amounted to an expense of SEK 57 million (expense: 16), and mainly related to investments in the new point-of-sale system on board SJ's trains and the digitalised onboard portal. Investments in intangible assets amounted to an expense of SEK 133 million (expense: 135) and pertained to the development of various IT systems. The sale of tangible assets totalled SEK 1 million (146). The change in short-term investments for the year was SEK 42 million

(465). The change related to interest-bearing receivables amounted to SEK 476 million (neg: 17) and pertained to the redemption of a lease, and sales of bonds and securities. Cash flow from investing activities was a negative SEK 6 million (neg: 143).

Cash flow from financing activities

A dividend of SEK 230 million (73) was paid in accordance with the resolution of the AGM, and a further SEK 1,700 million (0) was paid in accordance with the EGM resolution. In addition, a loan of SEK 770 million (0) was raised with Nordiska Investeringsbanken to finance the technical upgrade of X 2000 trains. During the year, two finance leases expired and capital repayments on existing loans totalled SEK 417 million (787). Cash flow from financing activities was a negative SEK 1,577 million (neg: 860). At 31 December, cash and cash equivalents amounted to SEK 97 million (345), and cash flow for the year was a negative SEK 248 million (positive: 265).

Statement of changes in equity¹

SEK million	Note	Share capital	Other contributed capital	Reserves cash-flow hedges	Reserves, financial assets available-for-sale	Retained earnings	Total ¹ equity
1 Jan 2014	21	400	4,519	-2	7	38	4,961
Profit for the period						460	460
Other comprehensive income				-10	-3		-13
Total comprehensive income				-10	-3	460	447
Dividends to shareholders						-73	-73
31 Dec 2014	21	400	4,519	-12	4	425	5,335
Profit for the period						471	471
Other comprehensive income				4	-4		0
Total comprehensive income				4	-4	471	471
Dividends to shareholders			-1,700			-230	-1,930
31 Dec 2015	21	400	2,819	-8	0	666	3,876

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

Comments on the Group's equity

At 31 December 2015, the Group's equity amounted to SEK 3,876 million (5,335). Equity was strengthened by a positive result in 2015. Retained earnings included profit for the year and changes in unrealised cash-flow hedges less deferred tax of SEK 4 million (loss: 10), and a loss from available-for-sale financial assets less deferred tax

of SEK 4 million (loss: 3). Retained earnings for the year were also impacted by dividends totalling SEK 230 million (73) to shareholders, in accordance with the AGM resolution on 29 April 2015. Other contributed capital was impacted by dividends totalling SEK 1,700 million (0), in accordance with the EGM resolution on 25 September 2015.

Financial targets

The operations in relation to the owner's directive and financial requirements on SJ's operations

	2015	2014
Return on operating capital, %	13.2	11.5
Target	7	7
Net debt/equity ratio, multiple	0.19	-0.07
Target	0.5-1.0	0.5-1.0
Dividend, SEK million	1,930	73

Financial targets for SJ AB are a minimum return on operating capital of 7 percent, on average, and a long-term net debt/equity ratio of 0.5-1.0 (multiple) for the Group. In addition, long-term dividends should be within the range of 30-50 percent of profit for the year after tax. At 31 December, the return on operating capital was 13.2 percent (11.5). The Group's interest-bearing provisions and liabilities amounted to SEK 1,646 million (1,277) and interest-bearing assets to SEK 895 million (1,672). Operating profit totalled SEK 625 million (568), while operating capital over a rolling 12-month period amounted to SEK 4,721 million (4,952).

The Group's operating capital decreased SEK 232 million over the past 12-month period, as a result of dividends, changes in working capital and the divestment of the Linkon subsidiary at the end of 2014. SJ had a positive net cash position until 30 September, when payment of the adopted extraordinary dividend was issued. At 31 December 2015, net debt amounted to SEK 751 million (net cash: 396).

The Group's net debt/equity ratio was a multiple of 0.19 (negative 0.07). Even after the extraordinary dividend, SJ deviated from its financial targets in the short term, since the Group's financial position was stronger than the specified target range.

Income statement

SEK million	Note	2015	2014
Net sales	2	6,088	6,143
Other operating income	4	81	173
Total operating income	1	6,169	6,317
Personnel expenses	5	-1,693	-1,797
Depreciation/amortisation and impairment	1, 6	-813	-858
Other expenses	3, 7, 8	-3,148	-3,231
Total operating expenses		-5,654	-5,886
Operating profit	1	515	431
Results from participations in Group companies	9	195	0
Result from participations in associated companies	1, 15	4	34
Financial income	1, 10	0	32
Financial expenses	1, 10	-29	-40
Profit before taxation		686	457
Taxation	1, 11	-135	-118
Profit for the year	1	551	339

Statement of comprehensive income

SEK million	Note	2015	2014
Profit for the year	1	551	339
<i>Components that will be reclassified to profit or loss</i>			
Cash-flow hedges	10	5	-13
Financial assets available-for-sale	10	-1	-4
Deferred tax	11	-1	4
Other comprehensive income	21	4	-13
Total comprehensive income		554	326

Balance sheet

SEK million	Note	2015	2014
ASSETS			
Non-current assets			
Tangible assets			
Property	12	27	30
Rolling stock	12	5,182	5,627
Machinery and equipment	12	54	64
Construction in progress	12	718	589
Total tangible assets		5,981	6,310
Intangible assets			
Capitalised development expenditure	13	277	235
Brand	13	0	0
Total intangible assets		277	235
Financial assets			
Shares in Group companies	14	123	147
Participations in associated companies	15	13	13
Non-current receivables	16	0	344
Total financial assets		137	505
Total non-current assets		6,395	7,050
Current assets			
Receivables			
Inventories		7	8
Accounts receivable	17	105	133
Receivables from Group companies		120	195
Receivables from associated companies		4	3
Other receivables	18	170	148
Prepaid expenses and accrued income	19	118	133
Total receivables		523	619
Short-term investments			
Short-term investments	20	718	760
Total short-term investments		718	760
Cash and cash equivalents	20	97	345
Total current assets		1,338	1,724
TOTAL ASSETS	1	7,733	8,774

Balance sheet, cont.

SEK million	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		400	400
Statutory reserve		200	200
Unrestricted equity			
Fair value reserve		-9	-12
Retained earnings		2,550	4,141
Profit for the year		551	339
Total equity	21	3,690	5,066
Liabilities			
Provisions			
Non-current provisions	23	195	107
Current provisions	23	105	144
Deferred tax liability	11	449	367
Total provisions	1	750	618
Non-current liabilities			
Interest-bearing liabilities	22, 20	1,367	709
Non-interest-bearing liabilities	20	1	-
Total non-current liabilities	1	1,367	709
Current liabilities			
Interest-bearing liabilities	22	111	415
Accounts payable		462	405
Liabilities to Group companies		411	633
Liabilities to associated companies		72	31
Other current liabilities		175	157
Accrued expenses and deferred income	24	695	739
Total current liabilities	1	1,926	2,380
TOTAL EQUITY AND LIABILITIES		7,733	8,774
Pledged assets	25	1,772	1,181
Contingent liabilities	26	672	632

Cash flow statement

SEK million	Note	2015	2014
OPERATING ACTIVITIES			
Profit before taxation		686	457
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	6	813	858
– Changes in provisions		49	41
– Capital gain/loss		2	-125
– Other changes		33	3
Cash flow from operating activities before changes in working capital		1,583	1,234
Cash flow from changes in working capital			
Increase (-) / Decrease (+) in inventories		1	-1
Increase (-) / Decrease (+) in operating receivables		103	161
Increase (+) / Decrease (-) in operating liabilities		-230	-425
Cash flow from operating activities		1,457	970
Investing activities	12, 13		
Acquisition of tangible assets		-398	-693
Sale of tangible assets		1	146
Acquisition of intangible assets		-133	-135
Acquisition and sale of shares and participations		24	39
Other long-term interest-bearing receivables		336	-16
Change in short-term investments (91–360 days)		42	443
Cash flow from investing activities		-128	-216
Cash flow before financing activities		1,329	753
Financing activities			
Amortisation of lease liability		-417	-415
Borrowings		770	–
Dividends		-1,930	-73
Cash flow from financing activities		-1,577	-488
Cash flow for the period		-248	265
Cash and cash equivalents at 1 January		345	80
Cash and cash equivalents at 31 December	20	97	345

Interest income received in the Parent Company was a negative amount of SEK 4 million (pos: 33) and interest paid was SEK 9 million (26).

Statement of changes in equity

SEK million	Restricted equity		Unrestricted equity				Total equity
	Share capital	Statutory reserve	Fair value reserve		Retained earnings	Profit for the year	
			Cash-flow hedges	Financial assets available-for-sale			
1 Jan 2014	400	200	-2	3	4,009	205	4,812
Profit for the year						339	339
Other comprehensive income			-10	-3			-13
Total comprehensive income			-10	-3		339	326
Appropriation of profits					205	-205	0
Dividends to shareholders					-73		-73
31 Dec 2014	400	200	-12	0	4,141	339	5,066
Profit for the year						551	551
Other comprehensive income			4	0			4
Total comprehensive income			4	0		551	554
Appropriation of profits					339	-339	0
Dividends to shareholders					-1,930		-1,930
31 Dec 2015	400	200	-8	0	2,550	551	3,690

SJ AB's equity amounted to SEK 3,690 million (5,066) and the year-on-year change was attributable to dividend payments of SEK 1,930 million (73) during the year and profit for the year of SEK 551 million (339).

Retained earnings, including profit for the year, included a change of SEK 4 million (neg: 10) pertaining to unrealised cash-flow hedges including deferred tax, and an amount of SEK 0 million (neg: 3) pertaining to financial assets available-for-sale including deferred tax.

Accounting policies

General information

The financial statements for the SJ Group for the financial year ending 31 December 2015 were approved for publication by the Board of Directors and the Chief Executive Officer on 17 March 2016, and will be submitted to the AGM on 21 April 2016 for adoption. The Parent Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. The address of the head office is Vasagatan 10, SE-105 50 Stockholm, Sweden.

Accounting policies applied

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

Conformity with regulations and standards

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

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

Basis of recognition

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

New and amended standards and interpretations for 2015

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

New and amended standards and interpretations not yet entered into force

IFRS 9 Financial Instruments was issued on 24 July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard has been issued in phases, whereby the version issued in July 2014 replaced all previous versions. IFRS 9 contains new requirements for the classification and measurement of financial instruments, and for derecognition, impairment and general rules for hedge accounting. The standard is effective for reporting periods beginning on or after 1 January 2018, but is pending EU endorsement. Thus far, the Executive Management has not performed a detailed analysis of the effects of applying IFRS 9 and cannot, therefore, quantify the effects at present.

IFRS 15 Revenue from Contracts with Customers was issued on 28 May 2014 and will replace IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 represents a model for revenue recognition for almost any revenue arising from contracts with customers, except leases, financial instruments and insurance contracts. The core principle for revenue recognition under IFRS 15 is that revenue is recognised in a manner that depicts the transfer of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when the customer obtains control of that good or service. IFRS 15 provides more comprehensive information about specific areas and the disclosure requirements are extensive. IFRS 15 is effective for financial years commencing on or after 1 January 2018 with early adoption permitted. The standard is pending EU endorsement. Thus far, the Executive Management has not performed a detailed analysis of the

effects of applying IFRS 15 and cannot, therefore, quantify the effects at present.

IFRS 16 Leases was issued on 13 January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a right-of-use approach, requiring lessees to recognise assets and liabilities for essentially all leases, and the classification of each lease as an operating or financial lease is not required. Exceptions are leases with a term of 12 months or less, and leases where the underlying asset has a low value. Depreciation of the asset and interest payable are recognised in the income statement. The standard contains more extensive disclosure requirements than the current standard. IFRS 16 entails no real differences for lessors compared with IAS 17. IFRS 16 is effective for financial years commencing on or after 1 January 2019 with early adoption permitted, provided that IFRS 15 is simultaneously applied. The standard is pending EU endorsement. Thus far, the Executive Management has not performed a detailed analysis of the effects of applying IFRS 16 and cannot, therefore, quantify the effects at present.

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

Amended accounting policies for the Parent Company

The changes to RFR 2 Accounting for Legal Entities that is now effective and applies for the 2015 financial year has not had any material impact on the Parent Company's financial statements.

Accounting policies for the Group

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

The acquisition method

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

Subsidiaries

Subsidiaries are the companies for which SJ AB, directly or indirectly, is the Parent Company. To qualify as the Parent Company, SJ AB must have a controlling influence over the subsidiary. A controlling influence exists if SJ AB exercises influence over the subsidiary, is exposed to or is entitled to variable returns from its involvement and can use its influence to affect these returns.

Associated companies

Associated companies are companies over which SJ AB has significant influence. If SJ AB holds at least 20 percent of the voting rights in the associated company, directly or indirectly, the owner is considered to have a significant influence, unless otherwise demonstrated. Associated companies are consolidated using the equity method, which means that participations in associated companies are recognised at cost on the acquisition date and subsequently adjusted by SJ AB's share of the change in net assets. SJ's profits include the owner's share of the associated company's profits.

Parent Company

SJ AB recognises participations in subsidiaries and associated companies at cost. Dividends received are recognised in profit or loss. The value is tested at least once a year for impairment.

Recognition of Group contributions

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

Income recognition

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

Accounting policies

Income/Net sales

Net sales consist of income from own rail services, bistro income and commission income. Income from own rail services and tendered services as well as bistro income are recognised when the services are delivered. Sold, unused tickets are recognised as deferred income at the balance-sheet date. Income related to SJ's customer loyalty programme "SJ Prio" is recognised in accordance with IFRIC 13. The initial sale is divided using the component method, entailing that a portion of the income is reserved as a payment obligation for the future bonus commitment. When the customer redeems the bonus and SJ has fulfilled its obligation, the income is recognised as revenue. The future bonus commitment is measured at fair value by estimating the future utilisation of the benefit. Income from contracts where SJ AB provides commissioned services are recognised in the month that the services are provided according to the timetable. Season ticket income is recognised on a straight-line basis over the period of validity. Lease income is recognised on a straight-line basis over the lease term. Commission income, which is the reimbursement SJ AB receives for sales of journeys on behalf of other operators, is recognised when the journey is sold.

Segment information

Segment information is based on an Executive Management perspective. An operating segment is a business unit that engages in business activities from which revenue may be earned and expenses may be incurred (including revenue and expenses relating to transactions with other parts of the same company) and whose operating results are regularly reviewed by the company's Executive Management and Board as a basis for decisions on resource allocation. This means that there must be separate financial information for the segments that are reported externally. The Group reports the following segments: SJ AB, Train-operating subsidiaries and Other subsidiaries. The Group operates, in all material respects, in Sweden, which means that the Group only reports one geographical location, see Note 1.

Borrowing expenses

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

Income taxes

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

Earnings per share

Earnings per share are calculated as the Parent Company's average number of shares during the period in relation to consolidated profit after deductions for participations without controlling influence held by the owner. SJ has no convertible debentures, preference shares or options programmes, which is why no dilution effects arise.

Tangible assets

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

Rolling stock, plant and machinery

The cost of rolling stock is the purchase price plus any expenses directly attributable to the asset in order to bring it to a location and

in such a condition that it can be used in accordance with the purpose of the purchase. Such expenses primarily consist of expenses for project planning and interest expenses during the construction period. Additional expenses are only recognised as an asset when it is probable that the future economic benefits associated with the asset will flow to SJ and that the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised in the balance sheet. All other forms of repair and maintenance are recognised as costs in profit or loss in the period they arise.

Construction in progress

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

Intangible assets

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

- the asset is identifiable
- the Group has control over the asset
- the Group can ensure that the asset's future economic benefits will flow to the Group
- the Group can measure the cost reliably

Capitalised development expenditure

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

Depreciation and amortisation

Depreciation and amortisation according to plan is based on residual values and estimated useful lives. Assets are depreciated and amortised on a straight-line basis according to systematic plans over their estimated useful lives, which is tested continuously and commences in the month after the asset has been taken into service. The amortisation period for intangible assets is normally three years (software) but there are also amortisation periods of five and seven years where this period best reflects the useful life. The depreciation of high-value components and additional investments is based on the remaining useful life of the main unit. Repairs of high-value components are expensed as incurred. Trains constitute the major part of SJ AB's tangible assets and are divided into two main components – chassis and interior. The depreciation periods for these components differ.

The following depreciation periods are applied:

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

Impairments

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

Financial instruments

Recognition and measurement

A financial instrument is any type of contract that gives rise to a financial asset in one company, and a financial liability or equity instrument in another company. Upon initial recognition, financial instruments

are measured at fair value including directly attributable transaction expenses, except for financial assets measured at fair value through profit or loss. Subsequent valuations are at fair value or amortised cost using the effective interest method, depending on the category to which the financial instrument belongs. The value change can occur in other comprehensive income or through profit or loss.

Fair value

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

Financial assets recognised at amortised cost

Recognition at amortised cost for accounts receivable and other receivables means that the financial instrument is measured at cost less impairment due to financial assets that cannot be recovered.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or financial liability, and to allocate the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the financial instrument's expected term.

Derecognition from the balance sheet

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

Classification

The Group classifies financial assets in three categories:

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

The Group classifies financial liabilities as:

- financial liabilities measured at amortised cost

This classification depends on the purpose for which the instruments were acquired. All of SJ's financial instruments are presented according to their classification category, valuation principle and valuation method (Level) in Note 20.

Financial assets measured at fair value through profit or loss

The proportion of the Group's derivative instruments that are not identified as hedges is recognised at fair value through profit or loss. This category also includes long-term securities, shares and participations as well as bonds, since the Executive Management monitors them on the basis of their fair values. Settlement date accounting is applied to this class of assets, except for derivatives recognised on their transaction date, and the value change that is recognised in profit or loss.

Held-to-maturity investments

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

Non-derivative financial assets

This category of assets refers to non-derivative financial assets that are not quoted on a market, with fixed payments, including accounts receivable, loans receivable, other receivables and cash and bank balances. These are included in current assets, except for items with maturities greater than 12 months after the balance-sheet date.

Trade-date accounting is applied for this category of financial assets, which are measured at amortised cost. The value change is recognised in profit or loss.

Financial assets available-for-sale

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

Financial liabilities measured at amortised cost

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

Cash-flow hedges

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

Loan losses

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

Financial assets

Long-term securities holdings, shares and participations

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

Non-current receivables

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

Inventories

Stores and warehouses are measured at the lower of cost or net realisable value. The risk of obsolescence has therefore been taken into account. Cost is calculated using the first-in first-out (FIFO) method. Net realisable value is calculated as the selling price less selling expenses.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee, in return for payments, the right to use an asset for an agreed period of time. Lease payments are classified as either a finance lease or an operating lease. A finance lease entails that the economic risks and benefits associated with ownership of an object are essentially transferred to the lessee. A lease not classified as a finance lease is classified as an operating lease.

Finance leases

Significant assets acquired under finance leases are recognised in the consolidated financial statements, and in the financial

Accounting policies

statements of the Parent Company, as non-current assets from the date when the lease is entered into and the equipment is delivered. At the commencement of the lease term, the leased asset and leased liability are measured at the lower of the leasing object's fair value or the present value of the minimum lease payments. These amounts are payable to the lessor during the lease term, plus any amounts guaranteed by the lessee or by a related company. The lease term is the period for which SJ AB has agreed to lease the asset. Under finance leases, assets are depreciated over their estimated useful life. The future commitment to the lessor is recognised as a liability in the balance sheet. Lease payments are divided into financial expenses and debt repayment.

Operating leases

An operating lease entails that lease payments are expensed on a straight-line basis over the lease term.

Assets and liabilities in foreign currency

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

Provisions and contingent liabilities

Provisions are liabilities that are uncertain in terms of amounts, or the date on which they will be settled. A provision is recognised in the consolidated balance sheet when a past event has led to the Group having a legal or constructive obligation that is likely to require an outflow of resources and that can be reliably estimated. Significant provisions are discounted to present value when the effect of the calculation is important. Any reversal of the present value calculation is recognised as a financial expense. Provisions are reviewed at each balance-sheet date and reversed if no longer current.

Contingent liabilities are existing obligations attributable to past events that have not been recognised as a liability or provision. The reason being that it is not likely that an outflow of resources will be required to settle the liability or that the amount of the liability cannot be determined with sufficient reliability.

Annuities

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

Pensions

Commitments in respect of retirement and family pension plans for SJ's employees are mainly secured by payments to the National Government Employee Pensions Board (SPV) and Alecta. According to a Statement from the Swedish Financial Reporting Board, UFR 10 (Recognition of the ITP 2 pension plan, financed through insurance with Alecta), these commitments are classified as multi-employer defined-benefit plans. SJ does not have access to the information required to recognise these as defined-benefit plans. ITP pension plans secured through insurance with Alecta and pension plans secured through insurance with SPV, the PA-91 pension plan and the defined-benefit part of the PA-03 pension plan, are therefore recognised as defined-contribution plans, in accordance with UFR 10.

Statement of cash flow

The statement of cash flow shows the Group's receipts and payments during the period, classified according to operating, investing and financing activities. The statement of cash flow thus indicates the Group's ability to generate cash. The statement of cash flow is prepared using the indirect method, which means that earnings are adjusted for:

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

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

Significant accounting issues, and estimates and assumptions

When preparing the accounts of the Group and the Parent Company, the Board and Executive Management make estimates and assumptions that affect the carrying amounts of assets, liabilities, income and expenses, as well as other disclosures. The actual outcome may differ from these estimates. Estimates and assumptions are based on historical experience and reasonable assumptions about future market trends, but also on prevailing circumstances, such as political decisions. Estimates are particularly significant for the financial position when calculating the value in use of investments in rolling stock, and the outcome of onerous contracts pertaining to transport and service deliveries. Other relevant factors include estimates of the actuarial provision and assessments of disputes, in which provisions are only made for damage amounts when it is possible to make a reliable estimate. In annual impairment tests, the entire SJ Group is considered a cash-generating unit. In addition to estimates, assessments have also been made in regard to accounting matters with major significance for carrying amounts. The areas in which SJ has made significant assessments and/or that hold uncertainty in the estimates and assumptions that have impacted SJ's earnings are described below.

Changed depreciation period for X 2000 trains

A decision was made regarding a major technical upgrade and interior refurbishment of SJ AB's 36 X 2000 train sets, each with six carriages. The ongoing technical upgrade will extend the expected economic lifespan of all vehicles until about 2035. Under the original depreciation plan, all vehicles were to be fully depreciated by 2022. The upgrade will therefore result in a new expected economic lifespan for train components and accordingly, as of 2015, a change in the depreciation rate. For 2015, the changed depreciation rate lowered depreciation costs by SEK 46 million.

Investments in tangible assets

Expenditure related to measures that are likely to bring future economic benefits is capitalised if the asset's cost can be measured reliably. Future economic benefits arise when a measure leads to potentially higher revenue or other benefits than would otherwise be obtained had the measure not been implemented. According to SJ's assessment, maintenance expenditure is capitalised when it relates to:

- measures that substantially improve the asset's level of performance in relation to the level that applied when the asset was originally acquired
- revisions, since they pertain to major, periodical technical and refurbishment-related work on rolling stock.

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

Annuities

As of year-end 2015, SJ applies a new method for calculating the provision for annuities, due to SJ AB taking over all annuities from the Group's insurance company. The new method is based on a number of assumptions that are established when calculating the provision. The discount rate of two percent is based on the average risk-free nominal interest rate over the past five years, with a maturity of 11 years. The duration of the commitment is currently several years longer but will progressively decrease, which is the reason for choosing a discount rate based on a shorter duration. At 31 December 2015, the changed assumptions resulted in a higher provision of SEK 17 million. At year-end, total provisions for annuities amounted to SEK 168 million (152).

Sensitivity analysis – annuities

1.00 percentage-point decrease in the discount rate:
SEK 199,254,058 Effect: + SEK 29.7 million

1.00 percentage-point increase in the assumed inflation rate:
SEK 197,870,754 Effect: + SEK 31.0 million

A 1 percentage-point decrease in the discount rate would increase the present discounted value of future annuities by SEK 30 million. Similarly, a 1 percentage-point increase in the inflation rate would increase future payouts, resulting in a change of SEK 31 million to the provision.

Notes

1. Segment information

2015 SEK million	SJ AB	Train- operating subsidiaries	Other subsidiaries	Elimination	Total
Income from external customers	6,009	3,060	2	–	9,070
Income from internal transactions	160	2	49	-211	0
Total operating income	6,169	3,062	51	-211	9,070
Depreciation/amortisation and impairment	-813	-1	0	–	-814
Operating profit	515	104	-13	19	625
Result from participations in associated companies	4	–	–	15	19
Financial income	-4	0	6	0	2
Financial expenses	-25	0	0	0	-25
Taxation	-135	0	0	4	-131
Net profit	551	130	0	-210	471
Investments	525	0	0	–	525
Significant non-cash items – provisions	49	-2	-111	-4	-64
Participations in associated companies recognised according to the equity method	13	–	–	29	43
Total assets	7,733	566	188	-624	7,864
Provisions, incl. deferred tax	749	3	13	5	770
Non-interest-bearing liabilities	1,472	388	1	-121	1,740
Interest-bearing liabilities	1,822	43	22	-410	1,478
Total liabilities	4,043	434	36	-526	3,988

2014 SEK million	SJ AB	Train- operating subsidiaries	Other subsidiaries	Elimination	Total
Income from external customers	6,197	2,965	44	–	9,208
Income from internal transactions	118	3	228	-349	0
Total income	6,317	2,968	272	-349	9,208
Depreciation/amortisation and impairment	-858	-1	-27	–	-885
Operating profit	431	60	51	26	568
Result from participations in associated companies	34	–	–	-8	26
Financial income	32	1	9	-24	49
Financial expenses	-40	-1	0	2	-39
Taxation	-118	0	0	0	-118
Net profit	339	127	24	-30	460
Investments	828	0	0	–	828
Significant non-cash items – capital gain on sales of locomotives	-128	–	–	–	-128
Participations in associated companies recognised according to the equity method	13	–	–	15	28
Total assets	8,774	712	345	-960	8,870
Provisions, incl. deferred tax	618	4	124	9	756
Non-interest-bearing liabilities	1,393	410	11	-159	1,655
Interest-bearing liabilities	1,697	61	36	-669	1,125
Total liabilities	3,708	475	172	-819	3,536

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

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

2. Net sales

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Traffic revenue	8,373	8,350	5,625	5,666
Bistro revenue	213	206	199	193
Leasing of vehicles	0	13	0	13
Commission	63	80	63	80
Other revenues	403	416	201	191
Total net sales	9,052	9,065	6,088	6,143

The item "Other revenues" includes subsidiaries in the SJ Group's contractual re-invoicing of costs.

3. Related party transactions

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

For services and products supplied within the Group, and between the Group and other related companies, commercial terms and market pricing is applied. Other related companies are defined as associated companies, state-owned companies that undertake commercial activities and over which the state has a controlling influence, and government agencies. The purchase of products and services amounting to SEK 678 million (687) from the Swedish Transport Administration, SEK 193 million (178) from Jernhusen AB and SEK 184 million (0) from Linköping AB dominate. For information about the remuneration of senior executives and Board members, see Note 5.

4. Other operating income

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Compensation for damages and downtime	6	13	68	44
Capital gains/losses on non-current assets	-2	125	-2	125
Other revenues	15	4	15	4
Total other operating income	19	142	81	173

Other operating income includes insurance payments as well as capital gains and losses on sales of non-current assets. Compensation for damages and downtime includes final compensation for property and liability losses of SEK 20 million from SJ Försäkring. In 2014, sales of locomotives generated a capital gain of SEK 128 million. "Other" mainly includes an amount of SEK 9 million related to the reconstruction of Motala Train AB.

5. Personnel expenses

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Salaries and other remuneration				
Board of Directors	-1	-1	-1	-1
CEO and senior executives	-29	-31	-23	-24
Other employees	-1,906	-2,044	-1,137	-1,225
Total salaries and other remuneration	-1,936	-2,076	-1,161	-1,250
Social security expenses	-826	-835	-497	-509
of which pension expenses, including special payroll tax to the CEO and senior executives	-11	-11	-8	-8
of which pension expenses, including special payroll tax to other employees	-211	-222	-131	-145
Other personnel-related expenses	-60	-61	-35	-38
Total personnel expenses	-2,822	-2,972	-1,693	-1,797

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

The ITP 2 Plan's defined-benefit retirement and family pension (or family pension) commitments on behalf of salaried employees in Sweden is secured through insurance with Alecta. According to a Statement by the Swedish Financial Reporting Board, UFR 10 "Classification of ITP plans financed through insurance with Alecta," this is a multi-employer defined-benefit plan. However, Alecta is unable to make an exact allocation of assets and provisions to each employer, which is why the conditions for recognising ITP 2 insurance with Alecta as a defined-benefit plan are not met. SJ has not therefore been able to access the information required to recognise its proportionate share of the plan's obligations, plan assets and costs, which means that the plan has not been possible to recognise as a defined-benefit plan. The ITP 2 pension plan is secured through insurance with Alecta and therefore recognised as a defined-contribution plan. The premiums for defined-benefit retirement and family pensions are individually calculated and depend on factors including salary, previously earned pension and expected remaining period of service. The Group's expected fees for the next reporting period for ITP 2 insurance with Alecta are SEK 59 million. The number of active members is 1,864.

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. The collective consolidation level is normally allowed to vary between the range of 125-155 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 155 percent, measures must be taken in order to create the conditions for the consolidation level to return to the normal range. In the event of low consolidation, one measure could be to raise the agreed price for contracting new, or extending existing, benefits. In the event of high consolidation, one measure could be to introduce premium reductions. At the end of 2015, Alecta's preliminary consolidation level was 153 percent (143). In 2015, the Group's pension premiums (excluding special payroll tax) amounted to SEK 185 million (187), of which SEK 100 million (90) comprised defined-benefit premiums and SEK 85 million (97) defined-contribution premiums. The National Government Employee Pensions Board's plans (SPV), mainly in the form of the PA 91 and PA 03 plans, which are both defined-benefit and defined-contribution plans, are recognised as defined-contribution plans.

Average no. of employees	Group						Parent Company					
	Total	2015 Men, %	2015 Women, %	Total	2014 Men, %	2014 Women, %	Total	2015 Men, %	2015 Women, %	Total	2014 Men, %	2014 Women, %
Sweden	4,232	62	38	4,537	62	38	2,698	60	40	2,876	59	41
Nordic region	–			4	30	70	–	–	–	–	–	–
Total	4,232	62	38	4,541	62	38	2,698	60	40	2,876	59	41
Distribution of senior executives at the balance-sheet date												
Board members	7	57	43	8	50	50	7	57	43	8	50	50
Others in the company's Executive Management including the CEO	13	54	46	16	63	38	10	50	50	11	55	45
Total	20	55	45	25	56	44	17	53	47	20	50	50

Remuneration to the Board of the Parent Company

2015

SEK thousand		Board fees	Committee fees	Total
Chairman	Jan Sundling	400	0	400
Board member ¹	Lena Olving	50	0	50
Board member	Mikael Staffas	150	43	193
Board member	Gunilla Wikman	150	43	193
Board member	Siv Svensson	150	55	205
Board member	Michael Thorén	–	–	–
Board member	Mikael Stöhr	150	–	150
Board member	Ulrika Dellby	150	–	150
Employee representatives		–	–	–
Total		1,200	141	1,341

1) Resigned from SJ's Board on 29 April 2015.

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

2015

SEK thousand		Base salary	Benefits	Total	Pension expense	Total	Notice from the employer + no. of months' severance pay	Severance pay and termination cost
President/Chief Executive Officer SJ AB	Crister Fritzon	4,435	32	4,466	1,315	5,781	6+18	–
Senior Vice President Human Resources	Peter Blomqvist	1,599	71	1,670	708	2,378	6+18	–
Senior Vice President Traffic & Service	Madeleine Raukas	2,166	65	2,231	464	2,695	6+12	–
Senior Vice President Communication ¹	Helga Baagøe	311	14	325	91	416	6+12	2,993
Senior Vice President Marketing and Sales	Thomas Silbersky	2,550	42	2,591	787	3,378	6+12	–
Senior Vice President Quality, Environment & Sustainability	Erica Kronhöffer	1,526	29	1,555	444	1,999	6+12	–
Senior Vice President and Chief Financial Officer	Carina Wång	1,974	0	1,974	435	2,408	6+12	–
Senior Vice President Planning	Jens Wigen	2,110	49	2,159	703	2,862	6+12	–
Senior Vice President Fleet Management	Claes Broström	2,087	66	2,152	668	2,820	6+12	–
Senior Vice President IT ²	Björn Rosell	1,758	48	1,806	394	2,199	6+12	2,928
Senior Vice President Product Division	Caroline Åstrand	1,810	56	1,866	390	2,256	6+12	–
Senior Vice President Strategy and Business Development, Acting Senior Vice President IT ³	Lena Herrmann	658	0	658	152	810	6+12	–
President SJ Norrlandståg	Björn Nilsson	1,653	5	1,658	532	2,190	6+12	–
President Stockholmståg	Kjell Färnström	1,847	69	1,916	825	2,741	6+12	–
President SJ Götalandståg	Lena Källström	1,450	50	1,500	488	1,988	6+12	–
Total		27,934	595	28,528	8,395	36,923		5,921

1) Left SJ on 1 March 2015. Base salary, benefits and pension expense recognised up to and including February.

2) Left SJ on 23 November 2015. Base salary, benefits and pension expense recognised up to and including November.

3) Member of Executive Management from 27 August. Base salary, benefits and pension expense recognised as of September.

Notes

Note 5, cont.

Remuneration to the Board of the Parent Company

2014				
SEK thousand		Board fees	Committee fees	Total
Chairman	Jan Sundling	400	0	400
Board member	Lena Olving	150	0	150
Board member ¹	Eivor Andersson	50	14	64
Board member	Mikael Staffas	150	29	179
Board member	Gunilla Wikman	150	43	193
Board member	Siv Svensson	150	55	205
Board member	Michael Thorén	-	-	-
Board member ²	Mikael Stöhr	113	-	113
Board member ²	Ulrika Dellby	113	-	113
Employee representatives		-	-	-
Total		1,276	141	1,417

¹) Resigned from SJ's Board on 28 April 2014.

²) New Board member as of 28 April 2014.

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

2014								
SEK thousand		Base salary	Benefits	Total	Pension expense	Total	Notice from the employer + no. of months' severance pay	Severance pay and termination cost
President/Chief Executive Officer SJ AB	Crister Fritzson	4,500	10	4,510	1,224	5,734	6+18	-
Senior Vice President Human Resources	Peter Blomqvist	1,571	83	1,654	666	2,320	6+18	-
Senior Vice President Traffic & Service	Madeleine Raukas	2,167	40	2,207	449	2,656	6+12	-
Senior Vice President Communication	Helga Baagøe	1,830	64	1,895	537	2,432	6+12	-
Senior Vice President Marketing and Sales	Thomas Silbersky	2,476	43	2,519	720	3,239	6+12	-
Senior Vice President Quality, Environment & Sustainability	Erica Kronhöffer	1,521	27	1,548	458	2,007	6+12	-
Senior Vice President and Chief Financial Officer	Carina Wång	1,912	9	1,921	472	2,393	6+12	-
Senior Vice President Planning	Jens Wigen	2,073	59	2,131	651	2,783	6+12	-
Senior Vice President Fleet Management	Claes Broström	2,037	79	2,116	596	2,712	6+12	-
Senior Vice President IT	Björn Rosell	1,854	62	1,916	417	2,333	6+12	-
Senior Vice President Product Division ¹	Caroline Åstrand	1,591	79	1,671	348	2,019	6+12	-
President SJ Norrlandståg	Björn Nilsson	1,568	5	1,573	457	2,030	6+12	-
President Linkon ²	Christer Jernberg	1,163	76	1,239	306	1,545	6+18	-
President Stockholmståg	Kjell Färnström	1,724	85	1,808	794	2,602	6+12	-
President SJ Försäkring	Carl Dahlberg	737	13	749	231	980	6+12	-
President SJ Götalandståg	Lena Källström	1,262	32	1,294	387	1,681	6+6	-
Total		29,987	764	30,751	8,712	39,464		

¹) Member of Executive Management from 1 January 2014.

²) Base salary, benefits and pension expense recognised up to and including November when a controlling influence over the company ceased.

Changes in Executive Management and other senior executives

Helga Baagøe, Senior Vice President Communication, left SJ on 1 March and Björn Rosell, Senior Vice President IT, left SJ on 23 November. Lena Herrmann, Senior Vice President Strategy and Business Development and Acting Senior Vice President IT, joined Executive Management on 27 August.

Remuneration to senior executives

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

Guidelines and decision-making procedures

During the year, the company observed the policies for remuneration and other terms of employment for senior executives adopted by the 2015 AGM. These policies are based on the guidelines issued by the government on 20 April 2009 concerning terms of

employment for senior executives in state-owned companies. Decisions on the terms of employment for the Chief Executive Officer are prepared by the Remuneration Committee and adopted by the Board. Decisions on the terms of employment for other senior executives are made by the Chief Executive Officer after customary consultation with the company's Remuneration Committee. The results of the agreements reached are reported to the Board. Prior to making decisions on individual remuneration, written documentation showing the company's total costs is produced as a basis for decisions. The Board ensures that all remuneration complies with these guidelines by comparing remuneration for peers in other state-owned and comparable private companies in Sweden in terms of size, complexity and sales. At the AGM, the Board is to present proposed policies for remuneration and other terms of employment for the CEO and other senior executives for approval by the AGM. The Remuneration Committee's role is, for example, to prepare the Board's proposed policies for salary and other remuneration. The members of the Remuneration Committee are Jan Sundling, Ulrika Dellby and Michael Thorén. Read more on page 25.

Remuneration Board of Directors

According to a resolution of SJ AB's 2015 AGM, annual fees payable to members of the Board are SEK 400,000 to the Chairman, and SEK 150,000 to each of the other AGM-elected members. In addition, annual fees payable to members of the Board's Audit Committee are SEK 55,000 to the Chairman, and SEK 43,000 to each of the other members. No separate fee is payable for other Board committee work. Fees are not paid to members employed by the Swedish Government Offices. There are no pension benefit arrangements for external Board members. According to an AGM resolution on 29 April 2015, Board fees may be paid as salary, or under certain conditions, be invoiced within the framework of business operations. The invoicing of Board or Committee fees must be cost-neutral for SJ.

Executive Management

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

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

Pensions

Pensions are paid to senior executives under the ITP plan.

Terminations and severance pay

Upon termination by the company, the notice periods and severance pay set out in the table on pages 47–48 apply. If the employee takes up new employment or receives income from other business activities, the termination salary and severance pay are to be reduced by an amount corresponding to the new income or other benefits received during the relevant period.

6. Depreciation, amortisation and impairment

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Depreciation of tangible assets	-713	-760	-713	-760
Amortisation of intangible assets	-55	-94	-54	-67
Impairments	-46	-31	-46	-31
Total	-814	-885	-813	-858

In 2015, tangible assets were impaired in the amount of SEK 11 million to accurately reflect the earnings capacity of SJ's new family coach, and intangible assets in the amount of SEK 35 million due to changes in the estimated value in use of ongoing projects.

The ongoing upgrade of the X2000 trains has led to an extension of the expected economic lifespan of the fleet, which had a positive effect of SEK 46 million on depreciation costs during the year.

7. Other expenses

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Maintenance and inspection of trains	-1,327	-1,406	-750	-822
Electricity costs for train operations	-405	-440	-238	-261
Infrastructure charges	-581	-524	-405	-378
Other production-related expenses	-1,093	-1,153	-533	-535
Indirect costs	-1,422	-1,286	-1,222	-1,235
Total	-4,828	-4,809	-3,148	-3,231

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

8. Remuneration to auditors

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Deloitte AB				
Total statutory audit fees	-2	-2	-2	-2
Audit-related assurance services	0	0	0	0
All other non-audit services	-1	0	-1	0
Total	-3	-2	-3	-2

Statutory audit refers to the audit of the annual financial statements and accounts, and the administration of the Board and the Chief Executive Officer. During an ongoing audit, a more in-depth review may be required, and the costs are recognised in Audit-related assurance services. Tax consultancy is recognised under All-other non-audit services, and include, for example, interpretation of IFRS and other accounting rules.

9. Results from shares in Group companies

SEK million	Parent Company	
	2015	2014
Group contributions received	27	52
Group contributions paid	-43	-83
Impairment of shares in Group companies	-24	-9
Sales of shares in Group companies	-	40
Dividends	235	-
Total	195	0

In 2015, impairment of shares in Group companies pertained to participations in SJ Försäkring. The carrying amount of the asset was reduced.

The dividend of SEK 235 million pertained to the profit from the Group company Stockholmståg KB.

10. Financial income and financial expenses

Financial income, SEK million	Group		Parent Company	
	2015	2014	2015	2014
Sale of long-term securities	-	8	-	-
Interest income, current receivables	-1	31	0	23
Interest income, non-current receivables	3	9	0	9
Interest income from Group companies	-	-	-	-
Total	2	49	0	32

Financial expenses, SEK million	Group		Parent Company	
	2015	2014	2015	2014
Interest expenses on loans and leasing	-9	-24	-13	-24
Interest-rate hedging instruments, net	-9	-13	-9	-13
Exchange-rate differences	-2	2	-2	2
Other financial expenses ¹	-6	-4	-6	-4
Interest expenses to Group companies	-	-	0	-2
Total	-25	-39	-29	-40

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

2015 Group – classification of net financial items, SEK million	Financial income	Financial expenses	Profit/Loss Results	Net financial items	Profit/Loss Other comprehensive income
Financial assets measured at fair value through profit or loss					
Bonds	6		-10	-5	
Loans and accounts receivable					
Cash and bank balances	1			1	
Receivables	2			2	
Financial assets available-for-sale					
Investments	4			4	-5
Financial income	13	-	-10	2	-5
Derivatives identified as hedging instruments					
Derivative instruments ¹	1	-9		-8	5
Financial liabilities measured at amortised cost					
Lease liabilities ²		-9		-9	
Other liabilities		-8		-8	
Financial expenses	1	-26	-	-25	5

¹⁾ The total effect of derivative instruments recognised in other comprehensive income amounted to SEK 5 million (neg: 13) before tax. SEK 9 million (13) was transferred to net interest income from cash-flow hedges.

²⁾ In 2015, administrative expenses and fees related to leases amounted to a negative SEK 2 million (neg: 1).

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

11. Taxation

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Deferred tax expense	-78	-118	-82	-118
Total	-78	-118	-82	-118

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

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Deferred tax on financial assets available-for-sale	1	1	0	1
Deferred tax on cash-flow hedges	-1	3	-1	3
Total	0	4	-1	4

The following deferred tax assets and liabilities were identified:

Deferred tax assets, SEK million, relating to:	Group		Parent Company	
	2015	2014	2015	2014
Loss carryforwards	-	4	-	4
Temporary differences, financial instruments, cash-flow hedges	3	4	3	4
Temporary differences, other reserves	11	11	11	11
Deferred tax assets	14	19	14	19

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

Group	2015		2014	
	Tax, SEK million	Tax rate, %	Tax, SEK million	Tax rate, %
Reconciliation of recognised tax and effective tax rate				
Tax according to applicable Swedish tax rate	-132	-22	-127	-22
Non-deductible expenses	-1	0	-3	-1
Tax effect attributable to previous years' tax returns	-2	-	0	0
Results from shares and participations	3	-	9	2
Impairment and reversal, impairment of participations	1	0	5	1
Other differences	-	-	-2	0
Recognised tax affecting profit for the year in the Statement of comprehensive income	-131	-22	-118	-20

Deferred tax liabilities, SEK million, relating to:	Group		Parent Company	
	2015	2014	2015	2014
Temporary differences in leasehold improvements	-2	-2	-2	-2
Temporary differences, residual value depreciation	-461	-383	-461	-383
Temporary differences, other reserves	-6	-10	-	-
Deferred tax liabilities	-469	-396	-463	-385
Recognised deferred tax asset/liability, net	-455	-377	-449	-367

SJ's accumulated loss carryforwards amounted to SEK 0 million (21) in the Group, and SEK 0 million (21) in the Parent Company.

Recognition of deferred tax is reviewed at the end of each reporting period. This review assesses the likelihood that the deferred tax assets will be recovered from future taxable income.

Note 11, cont.

Parent Company Reconciliation of recognised tax and effective tax rate	2015		2014	
	Tax, SEK million	Tax rate, %	Tax, SEK million	Tax rate, %
Tax according to nominal rate	-151	-22	-101	-22
Dividends from limited partnerships	52	8	-	-
Non-deductible expenses	-1	0	-2	0
Tax attributable to profit/loss in limited partnerships	-29	-4	-29	-6
Effect of change in previous years' tax returns	-2	0	1	0
Results from shares and participations	-	-	11	2
Impairment and reversal, impairment of participations	-4	-1	3	1
Other differences	-	-	-1	0
Tax recognised in the income statement	-135	-20	-118	-26

12. Tangible assets

2015 Group SEK million	Leased building	Own rolling stock	Own invest- ments in leased rolling stock	Leased rolling stock	Total rolling stock	Total machin- ery and equipment	Construc- tion in progress	Total tangible assets
Cost at 1 January	59	11,537	86	1,933	13,556	196	589	14,400
Investments	-	139	-	2	141	6	246	393
Sales/disposals	-	-91	-	-	-91	-31	-	-122
Reclassifications	-	2,131	-86	1,933	112	5	-117	0
Accumulated cost at 31 December	59	13,716	0	2	13,718	176	718	14,671
Accumulated depreciation at 1 January	-29	-6,347	-33	33	-6,347	-126	0	-6,502
Depreciation for the year	-3	-668	-4	-18	-690	-20	-	-713
Sales/disposals	-	88	-	-	88	31	-	119
Reclassifications	-	-20	37	-16	1	-1	-	0
Accumulated depreciation at 31 December	-32	-6,947	0	-1	-6,948	-116	0	-7,096
Accumulated impairment losses at 1 January	-	-61	-6	-1,575	-1,642	-6	-	-1,648
Reclassifications	-	-1,581	6	1,575	-	-	-	0
Impairment losses for the year	-	-11	-	-	-11	-	-	-11
Accumulated impairment losses at 31 December	-	-1,653	0	0	-1,653	-6	-	-1,659
Carrying amount at 31 December	27	5,116	0	1	5,117	54	718	5,916

Investments for the year are mainly attributable to the upgrade and modernisation of SJ's 36 X 2000 train sets. The total investment in both interiors and technology is an estimated SEK 3.5 billion, of which the technical upgrade accounts for an estimated SEK 1.4 billion. The upgrade is expected to continue until 2019 and each train set will be deployed upon completion.

Reclassification in 2015 mainly pertains to a redemption of the remaining lease value related to double-deckers on 30 June 2015.

Impairment losses for the year pertain to family coaches, to accurately reflect their earnings capacity.

Future investment commitments of SEK 1,143 million (1,143) in the Group and the Parent Company pertain to the technical upgrade of SJ's 36 X 2000 train sets.

Construction in progress pertains to delivered tangible assets not yet in use, and consists of investments related primarily to the upgrading of SJ's 36 X 2000 train sets, and a number of major vehicle revisions.

At 31 December 2015, non-current assets available-for-sale amounted to SEK 65 million (60) and pertained to two X31 model trains.

2015 Parent Company SEK million	Leased building	Own rolling stock	Own invest- ments in leased rolling stock	Leased rolling stock	Total roll- ing stock	Total machin- ery and equipment	Construc- tion in prog- ress	Total tangible assets
Cost at 1 January	59	11,618	86	1,933	13,637	167	589	14,452
Investments	-	144	-	2	146	6	246	398
Sales/disposals	-	-91	-	-	-91	-9	-	-100
Reclassifications	-	2,131	-86	-1,933	112	5	-117	0
Accumulated cost at 31 December	59	13,802	0	2	13,804	169	718	14,750
Accumulated depreciation at 1 January	-29	-6,368	-33	33	-6,368	-103	-	-6,500
Depreciation for the year	-3	-668	-4	-18	-690	-20	-	-713
Sales/disposals	-	88	-	-	88	9	-	97
Reclassifications	-	-20	37	-16	1	-1	-	0
Accumulated depreciation at 31 December	-32	-6,968	0	-1	-6,969	-115	-	-7,116
Accumulated impairment losses at 1 January	-	-61	-6	-1,575	-1,642	-	-	-1,642
Reclassifications	-	-1,581	6	1,575	-	-	-	0
Impairment losses for the year	-	-11	-	-	-11	-	-	-11
Accumulated impairment losses at 31 December	-	-1,653	0	-1,575	-1,653	-	-	-1,653
Carrying amount at 31 December	27	5,181	0	1	5,182	54	718	5,981

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

In 2014, the major reclassification was partly due to SJ AB's redemption of a lease for X40 vehicles, and partly to taking into service both the X 2000 train from China and the refurbished family coaches. Impairment losses for the year were attributable to these family coaches.

In 2014, 25 locomotives were also sold. The 13 locomotives classified as non-current assets available-for-sale in the preceding year

were sold, as well as the 12 remaining locomotives. 16 older locomotives and carriages were also sold.

At 31 December 2014, non-current assets available-for-sale amounted to SEK 60 million (60) and pertained to two X31 model trains.

Notes

Note 12, cont.

2014 Parent Company SEK million	Leased building	Own roll- ing stock	Own invest- ments in leased rolling stock	Leased rolling stock	Total roll- ing stock	Total machin- ery and equipment	Construc- tion in progress	Total tangible assets
Cost at 1 January	59	9,318	286	3,563	13,167	185	455	13,866
Investments	-	168	-	1	169	6	518	693
Sales/disposals	-	-74	-	-	-74	-33	-	-107
Reclassifications	-	2,206	-200	-1,631	375	9	-384	0
Accumulated cost at 31 December	59	11,618	86	1,933	13,637	167	589	14,452
Accumulated depreciation at 1 January	-26	-4,909	-118	-667	-5,694	-105	0	-5,825
Depreciation for the year	-3	-636	-17	-74	-727	-30	-	-760
Sales/disposals	-	53	-	-	53	32	-	85
Reclassifications	-	-876	102	774	0	-	-	0
Accumulated depreciation at 31 December	-29	-6,368	-33	33	-6,368	-103	0	-6,500
Accumulated impairment losses at 1 January	-	-33	-6	-1,575	-1,614	-	-	-1,614
Impairment losses for the year	-	-28	-	-	-28	-	-	-28
Accumulated impairment losses at 31 December	-	-61	-6	-1,575	-1,642	-	-	-1,642
Carrying amount at 31 December	30	5,189	47	391	5,627	64	589	6,310

13. Intangible assets

Group	2015 Capitalised development expenditure			2014 Capitalised development expenditure		
SEK million	Brand	Total		Brand	Total	
Cost at 1 January	240	713	953	240	931	1,171
Investments	-	133	133	-	135	135
Sale/disposal	-	-3	-3	-	-353	-353
Accumulated cost at 31 December	240	843	1,083	240	713	953
Accumulated amortisation at 1 January	-240	-477	-717	-240	-623	-863
Amortisation for the year	-	-44	-44	-	-66	-66
Impairment losses for the year	-	-46	-46	-	-31	-31
Sale/disposal	-	2	2	-	243	243
Accumulated amortisation at 31 December	-240	-565	-805	-240	-477	-717
Carrying amount at 31 December	0	278	278	0	236	236

Parent Company	2015 Capitalised development expenditure			2014 Capitalised development expenditure		
SEK million	Brand	Total		Brand	Total	
Cost at 1 January	240	695	935	240	560	800
Investments	-	133	132	-	135	135
Sales/disposals	-	-1	-1	-	-	-
Accumulated cost at 31 December	240	826	1,066	240	695	935
Accumulated amortisation at 1 January	-240	-460	-700	-240	-390	-630
Amortisation for the year	-	-43	-43	-	-39	-39
Amortisation for the year	-	-46	-46	-	-31	-31
Accumulated amortisation at 31 December	-240	-549	-789	-240	-460	-700
Carrying amount at 31 December	0	277	277	0	235	235

SJ's intangible assets are divided into Brand and Other intangible assets.

The Brand item arose when SJ took over passenger services from Statens Järnvägar (the Swedish State Railways). The amortisation period was 10 years, which is why the item was fully amortised on 31 December 2015.

Capitalised development expenditure pertains primarily to development expenses for business-related IT systems.

During the year, an impairment loss of SEK 46 million (31) was mainly due to changes in the estimated value in use of ongoing projects.

14. Shares in Group companies

Parent Company, SEK million	2015	2014
Carrying amount at 1 January	147	206
Sale/reclassification	-	-50
Impairment loss	-24	-9
Carrying amount at 31 December	123	147

Specification of shares and participations in Group companies	Corp. Reg. No.	Reg. office	No. of shares	Participations, %	2015	2014
SJ Event AB	556577-3008	Stockholm	1,000	100	0	0
SJ Försäkring AB	516401-8458	Stockholm	30,000	100	30	54
SJ Invest AB	556022-1755	Stockholm	700,000	100	87	87
SJ Götalandståg AB	556083-2098	Stockholm	5,000	100	1	1
SJ Adventure AB	556064-8692	Stockholm	5,000	100	1	1
Entertrainment AB	556034-4235	Malmö	1,605	100	0	0
SJ Norrlandståg AB	556196-5418	Stockholm	1,000	100	1	1
SJ Service Academy AB	556596-9630	Stockholm	1,000	100	0	0
Stockholmståg KB ¹	969704-4239	Stockholm	1,000	100	0	0
SJ Danmark A/S	33 372 477	Copenhagen	500	100	3	3
Total					123	147

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

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

During the year, the impairment loss on shares in the subsidiary SJ Försäkring amounted to SEK 24 million.

15. Participations in associated companies

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Opening cost	45	20	27	16
Purchasing/reclassification	-	26	-	13
Sales	-	-1	-	-1
Accumulated cost at 31 December	45	45	27	27
Accumulated share of results from associates at 1 January	-6	-6	0	0
Share of results from associates for the year	14	-	-	0
Accumulated share of results from associates at 31 December	8	-6	0	0
Accumulated impairment losses at 1 January	-11	-3	-14	-14
Impairment losses for the year	-	-8	-	-
Accumulated impairment losses at 31 December	-11	-11	-14	-14
Carrying amount at 31 December	43	28	13	13

Note 15, cont.

Specification of the Group's and the Parent Company's holdings in associated companies and the carrying amount, SEK million	Corp. Reg. No.	Reg. office	No. of shares	Share of equity, %	Group		Parent Company	
					2015	2014	2015	2014
Sveriges Kommunikationer AB	556005-5955	Stockholm	1,400	50	2	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
Vänertåg AB	556848-9016	Stockholm	25,000	50	0	0	0	0
Linkon AB	556577-2984	Stockholm	125,250	25	39	26	12	12
Total participations in associated companies					43	28	13	13

Specification of associated companies' assets, liabilities, income and results, SEK million	Corp. Reg. No.	Reg. office	2015				2014			
			Assets	Liabilities	Income	Results	Assets	Liabilities	Income	Results
Sveriges Kommunikationer AB	556005-5955	Stockholm	7	3	2	0	8	5	2	0
Kust till Kust AB	556481-7822	Karlskrona	0	0	0	0	0	0	0	0
Trafik i Mälardalen AB	556083-1959	Stockholm	3	2	5	0	4	1	5	1
Fly Rail AB	556773-5252	Stockholm	0	0	-	0	0	0	-	0
Botnietåg AB	556801-1828	Stockholm	131	113	145	17	39	50	200	50
Vänertåg AB	556848-9016	Stockholm	0	0	-	-	0	0	-	-
Linkon AB	556577-2984	Stockholm	275	145	253	59	245	193	0	-11
Total associated companies			416	262	405	76	296	249	207	40

Share of results from associated companies, SEK million	Group		Parent Company	
	2015	2014	2015	2014
Share of results from associated companies for the year	14	4	-	12
Reserve for future losses in associated companies	5	22	4	22
Total	19	26	4	34

The share of equity corresponds with the share of voting rights. The share in profits from associated companies for the year is mainly attributable to the share in profits in the associated company Linkon,

of which 75 percent was divested in December 2014, and therefore subsequently classified as an associated company.

16. Non-current receivables

SEK million	Group				Parent Company			
	2015		2014		2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Deposits	1	1	173	173	-	-	173	173
Long-term investments	79	79	223	223	-	-	-	-
Other long-term receivables	-	-	171	171	-	-	171	171
Total	80	80	568	568	0	0	344	344

In 2015, non-current receivables pertained to long-term investments in the subsidiary SJ Försäkring to guarantee actuarial commitments. The market value of the investments amounted to SEK 80 million (223) at the balance-sheet date.

In 2014, non-current receivables and deposits pertained to hedges in connection with lease financing of SEK 336 million for the double-deckers. On 30 June, the remaining lease value of SEK 383 million, pertaining to the double-deckers, was redeemed. The redemption payment was financed with own funds and in connection with the redemption, SJ's previously paid deposits of SEK 339 million on the lease loan, including interest, were refunded.

17. Accounts receivable

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

Age distribution of accounts receivable, SEK million	Group		Parent Company	
	2015	2014	2015	2014
< 30 days	231	172	87	94
30–60 days	5	7	5	7
60–90 days	3	-2	3	-2
> 90 days	11	33	11	33
Settlement accounts	-1	2	-1	1
Total	249	211	105	133

Of which:	Group	
Bad debts, SEK million	2015	2014
Bad debts at 1 January	8	9
Provision for possible losses	1	2
Realized losses	-3	-3
Bad debts at 31 December	7	8

18. Other receivables

SEK million	Group		Parent Company	
	2015	2014	2015	2014
VAT and tax assets	173	131	148	103
Damage, vehicles	21	55	21	42
Reinsurance	-	4	-	-
Other receivables	14	3	0	3
Total	208	193	170	148

19. Prepaid expenses and accrued income

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Prepaid vehicle expenses	24	15	24	15
Prepaid lease expenses	74	72	37	39
Prepaid maintenance expenses	26	20	-	0
Prepaid station charges	-	8	-	7
Other prepaid expenses	48	61	46	57
Accrued interest income	2	18	2	3
Other accrued income	24	12	9	12
Total	198	206	118	133

Other prepaid expenses largely consisted of IT licenses.

20. Financial instruments and financial risk management

Management of financial risks

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

Market risk

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

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

Currency risk

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

SJ's transaction exposure in operating activities is limited.

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

Major investments are continuously hedged through the foreign exchange market.

The value of SJ's currency forward contracts changes constantly in pace with exchange rates movements. Since currency transactions are carried out, the aim is to secure payment transactions.

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

At the balance-sheet date, SJ had outstanding currency derivatives pertaining to major investments with a nominal value of SEK 0 million (0). The fair value of these positions was SEK 0 million (0). There were also currency derivatives with a nominal value of SEK 18 million (19), pertaining to hedges of financial investments in foreign currency. The fair value of these positions was SEK 0 million (0).

Interest-rate risk

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

SJ's borrowings consist of bank loans with floating interest rates.

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

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

At the balance-sheet date, the average fixed-interest term for the Group's interest-bearing borrowings was 1.1 years (1.3).

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

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

Other price risks

Other price risks is the risk that the fair value of a financial instrument is affected by factors other than currency and interest-rate fluctuations.

SJ is exposed to other price risks in the valuation of its bond portfolio, by changes in the issuer's credit risk premium or by general changes in the market's credit spreads. SJ only holds bonds with a high rating, meaning a lower credit risk premium and less fluctuation in absolute value.

At the balance-sheet date, the market value of SJ's bonds with a maturity exceeding 1 year amounted to SEK 777 million (715).

Credit and counterparty risk

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

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

Notes

Note 20, cont.

Financial credit risk

SJ's financial policy prescribes how cash and cash equivalents may be invested. Counterparty credit is to correspond to a K-1 rating or better for short-term investments.

No rating is required for central government, municipalities, county councils or state-owned companies.

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

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

At the balance-sheet date of 31 December 2015, total counterparty exposure in investments amounted to SEK 797 million (1,328). Of the total counterparty exposure, financial assets measured at fair value amounted to SEK 797 million (1,328). The change was largely due to redemption of the remaining lease pertaining to the double-deckers on 30 June 2015, in an amount of SEK 383 million. The redemption payment was financed with own funds and in connection with the redemption, SJ's previously paid deposits of SEK 339 million on the lease loan, including interest, were refunded.

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

Financing and liquidity risk

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

SJ's financing sources primarily consist of cash flow from operating activities, and borrowings.

Interest-bearing borrowings comprises long-term covered bank loans with Nordea Finans and Nordiska Investeringssbanken with floating interest rates.

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

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

At the balance-sheet date, funds available to the operations within three days totalled SEK 815 million (1,060).

In addition, unutilised credit facilities amounted to SEK 100 million (100) at the balance-sheet date.

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

Maturity analysis related to outstanding financial liabilities, SEK million	Group/Parent Company					
	2015			2014		
	Interest	Amortisation	Cash flow	Interest	Amortisation	Cash flow
Financial liabilities measured at amortised cost						
Within 1 year	17	111	128	14	415	429
1–2 years	18	111	129	13	40	54
2–3 years	18	111	129	13	41	54
3–4 years	19	111	130	13	41	54
4–5 years	19	304	323	14	41	55
5 years or more	45	730	775	34	544	578
Total	137	1,478	1,615	102	1,122	1,224
Less current portion	-17	-111	-128	-14	-415	-429
Total non-current portion	120	1,367	1,487	88	707	795

Financial liabilities pertain to bank loans and workshop rents, which are treated as lease liabilities.

Financial derivative instruments, SEK million	Group/Parent Company			
	2015		2014	
	Nominal value	Fair value	Nominal value	Fair value
Interest-rate swaps	400	-13	500	-18
Currency forward contracts, positive	-	-	-	-
Currency forward contracts, negative	18	0	19	0
Total	418	-13	519	-18

At the end of 2015, the total market value of derivatives held for hedging purposes, including financial hedging, was a negative SEK 13

million (neg: 18). Of this amount, the market value of derivatives that qualified for hedge accounting was a negative SEK 13 million (neg: 18).

Maturity structure of derivatives, SEK million	Group/Parent Company			
	2015	2014	2015	2014
	Interest-rate swaps	Interest-rate swaps	Currency forward contracts	Currency forward contracts
Within 1 year	–	300	18	19
1–2 years	100	–	–	–
2–3 years	100	100	–	–
3–4 years	100	–	–	–
4–5 years	–	100	–	–
5 years or more	100	–	–	–
Total	400	500	18	19

Sensitivity analysis

SJ's borrowings mainly comprise bank loans with floating interest rates, based on one, three or six-month STIBOR.

Derivative instruments, such as interest-rate swaps, are used to manage the interest rate exposure and achieve the desired fixed-interest term, which changes the floating rate to a fixed rate. SJ's interest-bearing borrowings amounted to SEK 1,478 million. Since four interest-rate swaps with a total nominal value of SEK 400 million (500) have been purchased, SJ's direct transaction exposure, at an interest-rate change of +1 percent, would amount to an approximate loss of SEK 11 million annually. SJ's interest rate swaps of SEK 400 million have an average maturity of 1.8 years, which would result in a simultaneous increase in value of approximately SEK 14 million at a +1 percent shift in the yield curve. Since hedge accounting is applied, the change in value affects other comprehensive income.

Of SJ's available liquidity of SEK 894 million, SEK 830 million has been invested with maturities of less than 1 year, or in FRN bonds.

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

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

Sensitivity analysis, SEK million	Volume	Change in value	Effect on earnings on a one-year horizon
Interest-rate change, +1%, all interest rates			
Interest-bearing borrowings	1,478		-15
Interest-rate hedging instruments	400	14	4
Transaction exposure in the debt portfolio	1,078		-11
Short-term investments and FRN bonds	830		8
Total transaction exposure	248		-3
Fixed-rate bond portfolio		-1	

In the longer term, in accordance with net debt of SEK 751 million at 31 December 2015, a 1 percent change in the market interest rate would result in an annual negative exposure of SEK 8 million (pos: 4).

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

Group				2015		2014	
Classification of financial instruments, SEK million	Category	Measurement	Note	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets							
Deposits	Held to maturity	Amortised cost	16	1	1	173	173
Other non-current receivables	Available-for-sale financial assets	Fair value	16	79	79	394	394
Total financial assets				80	80	568	568
Current assets							
Accounts receivable and other receivables	Loans and accounts receivable	Amortised cost	17	457	457	404	404
Short-term investments							
Commercial papers	Available-for-sale financial assets	Fair value		0	0	45	45
Bonds	Financial assets measured at fair value through profit or loss	Fair value		718	718	715	715
Total current assets				1,175	1,175	1,164	1,164
Cash and cash equivalents							
Cash and bank balances	Loans and accounts receivable	Amortised cost		97	97	345	345
Total cash and cash equivalents				97	97	345	345

Notes

Note 20, cont.

Group Classification of financial instruments, SEK million	Category	Measurement	Note	2015		2014	
				Carrying amount	Fair value	Carrying amount	Fair value
Derivatives							
Interest-rate swaps	Derivatives identified as hedging instruments	Fair value	20	-13	-13	-18	-18
Currency forwards	Available-for-sale financial hedges	Fair value	20	0	0	0	0
Total derivatives				-13	-13	-18	-18
Financial liabilities							
Bank loans	Financial liabilities mea- sured at amortised cost	Amortised cost	22	1,452	1,452	722	722
Accounts payable and other liabilities	Financial liabilities mea- sured at amortised cost	Amortised cost		593	593	506	506
Other liabilities	Financial liabilities mea- sured at amortised cost	Amortised cost		148	148	229	229
Total financial liabilities				2,193	2,193	1,457	1,457

Hierarchy Level 2 for financial instruments measured at fair value.

SEK million	2015	2014
Hierarchy 2	784	1,136
Total financial instruments measured at fair value	784	1,136

Level 2 – Financial instruments whose fair value is determined using valuation techniques based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-current assets

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

Other non-current receivables include long-term deposits of SEK 0 million (336), which previously constituted security for lease financing of the double-deckers.

SJ Försäkring has long-term investments to guarantee actuarial commitments, which amounted to SEK 79 million (223).

Current assets

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

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

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

Short-term investments

The Group's short-term investments comprise financial instruments with a maturity of 91 days to one year, and longer-term bond assets that are available for sale.

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

Cash and cash equivalents

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

The Parent Company's cash and cash equivalents comprise cash on hand and demand deposits at banks and similar institutions.

Commercial papers are classified as cash and cash equivalents if their maturity is less than three months.

Derivatives

Derivatives refer to derivatives outstanding at the balance-sheet date, which were valued at a negative amount of SEK 13 million (neg: 18).

No set-off amount existed on the closing date.

Financial liabilities

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

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

Accounts payable and other liabilities are recognised at the amounts expected to be settled.

Interest-rate fixing and borrowings

At 31 December 2015, the average interest rate of total long-term, interest-bearing liabilities outstanding was 0.6 percent (1.1) excluding, and 1.0 percent (2.0) including, fixed-income derivatives.

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

At the balance-sheet date, the Group's total loan commitments granted had an average maturity of 5.3 years (4.1).

21. Equity

Group

Share capital

According to SJ AB's Articles of Association, the share capital is to amount to not less than SEK 400 million (400) and not more than SEK 1,600 million (1,600). All shares are fully paid-up. No shares are held by the company itself, or by its subsidiaries. SJ AB has no Class A shares, Class B shares or preference shares. The number of shares is 4,000,000 and the quotient value is SEK 100 per share.

Reserves

Hedge accounting is applied for some derivatives, interest-rate swaps and currency forwards, which means that the change in value has been recognised in equity in the balance sheet through other comprehensive income. At the balance-sheet date, derivatives amounted to a negative SEK 8 million.

Cash-flow hedges and available-for-sale financial assets

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

Deferred tax on cash-flow hedges and financial assets available-for-sale

Deferred tax is recognised in other comprehensive income.

Specification of reserves, other comprehensive income	Cash-flow hedges		Financial assets available- for-sale	
	2015	2014	2015	2014
Group SEK million				
Opening balance for the period	-12	-2	4	7
Change in value of assets available-for-sale	-	-	-5	-4
Change in value of cash-flow hedges	-3	-24	-	-
To the income statement	8	10	-	-
To the balance sheet	-	-	-	-
Tax effect	-1	4	1	1
Closing balance for the period	-8	-12	0	4

Retained earnings, including profit for the year

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

Financial targets

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

SEK million	2015	2014
Financial liabilities (interest-bearing)	1,646	1,277
Less: Financial assets (interest-bearing)	-895	-1,673
Net debt	751	-396
Total equity	3,876	5,345
Cash-flow hedges and finan- cial assets available-for-sale	4	-10
Adjusted equity	3,880	5,335
Net debt/equity ratio, multiple	0.2	-0.07

Parent Company

Restricted and unrestricted reserves

Equity is divided into restricted equity and unrestricted equity.

The distributable amount is subject to both a dividend block and the prudence concept. The dividend block means that no dividends may be paid unless there is full coverage for the restricted equity immediately after the distribution. In addition, the prudence concept means that dividends may only be paid when they are justified with regard to the risks imposed by the nature and scale of the operations on the equity of the Parent Company and Group.

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

Specification of reserves, other comprehensive income	Cash-flow hedges		Financial assets available- for-sale	
	2015	2014	2015	2014
Parent Company SEK million				
Opening balance for the period	-12	-2	0	3
Change in value of assets available-for-sale	-	-	-1	-4
Change in value of cash-flow hedges	-3	-24	-	-
To the income statement	8	10	-	-
To the balance sheet	-	-	-	-
Tax effect	-1	4	0	1
Closing balance for the period	-8	-12	0	0

22. Interest-bearing liabilities

SJ's borrowings consist of bank loans with vehicles pledged as collateral. The agreements are not subject to financial credit terms.

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

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

In autumn 2015, a new ten-year bank loan of SEK 770 million was raised, using the 11 remaining SJ 3000 train sets as collateral.

SJ leases workshop premises in Olskroken, Hagalund and Västerås, which are sub-leased to SJ's maintenance providers. The total annual rent for the leases is SEK 43 million (44).

At the beginning of 2015, SJ had finance leases with Nordea Finans Sverige AB (Nordea Finans) pertaining to 42 double-deckers, with maturity until 2014–2015.

At the balance-sheet date, the total finance lease liability for the double-deckers amounted to SEK 0 million (374).

SEK million	2015	2014
Future minimum lease payments	34	414
Interest	-7	-10
Present value of future minimum lease payments	27	404

Maturity structure of leases, SEK million	2015		2014	
	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	5	4	380	373
Total current lease liabilities	5	4	380	373
In more than 1 year, but less than 5 years	16	14	17	16
More than 5 years	13	9	17	15
Total long-term lease liabilities	29	22	34	31
Total lease liabilities	34	27	414	404

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

Maturity structure of bank loans, SEK million	Amortisation	
	2015	2014
Within 1 year	108	37
Total current bank loans	108	37
In more than 1 year, but less than 5 years	625	150
More than 5 years	720	532
Total long-term bank loans	1,345	682

Operating leases, Group, SEK million				2014		
Nominal value of future payment commitments	Vehicles	Premises	Total	Vehicles	Premises	Total
Within 1 year	483	203	686	472	309	781
1–2 years	141	19	160	296	206	502
2–3 years	141	11	152	114	48	162
3–4 years	23	0	23	112	39	152
4–5 years	23	0	23	0	33	33
5 years or more	0	0	0	0	38	38
Total	811	233	1,044	994	674	1,669

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

The leases are contracted at standard market terms and conditions. In 2015, rent paid amounted to SEK 783 million (814).

23. Provisions

Group SEK million	Annuities		Restructuring		Insurance contracts		Loyalty programme		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Provision at 1 January	152	144	26	14	70	89	99	96	32	17	379	358
Provisions	105	26	0	113	54	22	90	84	54	132	302	378
Estimated interest	4	4	-	-	-	-	-	-	-	-	4	4
Released	-	-	-7	-	-	-	-23	-24	-	-	-30	-24
Utilised	-93	-22	-18	-101	-94	-41	-60	-57	-77	-117	-34	-339
Total	168	152	1	26	30	70	106	99	10	32	316	379
Distribution in the balance sheet												
Non-current provisions	161	145	0	0	14	14	20	10	0	0	195	170
Current provisions	7	7	1	26	16	56	86	89	10	32	120	210
Total	168	152	1	26	30	70	106	99	10	32	316	379

Parent Company SEK million	Annuities		Restructuring		Insurance contracts		Loyalty programme		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Provision at 1 January	102	95	23	6	0	0	99	96	28	13	252	210
Provisions	86	18	-	113	17	-	90	84	54	131	248	346
Estimated interest	3	3	-	-	-	-	-	-	-	-	3	3
Released	-	-	-7	-	-	-	-23	-24	-	-	-30	-24
Utilised	-23	-14	-15	-96	-	-	-60	-57	-75	-116	-173	-282
Total	168	102	1	23	17	0	106	99	8	28	300	252
Distribution in the balance sheet												
Non-current provisions	161	97	0	0	14	0	20	10	0	0	195	107
Current provisions	7	5	1	23	3	0	86	89	8	28	105	145
Total	168	102	1	23	17	0	106	99	8	28	300	252

Annuities

Annuities pertain to the compensation payable to slightly more than 60 people who have been injured as a result of SJ's railway operations. Annuities are usually life-long, but the amount paid is usually reduced by about one-third at the age of 65. Annuities are adjusted annually to account for inflation. The average maturity for future annuity claims is about 14 years. Calculation of the reserve is based on assumptions regarding life expectancy, the discount rate and the index at which the index-linked annuities are adjusted.

As of 2015, SJ has applied a new method for calculating the provision for annuities, due to SJ AB taking over all annuities from the Group's insurance company, with the approval of the injured parties. The new method is based on a number of assumptions that are established when calculating the provision. The discount rate of two percent is based on the average risk-free nominal interest rate over the past five years, with a maturity of 11 years. The duration of the commitment is currently several years longer but will progressively decrease, which is the reason for choosing a discount rate based on a shorter duration. At 31 December 2015, the changed assumptions resulted in a higher provision of SEK 17 million.

Insurance contracts

In 2015, SJ AB took over ongoing personal injury claims, with the approval of the injured parties, from the Group's insurance company for further administration.

Loyalty programme

SJ Prio is SJ's loyalty programme for passengers, and was launched in 2007. SJ Prio currently has about 1,040,000 members, of whom 185,000 joined in 2015. Income derived from SJ Prio is recognised in accordance with IFRIC 13, Customer Loyalty Programmes. The initial sale is divided using the component method, entailing that a portion of the income is reserved as a payment obligation for the future bonus commitment. The customer loyalty programme offers rewards in the form of points when the member makes purchases from SJ or selected partners. The points can subsequently be used, for example, for travel and hotel accommodation. Membership is free of charge and available at three levels – white, grey and black – where black is the highest level. The customer loyalty programme encourages and rewards loyalty. The more customers travel with SJ, the more offers and benefits they receive. The loyalty programme provision matures within two years.

Other

The provision for the year consists of delay compensation and insurance deductibles. In the preceding year, provision for the year consisted of travel time guarantee, lease expenses for completed operations and insurance deductibles.

24. Accrued expenses and deferred income

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Personnel-related expenses	243	242	179	179
Electricity and infrastructure charges	109	110	77	77
Vehicle-related expenses	100	152	85	145
Other accrued expenses	116	108	86	68
Prepaid annual season tickets and travel tickets	235	234	235	234
Other deferred income	33	36	33	36
Total	836	882	695	739

25. Pledged assets

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Collateral for raised loans	1,772	845	1,772	845
Deposits	–	336	–	336
Total	1,772	1,181	1,772	1,181

In conjunction with raising loans from Nordea and Nordiska Investeringssbanken in October 2012, nine SJ 3000 train sets were pledged as collateral. In September 2015, SJ AB raised a new loan with Nordiska Investeringssbanken and an additional 11 SJ 3000 train sets were pledged as collateral. At 31 December 2015, the carrying amount for all 20 train sets was SEK 1,772 million (845). At 31 December 2015, the carrying amount for these raised loans was SEK 1,454 million (722).

26. Contingent liabilities

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Guarantee commitments as general partner	–	–	204	212
Capital adequacy guarantee, Group companies	–	–	130	130
Guarantees	330	280	330	280
Other	7	10	7	10
Total	337	290	672	632

In the Group, this item primarily consists of pledged guarantees in accordance with agreements for contracted services. The guarantees totalled SEK 330 million (280), of which the new contract with Västtågen accounted for SEK 300 million (250).

As a general partner, the Parent Company has a commitment amounting to SEK 204 million (212) for Stockholmståg KB's external liabilities.

The Parent Company has issued a capital adequacy guarantee for the benefit of all subsidiaries valid until 31 December 2016. All subsidiaries except for SJ Norrlandståg are profitable and, accordingly, it is not considered likely that an outflow of resources will be required to settle the obligation. In the annual accounts, equity in SJ Norrlandståg was restored through Group contributions received from the Parent Company.

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

27. Events after the balance sheet date

On 17 December 2015, the Riksdag adopted a new law requiring ID checks for passengers who are travelling to Sweden. According to the government's legislation, ID documents are to be checked before arriving in Sweden from Denmark, and any passengers without valid ID documents will be denied entry.

SJ decided not to operate services between Sweden and Denmark (in both directions) from 4 January 2016, when the legislation came into effect, due to lack of preconditions to be able to check ID documents at Copenhagen Central Station (Hovedbanegård). SJ and Banedanmark have now developed a joint solution to enable ID checks and on 1 March 2016, services will resume to and from Copenhagen.

In a decision handed down on 23 March 2015, the Administrative Court upheld the Swedish Work Environment Authority's request that a fine be imposed for alleged deficiencies in the depot area at Hagalund, and ordered SJ to pay a fine of SEK 0.6 million to the Swedish government. SJ applied for permission to appeal the decision, but neither the Administrative Court of Appeal nor the Supreme Administrative Court granted permission to appeal. The Administrative Court's decision therefore stands, and SJ will pay a fine of SEK 0.6 million.

Assurance

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

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

Stockholm, 17 March 2016

Jan Sundling
Chairman of the Board

Ulrika Dellby
Board member

Mikael Staffas
Board member

Siv Svensson
Board member

Michael Thorén
Board member

Mikael Stöhr
Board member

Gunilla Wikman
Board member

Hans Pilgaard
Board member

Per Hammarqvist
Board member

Erik Johannesson
Board member

Crister Fritzson
Chief Executive Officer

Our Auditors' Report was submitted on 17 March 2016.

Deloitte AB

Hans Warén
Authorised Public Accountant

Auditors' Report

To the annual meeting of the shareholders of SJ AB
Corporate identity number 556196-1599

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of SJ AB for the financial year 2015-01-01 - 2015-12-31, with exception for the Corporate Governance Report on pages 23-29. The company's annual accounts and consolidated financial statements are included in this document on pages 16-23 and 30-65.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our audit opinion does not cover the Corporate Governance report on the pages 23-29. The Directors Report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of SJ AB for the financial year 2015-01-01 - 2015-12-31. We also conducted a statutory review of the Corporate Governance Report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and for preparation of the Corporate Governance Report on pages 39-45 in accordance with the State Ownership Policy's guidelines for State-owned companies.

Auditor's responsibility

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors [or the Managing Director] has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

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

Stockholm, 17 March 2016
Deloitte AB

Signature on Swedish original

Hans Warén
Authorised public accountant

Definitions and measuring methods

Absence due to illness

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

Accessibility

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

Average number of employees

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

Brand index (BI)

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

Capital employed

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

Carbon dioxide (CO₂)

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

Cash and cash equivalents

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

CO₂ emissions (metrics and scope)

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

Customer Satisfaction Index

Measurement of passenger satisfaction, based on the customer's overall travel experience with SJ over the past 12 months. Both SL and Västtrafik conduct monthly on-board surveys to measure customer satisfaction levels for trips with Stockholmståg and SJ Götalandståg. SJ Götalandståg's index measures satisfaction with the most recent trip.

Debt/equity ratio

Interest-bearing liabilities divided by equity.

Delay compensation

Replaces SJ's travel time guarantee.

Earnings per share

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

EFQM

An European quality model for business development that SJ uses to measure its progress in relation to its vision and adopted targets.

Electricity consumption

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

Employees

See full-time equivalents (FTEs).

Environmental index

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

Equity/assets ratio

Equity in relation to total assets.

Full-time equivalents

The number of employees measured in contracted periods and full-time positions. Employees on leave of absence without pay are not included. Full-time equivalent (FTE) is a time metric for the contracted period. One employee working full time is one FTE, while an employee working 80 percent is 0.8 of an FTE. The time for employees working on an hourly basis is calculated in terms of FTEs.

GJ (Gigajoule)

1 billion joules, a unit of energy.

Global Compact

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

Global Reporting Initiative (GRI)

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

Good Environmental Choice

The Swedish Society for Nature Conservation's ecolabel. An ecolabelled trip should have a low climate impact, be energy-efficient and generate low emissions. One requirement is to purchase ecolabelled electricity. Ecolabelling electricity sets environmental requirements for production. An annual third-party review ensures that SJ meets these requirements.

GWh (Gigawatt hour)

1 million kilowatt hours, a unit of energy.

ISO 9001

An international standard for quality management systems.

ISO 14001

An international standard for environmental management systems.

Leadership index

Measures employees' perceptions of how managers create positive conditions for performance.

Load factor

The relationship between passenger kilometres and seat kilometres as a percent.

Net debt

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

Net debt/equity ratio, multiple

Net interest-bearing provisions and liabilities less interest-bearing assets in relation to equity.

No. of journeys/passengers

Number of journeys sold per line.

Definitions and measuring methods

OHSAS 18001

International standard for occupational health and safety management systems.

On-board survey

Regular customer surveys conducted on board trains.

Operating capital

Average equity and net debt.

Operating margin

Operating profit/loss as a percentage of net sales.

Operating profit

The difference between operating income/loss and operating expenses.

Own rail services

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

Passenger distance

The number of passenger kilometres.

Passenger kilometres

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

Passenger Transport Executives (PTEs)

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

Performance index

The prerequisites we have in our daily operations to discharge our assignment.

Profit margin

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

Punctuality

The percentage of trains arriving at their destination on time (train punctuality). Route punctuality is a mean for punctuality at all stations where passengers embark and disembark. As of 2013, the industry standard is defined as arrival within five minutes for long-distance and regional trains, and

within three minutes for commuter trains. For reporting purposes, TTT and SJ Göta-landståg measure train punctuality, while SJ AB and Stockholmståg measure route punctuality.

Regularity

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

Replacement services (bus and taxi)

Buses and taxis are used as replacement services during planned track maintenance and unplanned disruptions to train services. Replacement services are requested by traffic management.

Return on capital employed

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

Return on equity

Profit for the period as a percentage of average equity for the 12-month period.

Return on operating capital

Operating profit as a percentage of average operating capital.

Sales

Total revenue.

Seat kilometres

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

Senior executives

Members of the Executive Management and the presidents of subsidiaries who report to the CEO.

Service index

Measurement of passengers' perception of service, information, accessibility and on-board customer care.

Short-term investments

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

SJ Volunteer

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

Supplier and partnership assessment

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

Tendered services

The rail services operated by SJ on behalf of Passenger Transport Executives (PTEs). Tendered (government-funded) services include commuter rail services in Gothenburg, which are operated by SJ's subsidiary SJ Götalandståg on behalf of Västtrafik.

Tilting mechanism

Technology enabling rail carriages to tilt slightly inwards when rounding a curve, thereby enabling trains to travel faster without discomfort for passengers. The X 2000 is a high-speed tilting train.

Traffic revenue

Revenue from own rail services and tendered services.

Traffic-safety index

Valuation of traffic-safety-related accidents occurred in relation to the production volume.

Train kilometres

The total distance travelled by all trains.

Travel time guarantee

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

Underlying operating profit

Operating profit after adjustment for items affecting comparability.

Wi-Fi, 4G

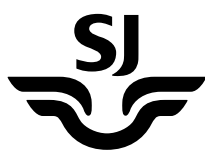
Wireless network with the fourth-generation of broadband mobile communications, offering faster internet access than in the past.

Yield

Income from own rail services (SJ Biljetter), including booking fees and less delay compensation, divided by the total number of passenger kilometres.

Production: SJ in cooperation with Intellecta Corporate AB.

Photo: Bsmart, Johanna Berglund, Christian Andersson, Patrik Engström, Jann Lipka, Stefan Nilsson, Magnus Fond, Erik Svensson, Jason Strong, Mostphotos and SJ imagebank.



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